

SONAE INDÚSTRIA

**CORPORATE
GOVERNANCE
REPORT**

2018

27 March 2019

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

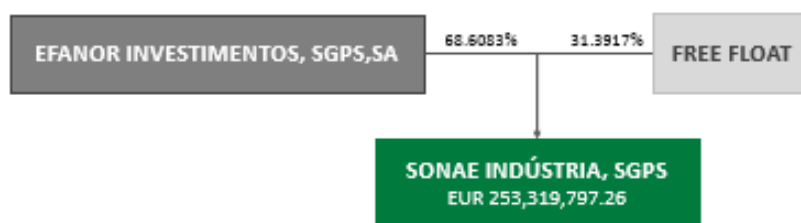
A.SHAREHOLDER STRUCTURE

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.

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 2018, the company did not own any own shares.

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

On 31 December 2018, 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 158 million euros (81% of the value of the consolidated net debt).

	Million € ¹	No. Contracts
Total	158	5

1) Debt value (nominal).

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 and Sonae Indústria'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 30 April 2018, TEAK Capital, SA informed Sonae Indústria of having signed a services agreement with the company Pareuro, BV, through which it was granted, by way of consideration, a call option over 2,000,000 shares representative of 4.40% of the share capital and voting rights of Sonae Indústria, SGPS, S.A., exercisable on 30 April 2021. This agreement replaces and revokes the previous agreement signed on 22 February 2016. TEAK Capital, SA also informed that 40% of its share capital is held by Carlos Moreira da Silva, 45% by his wife (under the regime of separation of people and property) Fernanda Arrepiá and 15% by TPR, B.V., the latter being jointly held by Carlos Moreira da Silva's three descendants, Tiago Moreira da Silva, Pedro Moreira da Silva and Raquel Moreira da Silva. Fernanda Arrepiá and Tiago Moreira da Silva are also directors of TEAK.

(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 at 31 December 2018:

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) Imparfim, 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 9 May 2018, for the mandate 2018-2020 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 23^o-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 the last three years, and was used by one shareholder at the Shareholder's Annual 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 2018, Sonae Indústria's Board of Directors was constituted by nine Directors. All its members were elected at the Annual General Meeting held on 9 May 2018 for the 2018-2020 mandate.

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;
- Berta Maria Nogueira Dias da Cunha – 9 May 2018;
- Isabel Sofia Bragança Simões de Barros – 9 May 2018;
- 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, resigned on 28 April 2009 and was co-opted on 8 June 2016.

On 31 December 2018, 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)
- Albrecht Olof Lothar Ehlers (Non-Executive and Independent)
- Berta Maria Nogueira Dias da Cunha (Non-Executive and Independent)
- Isabel Sofia Bragança Simões de Barros (Non-Executive)
- 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)

Further to his appointment, in December 2018, to the Board of Directors of Efanor Investimentos, SGPS, SA, Carlos Moreira da Silva lost the status of independent Director.

The Board of Directors, having appointed Carlos Moreira da Silva as lead independent Director and taking into account the loss of independence of this Director, at the end of the 2018, will address this issue in the course of 2019.

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 nine (9) Directors, two (2) are Managing Directors and seven (7) 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 Efanor/Sonae Group.

Carlos Moreira da Silva (Vice-Chairman of the Board of Directors): 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). He held several positions in companies of Sonae Group / Sonae Indústria Group between September 1988 and January 2000. In 2003, he was CEO of Sonae Indústria, SGPS, SA until April 2005, also holding other positions 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 Dystrybcja, 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 and member of the Board of Directors of Efanor Investimentos, SGPS, SA.

Albrecht Ehlers (Independent): degree in Law 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 areas including human resources and legal departments. Between 2000 and 2004, he was senior vice-president of Hochtief AG (Alemanha) 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).

Berta Cunha (Independent): holds a degree in Economics by the University of Coimbra. She held various positions in Banco Português de Investimentos, in the areas of Mergers and Acquisitions and Corporate Finance. Between 2002 and 2005, she was director of F. Turismo-Capital de Risco, SA. Between 2002 and 2018, she was director of Cosec - Companhia de Seguros de Crédito, SA.

Isabel Barros: holds a degree in Psychology by the University of Porto and an MBA by the EADA Business School Barcelona and Nagoya International School Japan. Between 2007 and 2010, she was Senior Manager of Korn Ferry Hay Group; from 2011 to 2015 she was Talent Management & Development Director of Sonae; between 2016 and 2017, she was Human Resources Director at Sonae MC and, since 2017, she is Chief Human Resources Officer of Sonae MC.

Javier Vega (Independent): holds a degree in Mining Engineering by the Escuela Técnica Superior de Ingenieros de Minas of Madrid and a degree 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 is director of Sonae Arauco, SA and Chairman of the Board of Directors of DKV Seguros, Gestlink, SA and Vedegane, SA. He also currently holds other Board positions in other companies.

