

**PORTUCEL S.A. | PUBLIC LIMITED COMPANY**

**CORPORATE GOVERNANCE REPORT 2013**



**HEADQUARTERS:** Mitrena, Apartado 55, 2901-861 Setúbal |  
Corporate Entity: 503 025 798 | Share Capital: € 767 500 000 |  
Registered at the Commercial Register of Setúbal

## CORPORATE GOVERNANCE REPORT

### PART I - INFORMATION ON CAPITAL STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

#### A. SHAREHOLDER STRUCTURE

##### I. Capital structure

###### 1. Capital structure, including indication of shares not admitted for trading, different categories of shares, rights and duties attached to the same, and the percentage of the capital represented by any such category.

Portucel's share capital is represented solely by ordinary shares, with a nominal value of 1 euro each, the same rights and duties being attached to all shares.

The share capital consists of a total of 767,500,000 shares, corresponding to an equal total nominal value in euros with all shares currently admitted for trading.

###### 2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares.

Portucel has no restrictions of any kind on the transferability or ownership of its shares.

###### 3. Number of own shares, corresponding percentage of share capital and percentage of voting rights which would correspond to own shares.

At 31/12/2013, Portucel held 49,622,497 own shares, corresponding to 6.47% of its share capital and 49,622 votes at the general meeting.

###### 4. Significant agreements to which the company is party and which take effect, are amended or terminate in the event of a change in the control of the company as a result of a takeover bid, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the company, except if the company is specifically required to disclose such information by other mandatory provision of law.

All the Company's borrowing, except for one contract, provides for early repayment in the event of a change in shareholder structure. Clauses of this type are included in 98% of the Company's total medium and long term borrowing. However, the Company considers that the contracts in question should not be disclosed as this would be prejudicial to its interests and offer no advantage to shareholders. The company considers that these clauses,

which are customary in loan contracts, were not included as assurances or protective measures for the eventuality of a change in control or changes in the composition of the board of directors.

###### 5. Rules applicable to the renewal or revocation of defensive measures, in particular those providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.

No defensive measures exist in the company providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.

###### 6. Shareholders' agreements known to the company or which might lead to restrictions on the transfer of securities or voting rights.

The company is not aware of the existence of any shareholders' agreement which might lead to restrictions on the transfer of securities or voting rights.

##### II. Holdings of shares and bonds

###### 7. Identification of persons and organizations who, directly or indirectly, own qualifying holdings, detailing the percentage of the share capital and votes imputable and the respective grounds.

At 31/12/2013, the holders of qualifying holdings in the company were as follows:

Entity	No. of shares	% of capital	% of non-suspended voting rights
<b>Semapa SGPS S.A.</b>	<b>582,172,407</b>	<b>75.85%</b>	<b>81.10%</b>
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	340,571,392	44.37%	47.44%
Seinpar Investments B.V.	241,583,015	31.48%	33.65%
Great Earth – Projectos, S.A.	1,000	0.00%	0.00%
Seminv - Investimentos, SGPS, S.A.	1,000	0.00%	0.00%
Duarte Nuno d'Orey da Cunha (*)	16,000	0.00%	0.00%

(\*) Officer in Portucel

## 8. Indication of the number of shares and bonds held by members of the management and supervisory bodies.

Members of the management and supervisory bodies who hold shares in the company:

António José Pereira Redondo:	6,000 shares
Adriano Augusto da Silva Silveira:	2,000 shares
Duarte Nuno d'Orey da Cunha:	16,000 shares

Company officers who held bonds issued by the company at 31/12/2013 were:

José Fernando Morais Carreira de Araújo:	1 bond
José Miguel Pereira Gens Paredes:	1 bond

## 9. Special powers of the management board, in particular concerning resolutions to increase capital, indicating, with regard to these, the date on which they were granted, the period during which such powers may be exercised, the upper limit for the increase in share capital, shares already issued under the powers granted and the form taken by these powers.

Portucel's articles of association do not authorize the Board of Directors to resolve on increases in share capital.

## 10. Information on the existence of significant dealings of a commercial nature between qualifying shareholders and the company.

Any significantly relevant transactions such as those referred to above must first be submitted for clearance to the Audit Board, on the basis of the relevance criteria adopted by the Company for the purposes of prior assessment and intervention.

The Audit Board is therefore required to conduct a prior assessment of any transactions or operations between, on the one hand, the company or other Portucel Group companies and, on the other hand, the holders of qualifying holdings or other entities related in any way to the same, which (i) have a value equal to or greater than 1.5 million euros, or (ii) irrespective of their value, may, due to their nature, undermine transparency or the best interests of the company. The

Audit Board also receives periodic reports from the external auditor in which, in the course of its duties, the auditor checks the effectiveness and workings of internal control arrangements, reporting any shortcomings detected.

To this end, a service agreement was concluded in 2013 between SEMAPA – Sociedade de Investimentos e Gestão, SGPS, S.A. and Portucel,S.A, under the terms of Article 4 of Decree-Law 495/88 of 30 December, which was cleared by the Audit Board, after prior assessment of possible contingencies..

This contract establishes a remuneration system based on equitable criteria which do not create a bureaucratic burden for the parties in their ongoing relationship of collaboration and assistance, assuring maximum objectivity in the setting of remuneration and abiding by the rules applicable to commercial dealings between companies in the same Group.

We may point out that, in relation to this matter, the Corporate Governance Control Committee, which is responsible for overseeing the application of the company's corporate governance rules and its Code of Ethics, has powers, amongst other things, to pronounce on transactions between the company and its directors, and also between the company and its shareholders, when these are materially relevant.

## B. CORPORATE BOARDS AND COMMITTEES

### I. General meeting

#### a. Composition of the general meeting

### 11. Officers of the General Meeting and their term of office (starting and ending dates):

The Chairman of the General Meeting is Dr. Francisco Xavier Zea Mantero, and the office of secretary to the General Meeting is held by Dra. Rita Maria Pinheiro Ferreira.

The officers of the General Meeting were elected for a term of office starting on 01/01/2010 and ending on 31/12/2014,

except for the Chairman of the General meeting, elected on 10/04/2012, for a term of office ending on 31/12/2014.

**b. Exercise of voting rights**

**12. Any restrictions on voting rights, such as limitations on the exercise of voting rights based on the ownership of a given number or percentage of shares, time limits for exercising voting rights, or systems for detaching voting rights from ownership rights:**

The Company considers that there are no limits, in the company, to the exercise of voting rights by the respective shareholders.

The Company has no procedures in place which result in mismatching between the right to receive dividends or to subscribe new securities and the right attached to each ordinary share.

In order to exercise voting rights at general meetings, shareholders are required to hold, individually or in groups formed in accordance with the law, no less than one thousand shares, with one vote corresponding to a thousand shares. The Company considers that the principle of proportionality between voting rights and shareholder investment is respected. In addition, the Articles of Association make no provision for votes not to be counted above a given limit, and there are no categories of non-voting shares.

The Company also permits postal voting, and all the necessary procedures for this are explained in the notice of general meetings. Postal votes are only considered if the shareholders casting them provide evidence of the ownership of their shares, in accordance with the general rules. Postal votes are only considered when received by the day prior to the meeting, inclusive.

There are no arrangements in place for electronic voting, but the Company considers that this does not restrict the exercise of voting rights as no request has ever been made for such arrangements.

In order to attend general meetings shareholders are required to provide proof of their status and voting rights by the registration date, corresponding to 0 hours (GMT) on the 5<sup>th</sup> (fifth) trading day prior to the date of the General Meeting.

Shareholders wishing to attend the Company's General Meeting are required to make a declaration, by notice addressed, respectively, to the Chairman of the General Meeting and to the Financial Intermediary where they have their individual registration account, no later than the day prior to the registration date, in other words by the day prior to the 5<sup>th</sup> (fifth) trading day prior to the General Meeting.

By the end of the 5<sup>th</sup> (fifth) trading day prior to the General Meeting, the Financial Intermediary is required to send to the Chairman of the General Meeting information on the number of shares registered in the name of the shareholder of whose intention to attend the General Meeting it has been informed, indicating also the registration date of these shares; this notice may also be provided by email to the address indicated on the notice of meeting.

In addition, shareholders who, on a professional basis, hold shares in their own name but on behalf of clients and who wish to cast conflicting votes are required to submit to the Chairman of the General Meeting within the time limit indicated in the preceding paragraph, in addition, to the declaration of their intention to attend the General Meeting and the sending, by the respective Financial Intermediary of the information on the number of shares registered in their client's name, (i) identification of each client and the number of shares with voting rights to be exercised on their behalf, and also (ii) the specific voting instructions issued by each client for each item on the order of business.

Shareholders may also appoint a proxy to represent them at the General Meeting, and to this end may download a proxy form from the company's website ([www.portucelsoporcel.com](http://www.portucelsoporcel.com)) or obtain a form on request from the head office.

Without prejudice to the rule on the unity of votes established in Article 385 of the Companies Code, any shareholder may appoint different proxies for shares it holds in different securities accounts.

Proxy forms for both individual and corporate shareholders must be delivered to the Chairman of the General Meeting, so as to be received by five days prior to the date of the General Meeting, and may also be sent by email.

There are no further restrictions on the exercise of voting rights, insofar as attendance of General Meetings and exercise of voting rights are not prejudiced by the transfer of shares subsequent to the Registration Date, and do not require the shares to be blocked from the Registration Date to the date of the General Meeting.

**13. Indication of the maximum percentage of the voting rights which can be exercised by a single shareholder or by shareholders connected in any of the forms envisaged in Article 20.1.**

There are no provisions to this effect in the Articles of Association.

**14. Identification of shareholder resolutions which, under the Articles of Association, can only be adopted with a qualified majority, in addition to those provided for in law, and details of the majorities required.**

The Company's Articles of Association contain no specific rules on a quorum for adoption of resolutions by the General meeting, meaning that the legal rules established in the Companies Code apply in full.

## II. Management and supervision

### a. Composition

#### 15. Identification of the governance model adopted.

The Company's Articles of Association provide for a single-tier management model, with a Board of Directors comprising executive and non-executive members and an Audit Board, in accordance with Article 278.1 a) of the Companies Code.

#### 16. Rules in the Articles of Association on procedural and material requirements applicable to the appointment and substitution of members, as the case may be, of the Board of Directors, the Executive Board of Directors and the General and Supervisory Board.

In accordance with the Articles of Association, the company's bodies comprise the general meeting, the board of directors, the audit board and a statutory auditor or firm of statutory auditors. The general meeting has powers to elect the directors, the members of the Audit Board and the statutory auditor or firm of statutory auditors.

The Board of Directors comprises three to seventeen members, elected by the general meeting of shareholders. Under the law and the Articles of Association, the directors are elected on the terms set out in the motion approved by the General Meeting.

The general meeting which elects the board of directors also designates its chairman, and may elect alternate directors up to the limit established in law. If the number of directors is not expressly fixed by the General Meeting, such number is deemed to correspond to the number of directors effectively elected.

However, the Articles of Association establish that a director may be elected individually if there are proposals subscribed and tabled by groups of shareholders, provided none of these groups holds shares representing more than twenty per cent and less than ten per cent of the share capital. No shareholder shall sign the proposal form for more than one list. Each proposal shall identify no less than electable persons. If there are several proposals subscribed by different shareholders or groups of shareholders, the lists shall be put jointly to the vote.

The articles of association also lay down that the Board of Directors may delegate the day-to-day management of the company to a single director or an executive board comprising three to nine members.

In the event of the temporary or definitive absence or impediment of the chairman of the board of directors, the board shall appoint another of its members to take his place.

However, in the event of the definitive absence, for any reason whatsoever, of the Director elected as Chairman with a profile appropriate to exercise of such duties, in accordance with the rule described above, the General Meeting is required hold a fresh election to appoint the Chairman of the Board of Directors.

The company's supervisory body is the Audit Board, comprising three full members and two alternate members, and a statutory auditor or firm of statutory auditors.

#### 17. Composition, as the case may be, of the Board of Directors, the Executive Board of Directors and the General and Supervisory Board, detailing the provisions of the Articles of Association concerning the minimum and maximum number of directors, duration of term of office, number of full members, and the date when first appointed and the end of their terms of office for each member.

Portucel has a Board of Directors comprising eleven members – one Chairman and ten other Directors. Five of the members are executive directors and form an Executive Board, which was elected and whose powers are delegated by the Board of Directors, and the other four members are non-executive.

As stated above, the minimum number of directors is three and the maximum number is seventeen.

Identification of the members of the Board of Directors, indicating the date of first appointment and the end of their term of office:

- **Chairman of the Board of Directors:**  
Pedro Mendonça de Queiroz Pereira (2004-2014)
- **Member of the Board of Directors:**  
José Alfredo de Almeida Honório (2004-2014)
- **Member of the Board of Directors:**  
Manuel Soares Ferreira Regalado (2004-2014)
- **Member of the Board of Directors:**  
Adriano Augusto da Silva Silveira (2007-2014)
- **Member of the Board of Directors:**  
António José Pereira Redondo (2007- 2014)
- **Member of the Board of Directors:**  
José Fernando Morais Carreira de Araújo (2007 -2014)
- **Member of the Board of Directors:**  
Luís Alberto Caldeira Deslandes (2004 -2014)
- **Member of the Board of Directors:**  
Manuel Maria Pimenta Gil Mata (2004-2014)
- **Member of the Board of Directors:**  
Francisco José Melo e Castro Guedes (2009-2014)
- **Member of the Board of Directors:**  
José Miguel Pereira Gens Paredes (2011- 2014)

• **Member of the Board of Directors:**

Paulo Miguel Garcês Ventura (2011-2014)

**18. Distinction between executive and non-executive members of the Board of Directors and, in relation to non-executive directors, identification of those who can be regarded as independent or, if applicable, identification of the independent members of the General and Supervisory Board.**

- Pedro Mendonça de Queiroz Pereira (non-executive)
- José Alfredo de Almeida Honório (executive)
- Manuel Soares Ferreira Regalado (executive)
- Adriano Augusto da Silva Silveira (executive)
- António José Pereira Redondo (executive)
- José Fernando Morais Carreira de Araújo (executive)
- Luís Alberto Caldeira Deslandes (non-executive)
- Manuel Maria Pimenta Gil Mata (non-executive)
- Francisco José Melo e Castro Guedes (non-executive)
- José Miguel Pereira Gens Paredes (non-executive)
- Paulo Miguel Garcês Ventura (non-executive)

For the purposes of Article 414.5 of the Companies Code, we hereby disclose that the non-executive members of the Board of Directors identified above do not meet the requirements relating to the independence rules, and also for the purpose of Article 414-A.1, except for sub-paragraph b), three of the non-executive members of the Board of Directors, Mr. Pedro Mendonça de Queiroz Pereira, Dr. José Miguel Pereira Gens Paredes and Dr. Paulo Miguel Garcês Ventura do not meet the requirements of the incompatibility rules, namely with regard to sub-paragraph h), insofar as they hold directorships in five companies outside the Portucel Group.

