



**SONAE INDÚSTRIA, SGPS, S.A.**

Registered Office: Lugar do Espido, Via Norte, Maia

Registered at the Commercial Registry of Maia

Registry and Tax Identification Number 506 035 034

Share Capital: 700 000 000 euros

Publicly Traded Company

**Corporate Governance Report**

**2012**

26 February 2013

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## 0. Compliance with CMVM Recommendations

Sonae Indústria, SGPS, SA (Sonae Indústria) is subject to the Corporate Governance Code published by CMVM (the Portuguese Securities Market Commission) in January 2010, which is posted at [www.cmvm.pt](http://www.cmvm.pt).

From all the recommendations in the Corporate Governance Code, Sonae Industria only fails on 2012 year to adopt 2 recommendations for the reasons explained below. Sonae Industria is aware of the importance of good corporate governance for business and for its shareholders and constantly seeks to adopt best practices in all areas in which operates. Therefore, in addition to fulfilling legal requirements and recommendations of the referred Code, Sonae Indústria has its own code of conduct, which can be found on the company website [www.sonaeindustria.com](http://www.sonaeindustria.com).

	<b>RECOMMENDATION</b>	<b>Degree of Compliance</b>	<b>Corporate Governance Report</b>
<b>I.</b>	<b>SHAREHOLDER'S GENERAL MEETING</b>		
<b>I.1.</b>	<b>BOARD OF THE SHAREHOLDER'S GENERAL MEETING</b>		
<b>I.1.1.</b>	The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking the financial position of the company into consideration.	<b>Comply</b>	<b>1.1.</b>
<b>I.1.2.</b>	The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual corporate governance report.	<b>Comply</b>	<b>1.2.</b>
<b>I.2.</b>	<b>PARTICIPATION AT THE MEETING</b>		
<b>I.2.1.</b>	The requirement of the Board of the Shareholders' General Meeting to receive statements for share deposit or blocking for participation before the General Meeting shall not exceed 5 working days.	<b>Comply</b>	<b>1.3.</b>
<b>I.2.2.</b>	Should the General Meeting be suspended, the Company shall not require share blocking during the interim period until the meeting is resumed, and shall then prepare itself in advance as required for the first session.	<b>Comply</b>	<b>1.3.</b>
<b>I.3.</b>	<b>VOTING AND EXERCISING VOTING RIGHTS</b>		
<b>I.3.1.</b>	Companies should not impose any statutory restriction on postal voting and whenever adopted or admissible, on electronic voting.	<b>Comply</b>	<b>1.3.</b>
<b>I.3.2.</b>	The statutory advance deadline for receiving voting ballots by post shall not exceed 3 working days.	<b>Comply</b>	<b>1.3.</b>
<b>I.3.3.</b>	Companies shall ensure the level of voting rights and the shareholder's participation is proportional, ideally through the statutory provision that obliges the one share-one vote principal. The companies that: i) hold shares that do not confer voting right; ii) establish non-casting of voting rights above a certain number, when issued solely by a shareholder or by shareholders related to former, do not comply with the proportionality principle.	<b>Comply</b>	<b>1.3.</b>

<b>I.4. RESOLUTION-FIXING QUORUM</b>			
	Companies shall not set a resolution-fixing quorum that outnumbers that which is prescribed by law.	<b>Comply</b>	<b>1.3.</b>
<b>I.5. MINUTES AND INFORMATION ON RESOLUTIONS PASSED</b>			
	Extracts from the minutes of the general meetings or documents with corresponding content must be made available to shareholders on the company's website within a five day period after the General Meeting has been held, irrespective of the fact that such information may not be classified as material information. The information disclosed shall cover the resolutions passed, the represented capital and the voting results. Said information shall be kept on file on the company's website for no less than a 3 year period.	<b>Comply</b>	<b>1.3.</b>
<b>I.6. MEASURES RELATING TO CHANGES IN CONTROL</b>			
<b>I.6.1</b>	Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests. The company's articles of association that by complying with said principal, provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), 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 resolution, all votes issued be counted, without applying said restriction.	<b>Comply</b>	<b>1.3.</b>
<b>I.6.2</b>	In cases such as change of control or changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate an immediate and serious asset erosion in the company, and further disturb the free transmission of shares and voluntary performance assessment by the shareholders of the members of the Board of Directors.	<b>Comply</b>	<b>1.3.</b>
<b>II. MANAGEMENT AND AUDIT BOARDS</b>			
<b>II.1 GENERAL POINTS</b>			
<b>II.1.1 STRUCTURE AND DUTIES</b>			
<b>II.1.1.1</b>	The Board of Directors shall assess the adopted model in its Annual Report on Corporate Governance and pin-point possible hold-ups to its functioning and shall propose measures that it deems fit for surpassing such obstacles.	<b>Comply</b>	<b>2.1.</b>
<b>II.1.1.2</b>	Companies shall set up internal control and risk management systems in order to safeguard the company's worth and which will identify and manage the risk. Said systems shall include at least the following components: i) setting of the company's strategic objectives as regards risk assumption; ii) identifying the main risks associated to the company's activity and any events that might generate risks; iii) analyse and determine the extent of the impact and the likelihood that each of said potential risks will occur; iv) risk management aimed at aligning those actual	<b>Comply</b>	<b>2.2.2. and 2.2.3.</b>

incurred risks with the company's strategic options for risk assumption;. v) control mechanisms for executing measures for adopted risk management and its effectiveness; vi) adoption of internal mechanisms for information and communication on several components of the system and of risk-warning ; vii) periodic assessment of the implemented system and the adoption of the amendments that are deemed necessary

II.1.1.3	The Board of Directors shall ensure the establishment and functioning of the internal control and risk management systems. The Supervisory Board shall be responsible for assessing the functioning of said systems and proposing the relevant adjustment to the company's needs.	Comply	2.2.4.
II.1.1.4	The companies shall: i) identify the main economic, financial and legal risk that the company is exposed to during the exercise of its activity; ii) describe the performance and efficiency of the risk management system, in its Annual Report on Corporate Governance.	Comply	2.4.
II.1.1.5	The Board of Directors and Supervisory Board shall establish internal regulations, which shall be disclosed on the Company's website.	Comply	2.3.

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## II.1.2. INCOMPATIBILITY AND INDEPENDENCE

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II.1.2.1	The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	Comply	2.1.1. and 2.1.2.
II.1.2.2	Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	Comply	2.8.
II.1.2.3	The independency assessment of its non-executive members carried out by the Board of Directors shall take into account the legal and regulatory rules in force concerning the independency requirements and the incompatibility framework applicable to members of other corporate boards, which ensure orderly and sequential coherence in applying independency criteria to all the company. An independent executive member shall not be considered as such, if in another corporate board and by force of applicable rules, may not be an independent executive member.	Comply	2.8.

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## II.1.3. ELIGIBILITY AND APPOINTMENT

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II.1.3.1	Depending on the governance model adopted, the Chairman of the Statutory Audit Board, of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform his duties.	Comply	2.11.
II.1.3.2	The selection process of candidates for non-executive members shall be conjured so as prevent interference by executive members.	Comply	2.8.

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## II.1.4. POLICY ON THE REPORTING OF IRREGULARITIES

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II.1.4.1	The Company shall adopt a policy of reporting irregularities that allegedly occurred, which includes the following information: i) the means through which	Comply	2.13.
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II.1.4.2	<p>such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.</p> <p>General guidelines from this policy should be disclosed in the Corporate Governance Report</p>	Comply	2.13.
<b>II.1.5. REMUNERATION</b>			
II.1.5.1.	<p>The remuneration of the Members of the Board of Directors shall be structured so that the formers' interests are capable of being aligned with the long-term interests of the company. Furthermore, the remuneration shall be based on performance assessment and shall discourage taking on extreme risk. Thus, remunerations shall be structured as follows: i) The remuneration of the Board of Directors carrying out executive duties shall include a variable element which is determined by a performance assessment carried out by the company's competent bodies according to pre-established quantifiable criteria. Said criteria shall take into consideration the company's real growth and the actual growth generated for the shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the company's activity; ii) The variable component of the remuneration shall be reasonable overall as regard the fixed component of the remuneration and maximum limits shall be set for all components. iii) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend of the company's steady positive performance during said period; iv) Members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company; v) The Executive Directors shall hold, up to twice the value of the total annual remuneration, the company shares that were allotted by virtue of the variable remuneration schemes, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares; vi) When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years; vii) The appropriate legal instruments shall be established so that in the event of a Director's dismissal without due cause, the envisaged compensation shall not be paid out if the dismissal or termination by agreement is due to the Director's inadequate performance.</p>	Non Comply	<p><b>Although in 2012 Belmiro Mendes de Azevedo had been an Executive Director of the company, his remuneration did not include a variable component. This exception to the remuneration policy of the Executive Directors of the company, which implies the non-compliance with this recommendation, is justified given the fact that this Director is also indirectly the majority shareholder of the company, and is therefore guaranteed the alignment with the shareholders' interests.</b></p>
II.1.5.2	<p>A statement on the remuneration policy of the Board of Directors and Supervisory Board referred to in Article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on: i) which groups of companies the remuneration policy and practices of which were taken as a baseline for setting the remuneration; ii) the payments for the dismissal or termination by agreement of the Directors' duties</p>	Comply	2.12.
II.1.5.3	<p>The remuneration policy statement referred to in Article 2 of Law No. 28/2009 shall also include the</p>	Comply	2.12.

directors, within the meaning of Article 248-B/3 of the Securities Code, whose remunerations contain an important variable component. The statement shall be detailed and the policy presented shall particularly take the long-term performance of the company, compliance with the rules applicable to its business and restraint in taking risks into account.