José Romão de Sousa (Independent): holds a BSc in Chemical and Industrial Engineering by IST, University of Lisbon (Portugal) and a PhD in Chemical Engineering by the Imperial College, London (UK). He has large industrial experience, particularly in chemical products (formaldehyde resins, adhesives and water-borne emulsion resins) and plastics industries (extrusion and calendaring of PVC, ABS and polyolefins). He held several management functions in the ProHolding Group (currently Promotor), and is the 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): he has a 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 Sonaecom and, later, he was appointed CEO of Sonae Retail Properties. In 2013, he was appointed CFO of Sonae Indústria SGPS, SA, and is currently Managing Director and Chairman of the Management Committee.

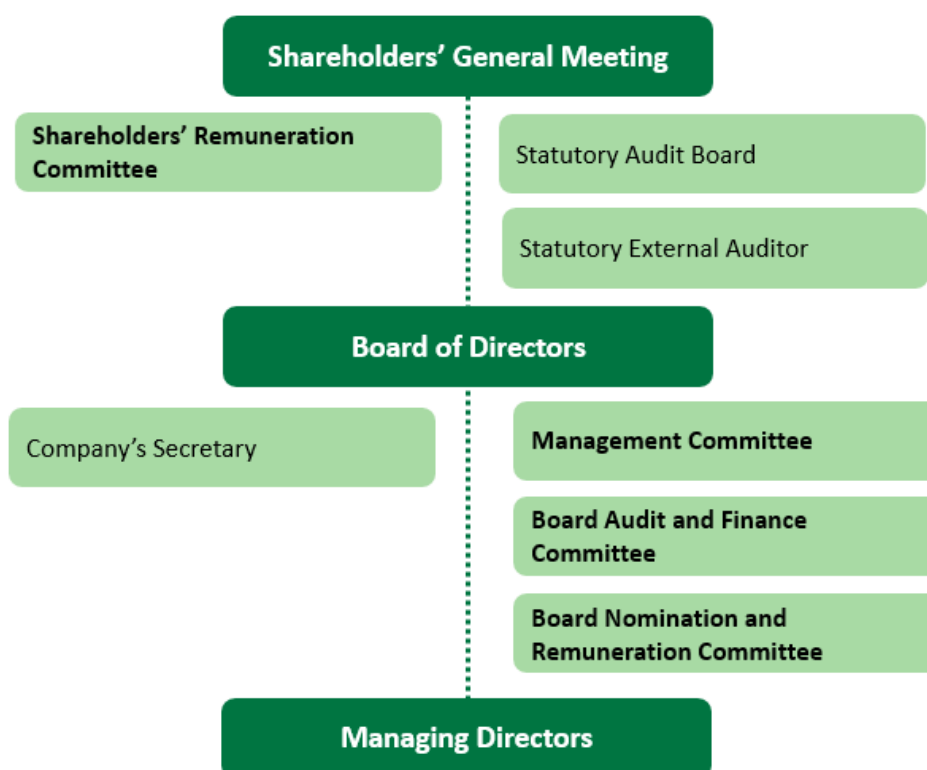
Louis Brassard (Managing Director): has a degree in Industrial Engineering by the Montreal Polytechnic School (Quebec, Canada). MBA in Finance and Marketing – University of Montreal. Since 1994, he held various positions in Sonae Indústria's Group, and, currently, he is COO of Tafisa Canada and member 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 attributed. Carlos Moreira da Silva is Director of Efanor Investimentos SGPS, SA, since December 2018.

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 is conferred with the widest powers to manage and represent the Company under the terms of Portuguese law and as stipulated by the Company's Articles of Association.

Under the terms of the Board of Directors Regulation, the Board of Directors is, namely, responsible for (i) defining both Sonae Indústria and Sonae Indústria Group strategy and general policies; ii) defining the corporate structure of Sonae Indústria Group; and iii) approving the strategic plan and annual budget of Sonae Indústria and of the affiliates that integrate Sonae Indústria Group.

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 rules applied to the transactions with related companies are the same of the transactions with other entities, i.e. all the transactions with related companies that respect to matters that have not been delegated to the managing directors, under the aforementioned terms, must be previously approved by the Board of Directors.

The Board of Directors also appointed a Management Committee, composed, up to December 2018, 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.

Notwithstanding the delegation of powers and the appointment of a Management Committee, all members of the Board of Directors have full access to corporate information, having the possibility to request it through the Management Committee.

b) Functioning

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

The Board of Directors is regulated by the functioning rules that can be read at:

http://www.sonaeindustria.com/file_bank/investor/Regul%20CA%20PT_22062016.pdf (Portuguese version)

http://www.sonaeindustria.com/file_bank/investor/BoD%20Regulation%20ENG_22062016.pdf (English version)

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

The Board of Directors convened 7 times in 2018, with the respective minutes of meetings recording all the deliberations made. The attendance of all Board of Directors members to those meetings was 100% (physically, by electronic means or by representation), except for the attendance of the Director Paulo Azevedo, which was 85.71%.

The number of meetings held each year by the management bodies and their committees 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)

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 Managing Directors. This assessment considers the degree of compliance with the Key Performance Indicators of Business Activity, as further explained in section 69 and is relevant to determine the remunerations of these Directors.