**18.1 The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:**

- a) **Having been an employee at the company or at a related or group company in the past three years;**
- b) **Having, in the past three years, provided services or established a significant commercial relationship with the company or a controlled or controlling company;**
- c) **Being the beneficiary of remuneration paid by the company or by a related or group company, other than the remuneration deriving from a directorship;**

- d) **Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;**

- e) **Being a qualifying shareholder or representative of a qualifying shareholder.**

In accordance with the independence criteria indicated above, the non-executive members of the Portucel's Board of Directors cannot be considered independent, as two of them were re-elected for more than two terms of office and four of them act on behalf of shareholders owning more than 2% of the share capital. However, it is our view that the legal criteria are purely formal, and that the experience, track record and proven abilities of the Company's non-executive directors has permitted them to perform their duties with complete independence.

**19. Professional qualifications and other relevant biographical details of each of the members, as the case may be, of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors.**

Professional qualifications and biographical details of the members of the company's Board of Directors:

**Pedro Mendonça de Queiroz Pereira**

Qualifications: Completed secondary education in Lisbon and attended Instituto Superior de Administração.

Management office held in companies:

*Companies in the Portucel Group:*

- Chairman of the Board of Directors of Portucel, S.A.
- Chairman of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Chairman of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.

*Other Companies / Entities:*

- Chairman of the Board of Directors of Aboutbalance SGPS, S.A.
- Chairman of the Board of Directors of Inspiredplace, S.A.
- Chairman of the Board of Directors of Ciminpart - Investimentos e Participações, SGPS, S.A.
- Chairman of the Board of Directors of Celcimo, S.L.
- Chairman of the Board of Directors of Cimo – Gestão de Participações Sociais, S.A.
- Chairman of the Board of Directors of CMP - Cimentos Maceira e Pataias, S.A.
- Chairman of the Board of Directors of Great Earth - Projectos, S.A.
- Chairman of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
- Chairman of the Board of Directors of Secilpar, SL.

- Chairman of the Board of Directors of Seinpart - Participações, SGPS, S.A.
- Chairman of the Board of Directors and Chairman of the Executive Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- Chairman of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of Cimigest, SGPS, S.A.
- Chairman of the Board of Directors of Costa das Palmeiras – Turismo e Imobiliário, S.A.
- Manager of Ecovalue – Investimentos Imobiliários, Lda.
- Chairman of the Board of Directors of OEM - Organização de Empresas, SGPS, S.A.
- Chairman of the Board of Directors of Sodim SGPS, S.A.
- Sole Director of Tema Principal – SGPS, S.A.
- Chairman of the Board of Directors of Terraços d´Areia – SGPS, S.A.

*Other professional activities in the last 5 years:*

- Chairman of the Board of Directors of Cimentospar – Participações Sociais, SGPS, S.A.
- Chairman of the Board of Directors of Vértice – Gestão de Participações, SGPS, S.A.
- Chairman of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Soporcel – Gestão de Participações Sociais, SGPS, S.A.

**José Alfredo de Almeida Honório**

Qualifications: Degree in economics from the Faculty of Economics, University of Coimbra, 1980.

Management office held in companies:

*Companies in the Portucel Group:*

- Chairman of the Executive Board and Member of the Board of Directors of Portucel, S.A.
- Chairman of the Executive Board and Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Chairman of the Executive Board and Member of the Board of Directors of About the Future – Empresa Productora de Papel, S.A.
- Chairman of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Energia SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Internacional – SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Chairman of the Board of Directors of Countrytarget, SGPS, S.A.

- Chairman of the Board of Directors of Eucaliptusland, Sociedade de Gestão de Património Florestal, S.A.
- Chairman of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Chairman of the Board of Directors of Portucel Papel Setúbal S.A.
- Chairman of the Board of Directors of PortucelSoporcel Florestal, S.A.
- Chairman of the Board of Directors of Soporcel Pulp, Sociedade Portuguesa de Celulose, S.A.
- Directors of Portucel Soporcel Sales & Marketing S.A.
- Chairman of the Executive Board and member of the Board of Directors of Portucel Soporcel Switzerland Ltd.
- Chairman of the Board of Directors of Portucel Soporcel International Ltd.
- Chairman of the Board of Directors of Portucel Finance spółka z ograniczona odpowiedzialnoscia
- Chairman of the Board of Directors of Colombo Energy, Inc.
- Chairman of the Board of Directors of Portucel Soporcel Parques Industriais, S.A.

*Other Companies / Entities:*

- Member of the Board of Directors of About balance SGPS, S.A.
- Member of the Board of Directors of Inspiredplace, S.A.
- Member of the Board of Directors of Great Earth - Projectos, S.A.
- Member of the Board of Directors of Seminv – Investimentos, SGPS, S.A.
- Member of the Board of Directors of Celcimo, S.L.
- Member of the Board of Directors of Ciminpart – Investimentos e Participações, SGPS, S.A.
- Member of the Board of Directors of Seinpart Participações, SGPS, S.A.
- Member of the Board of Directors of CMP – Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors of Secil - Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors and Member of the Executive Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- Member of the Board of Directors and of the Executive Board of CEPI – Confederation of European Paper Industries
- Chairman of the General Board and Member of the Executive Board of CELPA – Associação da Indústria Papeleira

*Other professional activities in the last 5 years:*

- Chairman of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
- Member of the Board of Directors of CIMO – Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Semapa Inversiones, S.L.



- Chairman of the Management Board of IBET – Instituto de Biologia Experimental e Tecnológica
- Manager of Florimar – Gestão e Participações, SGPS, Soc. Unip. Lda.
- Manager of Hewbol – SGPS, Lda.
- Director of Cimentospar – Participações Sociais, SGPS, S.A.

### **Manuel Soares Ferreira Regalado**

Qualifications: Degree in Financial Affairs, from the Instituto Superior de Ciências Económicas e Financeiras, Lisbon (ISEG), 1972; Senior Executive Programme (SEP), London Business School (1997)

Management office held in companies:

#### *Companies in the Portucel Group:*

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of Portucel Soporcel Florestal S.A.
- Chairman of the Board of Directors of Atlantic Forests – Comércio de Madeiras, S.A.
- Chairman of the Board of Directors of Bosques do Atlântico, SL
- Member of the Board of Directors of Celcacia – Celulose de Cacia, S.A.
- Member of the Board of Directors of Colombo Energy, Inc.
- Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A.
- Chairman of the Board of Directors of Enerforest – Empresa de Biomassa para Energia, S.A.
- Chairman of the Board of Directors of Empremedia – Corretores de Seguros, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Board of Directors of Portucel Florestal – Empresa de Desenvolvimento Agro-Florestal, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações SGPS, S.A.
- Chairman of the Board of Directors of Sociedade de Vinhos de Espirra – Produção e Comercialização de Vinhos, S.A.
- Chairman of the Board of Directors dos Viveiros Aliança – Empresa Produtora de Plantas, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing S.A.
- Manager of Portucel Moçambique, Lda.
- Member of the Board of Directors of Countrytarget, SGPS, S.A.

- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Soporcel Papel, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd.
- Member of the Board of Directors of Portucel Soporcel International Ltd.
- Member of the Board of Directors of Portucel Finance spółka z ograniczona odpowiedzialnoscia
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE

#### *Other Companies / Entities:*

- Member of the General Board of CELPA - Associação da Indústria Papeleira
- Other professional activities in the last 5 years:
- Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
- Chairman of the Board of Directors Cofotrans – Empresa de Exploração Florestal, S.A.
- Chairman of the Board of Directors of Aflomec – Empresa de Exploração Florestal, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.

### **Adriano Augusto da Silva Silveira**

Qualifications: Degree in Chemical Engineering from the University of Porto, 1975.

Management office held in companies:

#### *Companies in the Portucel Group:*

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of Celcacia – Celulose de Cacia, S.A.
- Member of the Board of Directors of Colombo Energy, Inc.



- Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Chairman of the Board of Directors of SPCG – Sociedade Portuguesa de Co-geração, S.A.
- Chairman of the Board of Directors of Enerpulp – Co-geração Energética de Pasta, S.A.
- Chairman of the Board of Directors of EMA 21, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing S.A.
- Member of the Board of Directors of Countrytarget, SGPS, S.A.
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd.
- Member of the Board of Directors of Portucel Soporcel International Ltd.
- Member of the Board of Directors of Portucel Finance spółka z ograniczona odpowiedzialnoscia
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE

*Other professional activities in the last 5 years:*

- Member of the Management Board of Tecnipapel, - Sociedade de Transformação e Distribuição de Papel, Lda.
- Member of the Management Board of RAIZ – Instituto de Investigação da Floresta e Papel
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.

**António José Pereira Redondo**

Qualifications: Degree in Chemical Engineering, University of Coimbra (1987); attended 4th year in Business Management at Universidade Internacional; MBA specialising in marketing, from the Portuguese Catholic University (1998).

Management office held in companies:

*Companies in the Portucel Group:*

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.

- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Member of the Management Board of PIT – Portucel International Trading GmbH
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing S.A.
- Member of the Board of Directors of Countrytarget, SGPS, S.A.
- Member of the Board of Directors of Celcacia – Celulose de Cacia, S.A.
- Member of the Board of Directors of Colombo Energy, Inc.
- Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A.
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Member of the Board of Directors of Portucel Soporcel Afrique du Nord, S.A.
- Member of the Board of Directors of Portucel Soporcel Austria GMBH
- Member of the Board of Directors of Portucel Soporcel Deutschland GMBH
- Chairman of the Board of Directors of Portucel Soporcel International BV
- Member of the Board of Directors of Portucel Soporcel Poland SP Z.O.O.
- Chairman of the Board of Directors of Portucel Soporcel UK Ltd.
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd.
- Member of the Board of Directors of Portucel Soporcel International Ltd.
- Member of the Board of Directors of Portucel Finance spółka z ograniczona odpowiedzialnoscia
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.

*Other professional activities in the last 5 years:*

- Member of the Management Board of Tecnipapel, Lda.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Chairman of the Board of Directors of Portucel Soporcel España S.A.
- Member of the Board of Directors of Portucel Soporcel France EURL
- Chairman of the Board of Directors of Portucel Soporcel Itália, SRL
- Member of the Board of Directors of Portucel Soporcel North America, INC

### José Fernando Morais Carreira de Araújo

Qualifications: Degree in Accountancy and Administration from Instituto Superior de Contabilidade e Administração do Porto (ISCAP-1986); Higher Studies in Financial Control, Instituto Superior de Contabilidade e Administração do Porto (ISCAP-1992); Official Auditor since 1995; Degree in law, Universidade Lusíada do Porto (2000); MA in accountancy, Instituto Superior de Ciências do Trabalho e da Empresa, Lisbon (ISCTE 2002/2003); Postgraduate studies in Advanced Financial Accounting; Postgraduate studies in fiscal law, Lisbon Faculty of Law (FDL-2002/2003) Postgraduate studies in Corporate Governance, Instituto Superior de Economia e Gestão, Lisbon (ISEG-2006/2007).

Management office held in companies:

#### *Companies in the Portucel Group:*

- Member of the Executive Board and of the Board of Directors of Portucel, S.A.
- Member of the Executive Board and Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Executive Board and Board of Directors of About The Future – Empresa Produtora de Papel, S.A.
- Member of the Board of Directors of Country Target SGPS, S.A.
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of PortucelSoporcel Internacional, SGPS, S.A.
- Chairman of the Management Board of PIT – Portucel International Trading GmbH
- Manager of Portucel Moçambique, Lda.
- Member of the Board of Directors of Portucel Papel Setúbal S.A.
- Chairman of PortucelSoporcel Cogeração de Energia, S.A.
- Member of the Board of Directors of Bosques do Atlântico, S.L.
- Member of the Board of Directors of Celcacia – Celulose de Cacia, S.A.
- Member of the Board of Directors of Portucel Soporcel Parques Industriais, S.A.
- Sole director of Portucel Soporcel Espanha, S.A.
- Director of Portucel Soporcel France EURL
- Director of Portucel Soporcel Eurasia Ka it Ve Ka it Ürünleri Sanayi Ve Ticaret Anonim İrketi
- Member of the Board of Directors of PortucelSoporcel Energia, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Fine Paper S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Participações, SGPS, S.A.
- Member of the Board of Directors of Soporcel Pulp, S.A.
- Member of the Board of Directors of Portucel Soporcel Sales & Marketing SA
- Member of the Board of Directors of Portucel Soporcel Netherlands BV

- Member of the Board of Directors of Portucel Soporcel Deutschland, GmbH
- Member of the Board of Directors of Portucel Soporcel Austria, GmbH
- Member of the Management Board of Portucel Soporcel Afrique du Nord, S.A.
- Member of the Management Board of Portucel Soporcel Poland SP.Z.O.O.
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd.
- Member of the Board of Directors of Portucel Soporcel International Ltd.
- Member of the Board of Directors of Portucel Finance spółka z ograniczona odpowiedzialnoscia
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Chairman of the Board of Directors of PortucelServiços Partilhados, S.A.

