

SONAE INDÚSTRIA

**CORPORATE
GOVERNANCE
REPORT**

2017

5 April 2018

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

A.SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

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

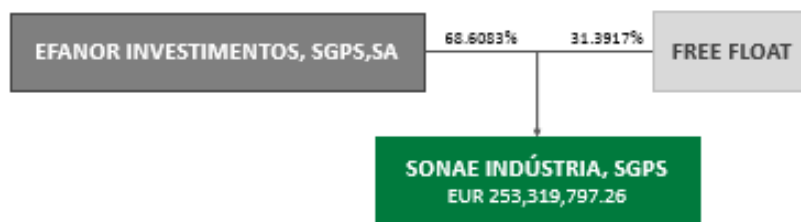
Sonae Indústria's share capital amounts to 253,319,797.26 euros and is represented by 45,403,029 ordinary nominal shares without nominal value. All shares are admitted to trading on the Euronext Lisbon.

In May 2017, Sonae Indústria reduced its share capital from 812,107,574.17 euros to 253,319,797.26 euros to cover losses registered in the company's accounts totalling 558,787,776.91 euros, without change of the existing number of shares, pursuant to a resolution taken by the Shareholders' Annual General Meeting held on 9 May 2017.

Considering that the large number of shares representing Sonae Indústria's share capital has caused, in terms of liquidity, that any small change in the trading price, in percentage terms, resulted in significant variations, the shareholders at the Annual General Meeting approved a reverse stock split of the shares representative of its share capital, under the terms set forth in Article 23-E of the Securities Code.

The reverse stock split was carried out at the end of July 2017 by applying a regrouping quotient of 250, corresponding to each 250 shares 1 new share, with a rounding by default to the nearest whole number (previously have been extinct, without share capital reduction, 167 shares donated by the shareholder Migracom, SA). Sonae Indústria appointed Banco BPI, SA, to purchase from shareholders any excess shares resulting from the rounding process inherent to the reverse stock split, subject to payment of a consideration of 0.0079 euros.

Sonae Indústria's share capital is distributed according to the illustration below (the qualified shareholding attributed to Efanor shown below is explained in item 7 of this report):



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

There are no restrictions in place regarding the transfer or sale of the company's shares.

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

As at 31 December 2017, the company did not own any own shares.

To enable the reverse stock split of the shares representative of the company share capital, performed in 2017, the shareholder Migracom, SA donated its 167 shares, which were cancelled without a share capital reduction.

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

On 31 December 2017, the amount of debt in loans which grant to the respective creditors the option to consider the amount of debt due in the event of a change in shareholder ownership was circa 165 million euros (79% of the value of the consolidated net debt).

	Million € ¹	No. Contracts
Total	165	5

1) Liabilities at their nominal value.

The shareholders agreement subscribed by Sonae Indústria and Inversiones Arauco International, Ltda, (Arauco) in relation to Sonae Arauco, SA, confers Arauco the right to exercise a call option over the full amount of Sonae Arauco shares owned by Sonae Indústria, in case of change of the current shareholder control of Sonae Indústria, as well as it confers a call option to Sonae Indústria in case of change of the current shareholder control of Arauco.

5. Regime applicable to the renewal or revocation of defensive measures, in particular those that foresee the limitation of the number of votes susceptible of being detained or exercised by only one shareholder, in an individual way or in cooperation with other shareholders

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

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

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

II. SHAREHOLDINGS AND BONDS HELD

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

Shareholder	Number of shares	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A (1)			
Directly	19,370,549	42.6636%	42.6636%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	11,730,752	25.8369%	25.8369%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor)	4	0.000009%	0.000009%
By Migracom, SA (company controlled by Efanor's Director, Paulo Azevedo)	38,931	0.0857%	0.0857%
By Linhacom, SA (company controlled by Efanor's Director, Cláudia Azevedo)	10,030	0.0221%	0.0221%
	31,150,266	68.6083%	68.6083%

On 22 February 2016, TEAK Capital, SA informed Sonae Indústria having signed a services agreement with the company Pareuro, BV, through which it was granted, by way of consideration, a call option over 1,702,620,000* shares representative of 15% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2018. Thereafter, the referred to company informed Sonae Indústria that the call option will be performed by physical settlement and that 98.725% of its share capital is held by, TEAK Capital, B.V. in which Carlos Moreira da Silva holds shares that grant him 40% of the voting rights and Fernanda Arrepia (married with him with separation of people and property) holds shares that grant her 45% of the voting rights.

* The number of shares indicated refers to the shares prior to the reverse stock split operation carried out during 2017 and corresponds to 6,810,480 of the current shares

(1) Efanor Investimentos, SGPS, SA ceased, with effects from 29 November 2017, to have a controlling shareholder, according with the terms and for the effects of articles 20º and 21º of the Portuguese Securities Code.

8. Indication of the number of shares and bonds held by members of the Management and Supervisory Boards

Sonae Indústria directors held the following company shares as of 31 December 2017:

Number of Shares/Position		Number of Shares/Position	
Duarte Paulo Teixeira de Azevedo		(3) Migracom, SA	
Efanor Investimentos, SGPS, SA (1)	Minoritary	Sonae Indústria, SGPS, SA	38,931
Migracom, SGPS, SA (3)	Dominant	Imparfin, Invest. e Part. Financ., SA (4)	Minoritary
(1) Efanor Investimentos, SGPS, SA		(4) Imparfin, Invest. e Part. Financ., SA	
Sonae Indústria, SGPS, SA	19,370,549	Sonae Indústria, SGPS, SA	120,396
Pareuro, BV (2)	Dominant		
(2) Pareuro, BV			
Sonae Indústria, SGPS, SA	11,730,752		

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

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

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

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

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

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting

11. Identification and role of the members of the Board of the Shareholders' General Meeting and respective mandate

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

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

b) Exercise of voting rights

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

According to 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 the law.

Article 239-C of the Securities Code sets out that, who is entitled to participate, discuss and vote in the Shareholders' General Meeting, are shareholders who, at the record date, which corresponds to 0 hours of the 5th trading day prior to the date of the meeting, hold at least one vote, according to the law and the company statutes.

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

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

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

Sonae Indústria Articles of Association stipulate that 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 was made available to shareholders for the Shareholder's Annual General Meetings held in 2016 and 2017, and was used by one shareholder at the Shareholder's General Meeting in 2017.

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

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

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

Each share corresponds to one vote, with no limitation.

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

The decisions are taken by simple majority, except when the law stipulates otherwise.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the governance model adopted

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

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

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

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

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

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

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

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

On 31 December 2017, Sonae Indústria's Board of Directors was constituted by seven Directors, with one vacant position. All its members were elected at the Annual General Meeting held on 31 March 2015 for the 2015-2017 mandate, with the exception of Louis Brassard that was co-opted by the Board of Directors at the meeting held on 8 June 2016.

Date of the Sonae Indústria's current Directors first appointment:

- Duarte Paulo Teixeira de Azevedo - 15 December 2005;
 - Carlos António da Rocha Moreira da Silva – 12 November 2014;
 - Albrecht Olof Lothar Ehlers – 8 September 2011;
 - Javier Vega de Seoane Azpilicueta – 29 March 2012;
 - José Joaquim Romão de Sousa – 31 March 2015;
 - George Christopher Lawrie – 12 April 2013.
- Louis Brassard – initially appointed on 15 December 2005, ceased to hold the position of Director of the company on 28 April 2009, having been co-opted until the end of the current mandate (2015-2017), on 8 June 2016.

On 31 December 2017, the Board of Directors of Sonae Indústria comprised:

- Duarte Paulo Teixeira de Azevedo – Chairman (Non-Executive)
- Carlos António da Rocha Moreira da Silva – Vice-Chairman (Non-Executive and Independent)
- Albrecht Olof Lothar Ehlers (Non-Executive and Independent)
- Javier Vega de Seoane Azpilicueta (Non-Executive and Independent)
- José Joaquim Romão de Sousa (Non-Executive and Independent)
- George Christopher Lawrie (Managing Director)
- Louis Brassard (Managing Director)

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

Of the seven (7) Directors, two (2) are Managing Directors and five (5) are non-executive members, as indicated in the previous paragraph.

Among the non-executive Directors, four (4) are independent, also as indicated in the previous paragraph.

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

Paulo Azevedo (Chairman of the Board of Directors): holds a degree in Chemical Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduation in Business Studies (MBA) from the Oporto Business School (ex-EGP). He was CEO of Optimus – Telecomunicações S.A. between 1998 and 2000; CEO of Sonaecom, SGPS, S.A., between 2000 and 2007; CEO of Sonae SGPS, S.A. between May 2007 and April 2015; Chairman of the Board of Directors and Co-CEO of Sonae SGPS, S.A. since April 2015. He holds a number of managerial and directorship roles in the Efanor/Sonae Group.