<b>II.1.5.4</b>	A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Board of Directors and Supervisory Board and other managers within the context of Article 248-B/3 of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's conditions. The main characteristics of the retirement benefit plans established for members of the Board of Directors and Supervisory Board and other managers within the context of Article 248-B/3 of the Securities Code, shall also be approved at the General Meeting.	<b>Comply</b>	<b>2.12.</b>
<b>II.1.5.6</b>	At least one of the Remuneration Committee's representatives shall be present at the Shareholders' General Meeting.	<b>comply</b>	<b>1.3.</b>

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**II.2. BOARD OF DIRECTORS**

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<b>II.2.1</b>	Within the limits established by law for each management and supervisory structure, and unless the Company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties shall be identified in the Corporate Governance Report.	<b>Comply</b>	<b>2.1.2.</b>
<b>II.2.2</b>	The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	<b>Comply</b>	<b>2.1.2.</b>
<b>II.2.3</b>	Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the Corporate Governance Report.	<b>Comply</b>	<b>2.1.1 and 2.7.</b>
<b>II.2.4</b>	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restraints that they encountered.	<b>Comply</b>	<b>2.8.</b>
<b>II.2.5</b>	The company shall explain its policy of portfolio rotation on the Board of Directors, including the person responsible for the financial portfolio, and report it in the Annual Corporate Governance Report.	<b>Comply</b>	<b>2.6.</b>

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**II.3. CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS**

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<b>II.3.1</b>	When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to	<b>Comply</b>	<b>2.7.</b>
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	the request.		
<b>II.3.2</b>	The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	<b>Comply</b>	<b>2.7.</b>
<b>II.3.3</b>	The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.	<b>Not Applicable</b>	
<b>II.4.</b>	<b>GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND STATUTORY BOARD</b>		
<b>II.4.1</b>	Besides carrying out its supervisory duties, the General and Supervisory Board shall advise, follow-up and carry out an on-going assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on: i) the definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.	<b>Not Applicable</b>	
<b>II.4.2</b>	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	<b>Comply</b>	<b>2.1.3.</b>
<b>II.4.3</b>	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restraints that they encountered.	<b>Comply</b>	<b>2.1.3.</b>
<b>II.4.4</b>	The General and Supervisory Board, the Auditing Committee and the Statutory Audit Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose the services supplier, the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as being the liaison officer between the company and the first recipient of the reports.	<b>Comply</b>	<b>2.11.4.</b>
<b>II.4.5</b>	According to the applicable model, the General and Supervisory Board, Auditing Committee and Statutory Audit Board shall assess the external auditor on an annual basis and advise the General Meeting that he/she be discharged whenever justifiable grounds are present.	<b>Comply</b>	<b>2.11.4.</b>
<b>II.4.6</b>	The internal audit services and those that ensure compliance with the rules applicable to the company (compliance services) shall functionally report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Statutory Audit Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	<b>Comply</b>	<b>2.2.4.</b>
<b>II.5.</b>	<b>SPECIAL COMMITTEES</b>		

II.5.1	Unless the Company is of a reduced size, and depending on the governance model adopted the Board of Directors and the General and Supervisory Committee, shall set up the necessary Committees in order to: i) ensure that a competent and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees; ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to achieve improvements. iii) in due time identify potential candidates with the high profile required for the performance of director's duties	Comply	2.14. and 2.1.
II.5.2	Members of the Remuneration Committee or alike shall be independent from the Members of the Board of Directors and include at least one member with knowledge and experience in matters of remuneration policy.	Non Comply	One of the members of the Remuneration Committee is also the Chairman of the Board of Directors and was in 2102 also the Chairman of the Executive Committee (see 2.12.).
II.5.3	Any natural or legal person which provides or has provided, over the past three years, services to any structure subject to the Board of Directors, to the Board of Directors of the company or that has to do with the current consultant to the company shall not be recruited to assist the Remuneration Committee. This recommendation also applies to any natural or legal person who has an employment contract or provides services.	Comply	2.12.
II.5.4	All Committees shall draw up minutes of the meetings they hold.	Comply	2.14.

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### III. INFORMATION AND AUDITING

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#### III.1. GENERAL DISCLOSURE REQUIREMENTS

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III.1.1	Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	Comply	3.11.
III.1.2	The following information disclosed on the Company's Internet website, shall be available in English: a) The Company's name, its public company status, the registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office – its functions and contact details; e) Financial Statements; f) Half-Yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening	Comply	3.11.

III.1.3	<p>Shareholders' General Meetings.</p> <p>Companies shall advocate the rotation of auditors after two or three terms depending if these have four or three year mandates, respectively. Their continuance beyond this period must be based on a specific opinion of the Supervisory Board to formally consider the conditions of auditor independence and the benefits and costs of replacement.</p>	<b>Comply</b>	<b>3.12.</b>
III.1.4	<p>The external auditor must, within its powers, verify the implementation of remuneration policies and systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's Supervisory Board.</p>	<b>Comply</b>	<b>2.2.4.</b>
III.1.5	<p>The company shall not recruit the external auditor for services other than audit services, nor any entities with which same takes part or incorporates the same network. Where recruiting such services is called for, said services should not be greater than 30% of the total value of services rendered to the company. The hiring of these services must be approved by the Supervisory Board and must be expounded in the Annual Corporate Governance Report.</p>	<b>Comply</b>	<b>3.12</b>
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<b>IV.</b>	<b>CONFLICTS OF INTEREST</b>		
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<b>IV.1</b>	<b>SHAREHOLDER RELATIONSHIP</b>		
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IV.1.1	<p>Where deals are concluded between the company and shareholders with qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be carried out in normal market conditions.</p>	<b>Comply</b>	<b>3.10.</b>
IV.1.2	<p>Where deals of significant importance are undertaken with holders of qualifying holdings, or entities with which same are linked in accordance with Article 20 of the Securities Code, such deals shall be subject to a preliminary opinion from the Supervisory Board. The procedures and criteria required to define the relevant level of significance of these deals and other conditions shall be established by the Supervisory Board.</p>	<b>Comply</b>	<b>3.10</b>
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## **1. Shareholders' General Meeting**

### **1.1. Board of the Shareholders' General Meeting: composition and duration of the mandate**

The Board of the Shareholders' General Meeting was elected at the Shareholders' Annual General Meeting of Sonae Indústria held on 29<sup>th</sup> March 2012, for the mandate 2012-2014 and is composed of:

- João Augusto Esmeriz Vieira de Castro - Chairman
- António Agostinho Cardoso da Conceição Guedes - Secretary

The company provides human resources and logistical support to the Members of the Board of the Shareholders' General Meeting which is appropriate for their requirements through the corporate legal department. This department actively collaborates in the preparation of general meetings, ensuring the publication of the respective notices, receiving and controlling all communications from shareholders and financial intermediaries and works closely also ensuring the logistical aspects of the meeting.

### **1.2. Remuneration of the Chairman of the Board of the Shareholders' General Meeting**

The remuneration of members of the Board of the Shareholders' General Meeting consists of a fixed fee, determined considering the company situation and market practices.

The remuneration of the Chairman of the Board of the Shareholders' General Meeting in 2012 amounted to 5,000 Euros.

### **1.3. Voting Rights and Shareholder's Representations at General Meeting**

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<sup>o</sup>-C of the Securities Code, added by Decree-Law No. 49/2010 of May 19<sup>th</sup>, 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 5<sup>th</sup> trading day prior to the date of the meeting, hold at least one vote, according to law and the statutes.

In relation to share blocking in the event of suspension of the general meeting, it is to apply what is stated in the law.

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.

To each share corresponds one vote.

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.

All decisions at Shareholders' General Meetings are taken by simple majority except in those situations in which a higher percentage is required by law.

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](http://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.

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.

Following the Annual General Meeting held on 29<sup>th</sup> March 2012, Sonae Indústria disclosed to the market the content of the proposals presented and deliberations taken at such Shareholders' General Meeting. Moreover, Sonae Indústria posted in its website on the 30<sup>th</sup> March information regarding represented capital, voting results for each proposal, as well as the content of the proposals presented at such General Meeting. This information will be maintained on the company's website for no less than a 3 year period, so that shareholders can have access to them.

The member of the Shareholders' Remuneration Committee, Belmiro Mendes de Azevedo, was present at the Shareholders' General Meetings held on the 29<sup>th</sup> March 2012.

As stated in the Company's Articles of Association, the Shareholders' General Meeting is responsible for fixing the remuneration of the members of the governing bodies or electing a committee for this purpose. The Sonae Indústria Shareholders' Annual General Meeting in 2012 elected the Shareholders' Remuneration Committee for the current mandate (the Shareholders' Remuneration Committee is described in section 2.12. of this report).

The Shareholders' Remuneration Committee submitted to the shareholders a proposal on the remuneration policy for members of the governing bodies and other managers as well as a regulation of the grating plan of Sonae Indústria's shares under the Medium Term Variable Bonus which was approved by the Annual General Meeting

Regarding the performance of members of the Board of Directors, in all Annual General Meetings is included, in the terms of the law, a point on the agenda regarding the general assessment of the administration and supervision of the company where, if they so wish, shareholders can discuss the performance of the members of the administration.

The remuneration policy and a shares granting plan approved at the 2012 Annual General Meeting provides that the Medium Term Variable Bonus of executive directors of the company and of executive directors of other subsidiaries or employees who are eligible, is paid by delivery of own shares at no cost to those directors and employees, setting out how such an allocation is made, keeping the company always the choice of delivering, in its place, the cash value.

Sonae Indústria, as well as companies directly or indirectly dependent, did not approve any regulation of option of own shares to Board Members or staff.

Sonae Indústria has no system of retirement benefits.

The Company has not adopted any measures that would hinder the success of a public tender offer for the purchase of the Company's shares nor the company's Articles of Association limits the number of votes that may be held or exercised by a sole shareholder.

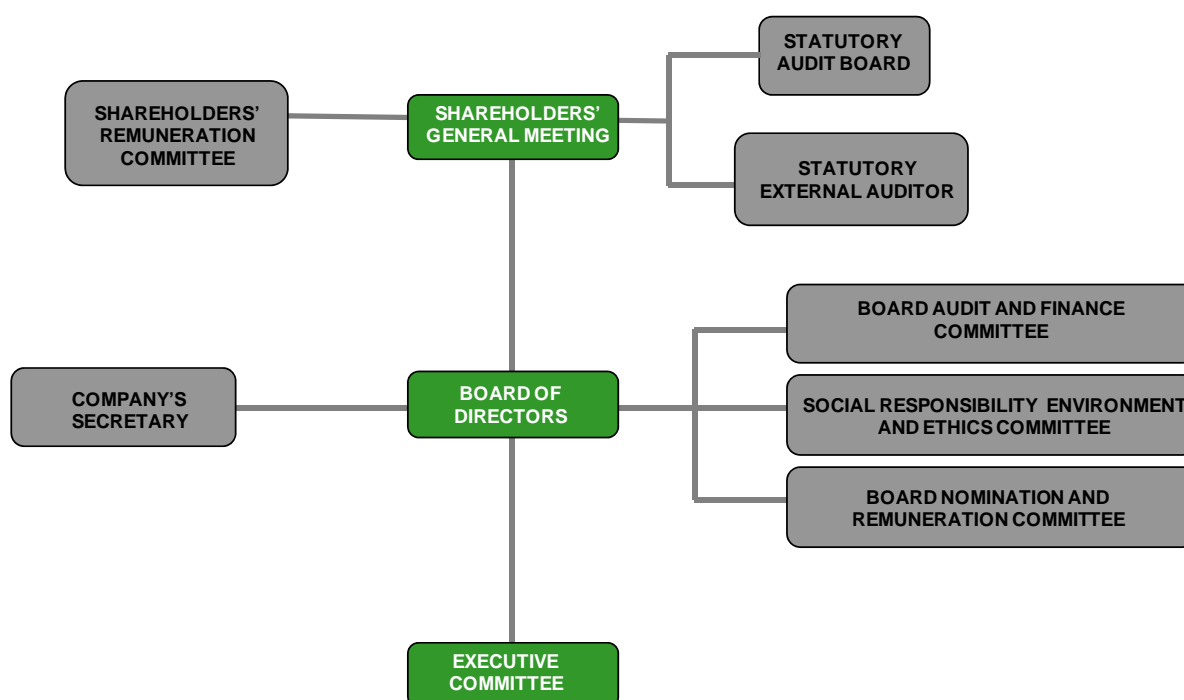
On December 31<sup>st</sup>, 2012 there were financings in the amount of about 27 million Euros (representing 4% of the total consolidated Net Debt), regarding which the respective creditors are able to consider the debt as matured in case of shareholder control changes.