Additionally, the Board of Directors examines annually its internal operations, as well as evaluate its performance, and the performance of its committees, taking into account, namely, the defined strategy and budget approved.

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.

In relation to the other members of the Board of Directors, apart from their roles as Board member they also exercised administrative or supervisory functions in the companies 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, SA (Director)
- Sonae – SGPS, SA (Chairman of the Board of Directors)

- Sonae MC Serviços Partilhados, SA (Chairman of the Board of Directors)
- Sonae MC – SGPS, SA (Chairman of the Board of Directors)
- Modelo Continente, SGPS, SA (Chairman of the Board of Directors)
- Sonae Sierra, SGPS, SA (Chairman of the Board of Directors)
- Sonae Corporate, SA (Chairman of the Board of Directors)
- Sonae Capital, SGPS, SA (Chairman of the Board of Directors)
- Imparfin – Investimentos e Participações Financeiras, SA (Director)
- Migracom, SA (Chairman of the Board of Directors)
- Efanor – Serviços de Apoio, SA (Director)

CARLOS MOREIRA DA SILVA

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

- Sonae Arauco, SA (Director)

Positions in other companies:

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

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 (Director)
- 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)

ISABEL BARROS

Positions in other companies outside Sonae Indústria Group:

- Modelo Continente Hipermercados, SA (Director)
- Continente Hipermercados, SA (Director)

JAVIER VEGA

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

- Sonae Arauco, SA (Director)

Positions in other companies:

- DKV Seguros (Chairman of the Board of Directors)
- Gestlink, SA (Chairman of the Board of Directors)
- Vedegane, SA (Chairman of the Board of Directors)
- Fujitsu (Chairman of the Advisory Board)
- Atrevia (Director)
- Telampartner (Director)

JOSÉ ROMÃO DE SOUSA

Positions in other companies outside Sonae Indústria Group:

- Promotor SGPS, SA (Chairman of the Board of Directors)
- Epoli-Espumas de Polietileno, SA (Chairman of the Board of Directors)
- Epoli (Czechia) sro (Chairman of the Board of Directors)
- CEV, SA (Chairman of the Board of Directors)
- Converde SA (Chairman of the Board of Directors)
- Monte das Janelas Verdes – Sociedade Agrícola SA (Chairman of the Board of Directors)
- DIF-Informação Cambial e de Mercados, SA (Chairman of the Board of Directors)

GEORGE CHRISTOPHER LAWRIE

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

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

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

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

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, George 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, until 31 December 2018, 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 (“BAFC”) and the Board Nomination and Remuneration Committee (“BNRC”).



*until 31 december 2018.

The rules that regulate the functioning of the Management Committee and the terms of reference of the BAFC and BNRC can be read on the company website, through the following links:

- Management Committee:
 - http://sonaeindustria.com/file_bank/investor/Regul%20Mancom%20PT.pdf (Portuguese version)
 - http://sonaeindustria.com/file_bank/investor/Management%20Committee%20Regulation.pdf (English version)
- BAFC:
 - http://www.sonaeindustria.com/file_bank/investor/terms%20of%20reference%20BAFC_PT.pdf (Portuguese version)
 - http://www.sonaeindustria.com/file_bank/investor/terms%20of%20reference%20BAFC_Eng.pdf (English version)

- BNRC:

http://www.sonaeindustria.com/file_bank/investor/Terms%20of%20reference%20BNRC_PT.pdf
(Portuguese version)

http://www.sonaeindustria.com/file_bank/investor/terms%20of%20reference%20BNRC.pdf (English version)

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”)

During 2018, the Management Committee was 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).

At the beginning of 2019, Frederico Moniz ceased to be a member of the MANCOM.

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 the Statutory Governing Bodies of the company, namely the information related with the course of operations or activities of Sonae Indústria or of any of its businesses.

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 2018, the MANCOM met on ten 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);
- Albrecht Ehlers (Independent);
- Berta Cunha (Independent);
- José Romão de Sousa (Independent).

The BAFC normally meets at least five times a year 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 2018, 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);
- Albrecht Ehlers (Independent);
- Isabel Barros;
- José Romão de Sousa (Independent).

The BNRC has the following specialised competencies:

a) the BNRC will review and submit proposals and recommendations, on behalf of the Board, to the Shareholders’ Remuneration Committee in relation to the remuneration and other compensation of members of the Board

and will review and approve proposals and recommendations, on behalf of the Board, in relation to the remuneration and other compensation for other top management of the Sonae Indústria Group;

b) the BNRC is responsible for the succession planning and nomination processes of Board members, for reviewing all remuneration and other compensation policies and proposals applicable to Board members and other Sonae Indústria top management and for monitoring Sonae Indústria's talent management and contingency planning processes.

The BNRC liaises with Sonae Indústria's Shareholders' Remuneration Committee, since this is the only means which guarantees 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.

In relation to the succession planning and nomination processes of the governing bodies, the BNRC establishes the criteria and requirements of the new members profile, taking into account, namely, the diversity policy described in this report (part I, section F).

Over the course of 2018, the BNRC met on two occasions and the respective minutes have been drafted.