#### *Other professional activities in the last 5 years:*

- Member of the Management Board of Tecnipapel, Lda.
- Member of the Management Board of PortucelSoporcel Logística do Papel, ACE
- Chairman of the Board of Directors of Setipel – Serviços Técnicos para a Indústria Papeleira, S.A.
- Member of the Board of Directors of PortucelSoporcel Floresta, SGPS, S.A.
- Member of the Board of Directors of Portucel Soporcel UK, Ltd.
- Member of the Board of Directors of Portucel Soporcel Espanha, S.A.
- Member of the Board of Directors of Portucel Soporcel Itália, SRL
- Member of the Board of Directors of Portucel Soporcel North America, INC

### Francisco José Melo e Castro Guedes

Qualifications: Degree in Finance from Instituto Superior de Ciências Económicas e Financeiras – Lisboa (1971); MBA from INSEAD – Fontainebleau. France (1976)

Management office held in companies:

#### *Companies in the Portucel Group:*

- Member of the Board of Directors of Portucel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
- Other Companies / Entities:
- Member of the Board of Directors of Aboutbalance SGPS, S.A.
- Member of the Board of Directors of Celcimo, S.L.
- Member of the Board of Directors of Cimigest, SGPS, S.A.
- Member of the Board of Directors of Cimo – Gestão de Participações Sociais, S.A.

- Member of the Board of Directors of Great Earth - Projectos, S.A.
- Member of the Board of Directors of Inspiredplace, S.A.
- Chairman of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Seinpart Participações, SGPS, S.A.
- Member of the Board of Directors of Seminv Investimentos, SGPS, SA
- Chairman of the Board of Directors of Semapa Inversões, SL
- Member of the Board of Directors of CMP- Cimentos Maceira e Pataias, S.A.
- Member of the Board of Directors of CDS- Ciments de Sibline, SGPS, S.A.L.
- Member of the Board of Directors of Ciminpart - Investimentos e Participações, SGPS, S.A.
- Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
- Chairman of the Board of Directors of Margem – Companhia de Mineração, S.A.
- Member of the Board of Directors and member of Executive Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Chairman of the Board of Directors of Supremo Cimentos, S.A.
- Member of the Board of Directors of Uniconcreto – Betão Pronto, S.A.

*Other professional activities in the last 5 years:*

- Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A.
- Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, S.A.
- Manager of Florimar – Gestão e Participações, SGPS, Soc. Unipessoal, Lda.
- Manager of Hewbol – SGPS, Lda.
- Member of the Board of Directors of Secil – Betões e Inertes, SGPS, S.A.
- Member of the Board of Directors of Secil Martingança – Aglom. e Novos Mat. para Const., S.A.
- Member of the Board of Directors of Secil Prebetão – Prefabricados de Betão, S.A.
- Manager of Secil Unicom, SGPS, Lda.
- Member of the Board of Directors of Parcim Investments, BV
- Member of the Board of Directors of Secilpar, SL.
- Member of the Board of Directors of SCG – Sociétés des Ciments de Gabès, S.A.
- Member of the Board of Directors of Silonor, S.A.
- Member of the Board of Directors of So.I.Me Liban S.A.L.
- Manager of Serife – Sociedade de Estudos e Realizações Industriais e de Fornecimento de Equipamento, Lda.
- Chairman of the Board of Directors of Viroc Portugal – Indústrias de Madeira e Cimento, S.A

**José Miguel Pereira Gens Paredes**

Qualifications: Degree in Economics, Portuguese Catholic University (1984).

Management office held in companies:

*Companies in the Portucel Group:*

- Member of the Board of Directors of Portucel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.

*Other Companies / Entities:*

- Chairman of the Board of Directors of Abapor - Comércio e Indústria de Carnes, S.A.
- Member of the Board of Directors of Aboutbalance SGPS, S.A.
- Member of the Board of Directors of Inspiredplace, S.A.
- Member of the Board of Directors of Aprovechamiento Integral de Subproductos Ibéricos, S.A.
- Manager of Biological - Gestão de Resíduos Industriais, Lda.
- Member of the Board of Directors of Celcimo, SL.
- Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of ETSA LOG, S.A.
- Member of the Board of Directors of Great Earth - Projectos, S.A.
- Chairman of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Chairman of the Board of Directors of Sebol - Comércio e Indústria de Sebo, S.A.
- Member of the Board of Directors of Seinpart - Participações, SGPS, S.A.
- Member of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
- Member of the Board of Directors of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
- Member of the Board of Directors of Ciminpart – Investimento e Participações, SGPS, S.A.
- Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.
- Member of the Board of Directors of MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A.
- Member of the Board of Directors of O E M – Organização de Empresas, SGPS, S.A.

*Other office held in the last five years:*

- Member of the Board of Directors of ABAPOR - Comércio e Indústria de Carnes, S.A.
- Member of the Board of Directors of Cimentospar – Participações Sociais, SGPS, S.A.
- Member of the Board of Directors of Margem – Companhia de Mineração, S.A.

- Member of the Board of Directors of Cimo – Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Hotel Ritz, S.A.
- Member of the Board of Directors of Sodim, SGPS, S.A.
- Member of the Board of Directors of Supremo Cimentos, S.A.
- Chairman of the Board of Directors of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
- Member of the Board of Directors of ETSA, SGPS, S.A.
- Member of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Member of the Board of Directors of GOLIATUR – Sociedade de Investimentos Imobiliários, S.A.
- Member of the Board of Directors of SEBOL - Comércio e Indústria de Sebo, S.A.
- Member of the Board of Directors of VERDEOCULTO - Investimentos, SGPS, S.A.
- Member of the Board of Directors of SONACA, SGPS, S.A.

#### Paulo Miguel Garcês Ventura

Qualifications: Degree in law from the Faculty of Law, University of Lisbon (1994). Member of the Portuguese Bar Association. IEP Insead.

Management office held in companies:

##### *Companies in the Portucel Group:*

- Member of the Board of Directors of Portucel, S.A.
- Member of the Board of Directors of Soporcel – Sociedade Portuguesa de Papel, S.A.
- Member of the Board of Directors of About the Future – Empresa Produtora de Papel, S.A.
- Other Companies / Entities:
- Member of the Board of Directors of ABAPOR - Comércio e Indústria de Carnes, S.A.
- Member of the Board of Directors of Aboutbalance SGPS, S.A.
- Member of the Board of Directors of Inspiredplace, S.A.
- Member of the Board of Directors of Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
- Manager of BIOLOGICAL - Gestão de Resíduos Industriais, Lda.
- Member of the Board of Directors of CELCIMO, SL.
- President of the Board of Directors of Cimipar – Sociedade Gestora de Participações Sociais, S.A.
- Member of the Board of Directors of Ciminpart – Investimento e Participações, SGPS, S.A.
- Member of the Board of Directors of ETSA Investimentos, SGPS, S.A.
- Member of the Board of Directors of ETSALOG, S.A.
- Member of the Board of Directors of GREAT EARTH - Projectos, S.A.
- Member of the Board of Directors of I.T.S. - Indústria Transformadora de Subprodutos, S.A.
- Member of the Board of Directors of O E M – Organização de Empresas, SGPS, S.A.
- Member of the Board of Directors of SEBOL - Comércio e Indústria de Sebo, S.A.

- Member of the Board of Directors of SEINPART - Participações, SGPS, S.A.
- Member of the Board of Directors of SEMAPA Inversiones, S.L.
- Member of the Board of Directors of SEMINV - Investimentos, SGPS, S.A.
- Member of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.

##### *Other office held in the last five years:*

- Company Secretary, Cimigest, SGPS, S.A.
- Member of the Board of Directors of CIMENTOSPAR – Participações Sociais, SGPS, S.A.
- Member of the Board of Directors of Cimo – Gestão de Participações, SGPS, S.A.
- Member of the Board of Directors of Longapar, SGPS, S.A.
- Member of the Board of Directors of Sodim, SGPS, S.A.
- Member of the Board of Directors of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
- Member of the Board of Directors of Goliatur – Sociedade de Investimentos Imobiliários, S.A.

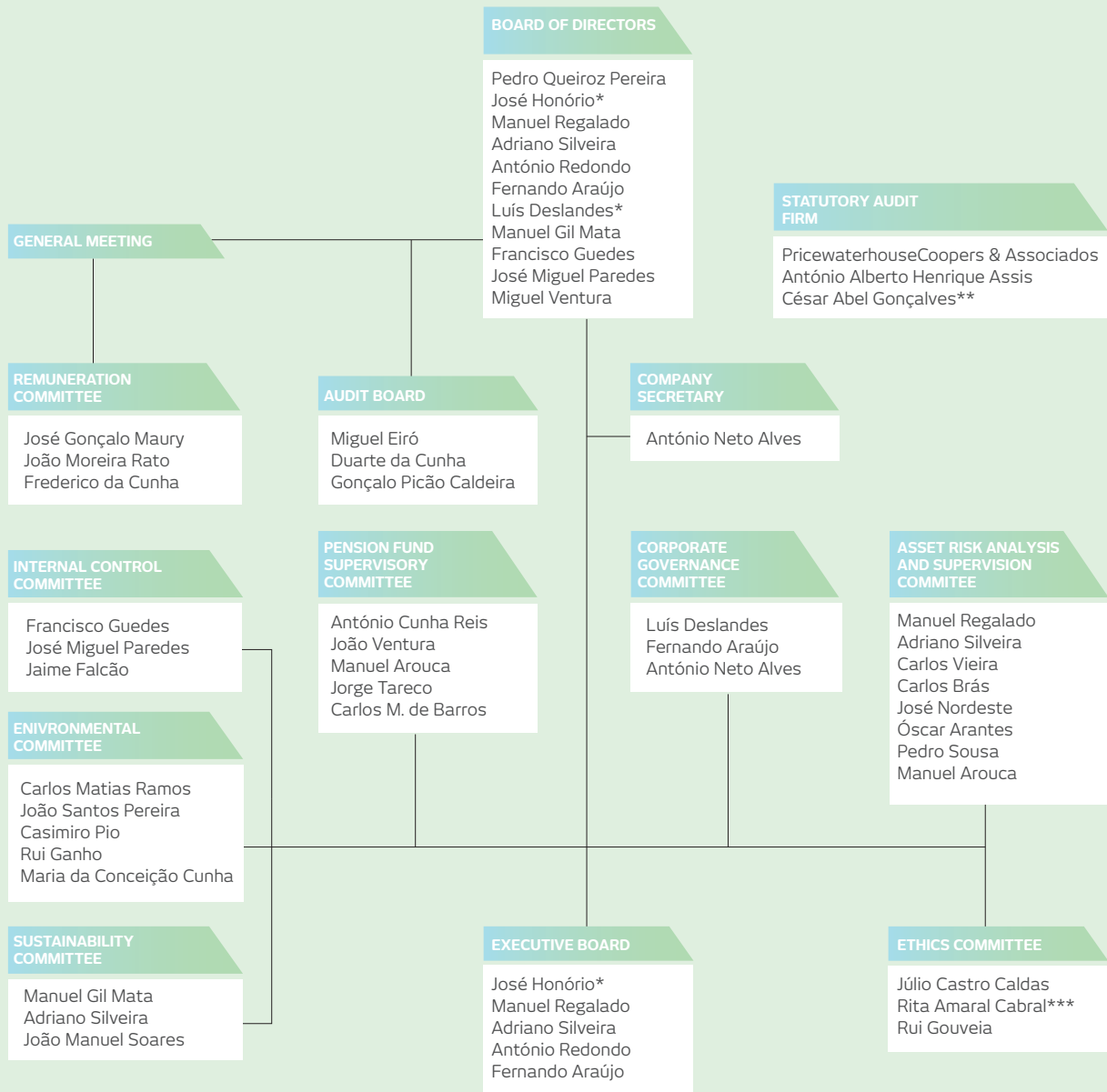
#### **20. Habitual and significant family, professional or business ties between members, as the case may be, of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors with shareholders to whom a qualifying holding greater than 2% of the voting rights may be imputed.**

The company's Board of Directors includes four non-executive members who act on behalf of the owners of qualifying holdings of more than 2% of the share capital.