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

Albrecht Ehlers (Independent): lawyer; law degree from the University of Münster (Germany). From 1987 to 2000, he 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 2010, he is Chancellor at the Technical University of Dortmund (Germany).

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

José Romão de Sousa (Independent): holds a BSc in Chemical and Industrial Engineering – IST, University of Lisbon (Portugal) and a PhD in Chemical Engineering – Imperial College, University of London (UK). He has large experience in the manufacturing industry, particularly in the chemicals (formaldehyde resins, adhesives and water-borne emulsion resins) and plastics industries (Vinyl and polyolefin extrusion and calendaring). He held several management functions in the ProHolding Group, being still today Non-Executive Chairman of several group companies and associated companies, including a new venture into biologic fungicides. He has experience in the financial sector, namely in private equity, portfolio management and brokerage. Currently, he is Chairman of the Board of Directors of Promotor SGPS, SA and Epoli-Espumas de Polietileno SA, among other companies.

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

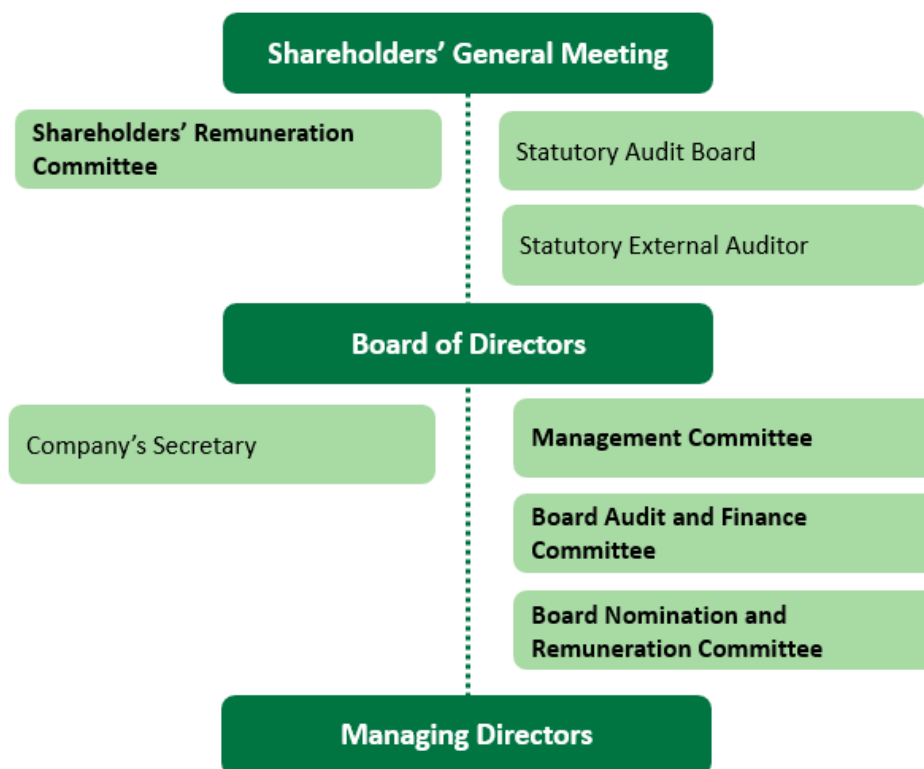
Louis Brassard (Managing Director): degree in Industrial Engineering – Montreal Polytechnic School (Quebec, Canada). MBA in Finance and Marketing – University of Montreal. Since 1994 in Sonae Indústria's Group, where he held various positions and is currently COO of Tafisa Canada and member of the Management Committee.

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

Paulo Azevedo is a Director and shareholder of Efanor Investimentos SGPS, SA, to whom the control of the majority of the voting rights in Sonae Indústria is imputed.

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

The responsibilities of the different governing bodies and committees of the company are distributed as follows:



The Board of Directors appointed two Managing Directors, whom were delegated the broadest managing powers of the company including all legal and statutory competences that are attributed to the Board of Directors, with exception of:

- a) appointing the Chairman of the Board;
- b) co-opting a substitute for a member of the Board;
- c) convening Shareholders' General Meetings;
- d) approving of any Reports 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, and deciding on individual compensation for Executives and Senior Managers;
- j) defining or changing major accounting policies of any company included in the consolidation perimeter of Sonae Indústria Group;
- k) 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;
- l) 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;
- m) investing in any other company;
- n) 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;

- o) 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 2,000,000 euros) or affects the jobs of more than 100 employees;
- p) defining Sonae Indústria and Sonae Indústria Group strategy and general policies;
- q) defining the corporate structure of Sonae Indústria Group.

The Board of Directors also appointed a Management Committee, composed by the Managing Directors and by the COO of Laminates & Components. The Management Committee's main objective is to support the Managing Directors in the functions that were delegated by the Board of Directors.

b) Functioning

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

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

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

The Board of Directors convened 5 times in 2017, with the respective minutes of meetings recording all the deliberations made. The attendance of the Board of Directors members to those meetings was 100% (physically, by electronic means or by representation).

24. Indication of the corporate bodies responsible for the assessment of the performance of the Executive Directors

The company's Shareholder's Remuneration Committee liaises with the Board Nomination and Remuneration Committee to assess the performance of the Executive Directors.

25. Pre-defined criteria that are used to assess performance of the Executive Directors

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

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

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

The Managing Directors work full time on the management of Sonae Indústria and its subsidiaries.

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

DUARTE PAULO TEIXEIRA DE AZEVEDO

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco, SA (Chairman of the Board of Directors)

Positions in other companies:

- Efanor Investimentos, SGPS, S.A. (Director)
- Sonae – SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Center Serviços II, S.A. (Chairman of the Board of Directors)
- Sonae Investimentos – SGPS, S.A. (Chairman of the Board of Directors)
- Sonae MC – Modelo Continente, SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Sierra, SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Specialized Retail, SGPS, S.A. (Chairman of the Board of Directors)
- Sonae Capital, SGPS, S.A. (Chairman of the Board of Directors)
- Imparfin – Investimentos e Participações Financeiras, S.A.
- Migracom, S.A. (Chairman of the Board of Directors)

CARLOS MOREIRA DA SILVA

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco, SA

Positions in other companies:

- BA GLASS I - Serviços de Gestão e Investimentos, S.A. (Chairman of the Board of Directors)
- BA GLASS, BV
- Fim do Dia, SGPS, S.A. (Chairman of the Board of Directors)
- Lynx Finance GP, LLC
- Gascan S.A.

ALBRECHT EHLERS

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco Deutschland GmbH (Chairman of the Supervisory Board – “Aufsichtsrat”)

Positions in other companies:

- Erich-Brost-Institut für Journalismus in Europa GmbH (Member of the Board of Directors)
- PROvendis GmbH (Supervisory Body and Shareholders Committee)
- Salus BKK (Chairman of the Supervisory Board - “Aufsichtsrat”)
- Invite GmbH (Vice – Chairman of the Supervisory Board - “Aufsichtsrat”)
- Durable Hunke & Jochheim GmbH & Co. KG (Chairman of the Supervisory Board)
- TechnologieZentrumDortmund GmbH (Member of the Shareholders Committee)
- Studierendenwerk Dortmund AöR (Member of the Supervisory Board)
- University Alliance Ruhr
- Technische Universität Dortmund University (Chancellor)

JAVIER VEGA

Positions in companies, directly or indirectly held by Sonae Indústria:

- Sonae Arauco, SA

Positions in other companies:

- DKV Seguros (Chairman)
- Gestlink, SA (Chairman)
- Inversiones Vedegane, S.A. (Chairman)
- Fujitsu (Chairman of the Advisory Board)

JOSÉ ROMÃO DE SOUSA

Positions in other companies:

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

GEORGE CHRISTOPHER LAWRIE

Positions in companies, directly or indirectly held by Sonae Indústria:

- Frases e Frações – Imobiliária e Serviços, SA
- Glunz (UK) Holdings, Ltd.
- Isoroy SAS
- Maiequipa – Gestão Florestal, S.A.
- Megantic BV
- Movelpartes – Componentes para a Indústria do Mobiliário, SA
- Novodecor (PTY) Ltd.
- Parcelas e Narrativas – Imobiliária, SA
- Poliface North America Inc.
- Serradora Boix, SL
- Sonae Arauco, SA
- Sonae Indústria de Revestimentos, SA
- Sonae Indústria – Management Services, SA
- Spanboard Products, Ltd.
- Tafisa Canada Inc.
- Tafisa France, SAS

LOUIS BRASSARD

Positions in companies, directly or indirectly held by Sonae Indústria:

- Isoroy, SAS
- Megantic, BV
- Poliface North America Inc
- Tafisa Canada Inc
- Tafisa France, SAS

c) **Committees within the Management or Supervisory Bodies and Managing Directors**

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

The Board of Directors appointed two Managing Directors, Christopher Lawrie and Louis Brassard. With the main objective of supporting the Managing Directors in the functions delegated by the Board of Directors, the Board of Directors appointed a Management Committee, composed of the two Managing Directors and the COO of Laminates & Components.