The BNRC was mainly composed by independent directors until the election of the Director Carlos Moreira da Silva to the Board of Directors of Efanor Investimentos, SGPS, SA, which occurred in December 2018.

Directors must inform the Chairman of the Board of Directors, or the Board of Directors, of facts that may constitute or cause a conflict of interests between them and / or third parties and the Company. The Director who reports a conflict of interests will not be allowed to participate in the deliberation regarding the subject under discussion, but must provide the necessary information and clarifications.

Directors cannot practice, either as self-employed persons or acting for someone else, any activity which competes with Sonae Indústria, unless authorized by the Shareholders' General Meeting. As a rule, executive directors must not hold executive functions in companies outside the Group. Whenever they intend to do so, they must previously inform the Board of Directors.

In the beginning of each fiscal year, the company circulates through the members of the Board of Directors, the Statutory Audit Board and the Board of Directors Committees, the corporate calendar with the dates of the meetings that take place in that year, so that everyone is informed of the meeting dates of the different governing bodies and committees.

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 2018 Shareholders' Annual General Meeting for the 2018-2020 mandate and has the following composition:

- António Augusto Almeida Trabulo – Chairman
- Óscar José Alçada da Quinta – Member
- Ana Luísa Nabais Aniceto da Fonte – Member
- Carla Manuela Geraldes – Substitute Member

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

- António Augusto Almeida Trabulo – March 2015
- Óscar José Alçada da Quinta – May 2007, as substitute member and March 2015, as effective member
- Ana Luísa Nabais Aniceto da Fonte – May 2018
- Carla Manuela Geraldes – May 2018

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

ANTÓNIO AUGUSTO ALMEIDA TRABULO (Chairman of the Statutory Audit Board): 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.

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. 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.

ANA LUÍSA NABAIS ANICETO DA FONTE (Statutory Audit Board Member): degree in Business Administration and Management – *Universidade Católica Portuguesa*. From 2001 to 2016, she worked in several audit companies. Since 2016, she is a Statutory External Auditor. Since 2017, she is a Professor of Audit for the graduation studies in Management of the *Universidade Católica Portuguesa*.

CARLA MANUELA GERALDES (Statutory Audit Board Substitute Member): degree in Economics by the University of Porto. Since 2001, she is Statutory External Auditor. From 1996 to 2003, she was Audit Manager in Deloitte and, since 2004, she is a partner of Crowe Horwath Portugal.

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 Statutory Audit Board has a functioning regulation that can be read at the company website, through the following links:

http://sonaeindustria.com/file_bank/investor/Conselho%20Fiscal_Regulamento%202018_Final.pdf
(Portuguese version)

http://sonaeindustria.com/file_bank/investor/Conselho%20Fiscal_Regulamento%202018_Final_ENG.pdf
(English version)

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

In 2018, the Statutory Audit Board convened five times. The minutes were drawn up recording the respective deliberations. All members attended 100% of the meetings.

The number of annual meetings held by the supervisory bodies and their committees 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)

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 2018:

António Trabulo

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

- Sonae Arauco Portugal, SA (Statutory Audit Board)

Positions in other companies:

- Sonae MC, 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 Substitute Member)

Óscar Alçada da Quinta

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

- Sonae Arauco Portugal, SA (Statutory Audit Board)

Positions in other companies:

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

Ana Luísa Nabais Aniceto da Fonte

Positions in other companies outside Sonae Indústria Group:

- SDSR - SPORTS DIVISION SR, S.A. (Statutory Audit Board)
- Ana Fonte & Associados, SROC (Manager)

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.

The regulation of Statutory Audit Board establishes that it must receive, on a quarterly basis, detailed information of all the amounts invoiced to Sonae Indústria Group by the Statutory External Auditor or by any member of its network, with information of the services rendered.

The Statutory External Auditor or any member of its network may not render any services forbidden by law to any company of the Group, no matter the location of the respective company head office.

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 the compliance with legal and regulatory requirements and with the rules issued by supervisory authorities, as well as the internal general procedures, rules and practices;
- c) 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;

- d) convening the Shareholders' General Meeting, whenever the Chairman of the General Meeting fails to convene it when being obliged to do this;
- e) overseeing the effectiveness of the risk management, internal control and internal audit system, when applicable, being responsible for the assessment of the relevant operating procedures in respect to the existence of an adequate control environment, an efficient management of the respective activities through the appropriate risk management and the complete, prompt and reliable accounting and financial information, and an adequate system of supervision and communication;
- f) receiving communications of alleged irregularities presented by the company's shareholders, employees or others;
- g) monitoring and overseeing the adequacy of the process of preparation and disclosure of financial information, including the adequacy of the accounting policies, estimates, forecasts, relevant information and their consistent application between accounting periods in a duly documented and released manner, as well as presenting recommendations or proposals to ensure its integrity;
- h) selecting the statutory external auditor or the statutory external audit firm to be proposed for appointment to the Shareholders' General Meeting and recommend justifiably the preference for one of the selected companies;
- i) overseeing and monitoring the independence of the statutory external auditor and, most importantly and according to the law, overseeing the adequacy and approve the hiring of other services either by the statutory external auditor or by any other entity in a relation of partnership or which is part of the same network, apart from the audit services being rendered;
- j) supervising the revision to the Company's separate and consolidated accounting statements, particularly its execution, highlighting the factors that influenced the integrity of the process of preparation and release of the financial information, bearing in mind potential remarks and conclusions by the Portuguese Securities Market Commission (CMVM), as part of its role as the authority responsible for audit supervision;
- k) informing the management body on the conclusions of the statutory audit work, explaining how it contributed to the integrity of the process of preparation and release of financial information, along with the role performed by the supervisory board over that process.

