

CORPORATE GOVERNANCE REPORT

CHAPTER 0

DECLARATION OF COMPLIANCE

0.1. Location where the public may find the Corporate Governance Codes to which the issuer is subject to or those which the issuer voluntarily abides by.

The Company follows the Corporate Governance Code for Listed Corporations of the CMVM (the Portuguese Securities Market Commission), by applying CMVM Regulation no. 1/2010. The Recommendations and the Regulation can be consulted at the CMVM website at www.cmvm.pt.

0.2. Detailed description of the recommendations contained in the CMVM Corporate Governance Code or any other code that have or have not been adopted, in accordance with CMVM Regulation 1/2010. Recommendations not fully adopted are regarded for present purposes as not adopted.

	RECOMMENDATIONS	COMPLIANCE	REMARKS
I	GENERAL MEETING		
I.1	OFFICERS OF THE GENERAL MEETING		
1.1.1	The Chairman of the General Meeting shall have at his disposal the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration.	Adopted	See Chapter I Item 1.1
1.1.2	The remuneration of the Chairman of the General Meeting shall be disclosed in the annual report on corporate governance.	Adopted	See Chapter I Item 1.3
I.2	PARTICIPATION AT THE MEETING		
1.2.1	The deadline for submitting proof of the deposit or blocking of shares for the purposes of attending general meetings shall be no more than five business days prior to the date of the meeting.	Adopted	See Chapter I Item 1.4
1.2.2	In the event of the General Meeting being adjourned, the company shall not require shares to be blocked until the meeting is resumed, when the normal requirement for the first session shall again apply.	Adopted	See Chapter I Item 1.5
I.3	VOTING AND EXERCISE OF VOTING RIGHTS		
1.3.1	The articles of association shall not impose any restriction on postal voting or, whenever adopted or admissible, on electronic voting.	Adopted	See Chapter I Item 1.7
1.3.2	The deadline established in the articles of association for receiving postal ballots shall be no more than 3 business days prior to the date of the meeting.	Adopted	See Chapter I Item 1.11
1.3.3	Companies shall ensure that voting rights are proportional to shareholder's holdings, preferably by enshrining the one share-one vote principle in the articles of association. Companies are deemed not to comply with the requirement of proportionality when: i) they have non-voting shares; ii) have shares for which the respective voting rights are not counted if in excess of a given number, when cast by a single shareholder or related shareholders.	Adopted	See Chapter I Item 1.6

I.4	QUORUM FOR RESOLUTIONS		
I.4.1	Companies shall not set a quorum for adopting resolutions greater than that established in law.	Adopted	See Chapter I.8
I.5	MINUTES AND INFORMATION ON RESOLUTIONS PASSED		
I.5.1	An extract from the minutes of the General Meetings shall be posted or their contents otherwise made available to shareholders through the company's website, within five days of the holding of the general meeting, irrespective of whether constituting privileged information. The information disclosed shall include the resolutions adopted, the share capital represented and the results of votes. This information shall be kept on the company's website for no less than three years.	Adopted	See Chapter I Items 1.13 and 1.14
I.6	MEASURES ON CORPORATE CONTROL		
I.6.1	Measures aimed at preventing successful takeover bids, shall respect both the company's and the shareholders' interests. When, in keeping with this principle, the articles of association of a company set a limit on the number of votes which may be held or exercised by a single shareholder, individually or in conjunction with other shareholders, they shall also provide that, no less than every five years, a motion for maintaining or altering this provision shall be put before the general meeting (without requiring a quorum greater than that provided for in law) and that all votes cast in relation to such resolution shall be counted, without operation of the restriction in question.	Adopted	See Chapter I Item 1.19
I.6.2	In cases such as change of control or changes to the composition of the Board of Directors, defensive measures shall not be adopted that instigate immediate and serious erosion of the company's assets, thereby disrupting the free transferability of shares and free assessment of the performance of the Board of Directors by the shareholders.	Adopted	See Chapter I Item 1.20
II	MANAGEMENT AND AUDIT BOARD		
II.1	GENERAL ISSUES		
II.1.1	STRUCTURE AND DUTIES		
II.1.1.1	The Board of Directors shall assess the model adopted in its annual corporate governance report and identify any constraints on its functioning and shall propose measures that it considers appropriate for overcoming such constraints.	Adopted	See Chapter II Item 2.4