The Board of Directors also appointed two specialised committees, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.



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

- Board of Directors:
http://www.sonaeindustria.com/file_bank/investor/Regul%20CA%20PT_22062016.pdf
http://www.sonaeindustria.com/file_bank/investor/BoD%20Regulation%20ENG_22062016.pdf
- Management Committee:
http://www.sonaeindustria.com/file_bank/investor/Regul%20Mancom%20PT_22062016.pdf
http://www.sonaeindustria.com/file_bank/investor/ManCom%20Regulation%20ENG_22062016.pdf

28. Composition of the Executive Committee and/or the identification of the Managing Director(s)

The Managing Directors of the company are Christopher Lawrie and Louis Brassard.

29. Indication of the competencies of each Board Committee and summary of the main activities performed

The Board of Directors appointed three committees with specialised expertise.

Management Committee (MANCOM)

The Management Committee is composed by the two Managing Directors and by the COO of Laminates & Components:

- Christopher Lawrie (Chairman – Managing Director);
- Louis Brassard (Managing Director – COO Tafisa Canada);
- Frederico Moniz (COO Laminates & Components).

The MANCOM is responsible for supporting the Managing Directors, within the respective delegation of powers, carrying out the following functions:

- control of implementation by Sonae Indústria Group of the strategic guidelines defined by the Board of Directors;
- control of Sonae Indústria Group's financing and accounting;
- control of the operational activities of the Sonae Indústria Group;
- analysis of new business opportunities.

Prior to any decision on the following matters, the Managing Directors shall obtain the previous and non-binding opinion of the MANCOM in relation to:

- entering into any financial operations;
- sale and purchase, long-term financial lease or any other investments in tangible fixed assets where the individual transaction value is in excess of 1,000,000 euros;
- purchasing or subscribing new shares in the share capital of any subsidiary company where the cumulative amount exceeds 5,000,000 euros in any financial year;
- making any other financial investments which exceed the cumulative amount of 1,000,000 euros in any financial year, unless in the ordinary course of business, namely in short term investments of available cash;
- reorganisations of Sonae Indústria Group, including any increase or decrease of share capital, mergers, liquidations and changes in the bylaws.

The MANCOM shall provide, in a timely and appropriate manner, the information requested by members of any Statutory Governing Bodies of the company.

The Chairman of the MANCOM shall:

- guarantee that all information regarding the activity and decisions of the MANCOM is disclosed to the members of the Board of Directors;
- ensure that all matters outside the scope of the MANCOM competencies, as well as all matters that although within the MANCOM competencies the MANCOM members have not reached an agreement on, are submitted to the Board of Directors for a decision;
- send all MANCOM minutes to the Vice-Chairman.

Over the course of 2017, the MANCOM met on twelve occasions and the respective minutes have been drafted.

Board Audit and Finance Committee (BAFC)

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

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

The BAFC normally meets at least five 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 of Directors;
- 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 2017, the BAFC held five meetings and the respective minutes have 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 body. The BAFC is a committee within the Board of Directors and according to the powers it was delegated, it is responsible for an in-depth analysis of the financial statements, analysis of internal and external audit works, risk management processes and the performance of the key financial ratios, among other areas. It also issues recommendations for final deliberation at the Board of Directors, thereby improving its operational functioning.

Board Nomination and Remuneration Committee (BNRC)

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

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

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

The BNRC liaises with Sonae Indústria's 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 2017, the BNRC met on two occasions and the respective minutes have been drafted.

III. SUPERVISION

a) Composition

30. Identification of the supervisory body

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

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

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

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

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

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

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

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

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

To ensure at all times the independence of its members, the Statutory Audit Board members, prior to being appointed, issued statements attesting that they: (i) did not incur in any of the incompatibilities set out in Article 414^o-A of the Companies Code and they were not in any situation that affects their independence, in accordance with paragraph 5 of Article 414^o of the same law and (ii) committed to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate.

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

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

MANUEL HELENO SISMEIRO (Chairman of the Statutory Audit Board): degree in Finance, SCEF (Portugal), Accountant, ICL (Portugal). Currently he is a specialist consultant in the areas of internal audit and internal control and is Chairman of the Statutory Audit Board of OCP Portugal Produtos Farmacêuticos SA, Sonae Indústria, SGPS, SA and Sonae Capital, SGPS, SA. In the past, he was a partner at Coopers & Lybrand and Bernardes, Sismeiro & Associados and, between 1998 – 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 in Porto and Director of the Audit Division in the period of 1998 – 2002 as well as member of the management board of PricewaterhouseCoopers.

OSCAR ALÇADA DA QUINTA (Statutory Audit Board Member): degree in Economics (University of Porto). He has held various roles in both administrative and financial departments of different companies (1982-1986) and since 1986 has provided audit services in 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 and subsequently as partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC.

ANTÓNIO AUGUSTO ALMEIDA TRABULO (Statutory Audit Board Member): degree in Economics – University of Porto, post graduation in Accounting and Corporate Finance – *Universidade Aberta* (Portugal), Diploma in *Suficiência Investigadora* in the field of Financial Economics and Accounting – University of Valladolid (Spain), Phd in Management and Business Administration – University of Valladolid (Spain), completed curricular part (in the final stages of completion Thesis), Statutory Auditor. Currently, he is a Statutory Auditor and Partner of Velosa, Silva, Marques e Trabulo, SROC.

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

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

b) Functioning

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

The functioning rules of the Statutory Audit Board can be read at the company website, through the following links:

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

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

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

In 2017, the Statutory Audit Board convened seven times. The minutes were drawn up recording the respective deliberations. All members attended 100% of the meetings.

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

The Statutory Audit Board members performed their roles together with other functions and roles listed below, as outlined in section 33.

Positions held by Statutory Audit Board members on 31 December 2017:

Manuel Heleno Sismeiro

In companies outside the Sonae Indústria's Group

- Sonae Capital, SGPS, SA (Statutory Audit Board)
- Sonae, SGPS, SA (Statutory Audit Board)
- OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)

Óscar Alçada da Quinta

In companies outside the Sonae Indústria's Group

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

António Trabulo

In companies outside the Sonae Indústria's Group

- Sonae Investimentos, SGPS, SA (Statutory Audit Board)
- VAA – Grupo Vista Alegre Atlantis, SGPS, S.A. (Statutory Audit Board)
- Velosa, Silva, Marques e Trabulo, SROC (Director)
- ACAT – Consultoria de Gestão, Lda (Manager)
- Sonaecom-SGPS, SA (Statutory Audit Board)

c) Responsibilities and functions
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37. Description of the procedures and criteria applicable to the involvement of the supervisory body in relation to hiring additional services of the External Auditor

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

Thus, if Sonae Indústria or any Group subsidiary intends to hire services to the External Auditor or to any entity that is in a group relationship with it, the Statutory Audit Board must be previously informed, so that such hiring does not affect the independence of the External Auditor and does not, in the overall services provided, have a significant relevance when compared to the auditing services. The Statutory Audit Board must also ensure that

the necessary conditions are in place to perform such services with autonomy and independence in relation to the ongoing audit services.

38. Other roles of the supervisory body

The Statutory Audit Board's main responsibilities are as follows:

- a) supervising the company's management;
- b) overseeing compliance with legal and regulatory requirements and the company's Articles of Association;
- c) verifying that the books of account, accounting records and supporting documentation are correctly maintained;
- d) verifying, when considered convenient and in a manner considered as appropriate, the extent of cash and stocks of any kind of goods or other values belonging to the company or received as a guarantee or deposit;
- e) verifying the accuracy of the documents used in the presentation of accounts;
- f) verifying if the accounting policies and criteria used by the company are conducive to a true and fair view of the financial position and results of its operations;
- g) preparing an annual report on the supervisory work performed and express an opinion on the report, accounts and other proposals submitted by the Board of Directors;
- h) convening the Shareholders' General Meeting, whenever the Chairman of the General Meeting fails to convene it when being obliged to do this;
- i) overseeing the effectiveness of the risk management, internal control and internal audit system, if they exist, without violating their independence;
- j) receiving communications of alleged irregularities presented by the company's shareholders, employees or others;
- k) appointing and hiring services from experts to help one or more members in the exercise of their duties. The hiring of and fees for these experts should bear in mind the complexity of the matters involved and the financial position of the company;
- l) overseeing the process of preparation and disclosure of financial information and present recommendations or proposals to guarantee their integrity;
- m) select the statutory external auditors or the audit company to be proposed to the Shareholders' General Meeting for election and recommend justifiably the preference for one of them;
- n) overseeing the work performed by the statutory external auditor in the company's individual and consolidated financial statements, namely its execution, taking into account any findings and conclusions of the Portuguese Securities Market Commission (CMVM), as the competent authority for the audit supervision;
- o) verifying and monitoring the independence of the statutory external auditor, namely in relation to additional services provided;
- p) complying with any other functions required by law and by the company's Articles of Association;
- q) approving the hiring of the statutory external auditor or of any entities that are in a participation relationship with it or that are part of the same network, to render services other than audit services.
- r) informing the management body on the results of the statutory audit and explain how it has contributed to the integrity of the preparation and disclosure of financial information processes, as well as explaining the role that the statutory external auditor had in that process.