Besides those responsibilities, the Statutory Audit Board must issue prior opinion on any transactions with related parties (as set out in the International Accounting Standards adopted according to EU regulations), in the terms set forth in section 91.

Any member of the Statutory Audit Board can:

- a) obtain from management the Company's accounting books, records and documentation for revision and verification, as well as verify the carrying amounts of any kind of assets, namely money, securities and goods;
- b) obtain from management or from any director, information or explanations regarding the Company's ongoing operations, activities or any of its businesses;
- c) under the terms established by law, obtain from a third party that has carried out operations on the Company's behalf, information they may need to explain those operations;
- d) attend board meetings, whenever deemed convenient.

The members of the Statutory Audit Board must promptly inform the Statutory Audit Board of any facts that may cause a conflict of interest between them and the Company.

In the event of a conflict of interest, the respective member of the Statutory Audit Board must provide all information and explanation requested by the other members, and he will not be allowed to participate in the deliberation on the subject in question.

The Statutory Audit Board has not issued any opinion regarding compliance with the company's strategic plan and budget, having acted in accordance with legal rules that determine its competences, capacity and duty of intervention.

The Statutory Audit Board Regulation establishes that the selection of the Statutory External Auditor to be proposed to the Shareholders' General Meeting must comprise a request made to international audit firms, with selection criteria that include resources and coordination ability, quality and dedication to field work, types, number and deadlines of reports to be issued, communication tools and cost of services.

The referred regulation also establishes the methodology of communication between the Company and the Statutory External Auditor, imposing that the Statutory Audit Board must be the main interface between the Statutory External Auditor and the Company and the first recipient of the respective reports.

It is also responsibility of the Statutory Audit Board to present a proposal for the Statutory External Auditor remuneration and make sure that the Company provides adequate working conditions.

The Statutory External Auditor must cooperate with the Statutory Audit Board by providing information in respect to any relevant irregularities that affect the performance of its role, as well as any difficulties that may have arisen in the course of its work.

IV. STATUTORY EXTERNAL AUDITOR

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

The Statutory External Auditor is Deloitte & Associados, Sociedade de Revisores Oficiais de Contas, SA, represented by António Manuel Martins Amaral or Nuno Miguel dos Santos Figueiredo.

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

Deloitte & Associados, SROC, S.A. was elected at the Annual General Meeting of 2018 for the mandate 2018-2020.

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

In 2018, Deloitte did not provide other services to Sonae Indústria Group.

V. EXTERNAL AUDITOR

42. Identification of the External Auditor

The External Auditor of the company is Deloitte & Associados, Sociedade de Revisores Oficiais de Contas, SA, represented by António Manuel Martins Amaral or Nuno Miguel dos Santos Figueiredo, registered in the CMVM under nr. 20161389.

43. Permanence of functions

Deloitte is the External Auditor of the company since may 2018.

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

Sonae Indústria will, at least, comply with the law regarding the rotation of the External Auditor and of the respective Statutory External Auditor partner. A cost benefit analysis of the rotation and an assessment to guarantee the independence of both will always be performed.

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 2018, no services other than auditing were hired to the External Auditor.

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 Deloitte the following amounts in 2018:

By the company	
Auditing services (€)	21,595 € / 16.97 %
By other group entities	
Auditing services (€)	105,653.22€ / 83.03%

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 company 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. The company elected an Ethics Committee, composed by the Chairman of the Board Audit and Finance Committee and the head of the Group's legal department, which is responsible for receiving any communication of irregularity, for initiating and supervising the investigation of all alleged irregularities. The Ethics Committee is composed by 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.

The support of Sonae Arauco's team to Tafisa Canada must comply with behavioural best practices regarding anti-trust regulations for North America business, which led to the internalisation, by Tafisa Canada, of some of the Internal Audit and Risk Management activities and of the Operational Risk Management functions. For the same reason, Sonae Arauco and Tafisa Canada Information Technology (IT) systems are 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 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 & 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.

At Sonae Arauco there is also a Code of Ethics, distributed to its employees in January 2018, with the objective 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 define, at all times, the objectives related with the assumption of risks, as well as 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.

Sonae Indústria strives to improve its industrial processes through more efficient, sustainable and safer practices. The constant evaluation, monitoring and mitigation of the operational risks is a paramount concern. In parallel the company is also focused in increasing the level of awareness towards the identification of new risks in order to anticipate potential losses.

- **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 7.5% 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 two other financing agreements, 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 is worth referring the work being developed in relation to the regulatory changes introduced by the European Industrial Emissions Directive (IED¹) and in relation to the formaldehyde reclassification.