#### **21. Organizational or functional charts showing the division of powers between the different corporate boards, committees and/or company departments, including information on delegated powers, in particular with regard to delegation of the management of the company.**

We present below the organizational and functional charts showing the division of responsibilities between the different company bodies, committees and departments :

## COMPANY BOARDS AND COMMITTEES

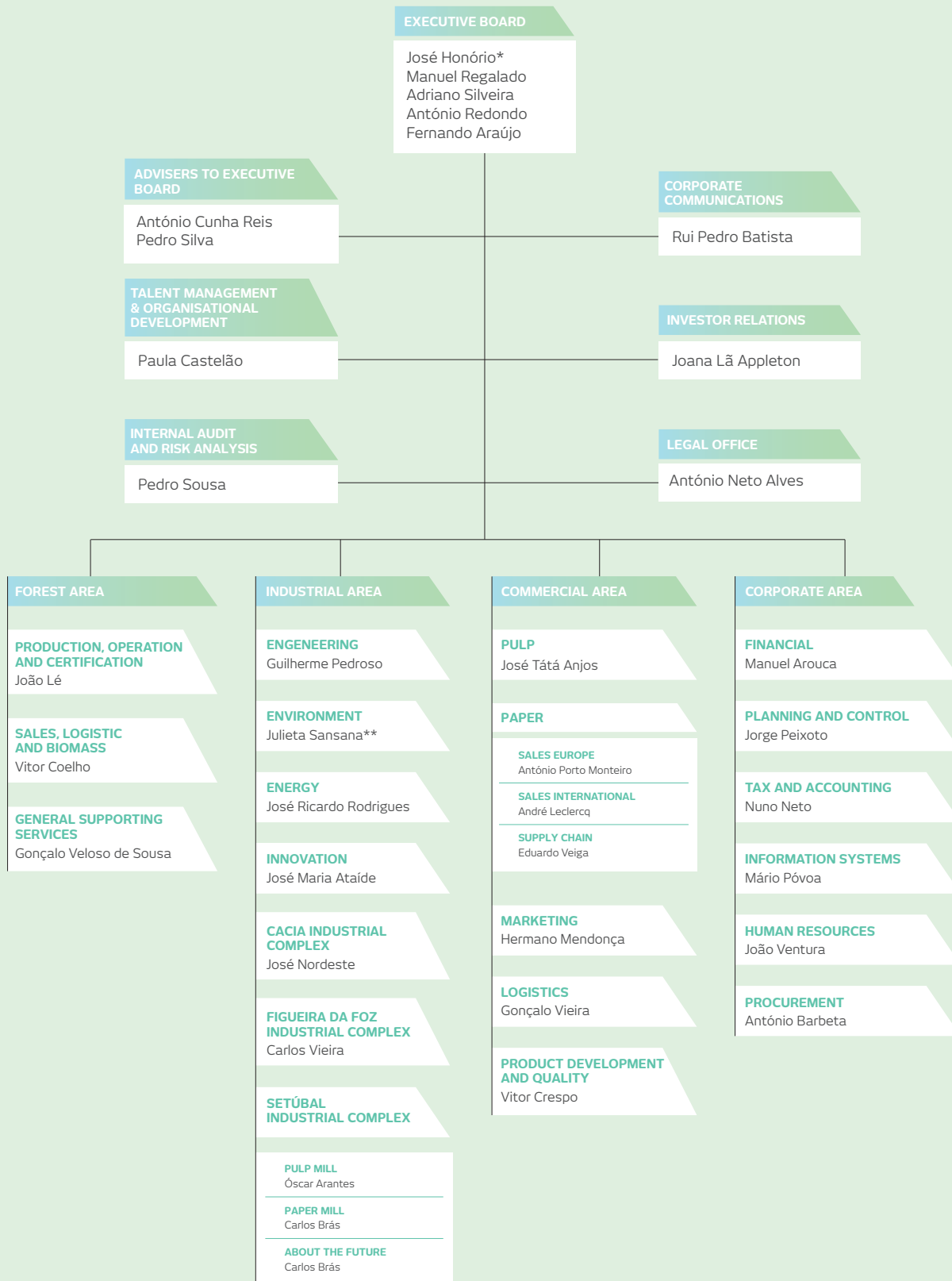


\* As from 28 February 2014, Dr. José Honório resigned from the office of director and Chairman of the Executive Board, having been temporarily substituted in this office by Eng. Luís Alberto Caldeira Deslandes.

\*\* As from February 2014, the firm of PricewaterhouseCoopers & Associados, SROC, Lda. has been represented by António Alberto Henrique Assis or José Pereira Alves.

\*\*\* Dr Rita Amaral Cabral has resigned as member of the Ethics Committee, and this position is currently unfilled.

## COMPANY DIVISIONS AND DEPARTMENTS



\* As from 28 February 2014, Dr. José Honório resigned from the office of director and Chairman of the Executive Board, having been temporarily substituted in this office by Eng. Luís Alberto Caldeira Deslandes.

\*\* As from January 2014, Eng. Luís Manuel Cunha Medeiros Machado took over responsibility for Environmental Affairs, Management Systems and Technical Documentation.

As stated above, the Executive Board comprises five members, with responsibilities divided between its members as follows:

• **José Alfredo de Almeida Honório:**

- Internal Auditing

• **Manuel Soares Ferreira Regalado:**

- Forestry Activities  
- Finance  
- Human Resources, Organization and Secretarial Services  
- Purchasing  
- Investor Relations

• **Adriano Augusto da Silva Silveira:**

- Industrial Operations, Pulp, Energy and Paper  
- Maintenance and Engineering  
- Environment, Quality and Safety  
- Innovation

• **António José Pereira Redondo:**

- Pulp and Paper Sales  
- Marketing  
- Corporate Communications  
- Product Development

• **José Fernando Morais Carreira de Araújo:**

- Accounts and taxation  
- Management control  
- Legal office  
- Information systems

The following powers are delegated to the Executive Board:

- a) To propose the company's policies, aims and strategies to the Board of Directors;
- b) To propose to the Board of Directors operating budgets and medium and long term investment and development plans, and to implement the same once approved;
- c) To approve budget alterations during the year, including transfers between cost centres not exceeding twenty million euros each year;
- d) To approve contracts for the acquisition of goods and services of a value each year no greater than twenty million euros;
- e) To approve financing contracts, to apply for bank guarantees, or to accept any other liabilities which represent increased indebtedness, totalling no more than twenty million euros each year;
- f) To acquire, dispose of or encumber the company's fixed assets of a value, in each individual case, of up to five per cent of the paid up share capital;

g) To lease or let any immovable property;

h) To represent the Company in or out of court, as claimant or respondent, and to bring or follow up any judicial or arbitral actions, confess or desist, settle or agree to arbitration;

i) To acquire, dispose of or encumber holdings in other companies, of a value of no more than twenty million euros each year;

j) To resolve on executing acquisition and disposal of own shares, when this has been resolved on by the general meeting, in keeping with the terms of such resolution;

k) To manage holdings in other companies, in conjunction with the Chairman of the Board of Directors, namely by designating, with the latter's agreement, the representatives to sit on the respective company boards, and setting guidelines for the acts of these representatives;

l) To enter into, amend and terminate employment contracts;

m) To open, transact and close bank accounts;

n) To appoint Company attorneys;

o) In general, all powers which may lawfully be delegated, with any limitations deriving from the provisions of the preceding paragraphs.

In conjunction with the Chairman of the Board of Directors, the Executive Board may also resolve on the matters indicated in sub-paragraphs c), d), e) and i) above when the respective values, calculated on the terms set out therein, are greater than twenty million euros but no greater than fifty million euros.

The Chairman of the Board of Directors has the powers assigned by law and the articles of association.

The Executive Board may discuss all matters within the sphere of competence of the Board of Directors, notwithstanding that it may only resolve on matters delegated to it. All matters dealt with by the Executive Board, even when they fall within the scope of its delegated powers, are to be reported to the non-executive directors, who have access to the respective minutes and supporting documents. The Board of Directors is informed on a permanent basis of all resolutions of the Executive Board through the minutes of the respective meetings, which are systematically drawn up and sent, in writing, to the Board of Directors. In addition, the Chairman of the Executive Board sends notices and minutes of the respective meetings to the Chairman of the Board of the Directors and the Chairman of the Audit Board.



The powers to alter any terms of contracts previously concluded and covered by the provisions of c), d), e) and i) lie with the body or bodies who would have powers to enter into them.

All decisions relating to definition of company strategy, and to the company's general policies and the corporate structure of the group, shall be the sole province of the Board of Directors, and the Executive Board has no delegated powers to this effect.

#### b. Functioning

##### **22. Existence of the rules of procedure of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, and place where these may be consulted.**

The company's management bodies have internal rules of procedure, which are published on the company's website, in the investor relations / Corporate Governance area, and are therefore freely available for consultation.

##### **23. Number of meetings held and attendance record of each member of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be.**

The Board of Directors met nine times in the course of 2013, with an attendance rate of 97%. The Executive Board held 40 meetings during 2013, at which all members were present. All the orders of business of Executive Board meetings and the respective minutes were forwarded to the Chairman of the Board of Directors and to the Chairman of the Audit Board; the minutes are also at the disposal of the Internal Control and Corporate Governance Committee.

##### **24. Indication of the company bodies empowered to assess the performance of executive directors.**

The overall performance of the executive directors is assessed by the non-executive members of the Board of Directors, and the individual assessments are subject to an appraisal by the Remuneration Committee. The Corporate Governance Committee has conducted an assessment of the form of governance adopted by the Company, and of the degree of compliance with standards of good practice and governance rules in force. The selection of suitable candidates for directorships is regarded as the sole province of the shareholders.

##### **25. Pre-set criteria for assessing the performance of executive directors.**

The pre-set criteria for assessment of the performance of the executive directors are those defined in the remuneration policy for the company's directors and auditors, described in Annex II to this report.

##### **26. Availability of each of the members of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, indicating office held simultaneously in other companies, inside and outside the group, and other relevant activities carried on by the members of these bodies during the period.**

This information is available in item 19 above, relating to the professional qualifications and biographical information on each member of the above company bodies.

#### c. Committees belonging to the management or supervisory bodies and managing directors

##### **27. Identification of committees set up by the Board of Directors, the General and Supervisory Board and the Executive Board of Directors, as the case may be, and place where the rules of procedure may be consulted.**

In addition to the Audit Board and the Remuneration Committee, the company also has the following committees:

- Sustainability Committee
- Environmental Board
- Corporate Governance Control Committee
- Internal Control Committee
- Pension Fund Supervisory Board
- Property Risks Analysis and Monitoring Committee
- Ethics Committee

All these specialist committees draw up minutes of their meetings during the year, which minutes are available from the Company Secretary.

##### **28. Composition, if applicable, of the executive board and/or identification of the managing director(s)**

The members of these committees are as follows:

- **Environmental Board:**  
**Chairman:** Carlos Matias Ramos  
**Members:** João Santos Pereira  
 Casimiro Pio  
 Rui Ganho  
 Maria da Conceição Cunha
- **Sustainability Committee:**  
**Chairman:** Manuel Maria Pimenta Gil Mata  
**Members:** Adriano Augusto Silveira  
 João Manuel Alves Soares
- **Corporate Governance Control Committee**  
**Chairman:** Luís Alberto Caldeira Deslandes  
**Members:** José Fernando Morais Carreira de Araújo  
 António Pedro Gomes Paula Neto Alves

• **Internal Control Committee**

**Chairman:** Francisco José Melo e Castro Guedes

**Members:** José Miguel Gens Paredes  
Jaime Alberto Marques Sennfelt Fernandes  
Falcão

• **Pension Fund Supervisory Board**

**Members:** António Alexandre de Almeida e Noronha da  
Cunha Reis  
João António Xavier da Costa Ventura  
Manuel Luís Daun e Lorena Arouca  
Carlos Alberto Martins de Barros  
Jorge do Carmo Guilherme Tareco

• **Property Risks Analysis and Monitoring Committee**

**Members:** Manuel Soares Ferreira Regalado  
Adriano Augusto da Silva Silveira  
Carlos Alberto Amaral Vieira  
Carlos Manuel Marques Brás  
José Manuel Namorado Nordeste  
Óscar Manuel Monteiro da Silva Arantes  
Pedro Miguel Labisa Campos Sousa  
Manuel Luís Daun e Lorena Arouca

• **Ethics Committee**

**Chairman:** Júlio de Lemos de Castro Caldas

**Members:** Rita Maria Lago do Amaral Cabral\*  
Rui Tiago Trindade Ramos Gouveia

**29. Indication of the powers of each of the committees created and summary of the activities carried on the exercise of these responsibilities.**

**Internal Control Committee**

The Internal Control Committee is responsible for assessing any irregularity within the company; an irregularity is deemed to comprise any alleged breach occurring within the company of the rules established in law, regulations or the articles of association, together with failure to comply with the duties and ethical principles set out in the Code of Ethics, contained in Annex I. The Internal Control Committee is also responsible for detecting and controlling all relevant risks in the company's activities, namely financial, property and environmental risks.

More specifically, the Internal Control Committee has the following responsibilities:

a) To assess the procedures for the control of financial information (accounts and reports) disclosed, and the reporting calendar, and shall, specifically, review the Group's annual, half-yearly and quarterly accounts for publication and report on the same to the Board of

Directors prior to the latter approving and signing such accounts;

b) To advise the Board of Directors on the choice of External Auditor and pronounce on the scope of the Internal Auditor's activities;

c) To discuss and examine the annual reports with the External Auditor, advising the Board of Directors on any measures to be taken.

In the course of its duties, the Internal Control Committee shall take heed of facts such as changes in accounting policies and practices, significant adjustments due to the auditor's intervention, progress in the relevant financial ratios and any changes in the Group's formal or informal rating, significant exposures in financial management (such as currency, interest rate or derivatives risks) and illegal or irregular procedures.

**Corporate Governance Control Committee**

The Corporate Governance Control Committee oversees application of the Company's corporate governance rules and the Code of Ethics, with the following particular responsibilities:

i) To assist the Board of Directors when so required by the same, assessing and submitting to it proposals for strategic guidelines in the field of corporate responsibility;

ii) To monitor and oversee, on a permanent basis, matters relating to corporate governance and social, environmental and ethical responsibility, the sustainability of the Portucel Group's business, the Internal Codes of Ethics, the systems for assessment and resolution of conflicts of interests, notably with regard to relations between the company and its shareholders or other stakeholders.

In the exercise of its responsibilities, the Corporate Governance Control Committee is required in particular:

a) To submit to the Board of Directors the corporate governance policy to be adopted by the Company;

b) To monitor, review and assess the adequacy of the Company's governance model and its consistency with national and international recommendations, standards and best practice in the field of corporate governance, addressing to the Board of Directors the recommendations it sees fit to this end;

c) To propose and submit to the Board of Directors changes to the Company's corporate governance model, including to the organizational structure, workings, responsibilities and rules of procedure of the Board of Directors;

*\* Dr. Rita Amaral Cabral has resigned as member of the Ethics Committee, and this position is currently unfilled.*

- d) To monitor the Company's corporate links with the organizational structure of the other companies in the Group;
- e) To oversee compliance with and the correct application of the principles and rules relating to corporate governance contained in law, regulations and the articles of association, in coordination with the activities of the Board of Directors, the Executive Board, the Official Auditor and the External Auditor, sharing and requesting the exchange of information necessary for this purpose;
- f) To define the parameters of the Company's governance report to be included in its annual Report and Accounts;
- g) To monitor the work of the Ethics Committee and the activities of the departments of Group companies relating to matters within the scope of its responsibilities;
- h) To monitor on an ongoing basis, assess and supervise internal procedures relating to conflict of interests issues, and also the effectiveness of the systems for assessment and resolution of conflicts of interests;
- i) To pronounce on transactions between the Company and its Directors, and also between the Company and its shareholders, whenever materially relevant;
- j) Whenever so requested by the Board of Directors, to issue opinions on the application to the Company's officers of the rules on incompatibility and independence;
- k) To further and strengthen the operation of the Company as a sustainable undertaking, gaining it recognition for this, both internally and externally;
- l) To ensure compliance, by the members of the Board of Directors and other persons concerned, of the securities market rules applicable to their conduct;
- m) To develop a transversal strategy of corporate sustainability, integrated into and consistent with the Company's strategy;
- n) To promote, develop and supervise the internal measures required for the Company to achieve sustained growth, as regards the business, environmental and social aspects of its operations;
- o) To prepare and follow through decision-making by company bodies and committees on matters relating to corporate governance and sustainability or which give rise to conflicts of interests between the Company, shareholders and the company officers;
- p) To follow through inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues.

