

**PORTUCEL, S.A.**  
**Public Company**  
**Capital - € 767,500,000.00**  
**Legal person no. 503025798**  
**Registered at the Setúbal Companies Registry**  
**Registered Office - Península da Mitrena, freguesia do Sado – Setúbal**

**ANNUAL GENERAL MEETING**  
**19 APRIL 2016**

**MOTION RELATING TO ITEM FIVE**  
**ON THE ORDER OF BUSINESS**

**STATEMENT ON THE REMUNERATION POLICY**  
**FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES**  
**OF PORTUCEL**

*I. Introduction*

Portucel's Remuneration Committee drew up a remuneration policy statement for the first time in 2008, successfully submitting it for approval by the company's general meeting that year. This statement was drafted at that time in line with a recommendation issued on this matter by the Securities Market Commission (Comissão de Mercado de Valores Mobiliários).

The Remuneration Committee declared at this time that it felt that the options set out in the statement should be maintained until the end of the term of office of the company's officers then underway. This term ran from 2007 to 2010.

It was then necessary to review the statement in 2010 in the light of the provisions of Law 28/2009, of 19 June, requiring the Remuneration Committee to submit a remuneration policy statement each year to the General Meeting.

This Committee has maintained the view that, as a set of principles, the remuneration policy statement should as a rule be kept stable throughout the term of office of the company officers, unless exceptional or unforeseen circumstances require a change. Moreover, given that the Remuneration Committee was re-elected for another term of office, which ended in 2014, it was deemed to make sense that this stability be maintained, except in the possible case of the circumstances mentioned, which have not so far occurred. The current year, for which this remuneration policy is proposed, is an election year for Portucel's company officers, and so a fresh consideration has been given to whether it is appropriate to maintain this policy for the new term of office.



In view of the changes to recommendations resulting from publication by the Securities Market Commission of the 2013 Corporate Governance Code, in 2014 the Remuneration Committee adjusted this Statement to the new recommendations.

Without prejudice to this adjustment in line with the new scheme of recommendations, it was decided to propose once more the approval of a statement similar in content to that currently in force, with minor adjustments resulting from the work carried out in the assessment system and KPI's.

There is a significant divide between the two most common systems for setting the remuneration of company officers. The first is for such remuneration to be set by the general meeting; this solution is rarely adopted, being rather impractical for a variety of reasons. The second is for remuneration to be set by a Committee, which decides in keeping with criteria on which the shareholders have not had the opportunity to pronounce.

The solution now before us amounts to an intermediate system whereby the shareholders can appraise a remuneration policy to be followed by the Committee. This seeks to draw on the best features of both theoretical systems, as we propose to do in this document, reasserting the position we have previously defended whilst also including the contribution from the additional experience and expertise acquired by the company, and complying with the new legal requirements in this field as referred to above.

## *II. Legal requirements and recommendations*

This statement is issued in the legal framework formed by Law no. 28/2009, of 19 June (as referred to above), and the recommendations of the Securities Market Commission set out in the Corporate Governance Code issued by the Commission.

In addition to rules on the frequency with which the statement must be issued and approved and on disclosure of its content, this law also stipulates that this content should include information on:

- a) Procedures to permit members of the board of directors' interests to be aligned with those of the company;*
- b) The criteria for setting the variable component of remuneration;*
- c) The existence of share or share option pay schemes for members of the management and supervisory bodies;*
- d) The possibility of the variable remuneration component, if any, being paid, in full or in part, after the accounts for the periods corresponding to the entire term of office having been drawn up;*



- e) *Procedures for capping variable remuneration, in the event of the results showing a significant deterioration in the company's performance in the last period for which accounts have been reported or when such a deterioration may be expected in the period underway.*

The current recommendations of the Securities Market Commission make the following requirements:

*II.3.3. The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following:*

*a) Identification and details of the criteria for determining the remuneration paid to the company officers;*

*b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identification of the circumstances in which these maximum amounts may be payable;*

*c) Information on whether payments are due for the dismissal or termination of appointment of board members.*

### *III. Rules deriving from law and the articles of association*

Any remuneration system must inevitably take into account both the general legal rules and the particular rules established in the articles of association, if any.

The legal rules for the directors are basically established in Article 399 of the Companies Code, from which it follows that:

- Powers to fix the remuneration lie with the general meeting of shareholders of a committee appointed by the same.
- The remuneration is to be fixed in accordance with the duties performed and the company's state of affairs.
- Remuneration may be fixed, or may consist in part of a percentage of the profits for the period, but the maximum percentage to be allocated to the directors must be authorized by a clause in the articles of association, and shall not apply to distribution of reserves or any part of the profits for the period which could not, under the law, be distributed to shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the general meeting of shareholders or by a committee appointed by the same, taking into account the duties performed and the state of the company's affairs.



A specific clause in Portucel's articles of association (article no. 21) provides that the remuneration of directors may be differentiated. The second paragraph of this clause lays down that the General Meeting may issue rules on pension plans and complementary pension schemes for directors.

This is the formal framework to be observed in defining remuneration policy.

#### *IV. Historical background*

From the company's transformation into a sociedade anónima in 1991 and through to 2004, the remuneration of all of Portucel's directors consisted of a fixed component, payable fourteen times a year, and set by a Remuneration Committee, and of a variable component, determined annually, depending on the specific circumstances, by decision of the State, as shareholder.