The Company has not entered into any other kind of relevant agreement that would be subject to change or termination in the event of transfer of control of the company. Furthermore, it does not envisage defensive measures that instigate immediate serious asset erosion in the company in the event of transmission of the Company's control or change in the composition of the Board of Directors.

No agreements exist relating to compensation or payments made to directors or employees because of contract termination due to a change in company control.

## 2. Corporate Governing and Auditing Bodies

### SECTION I – General Issues



#### 2.1. Corporate Governing Bodies

The Sonae Indústria's Articles of Association define a corporate governance model of the company known as the "Reinforced Latin Model", which implies that the company has a Board of Directors, Statutory Audit Board and 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.

### **2.1.1 Board of Directors**

Based on the Articles of Association, the Board of Directors may be composed of an even or odd number of members, ranging from a minimum of three to maximum of thirteen, elected at a Shareholders' General Meeting.

Sonae Indústria's Board of Directors was on the 31<sup>st</sup> December 2012 composed of 7 members, all of them elected at the Annual General Meeting held on the 29<sup>th</sup> March 2012 for the mandate 2012 - 2014

On 31<sup>st</sup> December 2012 the Board of Directors of Sonae Indústria was composed of:

- Belmiro Mendes de Azevedo - Chairman (Executive)
- Duarte Paulo Teixeira de Azevedo - Deputy Chairman (Non Executive)
- Albrecht Olof Lothar Ehlers (Non Executive and Independent)
- Javier Vega de Seoane Azpilicueta (Non Executive and Independent)
- Rui Manuel Gonçalves Correia (Executive)
- João Paulo dos Santos Pinto (Executive)
- Jan Kurt Bergmann (Executive)

On the 15<sup>th</sup> February 2013, Belmiro Mendes de Azevedo ceased being a member of the Board of Directors' Executive Committee. On the same date, the Board of Directors appointed Rui Manuel Gonçalves Correia as Chairman of the Executive Committee. In the same Board of Directors' meeting João Paulo do Santos Pinto was appointed *Chief Operating Officer* (COO) for the South of Europe, remaining as *Chief Marketing and Sales Officer* (CMSO) and Jan Kurt Bergmann was appointed as *Chief Operating Officer* (COO) for the North of Europe, remaining as *Chief Industrial and Technology Officer* (CITO).

The Chairman of the Board of Directors, who is elected by the Board, has a casting vote.

As stipulated by the Company's Articles of Association, the Board of Directors meets once a quarter and additionally whenever the Chairman or two of its members call a meeting. All decisions taken are recorded in the respective minutes. According to the Articles of Association, when a Board member misses two meetings, in a row or every two, this will be considered a definitive absence, if the justification presented has not been accepted by the Board of Directors.

9 (nine) Board meetings were held in 2012. The Board of Directors can only deliberate if the majority of its members are present or represented, and decisions are taken by a majority of the votes of the Board members present or represented and of those who vote by post.

To improve the operational efficiency of the Board of Directors and meet best practice in Corporate Governance, the Board of Directors appointed 3 Board Committees with specialized competences.

The appointment of a Board Audit and Finance Committee composed solely by Non-Executive Directors, its way of functioning and the access to all information provided under the terms referred to in paragraph 2.7, allows, in the opinion of the Board of Directors an independent and informed decisions of the Non-Executive Directors.

Moreover, the Deputy Chairman of the Board of Directors, Paulo Azevedo, ensures meetings between the Non-Executive members of the Board of Directors.

### 2.1.2 Executive Committee

The Executive Committee is appointed by the Board of Directors and, on 31<sup>st</sup> December 2012, was composed of 4 members with the following responsibility areas.



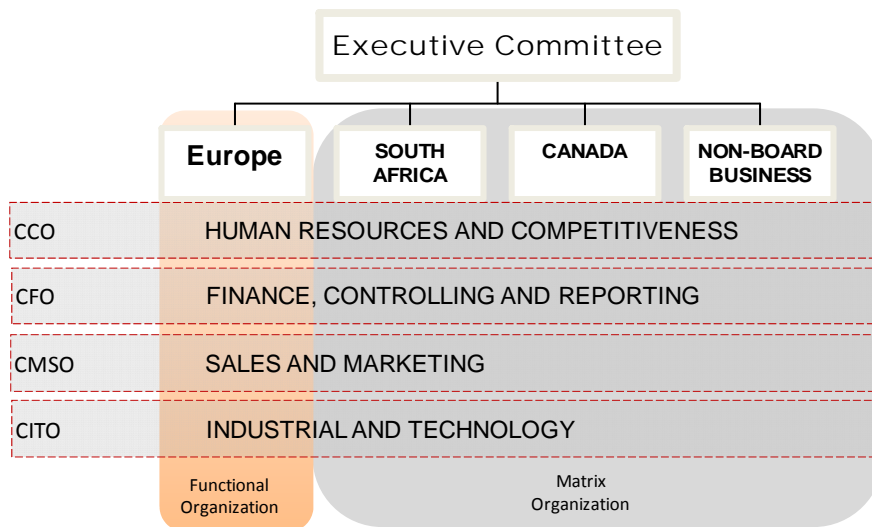
The Board of Directors has delegated powers to the Executive Committee to manage day-to-day operations of the Company except:

- 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.

On 2012, the Board of Directors elected President of the Executive Committee, Belmiro Mendes de Azevedo, as well as two Vice-presidents, Rui Correia, who was also the CFO of the company and João Paulo Pinto, who is also the CMSO, being the areas that report to the Executive Committee divided as follows:



Following the changes verified on the Board of Directors meeting of 15 February 2013, the responsibility areas of the Executive Committee has been the following:

- Rui Manuel Gonçalves Correia - Chairman of the Executive Committee
- João Paulo do Santos Pinto - *Chief Operating Officer* (COO) for the South of Europe, and *Chief Marketing and Sales Officer* (CMSO)
- Jan Kurt Bergmann was appointed as *Chief Operating Officer* (COO) for the North of Europe and *Chief Industrial and Technology Officer* (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.

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.

### **2.1.3 Statutory Audit Board**

The Statutory Audit Board may be composed of 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 Statutory Audit Board was elected at the 2012 Shareholders' Annual General Meeting for the current mandate (2012-2014) and has the following composition:

- Manuel Heleno Sismeiro (Chairman)
- Armando Luís Vieira de Magalhães (Member)
- Jorge Manuel Felizes Morgado (Member)
- Óscar José Alçada da Quinta (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
- Armando Luís Vieira de Magalhães – May 2007
- Jorge Manuel Felizes Morgado – May 2007
- Óscar José Alçada da Quinta – May 2007

The Statutory Audit Board report is available on the company website together with other accountability documents. This report includes a description of the Statutory Audit Board's activity, which did not mention any constraints identified.

### **2.1.4 Statutory External Auditor**

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

### **2.1.5 Company Secretary**

The Company secretary and his/her substitute are appointed by the Board of Directors and have a 3-year mandate aligned with the mandate of the other corporate governing bodies, having been designated in 2012 for the new mandate (2012-2014). The Company secretary shall perform those duties established by law.

The Company secretary and her substitute are:

Permanent: Júlia Maria Moreira da Silva Santos  
Substitute: Patrícia Isabel Chemega dos Santos

## **2.2. Internal Control, Internal Audit and Risk Management**

### **2.2.1 Internal Control**

Sonae Indústria is based on integrity and ethical values that 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 instilled 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 continually updated.

Policies and procedures have been developed that help ensure management directives are carried out. Sonae Indústria has a dedicated team in **Business Process & Organization** which through working with local operations and central departments, acts as a Centre of Excellence in accomplishing key objectives such as: prioritising, developing and implementing processes (including control activities); maintaining a Process Library (knowledge and documentation); establishing process best practices; and, evaluating process performance. Sonae Indústria has a huge range of activities in place as diverse as approvals, authorizations, 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 people to fulfill their responsibilities. Sonae Indústria has a **Planning and Management Control** department which supported by robust information systems, produces reports containing operational, financial and compliance-related information. The **Accounting & Consolidation** department is responsible for the preparation of the consolidated financial information based on reporting packages from the Administrative and Financial responsables of each country. The centralised accounting back-office (**Shared Service Center**) performs the accounting of all subsidiaries, with the exception of the Canadian, thus helping to guarantee alignment of policies and procedures and strengthening controls.

Internal control systems are monitored. Ongoing monitoring activities exist, namely regular management and supervisory activities. Separate evaluations are conducted by the internal audit department, whose scope and frequency depend primarily on an assessment of the risks and effectiveness of ongoing monitoring procedures.

There are procedures for periodic reporting to management and supervisory bodies of major internal control deficiencies and breaches of procedures and policies set by Sonae Industria.

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 Whistleblower tool and the Éthics Subcommittee, enhance the control culture of the organisation.

### **2.2.2 Internal Audit**

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.

### **2.2.3 Risk Management**

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.

Sonae Indústria adopts global policies as a support to its processes of risk management and is committed to improving its assets protection and prevention levels to reinforce the partnership with the insurance market.

#### **2.2.3.1 Risk Management Functional Approach**

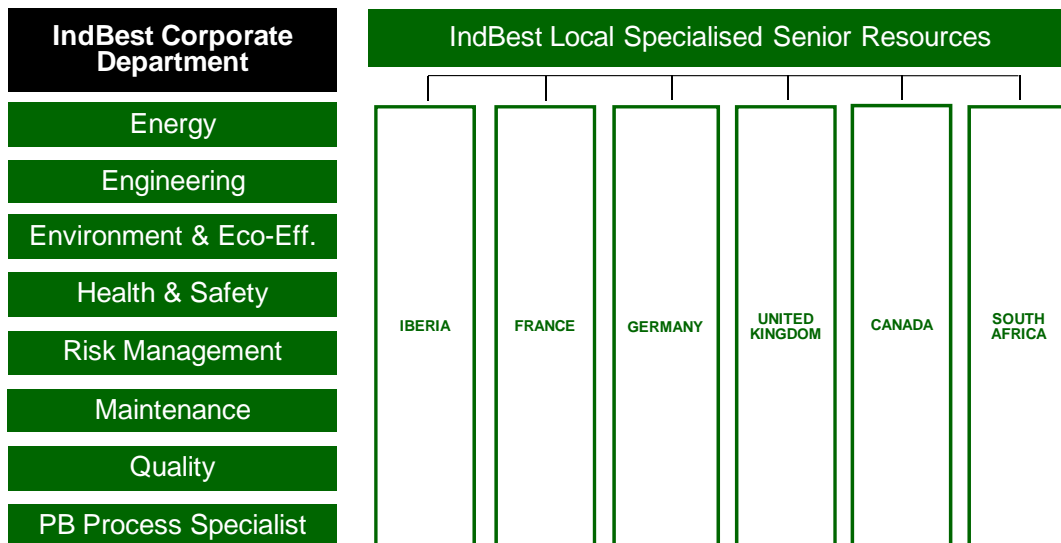
The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Consequently, the operational risk management is active in the implementation of standards and the choice of systems that are capable of reducing industrial unit risks.