#### **Sustainability Committee**

The Sustainability Committee is responsible for formulating corporate and strategic policy on issues of social and environmental responsibility, and is responsible for drawing up a bi-annual sustainability report.

#### **Pension Fund Supervisory Board**

The Pension Fund Supervisory Committee was set up during 2009 in order to monitor compliance with the pension plan and the management of the respective pension fund. The committee consists of three representatives of the company and two representatives of the fund's beneficiaries, designated by the Workers' Committee. The committee's responsibilities include checking compliance with the rules applicable to the pension plan and to management of the respective pension fund, pronouncing on proposals for transferring management and other significant changes in the contractual arrangements for the fund and its management, and on the winding up of the fund or a section of the fund.

#### **Property Risks Analysis and Monitoring Committee**

The company has a Property Risks Analysis and Monitoring Committee which is coordinated by the director responsible for this area and comprises the Plant managers, the Financial Director and the Internal Audit Director. The committee meets as and when required, and its main task is to pronounce on the systems in place in the company for safeguarding against property risks, in particular measures taken to comply with recommendations issued in the light of inspections by reinsurers, and on the adequacy of the insurance taken out by the Group, in terms of scope, type and value of cover.

#### **Ethics Committee**

Following on from the drafting and approval of the Ethics Code by the Executive Board in the course of 2010, an Ethics Committee has been established, to issue an annual report on compliance with the provisions of the new code. This report will detail all irregularities which the Committee has detected, and the findings and follow-up proposals emerging from the various cases examined. This report is included in Annex V to this Corporate Governance Report.

The Ethics Committee is required to monitor, impartially and independently, the conduct of the Company's bodies and officers as regards disclosure and compliance with the Code of Ethics in all companies in the Portucel Group. In the course of its duties, the Ethics Committee has the following particular responsibilities:

- a) To ensure that an adequate system exists for monitoring internally compliance with the Code of Ethics, and specifically to assess the recommendations resulting from these monitoring activities;
- b) To assess issues submitted to it by the Board of Directors, the Executive Committee and the Audit Board in connection with compliance with the Portucel Group's Code of Ethics, and also to consider, in abstract terms, issues raised by any member of staff, customer or business partner ("Stakeholders");
- c) To appraise and assess any situation which arises in relation to compliance with the requirements of the Code of Ethics involving any company officer;
- d) To submit to the Corporate Governance Committee the adoption of any measures it deems fit in this connection, including the review of internal procedures, together with proposals for amendment of the Code of Ethics;
- e) To draw up an annual report, concerning compliance with the requirements of the Code of Ethics, detailing any irregularities of which it is aware, together with the conclusions and proposals adopted in the cases considered.

The Ethics Committee also functions as an advisory body to the Board of Directors in respect of matters concerning the application and interpretation of the Code of Ethics.

### III. Auditing

(Audit Board, Audit Committee or General Supervisory Board)

#### a. Composition

#### **30. Identification of the supervisory body (Audit Board, Audit Committee or General Supervisory Board) corresponding to the model adopted.**

Under the single-tier management model adopted, the company's supervisory body is the Audit Board.

#### **31. Composition, as applicable, of the Audit Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, indicating the minimum and maximum numbers of members and duration of their term of office, as established in the Articles of Association, number of full members, date of first appointment and end date of the term of office of each member; reference may be made to the item in the report where this information is contained in accordance with paragraph 18.**

The company's Audit Board has the following members:

- **Chairman:** Miguel Camargo de Sousa Eiró
- **Full members:** Duarte Nuno d'Orey da Cunha  
Gonçalo Nuno Palha Gaio Picão  
Caldeira
- **Alternate member:** Marta Isabel Guardalino da Silva  
Penetra

Under the Articles of Association, the company's audit body comprises three full members, one of whom is Chairman, and three alternate members, elected by the General Meeting for a four-year term.

The members of the Audit Board were appointed on the same date, taking office as from the start of the 2007-2010 term of office, and were re-elected for the term of office currently under way, corresponding to 2011-2014.

#### **32. Identification, as applicable, of the members of the Audit Board, the Audit Committee or the General and Supervisory Board or the Committee for Financial Affairs who are deemed independent, in accordance with Article 414.5 of the Companies Code; reference may be made to the item in the report where this information is contained in accordance with paragraph 19.**

The company considers that all members of the Audit Board may be considered independent.

#### **33. Professional qualifications, as applicable, of each of the members of the Audit Board, the Audit Committee or the General and Supervisory Board or the Committee for Financial Affairs and other relevant biographical details; reference may be made to the item in the report where this information is contained in accordance with paragraph 21.**

#### **Miguel Camargo de Sousa Eiró**

Qualifications: Degree in law, University of Lisbon (1971).

Holds no office in other Portucel Group companies

Management office held in other companies:

- Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Chairman of the Board of Directors of Secil – Companhia Geral de Cal e Cimento, S.A.

Other professional activities in the last 5 years:

- Member of the Audit Board of Portucel, S.A.
- Member of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Legal practice

### Duarte Nuno d'Orey da Cunha

Qualifications: Degree in financial affairs, ISCEF (1965)

Holds no office in other Portucel Group companies

Management office held in other companies:

- Member of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Member of the Board of Directors of Vértice – Gestão de Participações, SGPS, S.A.
- Member of the Audit Board of Secil – Companhia Geral de Cal e Cimento, S.A.

Other professional activities in the last 5 years:

- Advisor to the Board of Directors of Cimilonga – Imobiliária S.A.
- Member of the Board of Directors of Longavia – Imobiliária, S.A.
- Member of the Board of Directors of Sonagi SGPS, S.A.
- Chairman of the Audit Board of Semapa – Sociedade de Investimento e Gestão SGPS, S.A.
- Chairman of the Audit Board of Portucel - Empresa Produtora de Pasta e Papel, S.A.
- Member of the Board of Directors of Sociedade Agrícola da Quinta da Vialonga, S.A.
- Chairman of the General Meeting of Sonaca, SGPS, S.A.
- Chairman of the General Meeting of Cimipar, Sociedade Gestora de Participações Sociais, S.A.

### Gonçalo Nuno Palha Gaio Picão Caldeira

Qualifications: Degree in law, Portuguese Catholic University, Lisbon (1990); Concluded professional traineeship at the Lisbon District Council of the Bar Association (1991); Master of Business Administration (MBA), Universidade Nova de Lisboa (1996); Attended postgraduate course in real estate management and valuation, ISEG (2004)

Holds no office in other Portucel Group companies

Management office held in other companies:

- Full Member of the Audit Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
- Member of the Audit Board of Secil – Companhia Geral de Cal e Cimento, S.A.
- Manager of Loftmania – Gestão Imobiliária, Lda.
- Manager of LINHA DO HORIZONTE – Investimentos Imobiliários, Lda.

In addition to the positions indicated in the preceding item, no other office held in the last 5 years.

### b. Functioning

**34. Existence and place where the rules of procedure may be consulted for the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be, and other relevant biographical information; reference may be made to the item in the report where this information is contained in accordance with paragraph 22.**

The company's supervisory bodies have internal rules of procedure, which are published on the company's website, in the investor relations / Corporate Governance area, and are therefore freely available for consultation.

The annual report issued by the Audit Board on its work during the year is published in conjunction with the Report & Accounts, and is available at the Group's website.

**35. Number of meetings held and rate of attendance at meetings of the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be; reference may be made to the item in the report where this information is contained in accordance with paragraph 25.**

There were 8 meetings of the Audit Board, for which the respective orders of business and minutes were forwarded to the Chairman of the Board of Directors; the minutes are also at the disposal of the Internal Control Committee.

**36. Availability of each of the members of the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be, indicating office held simultaneously in other companies, inside and outside the group, and other relevant activities carried on by the members of these bodies during the period; reference may be made to the item in the report where this information is contained in accordance with paragraph 26.**

This information is available in item 33 above, relating to the professional qualifications and biographical information on each member of the above company bodies.

### c. Powers and responsibilities

**37. Description of the procedures and criteria applicable to the work of the supervisory body for the purposes of contracting additional services from the external auditor.**

The choice of external auditor and the remuneration fixed for its services are validated in advance by the Audit Board.

In addition to aspects relating to the choice and remuneration of the external auditor, it should be noted that the Audit Board held joint meetings with the external auditor over the course of the year, and the two bodies are in constant and

direct contact, the Audit Board being the principal point of contact with the external auditor and the recipient of the relevant reports.

In the exercise of its supervisory duties, the Audit Board can also assess the work of the external auditor, and it has the possibility of proposing its dismissal with due cause to the General Meeting.

### **38. Other duties of the supervisory bodies and, if applicable, of the Committee for Financial Affairs.**

In addition to the powers assigned to it by law, the Audit Board has the following responsibilities:

- To oversee the process of drafting and disclosure of financial information;
- To check the effectiveness of the internal control, internal audit and risk management system, having recourse to this end to cooperation from the Internal Control Committee, which will report to it regularly its findings, drawing attention to situations which need to be examined by the Audit Board;
- To approve activity plans in the field of risk management and to oversee their execution, and also to assess the recommendations resulting from audits and reviews of procedures;
- To ensure that an appropriate system is in place for internal control of risk management in the companies in which the Company owns shares or other holdings, monitoring whether their aims are effectively achieved;
- To approve internal audit programmes;
- To select the provider of internal audit services;
- To oversee the work of the statutory auditor;
- To assess and verify the independence of the statutory auditor, in particular when it renders additional services to the Company;

In the exercise of these duties, the Audit Board may also request and assess any management reports as it sees fit from time to time, and shall also have full access to the documentation produced by the company's auditors, with the possibility of requesting from them any information they deem necessary and ensuring appropriate arrangements within the company for the provision of audit services.

## **IV. Statutory auditor**

### **39. Identification of the statutory audit firm and the partner and statutory auditor representing the same.**

The company's Statutory Auditor is PricewaterhouseCoopers & Associados – SROC, Lda represented by António Alberto Henriques Assis or by César Abel Rodrigues Gonçalves, and the alternate statutory auditor is José Manuel Henriques Bernardo (ROC).

### **40. Indication of the consecutive number of years for which the statutory audit firm has held office in the company and/or group.**

The Statutory Auditor indicated in item 39 above has held office in the company for 9 years.

In addition, the audit firm, in this case PriceWaterhouseCoopers, rotated the external auditor (the partner responsible for the auditing the Company's affairs) with effect as from 2010, and the previous auditor complied with the maximum period established in Recommendation IV.3.

### **41. Description of other services provided by the statutory auditor to the company.**

Legal auditing services include financial audits of the Group's subsidiaries and foreign companies; for the Company these totalled 695,201 euros, and 48,145 euros for foreign subsidiaries. The Statutory Auditor also provided "fiscal consultancy" services, which in 2013 totalled 63,150 euros in Portugal and 12,000 euros in the Group's foreign subsidiaries, and consisted essentially of supporting services to assure compliance with fiscal obligations, in Portugal and abroad, and also surveys of situations in relation to operational business processes, which resulted in no consultancy on the redesign of existing practices, procedures or controls.

The vast majority of services indicated as "other reliability assurance services" relate to spending on the analysis and issuing of opinions on the bond issue effected by the Company during the period, together with opinions on requests for reimbursement of expenses under investment or research support programmes and on compliance with financial ratios, which opinions the Company is required to obtain under contracts it has signed, and not to services requested for any other purpose. The amount paid by the Company for these services in 2013 was 203,194 euros.

## **V. External auditor**

### **42. Identification of the external auditor appointed for the purposes of Article 8 and the partner and statutory auditor representing such firm in the discharge of these duties, together with their respective registration number with the Securities Market Commission.**

The legal accounts certificate and the audit report on the annual financial statements contained in the same is drawn up by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, registered at the Securities Market Commission under no. 9077 and represented by António Alberto Henriques Assis, Statutory Auditor no. 815.



**43. Indication of the consecutive number of years for which the external auditor and the respective partner and statutory auditor representing the same in the discharge of these duties has held office in the company and/or group.**

The Company's current External Auditor was appointed as Sole Auditor in mid-April 2006 to complete the three-year term 2004-2006 and accordingly, on completing the audit work on the 2005 annual accounts it completed the term of office for which it had been appointed as alternate auditor. During this three-year term, the firm was represented by Ana Maria Ávila de Oliveira Lopes Bertão and Abdul Nasser Abdul Sattar.

However, in March 2007, it was appointed as the Company's statutory auditor for a 4-year term, starting in 2007 and ending in 2010, during which period it was represented by the same statutory auditors referred to above.

In May 2011, the General Meeting appointed the firm for a further four-year term currently underway, from 2011 to 2014, during which time the firm was represented by António Alberto Henriques Assis, Statutory Auditor.

In this context, and considering that the term of office has not yet ended, PriceWaterhouseCoopers has served as external auditor to Portucel and the other Group companies for nine years.

**44. Policy on rotation of the external auditor and the respective partner and statutory auditor representing the same in the discharge of these duties, and the respective frequency of rotation.**

The company's current External Auditor (PriceWaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda) was first appointed to this position in 2007 for the term of office from 2007 to 2010, which appointment was renewed in 2011 for the term of office currently underway, also of four years, meaning that it has yet to reach the upper limit for holding office of two successive four-year terms of the company officers.