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

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

IV. STATUTORY EXTERNAL AUDITOR

39. Identification of the Statutory External Auditor and its representative partner

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

40. Indication of the number of consecutive years the Statutory External Auditor works for the company and/or group

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

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

In 2017, PricewaterhouseCoopers provided other compliance and assurance services to Sonae Indústria subsidiaries.

V. EXTERNAL AUDITOR

42. Identification of the External Auditor

The External Auditor of the company is PricewaterhouseCoopers & Associados, SROC, Lda, represented by Hermínio António Paulos Afonso, registered in the CMVM under nr. 9077.

43. Permanence of functions

PricewaterhouseCoopers has been the External Auditor of the company since 2006. Its current representative, Hermínio Afonso, has represented it since 20 September 2011.

44. Policy and periodicity of rotation of the External Auditor and its representative

Sonae Indústria had adopted the principle of not proceeding with the rotation of the External Auditor at the end of its third mandate, only if the Statutory Audit Board concluded that, if the External Auditor is kept in functions beyond the before mentioned period, that would not collide with its independence, and if the cost-benefit analysis of this replacement would be in favour of the renewal of the mandate.

In the proposal presented to the Shareholders' Annual General Meeting, in 2015, to appoint the Statutory External Auditor of the company, the Statutory Audit Board considered that the quality of the work performed and the accumulated experience in the sector of activity of Sonae Indústria, both of the statutory audit firm which election is proposed as well as of the entities belonging to the same network in the countries where Sonae Indústria holds, direct or indirectly, affiliated companies, that are included in its consolidated accounts and where such entities are External Auditors of Sonae indústria's affiliated companies constituted an asset that must be taken into account. Having contemplated those facts and the extent of the burden to be supported by Sonae

Indústria in an eventual replacement, it was recommended the permanence of such statutory audit firm in the exercise of her functions. The Shareholders' Annual General Meeting has approved the proposal presented.

Further to the publication of Law nr. 140/2015 of 7 September, Sonae Indústria shall, at least, comply with the provisions of that law, as well as it complies with the law regarding the Statutory External Auditor partner, always performing an assessment to guarantee that the independence of both is maintained.

45. Indication of the governing body responsible for the appraisal of the External Auditor and periodicity of such appraisal

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

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

During 2017, services related to the implementation of a system to support the creation of the report of CbCr (Country-by-Country reporting) were provided to Efanor Investimentos (through its subsidiary Sonae Center Serviços II, S.A.). The total amount billed, in 2017, was 9,500 euros. The Statutory Audit Board approved this hiring.

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

Sonae Indústria and its subsidiaries that are in a controlling or in a group relationship paid PricewaterhouseCoopers the following amounts in 2017:

By the company	
Auditing services (€)	12,375 € / 12.4 %
By other group entities	
Auditing services (€)	75,954€ / 76.08%
Reliability guarantee services (€)	2,000 € / 2.00%
Other services (€)	9,500 € / 9.52%

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

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

The rules applicable to amendments made to the company's Articles of Association are established by law. It is the Shareholders' General Meeting's responsibility to decide on the amendment of the Articles of Association.

However, the Board of Directors can decide to change the registered office within the national territory, as well as deliberate on increases in the company's share capital through new cash injections up to one thousand and two hundred million euros, on one or more times.

II. REPORTING OF IRREGULARITIES

49. Tools and policy for reporting of irregularities

Sonae Indústria has a Code of Conduct that includes a policy for the communication of irregularities, which is available at the website, www.sonaeindustria.com. Sonae Indústria's Code of Conduct and policy for communication of irregularities aims to create the climate and means for its employees and service providers to express their concerns about any behaviour or decision that they believe does not respect the company's ethics or Code of Conduct. With the extinction, in June 2016, of the Social Responsibility, Environment and Ethics Committee, its Ethics subcommittee was also extinguished. However, in 2017, it was concluded that the existence of an Ethics Committee composed by the Chairman of the Board Audit and Finance Committee and the head of the Group's legal department allows a more appropriate treatment of any reported denunciation. The Ethics Committee thus comprises Javier Vega and Júlia Moreira da Silva.

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

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

By post: Sonae Indústria SGPS, S.A.
Ethics Committee
Lugar do Espido, Via Norte
Apartado 1096
4470-177 Maia Codex
Portugal

When requested, a meeting may be scheduled to clarify the possible situation with the Ethics Committee.

Each irregularity communication will be received by the Ethics Committee, which is responsible for initiating and supervising the investigation of all denounced situations. Once the inquiry is concluded and if the reported irregularity corresponds to wrongful conduct, the Ethics Committee shall notify the employee's hierarchical responsible or the service provider's employer so that corrective actions and / or disciplinary proceedings are applied.

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 suspect 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 subject to retaliation for reporting or participating in an investigation, he/she should immediately report such perceived retaliation to the Ethics Committee.

The company provides a form to report irregularities on its intranet.

The Ethics Committee informs the Statutory Audit Board of any reported denunciation.

The company maintains records of all complaints and situations that were investigated and the respective findings, which are available for consultation by the statutory bodies and the Ethics Committee.

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 of Conduct sets out

guidance on those matters of business ethics to be complied with by all employees and service providers when carrying out their professional duties.

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

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

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

Relations with employees and service providers

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

Relations with shareholders and other investors

- Value creation
- Transparency
- Compliance

Relations with governments and local communities

- Ethical behaviour
- Social conscience
- Tax statement
- Environmental awareness

Relations with business partners

- Customer focus
- Integrity
- Ethical behaviour
- Transparency

Relations with competitors

- Enforcement of competition laws
- Ethical behaviour

The complete Code of Conduct can be found at the company website, www.sonaeindustria.com.

III. INTERNAL CONTROL AND RISK MANAGEMENT

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

Internal Audit and Risk Management for Sonae Indústria are currently provided by the Internal Audit and Risk Management team of Sonae Arauco that reports its activities and findings to the Board Audit and Finance Committee and to the Statutory Audit Board.

In order to comply with best practice behaviour regarding anti trust regulations for North America business, the support of Sonae Arauco's team to Tafisa Canada was adjusted and some of the Internal Audit and Risk Management activities have been internalised by Tafisa Canada. The Operational Risk Management functions of Tafisa Canada have also been internalised by Tafisa Canada. For the same reason, Sonae Arauco and Tafisa Canada Information Technology (IT) systems have been segregated. It should also be noted that in respect of accounting and administrative functions, Tafisa Canada keeps its independence, as Canada was never included in the scope of the Shared Services Centre (which is now under the responsibility of Sonae Arauco).

Internal Control and Risk Management are important parts of Sonae Indústria's culture, and are integrated into the management processes and responsibilities of all Group employees, at all levels of the organization. This is supported by Group transversal functions, notably Risk Management, Internal Audit and Planning and Management Control, with specialised teams.

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

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

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

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

Sonae Indústria keeps a corporate team responsible for Planning and Management Control in parallel with Sonae Arauco team and each business unit has in its team a controller which ensure that procedures of the group are properly implemented.

As with Internal Audit & Risk Management, Accounting, Administration and Transaction Services are provided by Sonae Arauco centralised accounting back-office and **Shared Service Centre (SSC)** providing accounting and administration services for all Sonae Indústria affiliates with the exception of Tafisa Canada, thus helping to guarantee alignment of policies and strengthening of procedures and controls.

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

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

In 2017 Sonae Arauco has also approved a Code of Ethics (distributed to its employees in January 2018) with the objectives of reinforcing the awareness of Sonae Arauco's Vision, Values and Principles and encouraging the good conduct of its employees.

The Internal Audit and Risk Management team integrates and participates periodically in the meetings and activities of two "Sonae companies' committees" (groups composed of representatives from several Sonae companies): the Audit Committee and the Risk Management Consulting Group. The participation in these bodies contributes to the strengthening of processes and to the increased effectiveness of the internal audit and risk management activities of the companies that are represented.

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

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

The Internal Audit and Risk Management reports to the Statutory Audit Board and the Board Audit and Finance Committee, whose Chairman is an Independent Director. These bodies can, at their discretion, request meetings to discuss and review internal audit and risk management matters and can also request information or clarifications whenever they wish.

The competences of the Statutory Audit Board 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 head of the department, receiving the reports related to those activities.

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

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

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

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

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

Sonae Indústria faces a variety of external and internal risks that must be assessed and for this purpose the company has installed a culture of prevention and early detection. An Enterprise-Wide Risk Management Framework was developed and is updated periodically. Additionally, it is also each functional area of the Group the responsibility of controlling and monitoring of the risks inherent to each function.