The Risk Management Area is separated in two responsibilities to guarantee a more focused and specialized approach - Operational Risk Management and Insurance Management

Operational Risk Management is integrated in the department responsible for the consolidation of best Energy, Engineering, Health & Safety, Maintenance, Quality and Process practices (Corporate Department IndBest), reporting directly to the company CITO, in order to focus on developing and implementing measures to mitigate risks in industrial operations.

A formally coordinated network of Country Risk Officers exists in each of the countries where Sonae Indústria operates and at each of the sites there is a dedicated Plant Risk Officer.

The organisation of the IndBest (“Industrial Best Practices”) corporate department can be analysed in the chart below:



The Insurance Management was in April transferred from this IndBest department to a new department called “Risk Management, Legal and Tax”. This function aims to developing skills to be more efficient and effective in using insurance policies underwritten by the Group and also to promote the Enterprise-Wide Risk Management (EWRM) methodology.

### 2.2.3.2 Process of Integrated Risk Management

At Sonae Indústria, Risk Management is based on a uniform and integrated methodology, denominated Enterprise-Wide Risk Management (“EWRM”).

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.

### 2.2.3.3 Operational Risk Management

Given the risk associated with industrial activity at Sonae Indústria and being a world leader in the wood-based panels sector, it would be unacceptable to fail to recover from a catastrophic event on a “world class” scale. Thus, protection of core assets as

well as loss prevention are constant concerns for our Group and these were defined as priorities for 2012.

#### **2.2.3.4 Corporate Operational Risk Standards (CORS)**

The CORS were developed with reference to international standards such as NFPA<sup>1</sup> and/or FM<sup>2</sup> data sheets, considering the best practices of the wood industry and good fire protection engineering practices existing at Sonae Indústria. They aim to ensure standardisation of processes and procedures across 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.

In 2012 some standards were updated to reflect improvements identified during the year. An independent international company, providing services in all fields of industrial and process safety, namely Fire and Explosion prevention and protection was contracted to assess the recycled wood and Dry Wood processes on all sites in the company that handle recycled wood.

The use of Recycled Material is expected to increase over the next years and this assessment will ensure that proper standards are created to identify, minimize and control the hazards arising from this activity.

#### **2.2.3.5 Inspections**

##### **External Risk Inspections**

The CORS have become the processes and procedures by which the audit risks are oriented to check the exposure of each plant. This permits greater transparency and harmonisation in the audit process.

External audits are conducted to all sites every year. Subsequently, a report is issued with a set of recommendations for each of the plants visited. Since 2000, the overall QIN of Sonae Indústria has improved from 5.8 to the current value<sup>3</sup>.

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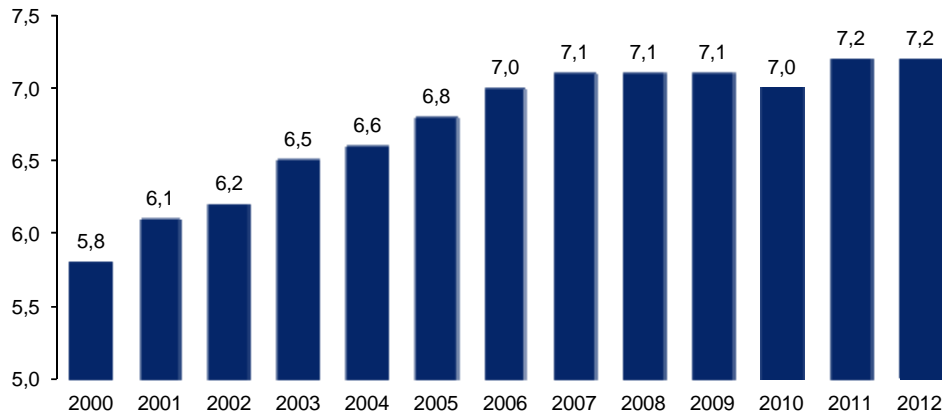
<sup>1</sup> National Fire Protection Association

<sup>2</sup> Factory Mutual

<sup>3</sup> In the calculation of the QIN for 2012, we still include the 2 plants stopped during this year: Knowsley and Solsona

In 2012 changes in the external audit program were introduced and, from the 12 audits planned for the annuity 2012/13, only 4 were performed in the last quarter of the year and the remaining 8 transferred to the first quarter of 2013. The results of audits done are not reflected in the QIN as the final reports were not released.

QIN Sonae Indústria (insured capital weighted)



### Internal Risk Inspections

An internal visit is made to each plant every 18 months to review the status of the previous internal and external recommendations as well as compliance with Corporate Operational Risk Standards.

The outcome of the visits is reported and the recommendations identified are followed up.

#### 2.2.3.6 2009-2015 Risk Plan

Each individual plant plan (which is updated annually) defines a set of measures to be taken towards achieving full compliance with the Corporate Operational Risk Standards. 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 2012 a quarterly follow up of the active recommendations was implemented. Each industrial site is responsible to update the status using a defined template. This information is then centrally uploaded to a website used by the reinsurance panel.

#### 2.2.3.7 Insurance Premium Distribution

Sonae Indústria's global all risks insurance premium is charged to each plant with 50% being allocated according to insurance market prices and 50% being based on the plant's measured risk quality allocated (QIN). The former is calculated in line with

“stand alone” local market insurance premium levels and the latter according to the QIN of each plant.

#### **2.2.4 Responsibility of the management and auditing bodies in the Internal Control and Risk Management activities**

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, specific departments were created, some years ago, composed by specialized teams - Internal Audit and Risk Management. The main function of the Internal Audit department is to monitor compliance with procedures and policies defined and to report to the Board of Directors on any irregularities found. The Risk Management department must analyse the potential risks of the business and implement the standards as well as the systems that can reduce those risks.

The person responsible for the Internal Audit department reports functionally to and meets 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.

Additionally, it is the Board Audit and Finance Committee particular duty to manage the risk, internally control the business processes and businesses as well as analyse the results of the Internal and External Audit.

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.

The Statutory External Auditor reviews the implementation of policies and remuneration systems as well as the effectiveness and operation of the internal control mechanisms. In the event of finding any defect or irregularity, this will be reported to the Statutory Audit Board.

### **2.3. Functioning Regulations of the Governing Bodies**

The Board of Directors, Executive Committee and Statutory Audit Board have functioning regulations which can be found at the site [www.sonaeindustria.com](http://www.sonaeindustria.com).

No rules have been set for any incompatibilities or cumulative number of positions, being applicable the law provisions.

## **SECTION II – Board of Directors**

### **2.4. Identification of the main economic, financial and legal risks to which the company is exposed in its activity**

The main financial risk that Sonae Indústria is exposed to is credit risk over its customers, which is the risk of a customer either paying late or failing to pay the acquired products due to lack of liquidity. To mitigate this risk, Sonae Indústria has credit management procedures and credit approval processes in place together with insurance policies whenever necessary.



The economical 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.

Foreign Exchange Risk derives from being a diversified Group with subsidiaries spread throughout three different continents. Consolidated Statements of Financial Position and Profit and Loss are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries are exposed to foreign exchange risk from both translation and transaction type. Whenever possible and economically viable, Group subsidiaries aim to offset assets and liabilities denominated in the same foreign currency.

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.

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.

## **2.5. Powers of the Board of Directors**

The Board of Directors is empowered to ensure the management of the Company in accordance with the scope established in the Company's Articles of Association and under the law. Currently, the Board of Directors may deliberate on increases in the Company's share capital of up to one thousand and two hundred million Euros, on one or more occasions, in accordance with the law.

## **2.6. Policy of functions rotation of the Board of Directors and appointment and replacement of members of the management and auditing bodies**

Sonae Indústria has a policy of non rotation of functions of the Board of Directors considering that there is no benefit to the company and to its shareholders, in rotating functions of the Board of Directors when such rotation is purely based on the existence of a policy of functions rotation and not on the skills of the members of the Board of Directors to perform a certain function.

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.

Members of the Statutory Audit Board are also elected by the Shareholders' General Meeting. Statutory Audit Board permanent members who are temporarily unable to exercise functions or whose functions have ceased are replaced by substitute members, who will subsequently continue functions until the first Shareholders Annual General Meeting. This meeting will then proceed to fulfil the respective vacancies.

In the absence of the alternate positions, vacancies are filled through a new election.

The Statutory External Auditor is elected by the Shareholders' General Meeting following a proposal from the Statutory Audit Board.

In the absence of the elected Statutory External Auditor, it is the responsibility of the Board of Shareholders' General Meeting to appoint his substitute, subject to ratification by the following Shareholders' General Meeting. In the absence of designation within 30 days, the company governing bodies shall notify the Association of External Auditors who is entitled to appoint the external auditor.

## **2.7. Board of Directors, Board Committees, Statutory Audit Board and Ethics Committee Meetings attendance**

Over the course of 2012, the number of meetings and attendance recorded for the Board of Directors, Board Committees and Statutory Audit Board were as follows:

<b>Meetings and Attendance</b>	<b>Number of Meetings</b>	<b>Attendance</b>
Board of Directors	9	100%
Executive Committee	15	100%
Board Audit and Finance Committee	5	100%
Board Nomination and Remuneration Committee	2	100%
Social Responsibility and Environment Committee	2	100%
Statutory Audit Board	6	100%

All governing bodies and Committees have minutes from their meetings.

With the objective of maintaining the Board of Directors and the Statutory Audit Board permanently informed on decisions taken by the Executive Committee, the President of the Executive Committee makes available the minutes of the Executive Committee meetings to all Board of Directors and Statutory Audit Board Members. At the end of each year the Executive Committee prepares the calendar of meetings for the following year, and informing about it the Board of Directors and the Statutory Audit Board.

Members of the Executive Committee provide all information required by other members of the governing bodies both on time and in sufficient detail.

### **2.8. Independence of the members of the Board of Directors**

The Board of Directors of Sonae Indústria is composed of seven (7) members, of which on 31<sup>st</sup> December 2012 four (4) were Executives and three (3) Non-Executives.

Of the Non-Executive Directors, 2 (two) are Independent as they are not associated with any interests group within the company, they do not hold nor do they act on behalf of shareholders with qualified shareholdings of 2% or more of the company's share capital. Moreover, they have not been re-elected for more than two mandates, in accordance with rules in paragraph 5 of article 414 of the Companies Law.

Regarding the compliance with the applicable rules of incompatibility established in paragraph 1 of art. 414-A of the Companies Law, and advised to apply under the recommendation number II.1.2.3, in regard to the Director Albrecht Olof Lothar Ehlers it is understood that, despite being a member of the Supervisory Board of Glunz, AG, subsidiary of Sonae Indústria, the rule set forth in paragraph c) of that provision is not violated. In fact, on the one hand, such provision was developed for the Statutory Audit Board members having to be interpreted when applied to members of the Board of Directors and, on the other hand, the Supervisory Board of Glunz, is in its essence an auditing board and not a management one.

In what concerns Javier Vega de Seoane Azpilicueta it is understood that regarding the compliance with the applicable rules of incompatibility established in paragraph 1 of art. 414-A of the Companies Law, he is independent because he does not have Board positions in more than 5 companies not owned by him..