II.1.1.2	Companies shall set up internal risk control and management systems in order to safeguard their value and for the sake of transparency in their corporate governance, allowing it to identify and manage risk. These systems shall include at least the following components: i) setting of strategic company objectives with regard to risk acceptance; ii) identification of the main risks associated with the specific business carried on and of the events which may give rise to risks; iii) analysis and measurement of the impact and probability of the occurrence of each of the potential risks; iv) risk management with a view to aligning the risks effectively incurred with the company's strategic options regarding risk assessment; v) procedures for monitoring execution of risk management measures adopted and their effectiveness; vi) adoption of internal reporting and information procedures relating to the different components of the system and risk alerts; vii) periodic assessment of the system implemented and adoption of changes as required.	Adopted	See Chapter II Item 2.5
II.1.1.3	The Board of Directors shall ensure that internal control and risk management systems are set up and function. The Supervisory Board shall be responsible for assessing the functioning of these systems and proposing any changes required to adjust them to the company's needs.	Adopted	See Chapter II Item 2.5
II.1.1.4	In their annual corporate governance reports, companies shall: i) identify the main economic, financial and legal risks to which the company is exposed in carrying on its business; ii) describe the activities and effectiveness of the risk management system.	Adopted	See Chapter II Item 2.9
II.1.1.5	The Management and Audit Boards shall establish internal regulations which shall be disclosed on its website.	Adopted	See Chapter II Item 2.7
II.1.2	INCOMPATIBILITY AND INDEPENDENCE		
II.1.2.1	The Board of Directors shall include a number of non-executive members that assures effective capacity to oversee, audit and assess the activities of the executive members.	Adopted	See Chapter II Item 2.1
II.1.2.2	Non-executive members shall include an adequate number of independent members. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall never be less than a quarter of the total number of directors.	Not adopted	See Chapter 0.4
II.1.2.3	The assessment by the board of directors of the independence of its members shall take into account the legal and regulatory rules in force concerning independence requirements and the rules on incompatibility applicable to members of other company bodies, so that independence criteria are applied systematically and coherently across the entire company, including over time. A director shall not be deemed independent if, on any other corporate board of body, he or she would not qualify as independent under the applicable rules.	Adopted	See Chapter II Items 2.14 e 2.15

II.1.3	ELIGIBILITY AND APPOINTMENT		
II.1.3.1	Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Affairs Committees shall be independent and be adequately capable of performing his duties.	Adopted	Chapter II Item 2.21
II.1.3.2	The selection process for applicants for non-executive directorships shall be designed so as to prevent interference from executive directors.	Adopted	Chapter II Item 2.16
II.1.4	POLICY ON WHISTLEBLOWING		
II.1.4.1	The company shall adopt a policy whereby alleged irregularities occurring within the company are reported, specifying: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should it be required by the reporter.	Adopted	Chapter II Item 2.35
II.1.4.2	The general guidelines on this policy shall be disclosed in the corporate governance report.	Adopted	Capítulo II Ponto 2.35
II.1.5	REMUNERATION		
II.1.5.1	The remuneration of the members of the Board of Directors shall be structured so as to align their interests with the long term interests of the company, shall be based on performance assessments and discourage excessive risk taking. To this end, remuneration shall be structured, namely, as follows: <ul style="list-style-type: none"> i) the remuneration of directors with executive duties shall include a variable component, set in accordance with the performance assessment, conducted by the competent company bodies, in accordance with measurable and pre-set criteria, which consider the real growth of the company and the wealth effectively created for shareholders, its long term sustainability and the risks accepted, and also compliance with the rules applicable to the company's business operations. ii) The variable component of remuneration shall be reasonable overall in relation to the fixed remuneration component, and upper limits shall be set for all components; iii) A significant part of the variable remuneration shall be deferred for a period of no less than three years, and payment of such part shall depend on the continued positive performance of the company over this period. iv) 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. 	Not adopted	This recommendation is only not adopted with regard to the 2 nd part of sub-paragraph ii) and the 1 st part of sub-paragraph iii) sub-paragraphs v) and vi) are not applicable. See Chapter 0.4