Although formaldehyde is naturally produced by vegetation (leaves and wood) - up to 10 million tons per year globally - since 1 January 2016, it has been reclassified as a carcinogenicity Cat 1B substance, when present above certain values, leading to new challenges for the wood-based products industry. This reclassification triggered a

¹ Directive n. 2010/75/EU.

series of new obligations under European and national legislations and opened the way for potential actions in the scope of the European regulation for registration, evaluation, authorization and restriction of Chemicals (REACH²).

The reclassification only applies to an extremely rare form of cancer in Europe (nasopharyngeal), and a comprehensive risk assessment for workers and consumers has demonstrated safe use. In 2018, Sonae Indústria, through its European subsidiaries, participated in the discussion at the European level of a proposal to restrict the sale or use of all products releasing formaldehyde at concentrations above a given limit. Depending on the limits defined, changes and additional investments may be required.

The Industrial Emissions Directive (IED) is the main European regulatory instrument for pollutant emissions from industrial facilities. The IED aims to achieve a high level of protection of human health and the environment, as a whole, by reducing harmful industrial emissions across the European Union. Sonae Indústria's subsidiaries in Europe conducted an assessment of potential gaps in the applicable industrial operations and identified the requirements to comply with the IED rules.

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.

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

² Registration, Evaluation, Authorisation and Restriction of Chemicals; Regulation (CE) n. 1907/2006, of 18 December or Decree-law n. 293/2009, of 13 October.

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. Accordingly, the protection of core assets, as well as programs for prevention loss of income are constant concerns of Sonae Industria, which are assigned to the Operational Risk Management function.

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:

Given the already mentioned operational risks associated to such an industrial activity as that of Sonae Industria, protection of assets is essential to ensure business continuity and prevent negative impacts, including financial impacts. Constant evaluation of the exposures and of how the operating risks can be reduced to an acceptable level are mandatory activities.

During 2018, Operational Risk Management activities continued to focus on improvements of both managerial activities (e.g. standards) and technical developments (e.g. additional/improvements in protection systems), again, aiming at a better control over the existing hazards.

The reconstruction of the Portuguese sites owned by a subsidiary of Sonae Industria, that were extensively damaged by the devastating wildfires, was an important centre of attention of the Operational Risk Management department, from October 2017 onwards, to ensure that these industrial sites were rebuilt incorporating all the required protections to prevent recurrences.

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.

During 2018, we kept the implementation of the measures defined in the plan for mitigation of dust explosions as well as the treatment and recover 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.

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 2018, there was no formal Internal Risk inspection, mainly because the findings from the External Risk Inspections were used as the driver for the improvements in this area.

Nevertheless, there were regular internal visits which focused on specific problems and follow up of issues previously identified.

³ National Fire Protection Association.

⁴ Factory Mutual.

Risk Plan

In addition to the recommendations issued by the external risk engineers, each industrial has further measures to be implemented in order to comply with the Corporate Operational Risk Standards, the corporate guidelines or the recommendations resulting from the internal visits. 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 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 the supervisory bodies;
- 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 and reviewed by the Board Audit and Finance Committee. 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 being updated. Financial statements are presented according to the most recent versions of rules and accounting policies, 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 Statutory 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.

In addition to the compliance of all legal obligations regarding the disclosure of information to the market, this department ensures timely disclosure of information to its shareholders, investors and to the markets in general.

57. Representative for the Relations with Capital Markets

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

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

The company keeps a record of the requests made to the Investor Relations Department and how each request was dealt with. In 2018, the Department received contacts and requests for clarification from 22 individuals and entities, of which 3 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, as well as the terms of reference of the BAFC and of the BNRC 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.cvm.pt/sdi/emitentes/emit_contas.cfm?num_ent=%25%23D%3FT%21%3D%3C%20%0A
(Portuguese version)

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

http://web3.cvm.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)

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 9 May 2018 for the mandate 2018-2020. 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.

The Shareholders' Remuneration Committee may decide, freely, on the hiring by the company of the necessary or convenient consulting services to carry out the committee's duties. During 2018, 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. Paulo Azevedo was present at the Shareholders' General Meeting held on 2018.

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

The representative of Imparfin, José Côrte 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 2018, 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), which were included on the Corporate Governance Code approved by 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 in each year until its payment 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 continuous improvement performance indicators to be approved 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 continuous improvement performance indicators, namely related to the performance of the working teams under the responsibility of the ED, to be approved 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 maximum 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).

The company has an internal regulation that defines the scope and rules applicable to the Medium Term Variable Bonus.

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 2018, 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.

The company's articles of association do not include any provision regarding directors pension benefits, thus the approved remuneration and compensation policy does not include any pension system, 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.