Also the Director Albrecht Olof Lothar Ehlers, is a member in six companies, including Sonae Indústria, and in four of those companies is a member of the Supervisory Board, and therefore, for the same reasons stated above, the company believes that this does not imply the loss of independence.

The Independent Directors exercise an important influence over the decision-making process and development of company strategy and policy.

The Board of Directors evaluates the independence of the Non-Executive Board Members, applying the legal rules established for other governing bodies.

The Executive Directors do not have any interference in the selection of candidates for Non-Executive Directors, being such a designation held by shareholders' proposal and decision.

The Board of Directors includes in its management Report a description of the activities undertaken by the non-executive Board Members.

### **2.9. Professional qualification of the members of the Board of Directors, professional activities in the last 5 years and shares held, date of first appointment and date of term**

<p><b>Belmiro de Azevedo (Chairman of the Board of Directors and, on 31<sup>st</sup> December 2012, of the Executive Committee):</b> obtained a degree in Chemical Engineering at the University of Oporto, a PMD from Harvard Business School, participated in the Financial Management Programme from Stanford University and has occupied a diverse number of positions in the Efanor/Sonae Group from an early stage. Mr</p>
--

Belmiro de Azevedo is today Chairman of the Board of Sonae, SGPS, SA, Chairman of the Board and CEO of Sonae Capital, SGPS S.A., and member of the European Union Hong Kong Business Cooperation Committee, of the International Advisory Board of Allianz AG and of the Harvard Business School International Advisory Board. He has been awarded on a number of occasions, some of the most prominent being the “Encomienda de Numero de la Ordem del Mérito Civil” from His Majesty D. Juan Carlos, King of Spain, the “Ordem of the Cruzeiro do Sul” from the President of the Brazilian Federal Republic, the “Grã Cruz da Ordem do Infante D. Henrique” from the President of the Portuguese Republic, nomination as “Honorary Fellow” of the London Business School and member of the “Order of Outstanding Contributors to Sustainable Development” from the World Business Council for Sustainable Development.

**Javier Seoane Azpilicueta** (Independent): obtained a degree in Mining Engineering by the *Escuela Técnica Superior de Ingenieros of 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 Electrica de España, SEAT and Grupo Ferrovial. Currently performs other Board positions.

**Paulo Azevedo**: holds a degree in Chemical Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduate degree in Business studies from the Oporto Institute of Business Studies. Having been CEO of Optimus – Telecomunicações S.A. between 1998 and 2000. Today Mr. Paulo de Azevedo is chairman of the executive committee of Sonae SGPS, SA and holds a number of managerial and directorship roles in the Efanor/Sonae Group. Paulo Azevedo is Belmiro de Azevedo's son.

**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).

**Rui Correia (on 31<sup>st</sup> December 2012, Vice - Chairman of the Executive Committee and CFO)**: 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 President of the Executive Committee in 2011.

**João Paulo Pinto (CMSO and, on 31<sup>st</sup> December 2012, Vice - Chairman of the Executive Committee)**: holds a degree in Mechanical Engineering from the University of Oporto and a Masters in Internal Combustion Engines (*Ecole Nationale du Petrole et des Moteurs*), Paris, and MBA - University of Oporto. At Sonae / Efanor Group since 1995, where he held several positions in marketing and sales, and in 2009 assumed the role of COO of Sonae Industria for the Iberian Peninsula. In 2010 he joined the Board of Directors of Sonae Industria, as executive member and the role of CITO "Chief Industrial and Technology Officer". In 2011 was appointed Vice-Chairman of the Executive Committee.

**Jan Kurt 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.

Sonae Indústria Directors have the following Sonae Indústria shares:

Number of Shares		Number of Shares	
Belmiro Mendes de Azevedo		(1) Efanor Investimentos, SGPS, SA	
Efanor Investimentos, SGPS, SA (1)	49.999.997	Sonae Indústria, SGPS, SA	44.780.000
(1 share is held by the spouse)		Pareuro, BV (2)	2.000.000
Sonae Indústria, SGPS, SA	1.010		
(held by the spouse)			
Duarte Paulo Teixeira de Azevedo		(2) Pareuro, BV	
Efanor Investimentos, SGPS, SA (1)	1	Sonae Indústria, SGPS, SA	27.118.645
Migracom, SGPS, SA (3)	1.969.996		
Sonae Indústria, SGPS, SA	223	(3) Migracom, SGPS, SA	
(held by the menor descendent)		Sonae Indústria, SGPS, SA	90.000
		Imparfin, SPS, SA (4)	150.000
Rui Manuel Gonçalves Correia		(4) Imparfin, SGPS, SA	
Sonae Indústria, SGPS, SA	12.500	Sonae Indústria, SGPS, SA	278.324
João Paulo dos Santos Pinto			
Sonae Indústria, SGPS, SA	407		

During the past five years, Belmiro de Azevedo, Rui Correia, Paulo Azevedo, and João Paulo Pinto have also been Directors at other Efanor Group companies.

Within the same period, the following Directors also held directorships at the following companies outside the Efanor Group:

**Albrecht Ehlers:**

- Executive Director of the Board (Vorstand) from Hochtief AG

**Javier Vega:**

- **Robert Bosh**
- **Red Electrica de España**
- **SEAT**
- **Grupo Ferrovial**

Belmiro de Azevedo and Paulo Azevedo were appointed with effect from 15<sup>th</sup> December 2005, registration date for the merger of the “old” Sonae Indústria – SGPS, SA, into Sonae 3P – Panels, Pulp and Paper, SA and the renaming of the latter to Sonae Indústria SGPS, SA. Rui Correia was appointed to the Board of Directors of Sonae 3P on 22nd July 2002. João Paulo Pinto was appointed at the 2010 Annual General Meeting and Albrecht Ehlers was first co-opted in September 2011. Javier Vega and Jan Bergmann were elected at the 2012 Annual General Meeting.

The current mandate of the Board of Director is from 2012 to 2014.

**2.10. Other positions held by Sonae Indústria Directors as of 31<sup>st</sup> December 2012**

Members of the Board of Directors are currently also members of the Board of Directors and auditing bodies of other companies, listed here.

## **In companies belonging to Efanor Group**

### **Board of Directors Member:**

#### **Belmiro Mendes de Azevedo:**

- Àguas Furtadas-Sociedade Agrícola, SA (Chairman)
- Alpêsego-Sociedade Agrícola, SA (Chairman)
- BA – Business Angels SGPS, S.A. (Sole Director)
- Casa Agrícola de Ambrães, S.A. (Chairman)
- Efanor Investimentos, SGPS, S.A. (Chairman)
- Prosa-Produtos e Serviços Agrícolas, SA (Chairman)
- SC – SGPS, S.A. (Chairman)
- Sonae – SGPS, S.A. (Chairman)
- Sonae Capital, SGPS, S.A. (Chairman )
- Spred, SGPS, S.A. (Chairman)

#### **Duarte Paulo Teixeira de Azevedo:**

- Efanor Investimentos, SGPS, S.A.
- MDS, SGPS, S.A. (Chairman)
- Sonae - SGPS, S.A. (Chairman of Executive Committee)
- Sonae Investimentos – SGPS, S.A. (Chairman)
- Sonae MC - Modelo Continente, SGPS, S.A. (Chairman)
- Sonae Specialized Retail, SGPS, SA (Chairman)
- Sonae Sierra, SGPS, S.A. (Chairman)
- Sonaecom, SGPS, S.A. (Chairman)
- Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A. (Chairman)
- Sonaerp - Retail Properties, S.A. (Chairman)

#### **Rui Manuel Gonçalves Correia:**

- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Ecociclo – Energia e Ambiente, S.A.
- GHP GmbH
- Glunz AG
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS
- LaminatePark GmbH & Co. Kg
- Maiequipa – Gestão Florestal, S.A.
- Megantic, B.V.
- Poliface North America Inc. (Chairman)
- Racionalización y Manufacturas Forestales, S.A.
- SCS, BV
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae Indústria - Management Services, SA
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria (UK) Ltd.
- Sonae Novobord (PTY) Ltd. (Chairman)
- Spanboard Products, Ltd.
- Tableros de Fibras, S.A.

- 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. (Vice-Chairman)

**João Paulo dos Santos Pinto:**

- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Darbo, SAS (Chairman)
- Ecociclo – Energia e Ambiente, S.A.
- GHP GmbH
- Glunz AG (Chairman)
- Glunz UK Holdings, Ltd. (Chairman)
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS (Chairman)
- 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 Novobord (PTY) Ltd
- Sonae Indústria - Management Services, SA
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria UK, Ltd. (Chairman)
- Sonae Tafibra International, B.V.
- Spanboard Products, Ltd. (Chairman)
- Tableros de Fibras, S.A. (Chairman)
- Tableros Tradema, SL
- Tafiber – Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd.
- Tafisa Canada Inc
- Tafisa France S.A.S (Chairman)
- Tafisa Developpement SASU (Chairman)
- Tafisa Investissements SASU (Chairman)
- Tafisa Participation SASU (Chairman)
- Tafisa UK, Ltd. (Chairman)
- Taiber – Tableros Aglomerados Ibéricos, SL
- Tecmasa Reciclados de Andalucia, SL (Chairman)
- Tecnologias del Medio Ambiente, S.A. (Chairman)

**Jan Bergmann:**

- BHW Beeskow Holzwerkstoffe GmbH
- GHP GmbH
- Glunz AG (Vice- Chairman)
- Glunz Service GmbH
- Glunz UKA GmbH

- LaminatePark GmbH & Co. Kg
- OSB GmbH
- Tafibra Suisse SA (Chairman)
- Tool GmbH (Chairman)

**Auditing bodies Member:**

- **Albrecht Ehlers:** Glunz AG (Supervisory Board Chairman – “Aufsichtsrat”)

**In companies not belonging to Efanor Group:**

**Board of Directors Member:**

**Belmiro Mendes de Azevedo:**

- Praça Foz – Sociedade Imobiliária, S.A. (Chairman)
- Setimanale – SGPS, S.A. (Chairman)

**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:**

- Gestlink, SA (Chairman)
- DKV Seguros (Chairman)
- MásMóvil (Chairman)
- Solvay Iberica
- Ydilo Voice Solutions, SA
- Tavex Algodorena, SA

**Auditing bodies Member:**

**Albrecht Ehlers:**

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

**SECTION III – Statutory Audit Board**

**2.11. Identification, Independence, mandate, qualifications and professional activities of the Statutory Audit Board members and evaluation of the Statutory External Auditor**

**2.11.1. Identification, Independence and mandate of Statutory Audit Board members**

The Statutory Audit Board is composed by:

- Manuel Heleno Sismeiro (Chairman)
- Armando Luís Vieira de Magalhães (Member)



- Jorge Manuel Felizes Morgado (Member)
- Óscar José Alçada da Quinta (Substitute - Member)

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 not to incur in any of the incompatibilities provided in Article 414<sup>o</sup>-A of the Companies Law. Additionally, they stated that they are not in any situation that affects their independence in accordance with paragraph 5 of Article 414<sup>o</sup> of the same law and committed themselves to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate. Furthermore, they were also requested to complete questionnaires designed in the same terms as those used by CMVM.