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

- **Macroeconomic risks**

Sonae Indústria's activity is reliant upon the macroeconomic environment and the profile of the markets in which it operates. Sonae Indústria's subsidiaries products are fundamentally commodities, having the nature of durable goods and are mainly intended for the construction and furniture sectors. The Group's operational activity is,

therefore, cyclical, being positively correlated with general economic cycles and, in particular, with the evolution of the sectors mentioned. Thus, Sonae Indústria's and its subsidiaries businesses can be negatively affected by periods of economic recession, in particular by a drop in household consumption levels which, in turn, are influenced, among other things, by wage policies and unemployment levels, as well as prevailing confidence and social protection levels. The availability of credit in the economy is also relevant for Sonae Indústria Group's business due to its potential impact on the property market. Sonae Indústria, through its subsidiaries, has a strong presence in international markets, having as most important markets the Eurozone, North America (namely Canada and the United States) and South Africa. These markets have different macroeconomic, political and social profiles and, as such, are reacting differently to the economic and financial crises and to the economic cycles. The relevant markets to Sonae Indústria's business are exposed to diversified macroeconomic risks outside of Group's control. Equally, possible political and/or social and/or religious tensions in any of the markets may have a material impact on Sonae Indústria Group's operations and financial situation that is impossible to estimate.

- **Competition**

The activity developed by Sonae Indústria faces significant challenges in the worldwide sector of wood based panels industry, as it is subject to hard competition in all the markets in which it is present (namely in Iberian Peninsula, Germany, North America and South Africa), which could have adverse effects on the Group's financial situation and results to the extent that the increase of production capacity, the opening of new competing industrial units and/or the adoption of a more aggressive pricing policy by these competitors, could lead to a reduction in turnover and/or the need to review prices by Sonae Indústria's subsidiaries, with a knock-on effect on the profitability and sustainability of its operations. Sonae Indústria's diversified base of assets and the geographical exposure to various European markets, along with the North American and South African markets, and also other markets through exports, the increased focus on higher added value products as a way of differentiating and the effort to retain costs as part of the strategy already being implemented, could protect the competitive position of the Company and allow it to achieve its objectives of being recognised as a reference player in the wood-based panels sector.

- **Business continuity risks**

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

- **Cost structure risks**

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

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

diversified their supply sources and the types of wood used, namely through recycling waste, and introducing different types of wood and alternative by-products.

- **Technological risks**

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

- **Operational risks**

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

- **Financial risks**

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

It should be noted that none of Sonae Indústria customers, including Sonae Arauco customers represents more than 7% of its aggregate turnover (considering 100% of Sonae Arauco turnover).

The existence of **financial covenants** in Sonae Indústria financing agreements also represents a financial risk. Sonae Indústria main financing agreement includes a maximum level of the "Net Debt to EBITDA" ratio of the subsidiary Tafisa Canada, calculated on the basis of its annual individual audited accounts, as well as a maximum level of Sonae Indústria's financial indebtedness (based on its individual accounts). In another financing agreement, Sonae Indústria commits to ensure a minimum level of "Shareholders Funds to Total Assets", calculated on its annual audited consolidated accounts. The non-compliance with these financial ratios may lead to an event of default in the respective financing agreements, which could lead to their termination, including the early repayment of the associated financial debt.

- **Economic risks**

The **economic risks** that Sonae Indústria is exposed to include: interest rate risk, foreign exchange risk and liquidity risk.

Interest rate risk depends on the proportion of floating rate debt and the consequent cash flows related to interest payments. As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates through financial derivatives. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash flow before net interest charges" which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria. As an exception to this general rule, Sonae Indústria Group may engage into interest rates derivatives, and in this case, the following

principles should be observed: (i) derivatives should not be used for trading, profit making, or speculative purposes; (ii) engage preferably in derivative transactions with Investment Grade financial institutions; (iii) match exact periods, settlement dates and base interest rate of the underlying exposures; and (iv) maximum financial charges (aggregate of the derivative and the underlying exposure) should be known and limited on the inception of the hedging period. The inefficiencies, whenever they exist, are booked under the financial results item of the consolidated income statement.

Foreign exchange risk exposure is due to the fact that Sonae Indústria is a geographically diversified group, present in three different continents, and as such subject to transactions and balances denominated in pound sterling, South African rand, Canadian dollar, American dollar, Swiss franc and Polish zloty. The Consolidated Statements of Financial Position and Income Statement are exposed to the risk of a change in the value of capital invested in subsidiaries outside the Eurozone. Sonae Indústria's subsidiaries are exposed to the risk associated with commercial transactions made in currencies other than their local currency.

Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. The Group companies cash flows are largely denominated in the respective subsidiary local currency. This is valid independently of the nature of the cash flows, i.e.: operating or financial, and provides a degree of natural hedging, reducing the Group's transaction risk. Aligned with this reasoning, Sonae Indústria's subsidiaries only contract debt that is denominated in the respective local currency. Additionally, whenever there are relevant business flows in a currency different from the subsidiary local currency, a natural hedge strategy may be implemented, if feasible from a business perspective, seeking to offset purchases (payments) or sales (receivables) in that currency with sales (receivables) and purchases (payments) in the same currency for similar amounts. In situations where there is a relevant exchange risk as a result of operational activity involving currencies other than the local currency of each subsidiary which cannot be naturally hedged, the exchange risk must, as a general rule, be mitigated by the subsidiary exposed to the exchange rate risk contracting foreign exchange derivatives.

Currency conversion risk emerges from the fact that, when preparing the Group's consolidated accounts, the financial statements of the subsidiaries denominated in currencies other than that of the consolidated accounts (euro), must be converted into euros. As exchange rates vary between accounting periods and as the value of the subsidiaries' assets do not match their liabilities, volatility in the consolidated accounts arise as a result of conversion in different periods at different exchange rates.

Liquidity risk arises when a company does not have the cash or 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. Liquidity risk management at Sonae Indústria comprises mainly: consistent financial planning, diversification of financing sources, diversification of debt maturities, and arrangements to secure committed credit facilities with relationship banks. Also, with a view to mitigating liquidity risk, it is Sonae Indústria's target to exclude whenever possible on its loan agreements financial ratios based on profitability indicators such as Net Debt to EBITDA. This objective takes into account the cyclicity of the wood based panels business which translates into highly variable profitability levels with impact on such type of financial ratios at the different stages of the business cycle.

- **Legal and regulatory risks**

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

The activities of Sonae Indústria and its subsidiaries and affiliated companies, as industrial activities, are subject to regulatory frameworks in a number of areas, including national regulations, European Union directives and international agreements, by which Sonae Indústria is bound and which may influence its management and strategic decisions. Indeed, Sonae Indústria, through its subsidiaries and affiliated companies, is subject not only to different legal frameworks but also to legislation in different areas, such as industrial and forestry, environmental, labour, health and safety, construction and housing, urban planning, among others. The non-compliance with such regulations could lead to operational restrictions, investment needs or even the revocation of licences, authorization or permits or in sanctions. Possible changes to regulations, legislation, or changes in interpretation on the part of competent authorities, the position of authorities or difficulties in complying with new laws and regulations could lead to increased adjustment costs, namely industrial and operational, or, in the

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

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

The management of risks is an important part of Sonae Indústria’s culture and is mainly supported by Internal Audit and Risk Management activities.

Internal Audit is an independent and objective activity, which aims helping Sonae Indústria to achieve its goals by participating in the process of value creation. It 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.

Internal Audit reports 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. An annual plan of Internal Audit activity is submitted to and discussed with the Board Audit and Finance Committee (BAFC) and to the Statutory Audit Board.

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

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

The 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.

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.

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

² Directive n. 2010/75/EU.

The risk management is part of the **Internal Audit & Risk Management** function.

This department is focused in the promotion of a culture of risk awareness throughout the organization and in the coordination of risk management activities and respective reporting of results. It is also responsible for implementing the Enterprise Wide Risk Management (EWRM) methodology, detecting, assessing and prioritising the risks and their potential impact on the organisation's activities.

The company risk model, aggregates the business risks in three categories (Business Division Risks, Business Process Risks and Risk of Information for Decision Making) and quantifies the relevance (impact on EBITDA and operating efficiency) and the 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 scope of the finance function.

The risk management also cooperates with the insurance management, whose goal is to bring about more efficient and effective management of the Group's different insurance policies, in order to mitigate insurance risks.

The general approach seeks to assure a suitable and balanced coverage of the operational risk by transferring it to the company's insurance partners. Sonae Indústria developed various insurance programs to transfer the risk to the market, aiming to cover:

- property damage (including machinery breakdown) and business interruption;
- damages in transportation;
- damages caused to third parties (product, public and environmental liability);
- credit risk;
- working accidents.

Sonae Indústria contracts global insurance policies as a back up to its risk management processes that better approach specific risks and topics and is committed to improve its assets protection and prevention levels in order to reinforce the partnership with the insurance market.