	<ul style="list-style-type: none"> v) 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. vi) When the variable remuneration includes the allocation of options, the start of the period for exercise shall be deferred for a period of no less than three years. vii) Appropriate legal instruments shall be instituted so that the severance pay established for any form of dismissal without due cause or termination of directorship is not paid if the dismissal or termination by agreement is due to failings in the director's performance. viii) The remuneration of non-executive directors shall not include any component dependent on their performance or the value of the company. 		
II.1.5.2	The statement on remuneration policy for members of the board of directors and audit board referred to in Article 2 of Law 28/2009, of 19 July, shall contain, in addition to the content referred to therein, sufficient information: i) on which corporate groups were selected for comparison of remuneration policy and practices for the purposes of setting remuneration; ii) on severance payments for directors.	Adopted	See Chapter II Item 2.30
II.1.5.3	The remuneration policy statement referred to in Article 2 of Law 28/2009 should also encompass the remuneration of management personnel, as defined in Article 248/3/B of the Securities Code, whose remuneration includes a significant variable component. The statement should be detailed and the policy presented should take into account the company's long term performance, compliance with the rules applicable to the company's operations and restraint in risk-taking.	Not adopted	See Chapter 0.4
II.1.5.4	A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or share options or options based on variations in share prices, to members of the Management and Audit Boards and other management personnel as defined in Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for a correct assessment of any such plan. The proposal shall contain the plan regulations or, if these have not yet been drawn up, the general conditions to which the plan is subject. The main features of the retirement benefit plans for members of the Management and Audit Boards and other management personnel, as defined in Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.	Not applicable	See Chapter 1.18
II.1.5.6	No less than one representative of the Remuneration Committee shall be present at the Annual Shareholders' General Meeting.	Adopted	See Chapter I Item 1.15
II.1.5.7	The annual report shall disclose, in aggregate and individual terms, the remuneration received in other group companies and pensions rights acquired through such office.	Adopted	See Chapter II Item 2.31

II.2 BOARD OF DIRECTORS

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| II.2.1 | Within the limits established by Law for each Management and Supervisory structure, and except on the grounds of the small size of the company, the Board of Directors shall delegate the day-to-day running of the company and the delegated responsibilities shall be identified in the Annual Report on Corporate Governance. | Adopted | See Chapter II
Item 2.3 |
| II.2.2 | 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 | See Chapter II
Item 2.3 |
| II.2.3 | If Chairman of the Board of Directors exercises executive duties, the Board of Directors shall set up efficient procedures for coordinating non-executive members that assure that these may reach decisions in an independent and informed manner, and furthermore shall provide shareholders with details of these procedures in the corporate governance report. | Not applicable | |
| II.2.4 | The annual management report shall include a description of the work of non-executive Board Members and shall mention any constraints encountered. | Adopted | See Chapter II
Item 2.3
and
Annex II |
| II.2.5 | The company shall specify its policy on rotating areas of responsibility within the board of directors, and in particular responsibility for financial matters, providing information on this in its annual corporate governance report. | Adopted | See Chapter II
Item 2.11 |

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

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| II.3.1 | Directors who exercise executive duties, when requested by other Board Members to supply information, shall do so in good time and the information supplied shall adequately respond to the enquiry. | Adopted | See Chapter II
Item 2.3 |
| II.3.2 | The Chairman of the Executive Committee shall send notices and minutes of meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Audit Board or the Auditing Committee. | Adopted | See Chapter II
Item 2.3 |
| II.3.3 | The Chairman of the Executive Board of Directors shall send the notices and minutes of meetings to the Chairman of the General and Audit Board and to the Chairman of the Financial Affairs Committee. | Not applicable | |