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

2018	Total Fixed Annual Remuneration		Total Short Term Variable Bonus		Total Medium Term Variable Bonus		Total Long Term Variable Bonus		Total	
	2017	2018	2017 (a)	2018 (b)	2017 (c)	2018 (d)	2017 (e)	2018 (f)	2017	2018
Paulo Azevedo	51,800.00	51,800.00							51,800.00	51,800.00
Javier Vega	29,140.00	29,140.00							29,140.00	29,140.00
Albrecht Ehlers (g)	40,600.00	40,600.00							40,600.00	40,600.00
Carlos Moreira da Silva	35,700.00	31,700.00							35,700.00	31,700.00
José Romão de Sousa	28,700.00	28,700.00							28,700.00	28,700.00
Berta Cunha (h)		19,733.33								19,733.33
Isabel Barros (h)		17,600.00								17,600.00
Christopher Lawrie	223,220.00	251,600.00	110,374.00 ⁽¹⁾	113,212.92 ⁽³⁾	108,258.00	120,000.00	110,374.00	113,212.92	552,226.00	598,025.84
Louis Brassard (i)	187,949.00	189,420.86	95,810.16 ⁽²⁾	82,338.62 ⁽⁴⁾	71,763.00	91,537.60	95,810.16	82,338.62	451,332.31	445,635.70
Total Board of Directors	597,109.00	660,294.19	206,184.16	195,551.54	180,021.00	211,537.60	206,184.16	195,551.54	1,189,498.31	1,262,934.87

(a) Relative to 2017, amount approved and paid in 2018.

(b) Relative to 2018, amount approved and to be paid in 2019.

(c) 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).

(d) The initial amount related to 2018 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 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.

(f) Relative to 2018, 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 2017, 28.300 euros were paid by Sonae Indústria and 12,300 euros by Sonae Arauco Deutschland GmbH.

Out of the amount earned in 2018, 28.300 euros were paid by Sonae Indústria and 12,300 euros by Sonae Arauco Deutschland GmbH.

(h) Relative to 8 months

(i) Values in euros correspondent to the values in Canadian dollars paid by Tafisa Canada

(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 120,000 euros.

(4) Fixed from the target value of 91,537.60 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 2018, the members of the Statutory Audit Board earned the following remuneration:

Statutory Audit Board member	Remuneration in Euros
António Trábulo (Chairman)	9,233.33
Óscar Quinta	7,900
Ana Fonte (for an 8-months period)	6,400
TOTAL	23,533.33

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

In 2018, 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.

With exception of transactions with related parties included in the company consolidation perimeter, in the scope of their respective activities, any related parties transactions with individual or aggregate value higher than 10 million euros, on a yearly basis, must 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.

Any transactions that have been contracted with related parties shall be a result of a comparative process and all transactions approved by the Board of Directors which are not subject to prior opinion of the Statutory Audit Board must be reported, on a half-year basis, by the CFO of the company to the Statutory Audit Board.

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 in relation to related parties transactions may be found in point nr. 31 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 management 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 industrial areas 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 which 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. At the Shareholders' General Meeting held in May 2018, the proposal presented complied with the established in the law, in respect to the proportion of persons of each gender in the management and supervisory bodies, with the Board of Directors being now constituted by seven male members and two female members and the Statutory Audit Board by two male members and two female members, being one of them a substitute member.

PART II – ASSESSMENT OF THE CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria, SGPS, SA adopted the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance published at <https://cam.cgov.pt/>.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Sonae Indústria did not fully comply with three and partially with one of the recommendations of the aforementioned Corporate Governance Code, during the 2018 exercise, being the non-compliance or partial compliance explained at the end of this item. 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. GENERAL PROVISIONS		
I.1. Company's relationship with investors and disclosure		
I.1.1. The company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the market in general.	Compliant	29, 50 and 56 to 58
I.2. Diversity in the composition and functioning of the company's governing bodies		
I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Compliant	19, 26, 29 and 33

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members and detailed minutes of the meetings of each of these bodies should be carried out.</p>	Compliant	22, 27 and 34
<p>I.2.3. The internal regulations of the governing bodies the managing body, the supervisory body and their respective committees should be disclosed, in full, on the company's website.</p>	Compliant	22, 27, 34 and 61
<p>I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.</p>	Compliant	23 and 35
<p>I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.</p>	Compliant	49
I.3. Relationship between the company bodies		
<p>I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.</p>	Compliant	21, 29 and 38
<p>I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.</p>	Compliant	29
I.4. Conflicts of interest		
<p>I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.</p>	Compliant	29 and 38

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.</p>	Compliant	29 and 38
I.5. Related party transactions		
<p>I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory.</p>	Non-compliant	See explanation below
<p>I.5.2. The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months.</p>	Not applicable	
II. SHAREHOLDERS AND GENERAL MEETINGS		
<p>II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.</p>	Compliant	13
<p>II.2. The company shall not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.</p>	Compliant	14
<p>II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.</p>	Compliant	12
<p>II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.</p>	Non-compliant	See explanation below
<p>II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years the amendment or maintenance of this rule will be subject to a shareholder resolution without increased quorum in comparison to the legally established and in that resolution, all votes cast will be counted without observation of the imposed limits.</p>	Not applicable	
<p>II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.</p>	Compliant	4