In the course of its duties, the Audit Board conducts each year an overall assessment of the external auditor's performance, and of its independence and the professional relationship between the external auditor and the Company, and has the possibility of proposing the dismissal of the external auditor with due cause at duly convened General Meetings competent to adopt such a decision.

It is therefore the Company's view that the policy of rotation of the external auditor has been correctly applied with the proper frequency, as the quality of the work performed by the current audit firm and its store of experience in the company's affairs outweigh any drawbacks in retaining it. This is what was decided at the annual general meeting in

2011, when the Audit Board submitted to shareholders a proposal for retaining the External Auditor, on the grounds that the quality of the work performed by PricewaterhouseCoopers and the firm's accrued experience in the sectors in which Portucel operates outweighed any drawbacks of retaining it. In addition, in line with best international practice, rotation of the partner representing the external auditor was proposed and approved.

**45. Indication of the body responsible for assessing the external auditor and the intervals at which this assessment is conducted.**

Responsibility for assessing and monitoring the audit activities of the external auditor lies with the Audit Board. To this end, the Audit Board holds regular meetings with the statutory auditor and external auditor to assess all the accounting and financial information it deems necessary from time to time, and may request from them any information it deems necessary in order to monitor their work.

In addition, in the course of its duties, the Audit Board conducts each year an overall assessment of the external auditor's performance and of its independence, and enjoys unrestricted access to the documentation produced by the Company's auditors, enabling it to request from them any information it deems necessary; it is also the primary recipient of the final reports drawn up by the external auditors.

Merely by way of information, it may be noted that, under the respective rules of procedure, the Audit Board is directly and solely responsible for appointing, contracting or reappointing the Company's external auditors, and for confirming their qualifications and independence and approving their audit services and/or other services to be provided by the said external auditors or their associates.

**46. Identification of work, other than audit work, carried out by the external auditor for the company and/or companies in a controlling relationship with it, and indication of the internal procedures for approval of the contracting of these services and indication of the reasons for contracting them.**

As described in item 41, the relevant services other than auditing provided by the external auditor are included under "other reliability assurance services" and relate to spending on the analysis and issuing of opinions on the bond issue effected by the Company during the financial year. These services also relate to the issuing of opinions on requests for reimbursement of expenses under investment or research support programmes and on compliance with financial ratios, which opinions the Company is required to obtain under contracts it has signed, and not to services requested for any other purpose.

None of the services other than audit services contracted from the external auditor represented more than 30% of



the total value of the services rendered to the Company, as may be seen from the table in item 47. The Board of Directors considers that there are sufficient procedures to safeguard the independence of auditors through the analysis conducted by the Audit Board and the Internal Control Committee of the proposed work and the careful specification of this work when the auditors are contracted.

**47. Indication of the annual remuneration paid by the company and/or controlled, controlling or group entities to the auditor and other individuals or organizations belonging to the same network, specifying the percentage relating to the following services:**

In the financial year ended 31 December 2013, expenditure on legal auditing of accounts, audits and fiscal consultancy totalled 1,021,690 euros, breaking down as follows:

Figures in Euros	2013	%	2012	%
Statutory audit and audit services				
Statutory audit services	695,201	68%	412,531	46%
Financial audit of foreign subsidiaries	48,145	5%	114,194	22%
Fiscal consultancy services				
In Portugal	63,150	6%	100,150	11%
In foreign subsidiaries	12,000	1%	3,197	13%
Other reliability assurance services	203,194	20%	66,580	8%
<b>Total</b>	<b>1,021,690</b>	<b>100%</b>	<b>696,652</b>	<b>100%</b>

## INTERNAL ORGANIZATION

### VI. Articles of association

**48. Rules applicable to amendment of the articles of association (Article 245-A.1 h).**

The General Meeting has powers to resolve on any proposed amendments to the Articles of Association.

Proposed amendments to the Articles of Association must be tabled by the company's shareholders to be voted on at a General Meeting at which shareholders holding shares corresponding to no less than one third of the share capital must be present or represented.

A proposed amendment to the Articles of Association can only be approved by two thirds of the votes cast, at either the first or second call of the General Meeting.

### VII. Notification of irregularities (whistleblowing)

**49. Whistleblowing - procedures and policy**

The company has "Regulations on the Reporting of Irregularities", governing the reporting by company employees of any irregularities allegedly committed within the company.

These regulations lay down the general duty to report alleged irregularities, requiring that such reports be made to the Audit Board and also providing for an alternative solu-

tion in the event of conflicts of interests on the part of the Audit Board with regard to the report in question.

The Audit Board, which may be assisted for these purposes by the Internal Control Committee, shall investigate all facts necessary for assessment of the alleged irregularity. This process ends with the report being filed or else submission to the Board of Directors or the Executive Board, depending on whether a company officer is implicated or not, of a proposal for application of the measures most appropriate in the light of the irregularity in question.

The regulations also contain other provisions designed to safeguard the confidentiality of disclosure and non-prejudicial treatment of the employee reporting the irregularity, as well as rules on providing information on the regulations throughout the company.

No irregular situation was reported in the course of 2013.

### VIII. Internal control and risk management

**50. People, bodies or committees responsible for internal audits and/or implementation of internal control systems.**

The Internal Control Committee is responsible for identifying, assessing and monitoring risks, which are then managed and/or mitigated by various units within the Company. One of the most important aspects of the work of these committees is the forecasting of the consequences of occurrence of the risks identified below, making for greater effectiveness in the adopting of measures which can be implemented immediately when these circumstances occur.

**51. Description of the lines of command in this area in relation to other bodies or committees; an organizational chart may be used to provide this information.**

This information is provided in item 21 above, containing the organizational and functional charts showing the division of powers between the different corporate bodies.

**52. Existence of other departments with responsibilities in the field of risk control.**

The Company has implemented a system which assigns responsibility for internal control and risk management to the operational departments for each business area, and in addition to the Internal Control Committee there are other committees responsible for assessing and monitoring risks. These are: (i) the Asset Risks Analysis and Supervision Committee, which pronounces on the systems for preventing property risks in place in the Group; (ii) the Control and Corporate Governance Committee, that oversees and assesses matters relating to corporate governance and the Code of Ethics, as well as supervising internal procedures relating to conflicts of interests, in particular with regard to dealings between the Company and its shareholders or other stakeholders; (iii) the Sustainability Committee, which is responsible for implementing corporate and strategic policy on issues of social and environmental responsibilities, and on prevention of potential risks in these areas; (iv) the Ethics Committee, which assesses and oversees any situation arising with regard to compliance with the requirements of the Code of Ethics, and also plays a fundamental role in identifying irregularities which might undermine compliance with the Code of Ethics.

In addition, in view of the regulatory requirements to which the Company is subject, the Internal Control Committee, in conjunction with the Internal Audit Service and the External Auditors, has conducted assessment designed essentially to assure conformity with the objective policies and procedures instituted, to assure that financial reporting is reliable, to minimize the occurrence of fraud and also to identify the main business risks and events which may potentially generate risks, and also to assure that the critical risks identified are monitored and reduced to an acceptable level.

**53. Identification of the main risks (economic, financial and legal) to which the company is exposed in the course of its business.**

In the course of its business, the Group is exposed to a variety of economic, financial and legal risks, the most significant of which are detailed below:

1. Procurement of timber, and eucalyptus in particular, is subject to price variations and difficulties of supply which could have a significant impact on the production costs of pulp manufacturers;

2. Market prices of pulp and paper, which in the past have been markedly cyclical, significantly influence the Portucel Group's revenues and profitability;

3. Any reduction in demand for pulp and UWF paper, especially in EU and US markets, could have a significant impact on Group sales;

4. The Group is subject to the risk of default on the credit it grants to its customers, and has adopted a policy of hedging this risk within given levels by negotiating credit insurance from a specialist independent insurer. Sales not covered by credit insurance are subject to rules which assure they are made to suitably creditworthy customers;

5. Increased competition on pulp and paper markets could have a significant impact on prices and consequently on Group profitability;

6. Variations in the exchange rate between the euro and other currencies, notably the US dollar and sterling, could have an impact on Company business;

7. Variations in interest rates, and in particular in short terms rates, could have a significant impact on the Company's results;

8. There is also a liquidity risk which the Group manages in two ways. In the first place, it makes sure that its financial borrowing includes a large medium to long term component with maturities matched to the characteristics of the industry in which it operates.

In addition, the Group has contracted credit facilities from financial institutions; these are available at any time, with an upper limit which guarantees adequate liquidity.

9. In recent years, European Union legislation on environmental issues has become more restrictive, especially with regard to control of effluents.

The Portucel Group complies with all legal requirements, and has accordingly made sizeable investments in recent years. Although no significant legislative changes are foreseen in the near future, there is the possibility that the Group will have to make additional investments in this area, in order to comply with any new limits which may be approved.

10. The Portucel Group's ability to implement successfully the strategies defined depend on its ability to recruit and retain the best qualified and able staff for each position. Although the Group's human resources policy is geared to achieving this goal, it cannot preclude the possibility of future limitations in this area;

11. The Group's industrial plants are subject to the risks involved in any industrial activity, such as the risk of

accidents, breakdowns or natural disasters which could damage the Group's assets or cause temporary stoppages to the production process. This risks could likewise affect the Group's main customers and suppliers, which would have a significant impact on levels of profitability, if it were not possible to find alternative customers to maintain the level of sales or suppliers which allowed it to maintain the same cost structure;

12. The Portucel Group's operations are exposed to the risks related to forest fires, in particular: (i) destruction of present and future timber stocks; and (ii) the added costs of forestry operations and subsequent preparation of land for planting;
13. Energy sales account for an important part of Group's business, meaning that a significant change in electricity tariffs could have a significant impact on the Company's results;
14. The listed prices of shares in Portucel could experience volatility and be subject to fluctuations due to a range of factors. By way of example, these fluctuations could be caused by: (i) changes in investor expectations regarding the prospects for the sectors and markets in which the Group operates; (ii) announcements of technological innovations; (iii) launch of new products or services by the Group or its competitors; (iv) actual or expected variations in results; (v) changes in the financial estimates of securities analysts; (vi) any significant capital expenditure projects undertaken by the Group; (vii) any strategic partnerships or joint ventures in which the Group may participate; (viii) unfavourable economic prospects; (ix) changing conditions in securities markets; and (x) poor liquidity due to the existence of a controlling shareholder with approximately 76% of the share capital;
15. Portucel has taken on growing exposure to Mozambique country risk, as its investment project in that country has progressed.

The exposure to this risk means that the group takes this effect into account when assessing investments, in terms of scheduling, choice of suppliers/partners and geographical location, and taking precautions with regard to these steps, insofar as it is able to assume with reasonable certainty that they will not be constrained by the effects of this risk.

Many of the risk factors identified are beyond the Portucel Group's control, especially in the case of market factors which can have a fundamental and negative effect on the market price of the issuer's shares, irrespective of the Group's operational and financial performance.

#### **54. Description of the process of identification, assessment, monitoring, control and management of risks.**

The Company's strategic aim in the field of risk-taking is to reduce to a minimum the possibility of occurrence of risks involved at the different levels of the company's operations. In addition to the Audit Board which is responsible for overseeing the workings of the risk monitoring and management systems, the Company has various committees whose responsibilities include preventative action in this area: the Internal Control Committee, which has the mission of detecting and controlling relevant risks in the Company's operations, and the Asset Risks Analysis and Supervision Committee, which pronounces on the systems for preventing property risks in place in the Group.

The company's external auditor is PricewaterhouseCoopers. The company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and workings of internal control procedures through the information and documents provided by the company, and in particular by the Remuneration Committee and the Internal Control Committee. The respective findings are reported by the External Auditor to the Audit Board which then reports the shortcomings detected, if any.

#### **55. Main elements of the internal control and risk management systems implemented in the company with regard to the process of disclosure of financial information (Article 245-A.1 m).**

In accordance with the provisions of Article 248.6 of the Securities Code, as amended by Decree-Law 52/2006, of 15 March, issuers of securities are required to draw up and keep rigorously up to date a list of their staff, with or without employment contracts, who have regular or occasional access to privileged information.

Each member of staff listed has been informed of the Company's decision to include him or her and also of his or her legal duties and obligations, as well as the consequences of disclosure or abusive use of privileged information. Of the staff included on the list, only a small number is involved in the disclosure of privileged financial information.

All these employees and officers are also aware of the principles of professional ethics laid down in the Code of Ethics, contained in Annex I to this report, in particular with regard to duties of confidentiality and secrecy.

### **IX. Investor support**

#### **56. Office responsible for investor support, composition, functions, information provided and contact details**

Portucel has had an Investor Support Office since November 1995, set up with a view to handling contact, on a permanent and appropriate basis, with the financial community –

investors, shareholders, analysts and regulatory authorities – and to publish the company's financial reports and any other information of relevance to its stock market performance, in keeping with principles of coherence, regularity, fairness, credibility and opportunity. The Investor Support Office comprises a single person, who also acts as market relations officer and whose contact details are provided in the following item.

All mandatory disclosures, such as information on the company name, its status as a public company, registered offices and other detailed required by Article 171 of the Companies Code, are available on the Group's website, at [www.portucelsoporcel.com](http://www.portucelsoporcel.com). Also available in the investors' section of the Portucel website, in Portuguese and English, are disclosures of quarterly results, half-yearly and annual reports and accounts, together with the respective press releases, list of company officers, the financial calendar, the articles of association, notices of general meetings, and all motions tabled for discussion and vote at general meetings, resolutions approved and statistics relating to attendance, together with relevant developments.

#### **57. Market relations officer**

Portucel's Market Relations Officer is Joana de Avelar Pedrosa Rosa Lã Appleton who may be contacted by telephone (265 700 566) or by email . (joana.la@portucel-soporcel.com); these contact details are supplied on Portucel's website, in the investors' section.

#### **58. Information on the number of enquiries received in the period or pending from previous periods, and enquiry response times.**

Most enquiries received by the Investor Support Office are made by email, although some are by telephone. All enquiries are answered or redirected to the appropriate departments with an estimated average response time of less than three days.