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

Internal Audit and Risk Management services, including Operational Risk Management, for all Sonae Indústria companies, except for Tafisa Canada that has internalised these functions, are provided by teams at Sonae Arauco.

Sonae Indústria kept the focus on the **Continuous Improvement Programme** supported by a specialised Continuous Improvement Team from Sonae Arauco, which promotes the implementation of continuous improvement best practices that lead to higher efficiency and productivity levels in the group, gradually implementing a cultural change in the company's employees. The objective is to involve all employees in developing a faster and more efficient way to work, not only in the industrial areas, but also in commercial and supporting activities of the company.

Operational Risk Management:

Similar to other Sonae Indústria's processes, our industrial procedures are constantly challenged in order to reach more efficient, sustainable and safer practices. The need to evaluate and mitigate the operational risks of the operations is a concern and we focus our activity in increasing the level of awareness on new risks and promote changes to better address the current risks.

In 2017, Operational Risk Management activities were, once again, directed to consolidate the defined planning and guidelines, with a clear focus to reach a risk controlled environment.

Given all identified risks associated with an industrial activity like ours, protection of core assets as well as loss prevention activities, are a constant concern and defined as priorities in 2017.

Operational Risk Management services for all Sonae Indústria subsidiaries are provided by Sonae Arauco teams except for Tafisa Canada, which internalised this function with dedicated and independent teams.

Corporate Operational Risk Standards (CORS)

Corporate Operational Risk Standards are recognized as an important tool for a clear guidance and for standardization of the Hazards Management program. These principles were developed with reference to international standards such as NFPA³ and/or FM⁴ data sheets, bringing together the best protection engineering practices for the wood industry. These standards were validated in coordination with external experts and specialists from risk management and insurance market fields.

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

1. Management Programs and Procedures:

- industry best practices in loss prevention involving the human element;
- preparation for emergencies;
- management programs (maintenance, inspections equipment, training, contractors, housekeeping).

2. Fire Protection Systems:

- reference to internationally recognised standards, mainly NFPA;
- general requirements in fire detection and protection in industrial premises, fire water supply specifications and building materials characteristics;
- integration of a 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, etc.;
- specific issues, such as thermal and hydraulic oil installations, electrical cabinets and rooms or transformers.

With the objective of complementing the above, specific standards that define the ideal protection per type of industrial equipment have been developed in cooperation with the Group Technology team. This reinforcement of the Hazards Management pillar reflects best practices and recommendations of the equipment suppliers. These standards expedite the investment approval process, as the industrial units already have the specifications necessary for the installation, thus promoting the standardization of the systems.

In the scope of the Continuous Improvement pillar, the following two extremely important areas have been the focus in 2017: on one hand, improvements were made in several industrial units to develop protection against explosion risks (project defined with investments to be done during several years) and, on the other hand, the collaboration with a company specialised in the treatment and recovery of thermal oil. Thermal oil systems are critical assets to our business and a proper risk identification requires a degree of industrial and expert knowledge so that the system installation and operation becomes safer.

³ National Fire Protection Association.

⁴ Factory Mutual.

INSPECTIONS

External Risk Inspections

As in previous years, the industrial units were evaluated by risk engineers from leading insurance companies responsible for the policies in each country. Depending on the country and on the insurance company the frequency of the risk evaluation can be annual or biannual.

The evaluation results are translated into recommendations which are included in the Risk Plan of each industrial unit.

Internal Risk Inspections

During 2017, there was no formal Internal Risk Inspection, mainly as a result of the organizational changes, but also due to the fact that is in course the development of a software for the Internal Risk Inspection.

Nevertheless, there were internal visits which focus on the assessment and audit of compliance of Corporate Operational Risk Standards in some specific sites.

Risk Plan

In addition to the recommendations issued by the external risk engineers, each industrial unit also has measures to be implemented in order to comply with the Corporate Operational Risk Standards, the corporate guidelines or the recommendations resulting from the internal risk inspections. The main objectives encompass:

- improving Sonae Indústria's installations risk standard, by reinforcing people and assets safety, and minimising 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 setting out priorities based on the impact on Loss Prevention.

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

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

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

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

The reliability, independence, integrity and the opportunity of the financial information are guaranteed not only by the clear separation between who executes the operations, prepares the information and its internal users (and naturally external users), but also by the realization of several control activities throughout the process of preparation, validation and disclosure of financial information.

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

- The process of reporting financial information is documented. The risks, tasks and associated controls are identified, individualized and segregated, being properly established and approved the criteria for its preparation and disclosure, which are periodically reviewed;
- The utilization of consistent accounting principles in compliance with the rules in force, which are explained in the notes to the financial statements and are present in the company formal document – “Group’s Accounting Policies” – is permanently updated and validated by the Board Audit and Finance Committee and approved by the Board of Directors;
- The plans, procedures and records of Group companies allows a reasonable assurance that the transactions are executed only with proper authorization, approved by management, and registered in compliance with accounting standards, also ensuring that the Group companies maintain a proper record of its assets with their existence reconciled with the accounting records, being adopted appropriate measures always when differences are verified;
- The financial, accounting and management information is reviewed regularly by the management of each business unit and by the persons in charge of the profit centres, ensuring continuous monitoring and related budget control;
- During the process of preparation and review of financial information, detailed schedules are set out and shared with the areas involved, being all documents reviewed in detail, including the review of principles used, verifying the accuracy of the information and its consistency with principles and policies defined in the “Group’s Accounting Policies” document and used in previous periods;
- With regard to the individual companies, with the exception of Tafisa Canada that performs its own accounting records, accounting records are ensured by the Sonae Arauco Shared Services Centre that guarantees the control and consistency in recording business processes transactions and the recording of the assets, liabilities and equity accounts balances. The financial statements are prepared by the different functions of administrative services. Compliance with the rules and the schedule mentioned above ensures the consistent respect for criteria and the early detection of any potential deviation or inaccuracy in the records. Financial statements are prepared by chartered accountants of each company and reviewed by Planning and Management Control, Consolidation, the Statutory External Auditor and by Sonae Indústria’s Statutory Audit Board;
- Consolidated financial statements are prepared on a monthly basis. This process represents an additional control of the reliability of financial information, as regards the consistent application of accounting principles, cut-off procedures and control of related parties transactions and balances;
- In the assessment process of the company risk, the Management Committee permanently identifies the relevant risks to the preparation of the financial statements in order to ensure an appropriate and real image of the company situation in every moment. A monthly detailed analysis of the financial statements aims to ensure that these reflect the risks, events and external and internal circumstances that impacted the reporting period;
- The Management Report is prepared by the Investors Relations Department with contributions and reviews made by several business and supporting departments. The Corporate Governance Report is also prepared by the same department in cooperation with the Legal Department;
- The Group financial statements are prepared under the supervision of the Management Committee. The documents that constitute the Annual Report and Accounts are sent for review and approval by Sonae Indústria Board of Directors, after being previously verified with the Statutory External Auditor. Once approved, the documents are sent to the Statutory External Auditor, who issues the accounts legal certification and audit report, both object of a detailed analysis and deliberation by the Statutory Audit Board;

- The process of preparing separate and consolidated financial information and the Management Report is supervised by the Statutory Audit Board and by the Board Audit and Finance Committee of the Board of Directors. These bodies meet quarterly to review the individual and consolidated financial statements. The Statutory External Auditor presents the main conclusions of the work carried out regarding the annual financial information, directly to the Statutory Audit Board and to the Board Audit and Finance Committee. Promptly and when something material happens with relevant impact in the accounts, the Statutory External Auditor meets with the Statutory Audit Board to discuss and validate the implications of those situations in the results' announcements;
- Internal rules applicable to the disclosure of financial information aim to warrant that information is disclosed to the market in a timely manner, in order to prevent information asymmetry.