The current members of the Statutory Audit Board were elected at the Shareholders' Annual General Meeting held in April 2012 for the mandate 2012 – 2014.

#### **2.11.2. Professional qualification of Statutory Audit Board members, professional activities in the last 5 years and shares held**

**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.

**ARMANDO LUÍS VIEIRA DE MAGALHÃES (Statutory Audit Board Member):**  
Bachelor of Accounting (former-ICP and current ESCAP), Degree in Economics (University of Porto), Executive-MBA European Management (IESF / IFG). Mr. Magalhães performed various functions in a credit institution (1964-1989) and since 1989 has practiced as an external auditor, first on a stand-alone basis but subsequently as partner of Santos Carvalho & Associados, SROC and currently of Armando Magalhães, Carlos Silva & Associados, SROC, Lda..

**JORGE MANUEL FELIZES MORGADO (Statutory Audit Board Member):**  
Management Degree (ISEG, Technical University of Lisbon), MBA in Finance-IEDE Madrid, MBA in Management and Information Systems (Catholic University), Official External Auditor. Mr. Morgado held various roles as auditor in Coopers & Lybrand (1980-1989), responsible for Management Control and Internal Audit of the Coelima Group (1989-1991) before becoming a partner of Deloitte (1991-2004). From 2004 he has been an Official Statutory Auditor and Partner of Econotopia-Consultoria e Gestão, SA.

**ÓSCAR ALÇADA DA QUINTA (Statutory Audit Board Substitute-Member):**

Degree in Economics (University of Porto). Mr. Quinta 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.

### **2.11.3. Other positions held by Sonae Indústria Statutory Audit Board members as of 31<sup>st</sup> December 2012**

#### **In companies belonging to Efanor Group**

##### **Manuel Heleno Sismeiro**

Sonae Capital, SGPS, SA (Chairman of the Statutory Audit Board)

##### **Armando Luís Vieira de Magalhães**

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

Sonae Capital, SGPS, SA (Statutory Audit Board)

##### **Jorge Manuel Felizes Morgado**

Sonae, SGPS, SA (Statutory Audit Board)

Sonae Capital, SGPS, SA (Statutory Audit Board)

Sonae Sierra, SGPS, SA (Statutory Audit Board)

##### **Óscar Alçada da Quinta**

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

Sonae Investimentos, SGPS, SA (Statutory Audit Board)

#### **In other companies not belonging to Efanor Group**

##### **Manuel Heleno Sismeiro**

OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)

Segafredo Zanetti (Portugal) SA (Chairman of the Board of the Shareholders' General Meeting)

##### **Armando Luís Vieira de Magalhães**

Futebol Clube do Porto - Futebol S.A.D (Statutory Audit Board)

PortoComercial - Sociedade de Comercialização, Licenciamento e Sponsorização, SA (Statutory Audit Board)

##### **Óscar Alçada da Quinta**

BA GLASS I – Serviços de Gestão e Investimentos, SA. (Statutory Audit Board)

Caetano-Baviera – Comércio de Automóveis, SA (Statutory Audit Board)

Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Board of Directors)

None of the Statutory Audit Board Member holds Sonae Indústria shares.

### **2.11.4. Election and Evaluation of the Statutory External Auditor**

The Statutory Audit Board proposed the election of the Statutory External Auditor at the Shareholders' General Meeting held in 2012, who is also the external auditor of the company. The proposed remuneration policy approved at the 2012 Shareholders'

General Meeting states that the Statutory External Auditor of the company should be paid according to the normal levels of fees for similar services by reference to market information, as negotiated annually under the supervision of the Statutory Audit Board and of the Board Audit and Finance Committee.

The Statutory Audit Board meets the Statutory External Auditor whenever it deems fit and monitors their activities and conclusions from their work through the final audit reports. This allows them to evaluate the work of the external auditor. The Statutory Audit Board may if there is just cause, propose to the Shareholders' General Meeting the dismissal of the Statutory External Auditor since he is elected under the proposal of the Statutory Audit Board.

## **SECTION IV – Remuneration**

### **2.12. Remuneration and Other Compensation of Board of Directors and Statutory Audit Board Members**

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 in March 2012 for the mandate 2012-2014. Currently this committee is composed by Efanor Investimentos - SGPS, SA, represented by Belmiro Mendes de Azevedo, by Imparfin - SGPS, SA, represented by José Fernando Oliveira de Almeida Côrte-Real and by the Professor José Manuel Neves Adelino.

The participation of Belmiro de Azevedo at the Shareholders' Remuneration Committee, who is also Chairman of the Board of Directors and, on 31<sup>st</sup> December 2012, President of the Executive Committee of the company, corresponds to the representation of shareholder interests in the Shareholders' Remuneration Committee, as he intervenes in that capacity. Belmiro de 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.

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.

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.

At the Shareholders' Annual General Meeting held in 2012, a remuneration policy and a shares granting plan proposed by the Shareholders' Remuneration Committee was approved.

The remuneration and compensation policy of the Statutory Governing Bodies of Sonae Indústria and other "Senior Management", complies with European guidelines, national legislation and the recommendations of the Portuguese Securities Market Commission (CMVM) and is based upon the understanding that initiative, competence and commitment are the essential foundations for delivering good performance and that pay should be aligned with the medium and long term interests of the company with a view to its sustainability.

In determining the remuneration policy comparisons are made with, on one hand, market studies prepared in Portugal and in other European markets, including those prepared by the specialised consultants Mercer and Hay Group and, on the other hand, remuneration practice at the companies that compose the PSI-20 of the Portuguese Stock Index.

The remuneration packages awarded to executive directors are established by reference to market research on "Top Executives" in Portugal and Europe, taking as reference the median position in the market for fixed remuneration and the third quartile for the total remuneration in comparable circumstances.

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

Fixed remuneration is aligned with the market benchmarks which are based on the equivalent practice at comparable companies.

The variable component of remuneration, awarded to executive directors, is subject to maximum percentage limits and is determined by performance criteria pre-established and measurable performance indicators - agreed with each executive director for each financial year.

The variable component of remuneration is measured by assessing the performance of a set of performance indicators, both business being mainly of an economic and financial nature "Key Performance Indicators of Business Activity" (Business KPIs) and individual, which may be either quantified or unquantified performance indicators "Personal Key Performance Indicators" (KPIs Individuals). The detail of the performance indicators and their specific weight in determining the actual remuneration awarded ensure the alignment of executive directors with the strategic objectives defined and compliance with the laws applicable to the company's activities.

For the calculation of the variable component of remuneration, an assessment of the individual performance is made by the Shareholders' Remuneration Committee, in coordination with the Board Nomination and Remuneration Committee. This assessment takes place upon the disclosure of the results of the company.

Thus, for each fiscal year, the business, performance and individual contributions to the collective success are assessed, which shall influence the award of fixed and variable component of the remuneration plan of each executive director.

In each year, the payment of at least fifty per cent of the value of the variable remuneration awarded to an executive director, as a result of the evaluation of the individual and the company's performance, is deferred for a period of three years. This variable deferred remuneration is composed by shares, being applicable the Plan of Granting Shares under the terms of the respective regulation. The company reserves the right to deliver, instead of shares, the corresponding value in cash.

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

The Remuneration Policy of the company maintains the principle of not granting compensation to directors, or members of other Statutory Governing Bodies, related with the termination of the mandate, whether such termination occurs at the end of respective term, or there is an early termination by whatsoever reason or basis, without prejudice of the company's obligation to comply with the applicable law.

The remuneration and compensation policy does not include any benefits, namely retirement benefits, to the members of management or supervisory boards and other “Senior Management”.

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 will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company;
- must not sell, during their mandate started in 2012, company's shares that they may have accessed through participation in the Medium Term Incentive Plan, up to two times the value of the total annual remuneration, except of those shares that are required to be sold for the payment of taxes on the gains of said shares.

In what respects to the Board of Directors of Sonae Indústria, the approved policy states that:

### **Executive Board Members (ED)**

The remuneration Policy of the Executive Board Members normally includes two components:

- (i) a fixed component, which includes an Annual Salary paid in reference to one year period (salaries are paid 12 months) and an annual responsibility allowance,
- (ii) a variable component, awarded in the first half of the year following the year to which it relates (the “Performance Year”) and subject to the accomplishment of the targets and objectives fixed for the Performance Year. The variable component is divided into two parts: (a) a Short Term Performance Bonus which is paid immediately after it is awarded,, and (b) a Medium Term Performance Bonus, awarded under the Medium Term Incentive Plan, which vests and is paid after a 3 year deferral period, considering that the exposure of EDs to fluctuations in the share price is the most appropriate way to align the interests of EDs with those of shareholders.

(i) The fixed remuneration of an ED 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 a Management Level (“Grupo Funcional”). EDs are classified under one of the following Management Levels: “Group Leader”, “Group Senior Executive”, or “Senior Executive”. The various 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 remuneration is designed to motivate and reward the EDs to achieve predetermined targets and objectives, which are based on indicators of Company performance, of working teams under their responsibility and of their own personal performance. Variable remuneration is awarded after the annual accounts are closed and after their performance evaluation has been completed. As the amount of the award is subject to the accomplishment of targets and objectives, there is no guarantee that any payment will be made.

#### **(a) The Short Term Performance Bonus (“STPB”)**

This bonus is paid in the first half of the year following the year to which it relates (the “Performance Year”).

Approximately 70% of its value is determined by business, economic and financial Key Performance Indicators (“KPIs”). These are quantified indicators, which are divided into collective and departmental KPIs. The collective KPIs consist of economic and financial

indicators based on the budget (usually related with Free Cash Flow), linked to the performance of each business unit, as well as to the consolidated performance of the Company. The departmental KPIs have a functional or business unit nature, with a similar linkage to collective KPIs, but are directly influenced by the performance of the ED. The remaining 30% are determined by the achievement of personal KPIs.

(b) The Medium Term Performance Bonus (“MTPB”), under the Medium Term Incentive Plan (MTIP)

This bonus is designed to enhance the connection of the EDs with the Company, aligning their interests with the interests of shareholders, and increasing their awareness of the importance of their performance on the overall success of the organisation. The value awarded corresponds to at least 100% of the Short Term Performance Bonus, which means that the Medium Term Performance Bonus, awarded through participation in the Medium Term Incentive Plan, corresponds to at least 50% of the total value of variable remuneration.

The value awarded in euros is divided by the average of the closing share prices of the thirty trading sessions prior to the Shareholders’ General Meeting, or alternatively, prior to 30 April, should the Shareholders’ General Meeting be held after that date, to determine the number of shares each ED is initially entitled to under the MTIP. The amount initially converted into shares is adjusted for any changes to the share capital that occurred or any dividends distributed (using Total Shareholder Return methodology) during the 3 year deferral (or vesting) period. On the vesting date of the MTIP, the corresponding shares are delivered free of cost, although the Company reserves the right to pay the equivalent market value in cash.

Taking the two variable components together, the target values set in advance range between 40% and 60% of the total annual remuneration (fixed remuneration and target variable remuneration).