## **X. Website**

#### **59. Address.**

Portucel's website is at: [www.portucelsoporcel.com](http://www.portucelsoporcel.com)

#### **60. Address where information is provided on the company name, public company status, registered office and other data required by Article 171 of the Companies Code.**

The information in question is available on Portucel's website, in the investors' area, under Shareholders and Investor Relations.

#### **61. Address where the articles of association and rules of procedures of company boards and/or committees can be consulted.**

The information in question is available on Portucel's website, in the investors' area, under Corporate Governance.

#### **62. Address where information is provided on the identity of company officers, market relations officer, the Investor Support Office or equivalent structure, respective powers and responsibilities and contact details.**

The information in question is available on Portucel's website, in the investors' area, under Corporate Governance, and in the section entitled "Investor Relations".

#### **63. Address for consultation of financial statements and reports, which must be accessible for no less than five years, together with the six-monthly corporate diary, disclosed at the start of each semester, including, amongst other things, general meetings, disclosure of annual, half-yearly and, if applicable, quarterly accounts.**

Portucel's quarterly, six-monthly and annual results, published since 2003, are available in the investors' area, under "Financial Information". There is a specific tab in the investors' area for the corporate diary for the current year.

#### **64. Address where notice of general meetings is posted, together with all preparatory information and subsequent information related to meetings.**

Notices of general meetings and all the related preparatory and subsequent information is available in the investors' area, under the specific tab "General Meetings".

#### **65. Address for consultation of historical archives, with resolutions adopted at the company's general meetings, the share capital represented and the results of votes, for the past three years.**

This information is available in the same area as the information on general meetings, in other words, in the investors' area, under the specific "General Meetings" tab.

## C. REMUNERATION

### I. Powers to determine remuneration

#### **66. Indication of powers to set the remuneration of company officers, members of the executive board or managing director and the company managers.**

The remuneration policy for company officers is the responsibility of the Remuneration Committee, which submits its proposals for the approval of the General Meeting, which is attended by at least one member of the Remuneration Committee. The remuneration policy to be submitted to the General Meeting in 2014 is set out in item 69 of this report.

### II. Remuneration committee

#### **67. Composition of the remuneration committee, including identification of individuals or organizations contracted to provide support, and declaration regarding the independence of each member and adviser.**

The composition of the Remuneration Committee:

- **Chairman:** José Gonçalo Maury
- **Members:** João Rodrigo Appleton Moreira Rato  
Frederico José da Cunha Mendonça e Menezes

No individuals or organizations were contracted to provide support to the activity of the Remuneration Committee.

Regarding the independence of each member, the Company considers that they are independent, except for Mr. Frederico da Cunha Mendonça Menezes, who can no longer be considered independent since he was appointed, during 2013, member of the board of Sodim SGPS, S.A., a company which holds 51.12% of non-suspended voting rights in Semapa.

#### **68. Expertise and experience of the members of the remuneration committee in the field of remuneration policy.**

All the members of the Remuneration Committee have wide experience and knowledge concerning matters relating to the remuneration of company officers, in view of the offices held in the course of their professional careers. Special attention is drawn to the fact that the Chairman of the committee is the representative of a multinational specializing in human resources, and especially senior management recruitment.

### III. Remuneration structure

#### **69. Description of the remuneration policy for members of the management and supervisory bodies as referred to in Article 2 of Law no. 28/2009, of 19 June.**

The remuneration policy for members of the company's management and supervisory bodies is set out in the Remuneration Policy Statement issued by the Remuneration Committee and contained in Annex II to this Report.

#### **70. Information on how remuneration is structured in order to align the interests of members of the management body with the long term interests of the company, and on how it is based on performance assessment and discourages excessive risk-taking.**

In addition to the details supplied in the text of the remuneration policy contained in the Annex referred to in the preceding item, it should be noted that the stability of the shareholder structure and of the composition of the Company's board of directors means that the interests of these officers are clearly compatible with those of the Company, as may be seen from a comparative analysis of the results presented in recent years and the remuneration paid.

#### **71. Reference, if applicable to the existence of a variable remuneration component and information on any impact on this from performance assessments.**

The remuneration of company officers includes a variable component which is directly related to responsibilities and contributions made to matters regarded as strategic to the Company's development.

#### **72. Deferred payment of the variable component of remuneration, indicating the deferral period.**

Payment of the variable component of remuneration is not deferred. The Company considers that given the stability of both the shareholder structure and the board of directors, it would not be possible to make opportunistic use of the directors' performance in the light of the profits for the period, as may be seen from the profits recorded over recent years and the close connection between these profits and directors' pay. Moreover, this deferral would only be effective for the next three years, given the stability of the company's profits, which have presented an annual variation since 2010 of less than 10%.

#### **73. Criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of these shares, on any contracts concluded with regard to these shares, specifically hedging or transferring risk, the respective limits and the respective proportion represented of total annual remuneration.**

Not applicable, given that variable remuneration does not take the form of stocks.

There are no rights to shares or share options, and the criteria underlying the variable components of directors' pay are those set out in the remuneration policy described above. The Company operates no share or option scheme, or any other share-based incentive scheme.

**74. Criteria applied in allocating variable remuneration in options and indication of the deferral period.**

Not applicable, given that variable remuneration does not take the form of options.

**75. Main parameters and grounds for any annual bonus system and any other non-cash benefits.**

The main parameters for allocating annual bonuses are based on the profits recorded by the Company for the period.

The company's results a relevant factor in setting the variable remuneration: not the results seen as an absolute value, but as viewed from a critical perspective in the light of what may be expected of a company of this size and characteristics, and in view of the actual market conditions.

In setting the variable component, other factors are also considered, resulting in the main from the general principles - market, specific duties, the state of the company's affairs. These factors are often more individual, relating to the specific position and performance of each director.

There are no non-cash benefits.

**76. Main features of complementary or early retirement schemes for directors, and the date of approval by the general meeting for each individual.**

There are no early retirement arrangements for directors.

Under the Portucel Pension Plan Regulations currently in force, Portucel's directors who are remunerated as such and who have served no less than one full term of office in accordance with the articles of association are entitled, on retirement or in the event of disability, if this occurs during their term of office, are entitled to a complementary monthly retirement or disability pension.

If the directors become disabled after the end of their term of office, they will only be entitled to the complementary disability pension if they qualify for the corresponding disability pension from the social security scheme in which they are registered and if they apply to the Company for the complementary pension.

This complementary pension is set on the basis of a formula which considers gross monthly remuneration and length of service; no less than 10 years' service is required and no more than 30 years' service will be considered.

Under the Soporcel Pension Plan in force during 2013, the directors benefiting from this plan are entitled to an old-age retirement pension as from the date they retire, in other words, when they reach the retirement age of 65 years; early retirement may be requested from the age of 60 onwards, provided the director has no less than 5 years' length of service.

A disability retirement pension equal to the national minimum wage at the date of retirement on grounds of disability will be granted to directors with length of service of no less than two and a half years and less than five years.

The old age retirement pension granted under this pension plan is calculated on the basis of a formula which considers primarily the length of service and pensionable salary, which is deemed to be the last gross remuneration paid in cash on a permanent basis 14 times a year.

Because of the specific characteristics of the Portucel Group pension plan, the General Meeting has not, to date, intervened in approving the main features concerning the specific rules applicable to the retirement of directors.

It should be noted here that Portucel was a state-owned company until 1991, with its business and procedures regulated by the special legislation applicable to this type of company, and during this period specific rules were approved on the retirement pensions of the directors.

Moreover, the complementary retirement pension schemes in force in the company are of course described in no. 27 of the Notes to the Consolidated Financial Statements, which are part of the Report and Accounts subject to approval by the General Meeting. At 31 December 2013, the value of liabilities allocated to post-employment benefits plans for two directors of the Portucel Group stood at 1,340,168 euros (at 31 December 2012: 2,439,412 euros for four directors). In individual terms, these figures break down as follows:

Beneficiary (Figures in Euros)	Liabilities at 31-12-2013	Liabilities at 31-12-2012
Adriano Augusto da Silva Silveira	-	777,967
António José Pereira Redondo	-	365,564
Manuel Maria Pimenta Gil Mata	561,309	576,205
Manuel Soares Ferreira Regalado	778,859	719,675
<b>Total</b>	<b>1,340,168</b>	<b>2,439,412</b>



## IV. Disclosure of remuneration

### 77. Indication of the annual remuneration earned from the company, on an aggregate and individual basis, by the members of the company's management bodies, including fixed and variable remuneration and, in relation to the latter, reference to the different components.

The remuneration paid in 2013 is indicated below. The variable remuneration relates to two financial years, 2012 and 2013, the respective expense having been recognized in the respective periods.

#### BOARD OF DIRECTORS

(figures in Euros)	Remuneration		Total
	Fixed	Variable	
<b>Pedro Queiroz Pereira</b>	<b>814,534</b>	<b>1,720,000</b>	<b>2,534,534</b>
Portucel	0	0	0
Subsidiaries	814,534	1,720,000	2,534,534
<b>José Honório</b>	<b>986,314</b>	<b>697,536</b>	<b>1,683,850</b>
Portucel	253,232	0	253,232
Subsidiaries	733,082	697,536	1,430,618
<b>Manuel Regalado</b>	<b>349,790</b>	<b>1,378,741</b>	<b>1,728,531</b>
Portucel	269,458	0	269,458
Subsidiaries	80,332	1,378,741	1,459,073
<b>Adriano Silveira</b>	<b>303,735</b>	<b>936,817</b>	<b>1,240,552</b>
Portucel	0	0	0
Subsidiaries	303,735	936,817	1,240,552
<b>António Redondo</b>	<b>303,735</b>	<b>903,270</b>	<b>1,207,005</b>
Portucel	0	0	0
Subsidiaries	303,735	903,270	1,207,005
<b>Fernando Araújo</b>	<b>303,744</b>	<b>945,480</b>	<b>1,249,224</b>
Portucel	0	0	0
Subsidiaries	303,744	945,480	1,249,224
<b>Luís Deslandes</b>	<b>155,036</b>	<b>123,397</b>	<b>278,433</b>
Portucel	155,036	123,397	278,433
Subsidiaries	0	0	0
<b>Manuel Gil Mata</b>	<b>127,680</b>	<b>123,397</b>	<b>251,077</b>
Portucel	127,680	123,397	251,077
Subsidiaries	0	0	0
<b>Francisco Nobre Guedes</b>	<b>72,926</b>	<b>95,410</b>	<b>168,336</b>
Portucel	72,926	95,410	168,336
Subsidiaries	0	0	0
<b>Paulo Miguel Ventura</b>	<b>0</b>	<b>67,698</b>	<b>67,698</b>
Portucel	0	67,698	67,698
Subsidiaries	0	0	0
<b>Total</b>	<b>3,417,494</b>	<b>6,991,746</b>	<b>10,409,240</b>
Portucel	878,332	409,902	1,288,234
Subsidiaries	2,539,162	6,581,844	9,121,006

### 78. Amounts paid on any basis by other controlled, controlling or group companies or companies under common control.

It should be clarified that the amounts referred to in this item do not relate only to companies controlled by Portucel. They also include amounts over which Portucel and its officers have no control, as they are the concern of its shareholders, the shareholders of shareholders and other companies controlled by shareholders, where a controlling

relationship is involved. The total amount paid by all companies controlled by or controlling Portucel, and by companies under common control, is 7,437,400 euros.

This figure does not include the amounts received by persons who are directors of both Portucel and Semapa relating to redemption of rights under the Semapa pension scheme, as disclosed by Semapa, as these amounts do not correspond to the remuneration or equivalent payments concerned in this chapter of the corporate governance report.

### 79. Remuneration paid in the form of profit sharing and/or payment of bonuses, and the grounds on which these bonuses and/or profit sharing were granted.

There is no remuneration in the Company in the form of profit sharing. The remuneration policy establishes the criteria in force to assigning variable remuneration, and annual bonuses are assigned on the basis of the Company's results in each period, in conjunction with the merit and performance assessment of each specific director.

### 80. Compensation paid or owing to former executive directors in relation to termination of their directorships during the period.

No such situation existed in the period.

### 81. Indication of the annual remuneration earned, on an aggregate and individual basis, by the members of the company's supervisory bodies, for the purposes of Law 28/2009, of 19 June.

#### AUDIT BOARD

(Figures in Euros)	Remuneration Fixed	Remuneration Variable	Total
Miguel Eiró	20,412	0	20,412
Duarte da Cunha	14,574	0	14,574
Gonçalo Caldeira	14,574	0	14,574
<b>Total</b>	<b>49,560</b>	<b>0</b>	<b>49,560</b>

### 82. Indication of remuneration earned in the reporting period by the chairman of the general meeting.

The chairman of the general meeting was paid remuneration of 3,000 € during the financial year of 2013.



## V. Agreements with implications for remuneration

### 83. Contractual limits on severance pay for directors, and the respective relationship with the variable remuneration component;

The Company has no contractual limitations on compensation payable for unfair dismissal of a director.

### 84. Reference to the existence and description of agreements between the company and directors or managers, as defined by Article 248-B.3 of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the company, indicating the amounts involved. (Article 245-A.1, I)).

There are no agreements between the company and directors or managers, as defined by Article 248-B.3 of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the company.

## VI. Stock or stock option plans

Not applicable as no remuneration is paid through stock or option plans.

### 85. Identification of plan and beneficiaries

### 86. Description of plan (terms of allocation, non-transfer of share clauses, criteria on the price of shares and the price of exercising options, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase shares and/or exercise options)

### 87. Stock option rights allocated to company employees and staff.

### 88. Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by employees (Article 245-A.1, e))

## D. RELATED PARTY TRANSACTIONS

### I. Control procedures

### 89. Procedures implemented by the company for controlling related party transactions (reference is made for this purpose to the concept deriving from IAS 24).

### 90. Indication of transactions subject to control during reporting period

### 91. Description of the procedures and criteria applicable to intervention by the supervisory body for the purposes of prior clearance of transactions to be carried out between the company and qualifying shareholders or related entities, under Article 20 of the Securities Code.