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

- Accounting estimates – major accounting estimates are described in the notes to the financial statements. Estimates are based on information made available during the preparation of the financial statements and in the best knowledge and experience of past and present events;
- Balances and transactions with related parties – balances and transactions with related parties are disclosed in the notes to the financial statements. These transactions are related mainly to the operational recurrent activities of the Group, and to the granting and obtaining of loans under arm's length conditions and supported in good transfer pricing practices;
- Compliance and updating of rules and accounting policies – the accounting policies produced by the different regulators are permanently updated. Financial statements are presented according to the most recent versions and whenever it impacts the disclosure of the financial information reports, to prevent incompleteness, inaccuracy or ill-time of the financial statements, as referred in the notes to the financial statements;
- New, revised or discontinued information systems – the adoption of new information systems or its constant updates could impact the timely presentation of the financial information and even its reliability and consistency. The permanent update of the decision-making information systems is accompanied by multidisciplinary internal and external teams that provide an adequate control environment. In turn, the company risk of not having an effective and redundant information and technology infrastructure in the processes scope used to define, develop, keep and operate a timely and adequate treatment information environment, could lead to information loss and/or in the availability of the systems to report the information in a complete manner and on time. To minimize this potential risk, the Group has been developing and implementing information technology solutions that allow to face this risk in a more controlled way;
- Fraud and human errors – the fraud situation in which an individual or a group of people in collusion, namely those with higher management responsibility positions, engages in fraud practices related with the financial information preparation can be hard to detect, depending on the hierarchical level of the intervenient. The existence of different information internal recipients, namely the top management level, the Planning and Management Control, the Investor Relations Department and local teams allows successive and redundant controls which enable the identification of potential fraud and human errors situations;
- Cost/benefit relation of the internal control process – the implementation of an internal control system related with the preparation and disclosure of financial information can represent a cost that has to be assessed in terms of benefit. There must be a direct relation between benefits (security) that the company aims to achieve with the internal control system implementation and the reasonable security that this may provide. The business processes optimization, which includes the process of preparation and disclosure of business information, has been permanently analysed and updated, in terms of processes optimization and internal control environment;
- Company's less common transactions – sometimes company's less common transactions occur and, because they are exceptional, they could not be timely detected and identified by the internal control system as it may not be prepared to deal with it. When an exceptional situation occurs, it is immediately identified at

local or consolidated level, analysed by the several internal departments and, if need be, the External Auditor and/or experts are requested to confirm it.

IV. INVESTOR RELATIONS

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

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

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

Sonae Indústria's Investor Relations Department comprises one staff member. Its manager is João Mangericão. The Department may be contacted, by e-mail: investor.relations@sonaeindustria.com or by telephone: +351 220 106 359.

57. Representative for the Relations with Capital Markets

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

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

The company keeps a record of the requests made to the Investor Relations Department and how each request was dealt with. In 2017, the Department received contacts and requests for clarification from 27 individuals and entities, of which 6 were non-resident. In overall terms, the average response time to the information requests from investors was less than 48 hours. No information requests from earlier years are pending.

V. WEBSITE

59. Website address

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

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

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

<http://www.sonaeindustria.com/page.php?ctx=2,0,155> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,155> (English version)

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

The company's Articles of Association are available at:

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

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

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

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

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

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

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

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

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

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

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

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

Information about the Investor Relations Department is available at:

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

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

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

The company's accounting documents are available at:

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

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

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

(Portuguese version)

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

(English version)

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

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

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

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

The notifications convening the General Meetings and all the preparatory and subsequent meeting information are available at:

<http://www.sonaeindustria.com/page.php?ctx=2,0,99> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,99> (English version)

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

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

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

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

<http://www.sonaeindustria.com/page.php?ctx=2,0,99> (Portuguese version)

<http://www.sonaeindustria.com/page.php?ctx=1,0,99> (English version)

D. REMUNERATIONS

I. COMPETENCIES FOR APPROVAL OF REMUNERATIONS

66. Details of the powers for establishing the remuneration of the governing bodies, Executive Committee members and of the company persons discharging managerial responsibilities

As defined in the Articles of Association of the company, the Shareholders' General Meeting is responsible for establishing the remuneration of the members of the governing bodies or for electing a committee for this purpose. As for the members of the Board of Directors, the Shareholder's Remuneration Committee liaises with the Board Nomination and Remuneration Committee. This is the only way the Shareholder's Remuneration Committee gets the necessary knowledge about the performance of each Director, and especially the Executive Directors, throughout the year.

II. REMUNERATIONS COMMITTEE

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

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

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

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

No company was hired to assist the Shareholders' Remuneration Committee nor the Board Nomination and Remuneration Committee. For the benchmark salary level of Board of Directors members, these Committees use

multi-company studies prepared by international consultants present in Portugal which are available in the market.

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

The representative of Imparfin, José Côte Real, works in Human Resources area of Efanor Group; his extensive knowledge and vast experience in Human Resources, namely in what concerns remuneration policies, contribute very positively to the work of the Shareholders' Remuneration Committee.

III. REMUNERATION STRUCTURE

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

At the Shareholders' General Meeting held in 2017, the Shareholder's Remuneration Committee presented a declaration concerning the remuneration and compensation policy of the governing bodies and the persons discharging managerial responsibilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

The definition of the Remuneration and Compensation Policy of members of the company's statutory bodies, the main objective is to seize talent with high performance level, which represent a relevant and material contribution to the sustainability of the company's businesses. With that in mind, remuneration parameters of statutory bodies are set and periodically reviewed in accordance with remuneration practices of comparable national and international companies, aligning, in individual and aggregate terms, the maximum target amounts to be paid to members of the statutory bodies, with market practices, differentiating on an individual and positive manner the members of statutory bodies according to, amongst others, the respective profile and curriculum, the nature and job description and the responsibilities of the relevant statutory body and of the member itself, and the direct correlation degree between individual performance and businesses performance.

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

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

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

For the company's statutory governing bodies, the approved policy establishes the following:

Executive Directors (EDs)

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

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

(i) The fixed component of the remuneration (FR) of the EDs is based on the personal competences and level of responsibility of the function exercised by each ED and is reviewed annually. Each ED is attributed a classification named internally as Management Level ("Grupo Funcional"). EDs are classified under one of the following Management Levels: "Group Leader", "Group Senior Executive" and "Senior Executive". The Management Levels are structured according to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons as well as helping to promote internal equity.

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

a) The Short Term Variable Bonus

The target value of the Short Term Variable Bonus equals, the maximum, to 1/3 of the target value of the total variable component.

The amount of the variable bonus of EDs without a specific geographic responsibility is based on the company consolidated KPI's, resulting 60% from the Operational Cash Flow, 20% from Fixed Costs and 20% of the other performance indicators to be annually defined by the Shareholders' Remuneration Committee. Thereafter, a multiplication factor will be applied. This multiplication factor results from the individual performance assessment and can range between 0 and 150% according with the individual performance classification attributed to the relevant ED.

Regarding EDs with geographic responsibility, the calculation is similar to the previously described, but the combined result of the company's Operational Cash Flow and consolidated Fixed Costs has a weight of 25%, of which 20% for the Operational Cash Flow and 5% for Fixed Costs, the weight of the relevant geography represents the 55%, of which 40% is allocated to the Operational Cash Flow and 15% to Fixed Costs, and the remaining 20% depend on the other performance indicators, namely related to the performance of the working teams under the responsibility of the ED, to be annually defined by the Shareholders' Remuneration Committee. The multiplication factor resultant from the individual performance assessment is applied in the same way.

b) The Medium Term Variable Bonus (deferred for three years)

The Medium Term Variable Bonus (MTVB) of the EDs is limited to a maximum of one third of the target value of the total variable component, and is intended to strengthen the alignment of the EDs with the strategic objectives of the company and the interests of the shareholders. The payment of the amount

awarded is deferred for three years and adjusted proportionally in the year it relates to and in the following two years, in the portion of one third in each year. The indicator to be used is the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA).

c) The Long Term Variable Bonus (deferred for five years)

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

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

In respect to the calculation of the results and in respect to the Short-term Variable Bonus and to the Medium Term Variable Bonus, the total amount receivable is limited to the minimum 0% and the maximum of 200% of the total target value set in advance for those variable components.

The payments may be made by any of the forms of termination of an obligation as set forth in the law and in the company's Articles of Association, at the Shareholders' Remuneration Committee criteria, who may, namely, at its free criteria, fix the receipt of any of the parts of the variable component through the sale of shares of Sonae Indústria, SGPS, S.A. at a discount. This discount corresponds to a contribution to the acquisition of shares that will be supported by the persons to whom variable component remuneration was awarded, which shall correspond to a percentage of the trading price of the shares, at the date of the share transmission, up to a maximum percentage of 5% of such value.

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

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

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

Non-Executive Directors (NEDs)

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

Statutory Audit Board

The remuneration of the members of the company's Statutory Audit Board is based exclusively on a fixed component, which includes an annual responsibility allowance. The levels of remuneration are determined by taking into consideration the company's situation and by benchmarking against the market.

Statutory External Auditor

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

Board of the Shareholders' General Meeting

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

Persons Discharging Managerial Responsibilities

Under the terms of paragraph 25 of n. 1 of Article 3 of EU Regulation 596/2014, dated 16 April, , in addition to the members of the statutory governing bodies mentioned above, Persons Discharging Managerial Responsibilities also include senior executives who have regular access to privileged information directly or indirectly related to that entity and power to take managerial decisions affecting the future developments and business prospects of the company.

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

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

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

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

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

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

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

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

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

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

The remuneration policy approved at the Annual General Meeting, in 2017, does not contemplate the remuneration in the form of shares. To ensure the effectiveness and transparency of the Remuneration and Compensation Policy, the Executive Directors have not entered and should not enter into agreements with the

company or with third parties with the objective of mitigating the risk inherent to the variability of the remuneration that is fixed by the company.

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

The company does not attribute options.