At the time of working out actual results achieved or assessed, the value of each bonus to be awarded is limited to the minimum 0% and the maximum of 140% of the target value set in advance.

## **Medium Term Variable Bonus (MTVB)**

### **1. MTVB Characteristics**

The MTVB is one of the parts of the variable components established at Sonae Indústria remuneration and compensation policy. This part of the components differs from others, as it has a restricted and discretionary character, being subject to the eligibility rules set out in the respective regulation.

The MTVB allows the beneficiaries to share with shareholders the value that is created as a result of their direct influence on the strategic direction and operating performance of the underlying businesses.

### **2. MTVB Placement**

The MTVB is designed to reward the beneficiaries for their sustained effort over 4 years (made up of the Performance Year [1 year] and the Deferral Period [3 years]) and to improve business performance, which is a key driver of value creation for shareholders. This value creation is measured by the assessment of the performance of each beneficiary during the Performance Year and the value initially awarded is linked to the evolution of the Company’s share price over a three year deferral period. The value of shares initially attributed to each beneficiary, depends on his or her performance during the Performance Year (% of target MTVB awarded = % Annual KPIs achieved). The value is converted into shares and adjusted for any variations in capital or dividends in line with the concept Total Shareholder Return during the Deferral Period.

### 3. Eligibility

Executive directors are eligible for the award and to participate in the Sonae Indústria MTVB.

According to the remuneration and compensation policy approved by the Board of Directors, other employees may also be eligible for the award and to participate in the MTVB, in the terms set forth in the above referred policy.

Eligible Members	Target value for the Medium Term Variable Bonus (% of the Short Term Variable Bonus awarded)
Sonae Indústria Executive Directors	at least 100%
Business Executive Directors	at least 50%
Employees	terms to be defined by the Board of Directors

### 4. MTVB Reference Value and Maturity

The value of the MTVB for the Executive Directors corresponds to at least 100% of the Short Term Variable Bonus, which means that the MTVB corresponds to at least 50% of the total amount of variable remuneration. The value assigned is initially converted into an equivalent number of shares of Sonae Indústria, considering for the effect the average value of the closing share price of the thirty trading sessions prior to the Shareholders' General Meeting or alternatively prior to 30th of April, if the Shareholders' General Meeting should be held after that date.

In the case of distribution of dividends, change of par value of shares or alteration of the company's share capital, the number of shares initially awarded under the Plan will be adjusted according to the market standard methodology used to calculate the Total Shareholder Return, during the Deferral Period.

Three years later, in the third year of the conversion date, the plan becomes due.

On the expiration date, the number of corresponding shares is transferred to each executive director, without payment of compensation. The other employees who have been assigned that right, may acquire shares under the conditions established by the Board of Directors, within a range that can vary from 0% to 10% of their cost.

The company reserves the right to deliver, instead of shares, the cash equivalent value of such shares on the date of the relevant exercise.

### 5. Termination of the plan

The right to purchase the shares awarded under the plan expires if there is a cessation of which led to the award of the Plan, without prejudice to the following paragraphs.

In case of permanent disability or death of the beneficiary, pending Plans will be recalculated, according to the market value at the date, and the payment will be made to himself or his heritor.

In case of beneficiary's retirement, the pending Plan remain in force until the date of the respective maturities.

### Non-Executive Board Members

The remuneration of the Non-Executive Members (NEDs) shall be based on market comparables and be structured as follows: (1) a Fixed Remuneration (of which

approximately 15% depends on the attendance to the meetings of the Board of Directors or any Board Committees) is payable; (2) an annual responsibility allowance. No other variable remuneration or other compensation is payable to NEDs. The Fixed Remuneration is increased by up to 5% for NEDs serving as chairmanship of any Board Committee.

2012	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total	
	2011	2012	2011 (a)	2012 (b)	2011 (c)	2012 (d)	2011	2012
Belmiro de Azevedo (Chairman)	181.300	182.200					181.300	182.200
Paulo Azevedo	27.540	28.300					27.540	28.300
Javier Veja		23.490						23.490
Álvaro Cuervo (e)	28.667	6.710					28.667	6.710
Albrecht Ehlers(f)	23.256	41.400					23.256	41.400
Rui Correia	232.100	265.951	99.100	110.000	99.100	165.000	430.300	540.951
Christophe Chambonnet (g)	212.200	52.500	145.650				357.850	52.500
João Paulo Pinto	212.100	260.950	85.900	110.000	85.900	165.000	383.900	535.950
Jan Bergmann		250.000	113.700	100.000	56.890	150.000	170.590	500.000
<b>Total of Board of Directors</b>	<b>917.163</b>	<b>1.111.501</b>	<b>444.350</b>	<b>320.000</b>	<b>241.890</b>	<b>480.000</b>	<b>1.603.403</b>	<b>1.911.501</b>

(a) relative to 2011, value approved and paid in 2012

(b) relative to 2012, based on target values, but this award is subject to real KPI achievement and to subsequent approval by the Shareholder's Remuneration Committee

(c) relative to 2011, approved in 2012, deferred during a 3 year vesting period until 2015

(d) relative to 2012, based on target values, but this award is subject to real KPI achievement and to subsequent approval by the Shareholder's Remuneration Committee. The initially amount, to be awarded in 2013 and linked to share price performance, is deferred during a 3 year vesting period until 2016, and will be booked linearly over that period of 3 years

(e) relative to 3 months in 2012

(f) relative to 4 months at Sonae Indústria and 12 months at Glunz in 2011

(g) relative to 3 months in 2012

The evaluation of the Executive Board Members is jointly carried out by the Shareholders' Remuneration Committee in connection with the Board Remuneration and Nomination Committee (BNRC), as described in 2.14.3..

The pre-determined criteria for evaluation the Board Members are: objective criteria related to the success degree of implementation of initiatives and actions agreed to implement in that year, and subjective criteria are related to the contribution in terms of experience and knowledge to the discussions at the Board, the quality of preparation of meetings and the contribution to discussions at the Board and Board Committees as well as the commitment to the success of the company, among others.

No payments were made for the dismissal or removal from directors.

The company does not have plans for the allotment of options for share purchases.

### Statutory Audit Board

Regarding the Statutory Audit Board, the remuneration policy adopted provides that the remuneration consists of a fixed fee, determined taking into account the situation of the company as well as market practices and includes an annual liability allowance. The annual remuneration of the Chairman of the Statutory Audit Board in 2012 was 10.200 Euros and that of the remaining 2 members, 8.200 Euros each.

### "Senior Management"

The remuneration policy approved by the Shareholders' General Meeting provides that the remuneration policy applicable to persons who are considered "*dirigentes*" within the meaning of paragraph 3 of Article 248-B of the Securities Code, is equivalent to that adopted for the remuneration of other directors of the same function level and



responsibilities without attributing any additional benefit compared to what is attributed for its functional group.

### **2.13. Policy of Communication Irregularities**

During 2008 and with the formalisation of the Code of Conduct of Sonae Indústria, the procedure for reporting irregularities was defined. This is available on the company website [www.sonaeindustria.com](http://www.sonaeindustria.com).

Employees and service providers may, on a confidential basis, report concerns about any behaviour or decision that in their opinion, does not respect the ethics or Code of Conduct.

Any possible case of irregularity should be sent via e-mail or post to one of the following addresses:

E-mail: [ethics.committee@sonaeindustria.com](mailto:ethics.committee@sonaeindustria.com)

Post: Sonae Industria SGPS, S.A.

Ethics Subcommittee of the Social Responsibility, Environment and Ethics Committee

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 Company 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 internet.

The company maintains a record of all complaints and cases investigated as well as their findings which will 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. During 2012, the Board of Directors decided including some changes in the Code of Conduct, which aim to reinforce the principle, already included in that Code, which means that all directors and employees of the Group have to guide their conduct by the strict compliance of the applicable laws.

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.

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
- Social Conscience
- Communication
- Compliance

#### **Relations with Shareholders and Other investors**

- Creation of value
- Transparency
- Compliance

#### **Relations with Governments and 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](http://www.sonaeindustria.com).

## SECÇÃO V – Special Committees

### 2.14. Committees with special competences

To improve the operational efficiency of the Board of Directors and meet best practice in Corporate Governance, the Board of Directors appointed 3 Board Committees with special competencies, and a Corporate Governance Officer. The Social Responsibility, Environment and Ethics Committee includes a sub-commission of Ethics.



#### 2.14.1. Board Audit and Finance Committee (“BAFC”)

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

- Javier Vega (Chairman; Independent)
- Paulo Azevedo
- 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 2012, 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, risk management processes and the performance of the key financial ratios. Among other areas, it issues recommendations for final deliberation at the Board of Directors, thereby improving its operational functioning.

#### **2.14.2. Social Responsibility, Environment and Ethics Committee (“SREEC”)**

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

- Belmiro de Azevedo (Chairman)
- Albrecht Ehlers (Independent)
- Javier Vega (Independent)

This Committee is responsible for:

- review and advise the Board of Directors on information and reports to be included in the half-year and annual reports of the company
- monitorir 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 twice during 2012 and recorder in the minutes their deliberations. The Ethics Sub Committee met twice.

#### **2.14.3. Board Nomination and Remuneration Committee (“BNRC”)**

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

- Belmiro de Azevedo (Chairman)
- Javier Vega (Independent)
- Paulo Azevedo
- 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 Shareholders' 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. BNRC is also responsible for finding potential candidates with a profile to be a Board Member both for the company itself and for its affiliated companies.

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 2012, the BNRC met on two occasions with the respective minutes having been drafted.

### 3. Information

#### 3.1. Capital Structure

Sonae Indústria's share capital amounts to 700 million Euros and is represented by 140 million ordinary nominal shares with a nominal value of 5 Euros per share. All shares are listed on NYSE Euronext Lisbon. No limitations or restrictions are in place regarding the transfer of control or sale of shares.

#### 3.2. Qualified Shareholding under Article 20 of the Portuguese Securities Code

Shareholder	Number of shares	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A (*)			
Directly	44.780.000	31,9857%	31,9857%
By Pareuro, BV (controlled by Efanor)	27.118.645	19,3705%	19,3705%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor)	1.010	0,0007%	0,0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	711	0,0005%	0,0005%
By Duarte Paulo Teixeira de Azevedo (Director of Efanor and held by descendent)	223	0,0002%	0,0002%
By Migracom, SGPS, SA (company controlled by Efanor's Director, Paulo Azevedo)	90.000	0,0643%	0,0643%
By Linhacom, SGPS, SA (company controlled by Efanor's Director, Cláudia Azevedo)	23.186	0,0166%	0,0166%
	<b>72.013.775</b>	<b>51,4384%</b>	<b>51,4384%</b>

(\*) 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 holds around 99% of the share capital and voting rights of Efanor Investimentos SGPS, SA, which, in her turn, is the dominant company of Pareuro BV.

#### 3.3. Identification of the shareholders that detain special rights

There are no shareholders with special rights.

#### 3.4. Possible restrictions on share-transfer i.e. consent clauses for their disposal or restrictions on share-ownership

There are no restrictions to the transfer of company shares.