After the second phase of privatization in 2004, the formal principle was first instituted of remuneration being divided into fixed and variable components, the latter being based on the company's results and the specific performance of each director.

This procedure has been repeated annually since 2004, with directors receiving fixed remuneration and also a variable component.

It should be noted that the allocation of a percentage of profits is not applied directly, but rather as an indicator, and also as a limit, in line with the articles of association, on amounts which are determined in a more involved process, taking into account the factors set out in the remuneration policy statement in force and the KPIs referred to below.

Since the incorporation of the company, members of the Audit Board have received fixed monthly remuneration. In the case of the officers of the General Meeting, since remuneration for these officers was first instituted it has been set on the basis of the number of meetings actually held.

#### *V. General Principles*

The general principles to be observed when setting the remuneration of the company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the Company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

##### *a) Duties performed.*

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated



responsibilities. Not all the executive directors are in the same position, and the same is often also true, for example, in what concerns the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

The fact that the officer performs duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Portucel's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same type, cannot be neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of directors without delegated powers have been closely involved in the life of the company in a variety of ways. In this context, the position of the Chairman of the Board of Directors is particularly relevant, notably for purposes of defining a variable remuneration, for although he is not a member of the Executive Committee, he holds a very close position in respect of important decisions concerning the current activity of the company.

b) The state of the company's affairs.

This criterion must also be understood and interpreted with care. The size of the company and the inevitable complexity of the associated management responsibilities is clearly one of the relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

c) Market criteria.

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to keep professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the company, and the generation of value of all its shareholders. In the case of Portucel, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

## *VI. Compliance with legal requirements and recommendations*

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.



1. Article 2 a) of Law 28/2009. Alignment of interests

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the company.

We believe that the remuneration system adopted in Portucel is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links the directors to results by means of a variable remuneration component which is set primarily in the light of these results.

2. Article 2 b) of Law 28/2009. Criteria for the variable component

The second requirement established by the law is for information on the criteria used to determine the variable component of the remuneration.

The definition of the variable component of the remuneration is based on a target value applicable to each director and due where performance conditions of the director and of the company meet previously determined expectations and objectives. This target value is defined taking into consideration the above mentioned principles – market, specific functions, state of the company's affairs – with an emphasis on comparable market situations for functions of equivalent importance. Another important factor in the definition of targets is the fact that in Portucel there are not any share or share option schemes.

The weighting of real performance vis-à-vis expectations and objectives, which determines the variation in relation to the target, is based on a set of quantitative and qualitative KPI's, related to performance of the company and of the director in question, in which EBITDA, pre-tax profits and total return of shareholder investment are important factors.

3. Article 2 c) of Law 28/2009. Share or option plans.

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather a profound change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors'



remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

#### 4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration

Specialists in this field have drawn attention to significant advantages in deferring payment of the variable component of remuneration to a subsequent date when the entire period corresponding to the term of office can in some way be appraised.

We accept this principle as theoretically sound, but it appears to us to offer few advantages in the specific case of Portucel and other similar companies.

One of the main arguments supporting this system is that directors should be committed to achieving sustainable medium-term results, and that the remuneration system should support this, avoiding a situation where remuneration is pegged simply to one financial year, which may not be representative, and which may present higher profits at the cost of worse results in subsequent years.

However, whilst this danger is real and is worth safeguarding against by means of systems such as this in companies where the capital is completely dispersed and the directors may be tempted to take a short term view, maximizing quick results by sacrificing long term potential, this does not correspond to the situation in a company such as Portucel, with a stable shareholder structure, where these concerns are inherently less of an issue.

#### 5. Article 2 e) of Law 28/2009. Procedure limiting variable remuneration

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the company's performance in the last reporting period or when such a deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

#### 6. Recommendation II.3.3. a) Criteria for setting remuneration.

The criteria for setting the remuneration for the company officers are those deriving from the principles set out in chapter V above and, in relation to the variable component of directors' remuneration, those described in item 2 of chapter VI above.

In addition to these criteria, there are no other pre-determined mandatory criteria at Portucel for setting remuneration.



7. Recommendation II.3.3. b). Potential maximum value of remuneration, on an individual and aggregate basis.

There are no numerical upper limits on remuneration, notwithstanding the limitation resulting from the principles set out in this document.

8. Recommendation II.3.3. c). Severance or termination pay

There are no agreements, and no such provisions have been defined by this Committee, on payments by Portucel relating to dismissal or termination by agreement of Directors' duties.

### *VII Specific Options*

The specific options for the remuneration policy we propose may therefore be summarized as follows:

1. The remuneration of executive directors, and of the Chairman of the Board of Directors, as mentioned above in Chapter V, para a), shall comprise a fixed component and a variable component.
2. The remuneration of non-executive members of the Board of Directors will comprise only a fixed component, which may be complemented when these directors accumulate additional responsibilities.
3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.
6. The pre-set amount for participation in meetings of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.
7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.





8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.
9. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

17 March 2016

The Remuneration Committee

Chairman: José Gonçalo Maury

Member: Frederico José da Cunha Mendonça e Meneses

Member: João Rodrigo Appleton Moreira Rato