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

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

76. Main characteristics of the complementary long-term or advanced retirement plans for Directors and date of approval at the Shareholders' General Meeting for each individual

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

IV. DISCLOSURE OF REMUNERATION

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

2017	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total Long Term Variable Bonus		Total	
	2016	2017	2016 (a)	2017 (b)	2016 (c)	2017 (d)	2016 (e)	2017 (f)	2016	2017
Paulo Azevedo	51,800	51,800							51,800	51,800
Javier Vega	29,940	29,140							29,940	29,140
Albrecht Ehlers (g)	41,400	40,600							41,400	40,600
Carlos Moreira da Silva	35,400	35,700							35,400	35,700
José Romão de Sousa	30,600	28,700							30,600	28,700
Christopher Lawrie	223,220	223,220	110,633 ⁽¹⁾	110,374 ⁽³⁾	108,258	108,258	110,633	110,374	552,744	552,226
Louis Brassard (h)	108,315	187,949	117,032 ⁽²⁾	95,810 ⁽⁴⁾	71,686	71,763	117,032	95,810	414,065	451,332
Total of Board of Directors	520,675	597,109	227,665	206,184	179,944	180,021	227,665	206,184	1,155,949	1,189,498

(a) Relative to 2016, amount approved and paid in 2017.

(b) Relative to 2017, estimated value considering actual KPI achievement but pending approval by the Shareholder's Remuneration Committee.

(c) The initial amount related to 2016 is deferred for three years and adjusted proportionally in the year to which it relates and in the two subsequent years, in the proportion of one third in each year. The indicator to be used is the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA).

(d) The initial amount related to 2017 is deferred for three years and adjusted proportionally in the year to which it relates and in the two subsequent years, in the proportion of one third in each year. The indicator to be used is the increase of the theoretical value of the shareholders' funds (calculated using a multiple of Recurrent EBITDA).

(e) Relative to 2016, amount equal to the Short Term Variable Bonus allocated is deferred for five years and will only be due if the company registers consolidated profits in all the years of the deferred period and if, in each year, those profits are equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year to which they relate.

(f) Relative to 2017, amount equal to the Short Term Variable Bonus allocated is deferred for five years and will only be due if the company registers consolidated profits in all the years of the deferred period and if, in each year, those profits are equal or higher than 20% of the consolidated shareholders' funds registered in the beginning of the year to which they relate.

(g) Out of the amount paid in 2016, 29.100 euros were paid by Sonae Indústria and 12.300 euros by Sonae Arauco Deutschland GmbH.

Out of the amount earned in 2017, 28.300 euros were paid by Sonae Indústria and 12.300 euros by Sonae Arauco Deutschland GmbH.

(h) Relative to 7 months in 2016. Values in euros correspondent to the values in Canadian dollars.

(1) Fixed from the target value of 108,258 euros.

(2) Fixed from the target value of 92,167 euros.

(3) Fixed from the target value of 108,258 euros.

(4) Fixed from the target value of 92,267 euros.

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

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

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

The bonuses paid to the Executive Directors are outlined on the table in point 77.

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

No indemnity was paid to the former Executive Directors upon termination of their functions during the year.

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

In 2017, the members of the Statutory Audit Board earned the following remuneration:

Statutory Audit Board member	Remuneration/Euros
Manuel Heleno Sismeiro (Chairman)	9,900
António Trabulo	7,900
Óscar Quinta	7,900
TOTAL	25,700

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

In 2017, the Chairman of the Board of the Shareholders' General Meeting earned the total remuneration of 5,000 euros.

V. AGREEMENTS WITH IMPACT ON REMUNERATION

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

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

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

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

VI. SHARE PLANS OR STOCK OPTIONS PLANS

85. Identification of the plan and of the respective recipients

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

86. Description of the plan

There is no remuneration plan in the form of share attribution.

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

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

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

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

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

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

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

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

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

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

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

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

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

Any transaction above 10 million euros with shareholders or entities with whom they are in any relationship, under Article 20 of the Securities Code (reference shareholders) 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 need to be reported to the Statutory Audit Board under the procedures mentioned below.

The Chairman of the Management Committee of Sonae Indústria is responsible for reporting to the Statutory Audit Board:

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

II. INFORMATION CONCERNING TRANSACTIONS

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

The information relative to related parties’ transactions may be found in Note nr. 36 of the Notes to the Consolidated Financial Statements.

F. DIVERSITY POLICY IN THE ADMINISTRATIVE AND SUPERVISORY BODIES

Sonae Indústria recognizes that diversity in the composition of its administrative and supervisory bodies, especially in respect of the Board of Directors, boosts creativity and supports informed decision making based on different perspectives.

Sonae Indústria aims to combine in its administrative and supervisory bodies a diverse set of competencies, knowledge, experiences and relevant perspectives, together with a knowledge of its business and a high integrity, so that the members of those government bodies effectively fulfill their responsibilities.

Therefore, the members of these governing bodies shall have the required academic qualifications for the exercise of their respective functions. In particular, we will strive to have members of the Board of Directors, that have combined competencies in different professions and industries in order to ensure informed decision making.

As an international Group, it is expected that the Board of Directors comprises persons of different nationalities and, consequently, different cultures, usually persons who are born native in one of the countries in which Sonae Indústria is present. This way, it is possible to bring to the Board of Directors the cultural and social perspective of such countries.

In relation to the members of the Statutory Audit Board, it is always expected that they have the qualifications required by law, such as knowledge of auditing and / or accounting as they are considered to be the most relevant for the exercise of their respective duties.

Age is not considered a determining factor for the choice of the members of these government bodies.

Sonae Indústria recognizes and supports the regime of balanced distribution of men and women in management and supervisory bodies of listed companies, published on 1 August 2017. Consequently, at the next Shareholders' General Meeting to be held in 2018, the proposal to be presented shall at least comply with the established in that law, in respect to the proportion of persons of each gender in the administrative and supervisory bodies.

PART II – ASSESSMENT OF THE CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

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

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

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria complied with all recommendations of the Corporate Governance Code aforementioned during the 2017 exercise. Besides fulfilling the legal requirements and recommendations of the referred Code, Sonae Indústria, being aware of the importance of good corporate governance for business and for its shareholders, constantly seeks to adopt best practices in all areas in which operates, and as such prepared its own Code of Conduct, which can be found on the company's website www.sonaeindustria.com.

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

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

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>II.1.6 The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the Board.</p>	Compliant	17 and 18
<p>II.1.7. Non-Executive Directors shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the respective free float .The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any group with specific interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:</p> <ul style="list-style-type: none"> a. Having been an employee at the company or at a company holding a controlling or group relationship, in the past three years; b. Having, in the past three years, provided services or established a commercial relationship with the company or company with which it is in a controlling or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. Being paid by the company or by a company with which it is in a controlling or group relationship other than the remuneration arising from the exercise of the role of a board member; d. Living with a partner or a spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of board members or individuals who are, directly or indirectly, holders of qualifying holdings; e. Being a qualifying shareholder or a representative of a qualifying shareholder. 	Compliant	18
<p>II.1.8. When Board members that carry out executive duties are requested by other Board members shall provide the information requested in a timely and appropriate manner to the request.</p>	Compliant	29
<p>II.1.9. The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of the Directors, the Chairman of the Statutory Audit Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Committee, the convening notices and minutes of the respective meetings.</p>	Not applicable	
<p>II.1.10 If the Chairman of the Board of Directors has an executive role, said body shall appoint, from amongst its members, an independent member to ensure the coordination of the work of</p>	Not applicable	

RECOMMENDATION	Degree of compliance	Corporate Governance report
other non-executive members and the conditions so that body can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		
II.2. Auditing		
II.2.1 Depending on the applicable model, the Chairman of Statutory Audit Board, the Chairman of the Audit Committee or the Chairman of the Financial Matters Committee shall be independent in accordance with the applicable legal standard and shall have the necessary skills to carry out the respective duties.	Compliant	32 and 33
II.2.2 The auditing body shall be the main interface between the External Auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the respective remuneration and ensuring that proper conditions for the provision of services are provided within the company.	Compliant	45
II.2.3 The auditing body shall assess the External Auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Compliant	45
II.2.4. The auditing body shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Compliant	51
II.2.5. The Audit Committee, the General and Supervisory Board and the Statutory Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least in what concerns matters related to accounting, identification or resolution of conflicts of interest and detection of potential improprieties..	Compliant	51
II.3 Remuneration Setting		
II.3.1 All members of the Remuneration Committee or alike shall be independent from the executive board members and shall include at least one member with knowledge and experience in matters of remuneration policy.	Compliant	67 and 68
II.3.2 Any natural or legal person that provides or has provided services in the past three years to any structure under the Board of Directors, to the Board of Directors itself, or who has a current relationship with the company or a company consultant shall not be hired to assist the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Compliant	67
II.3.3 A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law nr. 28/2009 dated 19 June, shall also include the following:	Compliant	69

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

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

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