### 3.5. Shareholder agreements which the company may be aware of and which may restrict the transfer of securities or voting rights

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

### 3.6. Rules applicable to the amendment of the Articles of Association

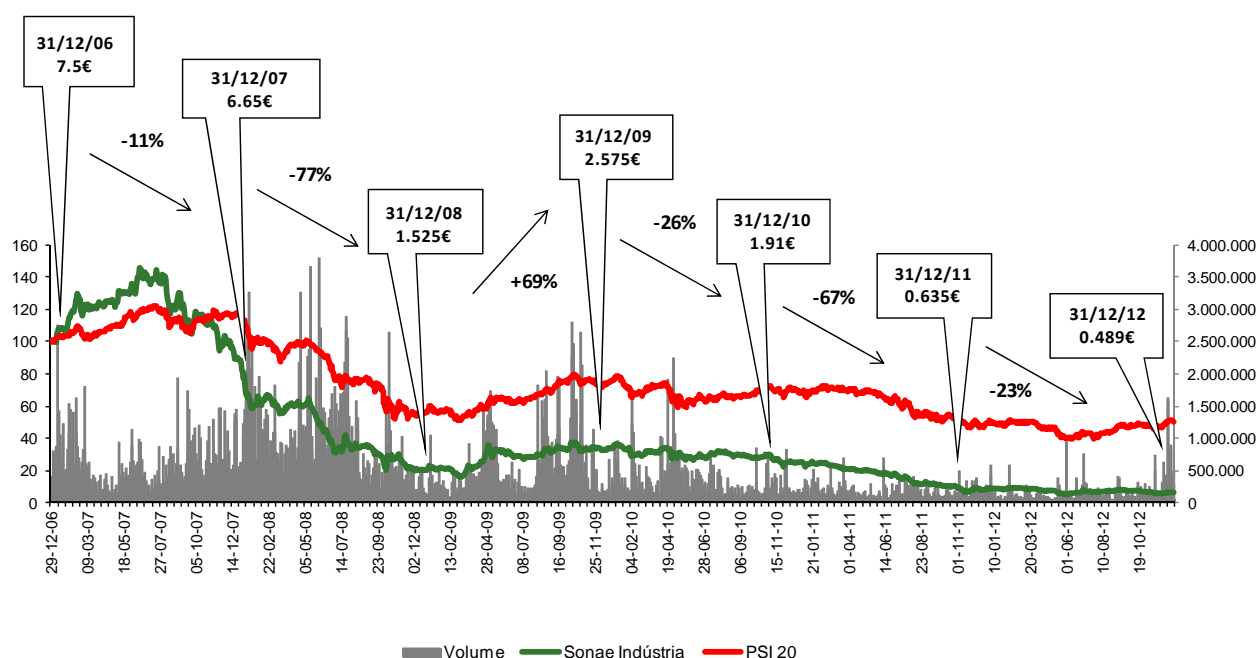
The rules applicable to amendments of the Articles of Association are established by law. It is the task of the Shareholders' General Meeting to decide on the amendment of the Articles of Association. However, the Board of Directors can decide to change the registered office within the national territory,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

### 3.7. Control mechanisms for a possible employee-shareholder system in as much as the voting rights are not directly exercised by them

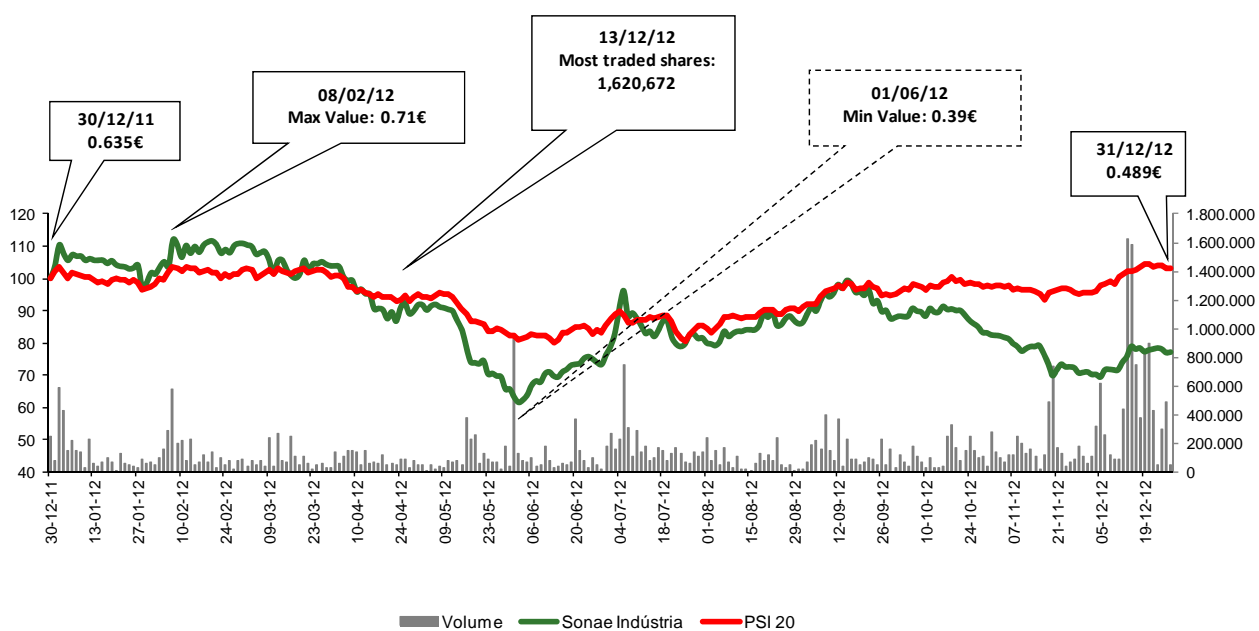
Control mechanisms for a possible employee-shareholder system, in as much as the voting rights are not directly exercised by them, are not planned.

### 3.8. Share Price performance in 2012

The share price performance of Sonae Indústria is particularly affected by crises and the recovery in economic activity, as the company operates in a highly cyclical sector, dependent on the construction and furniture industries.



2008 was marked by a global drop in equity markets resulting from the deepening crisis of confidence prevailing within capital markets due to problems related to subprime mortgages. During that year Sonae Indústria's share price declined 77% from 6.65€ at the end of 2007 to 1.525€ at the end of 2008. In 2009, there was a slight recovery in stock markets, including the Sonae Indústria shares which recovered 69%.



Over the last 2 years Sonae Indústria share price has been also particularly affected by the sovereign debt crisis, which resulted in a higher risk aversion to invest in Portugal, and the consequent escape of investors, particularly foreign investors of domestic capital markets and the subsequent lower liquidity. In parallel, the difficulties in the banking sector, particularly the Portuguese, with the consequent reduction of credits granted or refinanced by them, lead to a greater risk aversion in relation to more leveraged firms, as is the case of Sonae Indústria. During 2011 the share price fell by 67% and in 2012 and fell again by 23%, from 0.635€ at the end of 2011 to 0.489€ at the end of 2012.

The maximum value of 2012 was reached on 8 February (0.71€) and the minimum value at June 1, 2012 (0.39€).

Stock Market Indicators	2009	2010	2011	2012
Share Capital	700.000.000	700.000.000	700.000	700.000
Total number of shares	140.000.000	140.000.000	140.000.000	140.000.000
Net Results	-58.782.190	-74.434.786	-57.817.393	-98.876.879
Nets Results per share	-0,42	-0,53	-0,41	-0,71
Dividends per share*	0	0	0	0
Maximum Value	2,82	2,75	1,93	0,71
Minimum Value	1,20	1,68	0,50	0,39
Average Value	2,16	2,23	1,23	0,56
Share Price (31/12)	2,58	1,91	0,64	0,49
Market Capitalization (31/12)	360.500.000	267.400.000	88.900.000	68.460.000
Average daily transactions**	513.226	317.104	162.181	150.479

\* distributed in the following year

\*\* Average number of shares traded per day

In terms of liquidity, the share had an average turnover of 150,479 shares daily and the highest value of 1.620.672 shares was reached on 13<sup>th</sup> December 2012.

MAIN EVENTS IN 2012
➤ <b>29/02/2012</b> : FY11 consolidated results announced
➤ <b>09/05/2012</b> : 1Q12 consolidated results announced
➤ <b>27/07/2012</b> : Information about the start of the consultations regarding the future of the indirect affiliated company Sonae Industria (UK)
➤ <b>30/07/2012</b> : 1H12 consolidated results announced
➤ <b>13/09/2012</b> : Information regarding a trade receivables securitisation transaction
➤ <b>14/09/2012</b> : Information regarding the closure of the Knowsley plant
➤ <b>23/10/2012</b> : Information regarding the modification of repayment plan and interest rate of "Sonae Indústria 2010/2017 " Bond Loan
➤ <b>16/11/2012</b> : 9M12 consolidated results announced
➤ <b>04/12/2012</b> : Information regarding the entry into negotiations of Tableros Tradema on the closure of its factory located in Solsona

### **3.9. Dividend policy**

The Board set the goal to distribute 50% of the company's profits. Each year, the ratio of actual payment to be proposed by the Board of Directors will take into account the degree of soundness of capital structure of society, as well as the existing investment plan.

### **3.10. Transactions with Related Parties**

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.

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.

### **3.11. Investor Relations**

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 with investors, either in roadshows or in one-to-one meetings upon request, or by participating at conferences.

Sonae Indústria’s Investor Relations Department may be contacted by email at [investor.relations@sonaeindustria.com](mailto:investor.relations@sonaeindustria.com) or by telephone: + 351 22 010 0638. The Investor Relations manager is Patrícia Vieira Pinto.

In addition, Sonae Indústria has an institutional website ([www.sonaeindustria.com](http://www.sonaeindustria.com)) that posts all earnings announcements, statements, reports and accounts together with any other public documents, press releases or general news items on a wide range of themes relating to the Company and Group.

Sonae Indústria’s legal representative relations with equity market (“Representante para as Relações com o Mercado de capitais”) is Rui Correia, who can be contacted via the Investor Relations Department or alternatively, directly by email: [rmcorreia@sonaeindustria.com](mailto:rmcorreia@sonaeindustria.com).

The Company’s website contains wide-ranging information in English, including the company’s name, the quality of publicly traded company, headquarters and other elements mentioned in Article 171 of the Companies Code. Further information relates to the Articles of Association, the identity of the governing bodies and representative relations with the equity market, Investor Relations Department, their duties and ways of access as well as documents of accountability. A corporate events calendar is also provided together with proposals for discussion and vote at the Shareholders’ General Meeting and notice to convene the same meeting.

### **3.12. Remuneration of the Statutory External Auditors**

In 2012, the statutory external auditor PriceWaterhouseCoopers invoiced Sonae Indústria and its affiliated companies a total amount of 440 713 Euros, being 91,65% related to the legal certification of the accounts, 8,35% related to other reliability services.

PriceWaterhouseCoopers is the Statutory External Auditor of the company since the Shareholders’ Annual General Meeting of 2006 and is in its third three year term. As such, Sonae Indústria has not taken any decision as yet regarding its rotation.