RECOMMENDATION	Degree of compliance	Corporate Governance report
III. NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION		
III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.I.I..	Compliant	17
III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Compliant	17, 18, 29 and 31
III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.	Compliant	17, 18, 21 and 28
III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i) having carried out functions in any of the company's bodies for more than 9 years, either on a consecutive or non-consecutive basis; ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi) having been a qualified holder or representative of a shareholder of qualifying holding.	Compliant	17 and 18

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>III.5. The provisions of (i) of recommendation III.4. does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).</p>	Not applicable	
<p>III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</p>	Compliant	21
<p>III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</p>	Not applicable	
<p>III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.</p>	Compliant	38
<p>III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.</p>	Compliant	27 and 29
<p>III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.</p>	Compliant	50 to 52
<p>III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.</p>	Compliant	29, 38 and 51
<p>III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.</p>	Compliant	38, 51, 54 and 55
IV. EXECUTIVE MANAGEMENT		
<p>IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.</p>	Compliant	29

RECOMMENDATION	Degree of compliance	Corporate Governance report
<p>IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i) the definition of the strategy and main policies of the company; ii) the organisation and coordination of the business structure; iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.</p>	Compliant	21
<p>IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.</p>	Compliant	51 and 52
<p>IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.</p>	Compliant	51
<p>V. EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT</p>		
<p>V.1. Annual evaluation of performance</p>		
<p>V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.</p>	Compliant	24 and 25
<p>V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.</p>	Compliant	38 and 51
<p>V.2. Remuneration</p>		
<p>V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.</p>	Compliant	66 and 67
<p>V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for</p>	Compliant	69

RECOMMENDATION	Degree of compliance	Corporate Governance report	
<p>deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.</p>			
<p>V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following:</p>			
<p>i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;</p>			
<p>ii. remunerations from companies that belong to the same group as the company;</p>			
<p>iii. the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;</p>	<p>Partial Compliant</p>	<p>69 and see explanation below</p>	
<p>iv. information on the possibility to request the reimbursement of variable remuneration;</p>			
<p>v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;</p>			
<p>vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.</p>			
<p>V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.</p>			<p>Not applicable</p>
<p>V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.</p>			<p>Compliant</p>
<p>V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.</p>	<p>Compliant</p>	<p>67</p>	

RECOMMENDATION	Degree of compliance	Corporate Governance report
V.3. Director remuneration		
<p>V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.</p>	Compliant	69 and 70
<p>V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.</p>	Compliant	69 and 70 to 72
<p>V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.</p>	Not applicable	
<p>V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.</p>	Compliant	69 and 77
<p>V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.</p>	Compliant	83
V.4. Appointments		
<p>V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.</p>	Non-compliant	See explanation below
<p>V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.</p>	Compliant	29
<p>V.4.3. This nomination committee includes a majority of non-executive, independent members.</p>	Compliant	29
<p>V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.</p>	Compliant	27 and 29

RECOMMENDATION	Degree of compliance	Corporate Governance report
VI. RISK MANAGEMENT		
VI.1 The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	Compliant	21 and 50 to 52
VI.2 Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	Compliant	50 to 55
VI.3 The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	Compliant	54
VII. FINANCIAL STATEMENTS AND ACCOUNTING		
VII.1. Financial information		
VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Compliant	38
VII.2. Statutory audit of accounts and supervision		
VII.2.1. Through the use of internal regulations, the supervisory body should define: i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.	Compliant	37 and 38
VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Compliant	37 and 38
VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Compliant	45

RECOMMENDATION	Degree of compliance	Corporate Governance report
VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	Compliant	51
VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	Compliant	38

Explanation for non-compliance or partial compliance with recommendations

Recommendation I.5.1. – Sonae Indústria defends that the related party transactions should not be subject to previous favourable and binding opinion of the Statutory Audit Board, except when established by law, but only to previous favourable opinion of that supervisory body. This understanding has two main reasons: (i) a legal reason, since the law establishes that the Board of Directors is responsible for the management of the company, hence resolutions should only be submitted to shareholders and to the Statutory Audit Board in the circumstances established by law or the company statutes; and (ii) due to the fact that the composition of the Board of Directors (either in total number of members or in the number of independent members), the mechanisms for management of conflicts of interest established by law and complied by the Directors, and the previous favourable opinion of the Statutory Audit Board are enough to ensure the transparency of related party transactions.

Recommendation II.4. – Given the low adherence to postal vote, including by electronic means, and the fact that there were no requests from shareholders, in 2018, to digitally participate in the general meeting, Sonae Indústria does not find it a priority to invest in electronic means. However, Sonae Indústria will closely monitor the requests of its shareholders and will implement that tool when deemed necessary.

Recommendation V.2.3. – The statement on the remuneration policy presented at the Annual General Meeting held on 2018, was still based on the recommendations of the Corporate Governance Code of CMVM, and not the Corporate Governance Code of IPCG.

Recommendation V.4.1. – Taking into account that the final version of the Corporate Governance Code was only published at the end of the first quarter of 2018, Sonae Indústria could not implement this recommendation in relation to the proposal of the appointment of the company’s governing bodies for the new mandate presented in its Shareholders’ General Meeting held on 9 May. Sonae Indústria expresses, in advance, its intention to comply with this recommendation in the future.