The procedures instituted by the company for monitoring of related party transactions, the transactions monitored in 2013 and the procedures and criteria applicable to intervention of the audit board for the purposes of prior clearance of transactions to be carried out between the company and qualifying shareholders or related entities, under Article 20 of the Securities Code, are described in item 10 of this report.

### II. Details of transactions

### 92. Indication of the place in the financial reports and account where information is available on related party transactions, in accordance with IAS 24, or, alternatively, reproduction of this information.

The information available on related party transactions is included in the Company's Report and Accounts, in no. 32 of the Notes to the Consolidated Financial Statements, transcribed below.

At 31 December 2013 and 2012, Group and associated company balances break down as follows:

Amounts in Euro	December 2013		December 2012	
	Assets Receivables	Liabilities Payables	Assets Receivables	Liabilities Payables
Semapa	-	932,118	1,935	3,702,738
Soporger	-	-	-	(539,612)
	<b>-</b>	<b>932,118</b>	<b>1,935</b>	<b>3,163,126</b>

In the periods ended 31 December 2013 and 2012, transactions between Group and related companies break down as follows:

Amounts in Euro	2013		2012	
	Sales and Services rendered	Cusumed materials and services	Sales and Services rendered	Cusumed materials and services
Semapa	3,155	10,402,343	1,573	4,878,837
Soporger	-	-	-	1,081,573
	<b>3,155</b>	<b>10,402,343</b>	<b>1,573</b>	<b>5,960,410</b>

In 2013 the Group acquired the remaining share capital of Soporger, and this company is therefore no longer regarded as a related company.

The definition of related parties used for the purposes of financial reporting includes the members of the Board of Directors and other corporate boards. See also no. 7 in the Notes to the Consolidated Financial Statements.

## PART II – ASSESSMENT OF CORPORATE GOVERNANCE

### 1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

The Company has adopted by the Corporate Governance Code published by the Securities Market Commission (CMVM) in January 2013.

It is considered that the content of the mandatory information required by this code assures effective compliance with the recommendations, which can in turn contribute to strengthening the model adopted and assure the conformity of governance principles, and to improved performance and coordination of the duties of Portucel's company officers; this content is deemed appropriate to the Company's particular characteristics, without imposing any constraints on the workings of its governance structure.

### 2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Article 245-A o) requires a declaration on the adoption of the corporate governance code to which the company subscribes, specifying any divergence from the provisions of this code, and the respective reasons.

The information to be presented should include, for each recommendation:

- a) Information enabling the reader to assess whether the recommendation is complied with, or reference to the item in the report where this issue is dealt with in detail (chapter, title, item, page);
- b) Grounds for any instance of non-compliance or partial compliance;
- c) In the event of non-compliance or partial compliance, identification of any alternative arrangements adopted by the company to achieve the same objective as the recommendation.

Over the course of 2013, the Company continued to work at consolidating the Company's governance principles and practices, in line with the main regulatory developments in 2013, in particular the changes to the corporate governance rules resulting from the entry into force of CMVM Regulation 4/2013 and the CMVM Recommendations included in the 2013 CMVM Corporate Governance Code.

In its overall assessment of the degree of adoption of the recommendations, the Company has established that this degree is fairly high, whilst still acknowledging that a number of differences exist in relation to particular recommendations.

The company's current corporate governance model and principles accordingly comply with the binding legal rules on the single-tier governance model established in Article 278.1 a) of the Companies Code, and the CMVM Corporate Governance Recommendations quoted, in the version which took effect in January 2014, except for Recommendations II.1.7, II.2.5, II.3.1 and III.4, which are not complied with or are partially adopted for the reasons set out below.

The Company accordingly considers its degree of compliance to be fairly high, and significant progress has been made on the degree of adoption of the CMVM recommendations over recent periods. With the publication of the new CMVM Corporate Governance Code in 2013, the Company has adopted one more recommendation in relation to the previous year, as the new code has allowed the company to comply partially with recommendations which were previously not adopted.

It is also significant that, in a survey conducted in 2013 by the Portuguese Catholic University, commissioned by AEM – Associação de Empresas Eminentes de Valores Cotados no Mercado, the Company received an A rating in the Católica Lisbon/AEM Corporate Governance Index.

The table below shows the items in this Corporate Governance Report which describe the measures adopted by the Company to comply with the said CMVM Recommendations.

Recommendations	Compliance	Remarks
<b>I. VOTING AND CORPORATE CONTROL</b>		
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement to one vote, and implement the means necessary to exercise the right to vote by mail and electronically	Adopted	Part I, item 12.
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Adopted	Part I, item 14.
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the right of each ordinary share, unless duly justified in terms of the long-term interest of shareholders.	Adopted	Part I, item 12.
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also provide for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without increased quorum requirements in addition to those required by law – and that in said resolution, all votes issued be counted, without applying said restriction.	Adopted	Part I, item 13.
I.5. Measures shall not be adopted that require payment or acceptance of charges by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members.	Adopted	Part I, item 4.
<b>II. SUPERVISION, MANAGEMENT AND OVERSIGHT</b>		
<b>II.1. SUPERVISION AND MANAGEMENT</b>		
II.1.1. Within the limits established by law, and except due to the small size of the company, the board of directors shall delegate the day-to-day management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Adopted	Part I, item 21.
II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objects, and shall not delegate its responsibilities with regard to: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions that should be considered as strategic due to the amounts, risk and particular characteristics involved.	Adopted	Part I, item 21.
II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, and a requirement shall therefore be enshrined, in the articles of association or by equivalent means, that this body shall pronounce on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that are to be considered strategic due to the amounts or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Not applicable	Part I, items 27, 28 and 29.
II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; b) Reflect on the governance system, structure and practices adopted, verify their effectiveness and propose to the competent bodies, measures to be implemented with a view to their improvement.	Not applicable  Adopted	Explanation of Recommendations not adopted below  Part I, items 21, 27, 28 and 29.
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, shall set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Adopted	Part I, items 50 to 55.
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the other members of the board.	Adopted	Part I, items 15 and 18.
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the company or at a related or group company in the past three years; b. Having, in the past three years, provided services or established a significant commercial relationship with the company or a related or group company, either directly or as a partner, board member, manager or director of a legal person; c. Being the beneficiary of remuneration paid by the company or by a related or group company, other than the remuneration deriving from a directorship; d. Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.	Not applicable	Explanation of Recommendations not adopted below

Recommendations	Compliance	Remarks
II.1.8. Directors who exercise executive duties share respond to enquiries from other company officers by providing the information requested in a timely and appropriate manner.	Adopted	Part I, item 21.
II.1.9. The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Adopted	Part I, item 21.
II.1.10. "If the chairman of the board of directors exercises executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination."	Not applicable	Part I, item 18.
<b>II.2. AUDITING</b>		
II.2.1. Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Adopted	Part I, item 32.
II.2.2. The supervisory body shall be the principal point of contact with the external auditor and the first recipient of the relevant reports, and is responsible, in particular, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Adopted	Part I, items 37 and 38.
II.2.3. The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract for provision of their services when there is a valid basis for such dismissal.	Adopted	Part I, item 37.
II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Adopted	Part I, items 50 and 54.
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities.	Not applicable	Explanation of Recommendations not adopted below
<b>II.3. SETTING OF REMUNERATION</b>		
II.3.1. All members of the Remuneration Committee or equivalent shall be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Not applicable	Part I, item 67 and 68 Explanation of Recommendations not adopted below
II.3.2. No natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person connected with such persons by employment or service contract.	Adopted	Part I, item 67.
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 identify 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.	Adopted	Annex II to the Corporate Governance Report
II.3.4. Approval of stock and/or option plans or plans based on share price variation for company officers shall be submitted to the General Meeting. The proposal shall mention all the necessary information for a correct assessment of any such plan.	Não aplicável	Part I Section VI
II.3.5. Approval of any retirement benefit scheme established for company officers shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Não aplicável	Part I, item 76.
<b>III. REMUNERATION</b>		
III.1. The remuneration of the executive directors shall be based on actual performance and shall discourage excessive risk-taking.	Adopted	Part I, items 69 and 70.
III.2. The remuneration of non-executive directors and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Adopted	Part I, items 69 and 71.
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits shall be set for all components.	Adopted	Annex II to the Corporate Governance Report
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to payment shall depend on the continued positive performance of the company during that period.	Not applicable	Explanation of Recommendations not adopted below

Recommendations	Compliance	Remarks
III.5. Members of the board of directors shall not enter into contracts either with the company or with third parties which have the effect of mitigating the risk inherent in the variability of their remuneration as fixed by the company.	Adopted	tem 73
III.6. Until the end of their term of office, executive directors shall maintain the shares in the company which they may have received under variable pay schemes, up to a limit of twice the value of their total annual remuneration, save those which have to be disposed of in order to pay taxes resulting from the earnings of these shares.	Não aplicável	Part I Section VI
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period of no less than three years.	Não aplicável	Part I Section VI
III.8. When the removal of a director is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is even so attributable to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments to ensure that no damages or compensation, beyond those legally due, are payable.	Adopted	Part I, item 83.
<b>IV. AUDITING</b>		
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems for company officers as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Adopted	Part I, item 54.
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that belongs to the same network, for services other than audit services. If there are reasons for contracting such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - these services shall not account for more than 30% of the total value of services rendered to the company.	Adopted	Part I, items 46 and 47.
IV.3. Companies shall rotate auditors after two or three terms, depending on whether the terms are four or three years, respectively. Retention of the auditor beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Adopted	Part I, item 44.
<b>V. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS</b>		
V.1. The company's transactions with qualifying shareholders, or entities with which they are in any type of relationship pursuant to article 20 of the Securities Code, shall be conducted on an arm's length basis.	Adopted	Part I, items 89 to 91.
V.2. The supervisory or audit board shall establish the procedures and criteria necessary to define the relevant level of significance of transactions with qualifying shareholders - or entities with which they are in any of the relationships described in Article 20.1 of the Securities Code -, and the execution of transactions of significant relevance requires clearance from such body.	Adopted	Part I, items 10 and 91.
<b>VI. INFORMATION</b>		
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages, access to information on the course of their affairs, as regards economic, financial and governance issues.	Adopted	Part I, items 59 to 65.
VI.2. Companies shall ensure the existence of an investor support and market relations office, which responds to enquiries from investors in a timely fashion and records shall be kept of the submittal and handling of enquiries.	Adopted	Part I, items 56, 57 and 58.

## Explanation of Recommendations not adopted

Under Article 245-A of the Securities Code, and in keeping with the comply-or-explain principle underlying application of the Corporate Governance Code, the Company does not comply in full with the CMVM Recommendations in force at the date of issue (because of certain peculiarities and the structure adopted), and the Portucel Group has made the following judgement on substantially equivalent terms assessing the reasons for non-compliance:

### Recommendation II.1.4

This recommendation states that "Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted,

shall create the necessary committees in order to ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees..."

With regard to the assessment of directors, this function is assured by the Chairman of the Board of Directors, the Audit Board, the Remuneration Committee and the shareholders.

In the Company's considered opinion, the assessment of committees by committees would be overly bureaucratic and would cause functions to be duplicated. The body creating each committee is responsible for overseeing it. This recommendation is therefore not adopted because Portucel does not have committees of this type, as it

considers that this would mean duplicating the responsibilities of other committees or boards and thereby causing the company to shoulder an additional bureaucratic burden and costs disproportionate to the possible advantages.

#### **Recommendation II.1.7**

The Company does not comply in full with the independence criterion for non-executive directors insofar as a situation of incompatibility exists in relation to some of its directors, two of whom have been re-elected for more than two terms of office and four of whom act on behalf of shareholders owning more than 2% of the company's capital. However, it considers that the independence criteria are purely formal and that the non-executive directors meet the necessary standards of good standing, experience and proven professional expertise which can effectively assure that there are no conflicts of interests between the interest and position of the shareholder and the Company. In addition, with regard to the composition of the Board of Directors, the single-tier governance model adopted by the Company does not require the inclusion of non-executive members who act with duties of oversight, in addition to their duties of management, which in turn means there is no legal requirement/independence criterion based on an appropriate proportion of independent members on the Board of Directors.

#### **Recommendation II.2.5**

The Company has implemented a system which locates responsibility for internal control and management risk in the functional departments for each business area, and the working plans of the internal audit department and the compliance department, and the resources allocated to these, are assessed by the Internal Control Committee, in conjunction with the Internal Audit Service, the External Auditors, the Corporate Governance Supervisory Committee and the Property Risks Analysis and Monitoring Committee. In addition, as may be seen in the organizational chart contained in item 21 of this Report, these services report directly to the Chairman of the Executive Board. However, irrespective of this direct relationship, the managed responsible for reporting lines (internal audit service) meets directly with the Audit Board when requested, providing all information which the Audit Board deems relevant.

#### **Recommendation II.3.1**

The recommendation II.3.1 states that "all members of the Remuneration Committee or equivalent shall be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy".

As explained in question 67 of part 1 of this report, the Company considers that the members of the Committee are independent, except for Mr. Frederico da Cunha Mendonça Menezes, who can no longer be considered independent since he was appointed, during 2013, member of the board of Sodim SGPS, S.A., a company which holds 51,12% of non-suspended voting rights in Semapa. However, in Portucel's

view, the fact that Mr. Frederico Menezes is a member of the Board of Sodim, does not affect his independent analysis and decision process, being perfectly able to exercise his duties with genuine independence in his assessment of the Company's directors.

#### **Recommendation III.4**

With regard to deferral of a significant portion of the variable remuneration, the Company considers that given the stability of both the shareholder structure and the board of directors, it makes sense not to apply this recommendation in the Company's current circumstances given that it would not be possible to make opportunistic use of the directors' performance in the light of the profits for the period, as may be seen from the profits recovered over recent years and the close connection between these profits and directors' pay. Moreover, this deferral would only be effective for the next three years, given the stability of the company's profits, which have presented an annual variation since 2010 of less than 10%.

## **PART III - OTHER DISCLOSURES**

There are no other disclosures or additional information which would be relevant to an understanding of the governance model and practices adopted.