II.4 GENERAL AND AUDIT BOARD, FINANCIAL AFFAIRS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD

II.4.1	In addition to its supervisory duties, the General and Audit Board shall advise, monitor and assess, on an ongoing basis, the management of the company by the Executive Board of Directors. In addition to other matters, the General and Audit Board shall pronounce on: i) definition of the strategy and general policies of the company; ii) the corporate structure of the group; and iii) decisions which should be considered strategic due to the amounts, risk and particular characteristics involved.	Not applicable	
II.4.2	The annual reports and financial information on the work of the General and Supervisory Committee, the Financial Affairs Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website together with the financial statements.	Adopted	See Chapter II Item 2.23 and Annex III
II.4.3	The annual reports on the work of the General and Audit Board, the Financial Affairs Committee, the Audit Committee and the Audit Board shall include a description of their supervisory activity and shall mention any constraints encountered.	Adopted	See Annex III
II.4.4	The General Supervisory Board, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes in dealings with the external auditor, and shall propose the provider of these services and the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as providing the point of contact at the company and receiving the respective reports.	Not adopted	See Chapter 0.4 See Chapter II Section III Item 2.24
II.4.5	Depending on the applicable model, the Audit Committee and the Audit Board shall assess the external auditor annually and propose his dismissal to the General Meeting whenever there is due cause.	Adopted	See Chapter II Section III Item 2.24 See Annex III
II.4.6	The internal audit departments and those that ensure compliance with the rules applicable to the company (compliance services) shall report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.	Not adopted	See Chapter 0.4

II.5 SPECIAL COMMITTEES

II.5.1	Except in small companies and depending on the model adopted, the Board of Directors and the General and Supervisory Committees shall set up the necessary Committees in order to: i) assure competent and independent assessment of the performance of the Executive Directors, as well as of their own overall performance and also that of all existing Committees; ii) reflect on the governance system in place and monitor its effectiveness and propose to the relevant bodies the measures required to improve it; III) identify promptly potential candidates with the high profile needed to hold the office of director.	Adopted	See Chapter II Item 2.30
II.5.2	Members of the Remuneration Committee or the equivalent shall be independent of the Members of the Board of Directors and include no less than one member with knowledge and experience in the field of remuneration policy.	Adopted	See Chapter II Item 2.30 Annex IV
II.5.3	No natural or legal person who provides, or has provided in the last three years, services to any body or organization reporting to the board of directors or to the company's board of directors itself, or who has any current relationship with the company's consultants, shall be contracted to support the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person connected with such persons by employment or service contract.	Adopted	See Chapter II Item 2.30 Annex IV
II.5.4	All Committees shall draw up minutes of the meetings held.	Adopted	See Chapter II Item 2.30

III REPORTING AND AUDITING

III.1 GENERAL REPORTING DUTIES

III.1.1	Companies shall maintain permanent contact with the market, thereby upholding the principle of equality for shareholders and preventing any inequality in access to information for investors. To this end, the company shall have an investor support office.	Adopted	See Chapter III Item 3.15
III.1.2	The following information published on the company's website shall be disclosed in the English language: <ol style="list-style-type: none">1. The company name, public company status, registered office and other data required by Article 171 of the Companies Code;2. Articles of association;3. Identity of company officers and market relations officer;4. Investor support office, respective services and contact details;5. Financial statements and reports;6. Six-monthly schedule of company events;7. Motions to be tabled at the General Meeting;8. Notices of general meetings.	Adopted	See Chapter III Item 3.15

III.1.3	Companies shall change to a new auditor after two or three terms of office, depending on whether such terms are respectively of three or four years. Reappointment after such period has elapsed shall be on the basis of grounds set out in a specific report from the supervisory board, expressly assessing the auditor's independence and the advantages and costs of substitution.	Adopted	See Chapter II Section III Item 2.24
III.1.4	In the exercise of its duties, the external auditor shall check the application of remuneration policies and systems, the effectiveness and workings of internal control procedures and report any shortcomings to the company's supervisory board.	Adopted	See Chapter III Item III.13
III.1.5	The company shall not contract from the external auditor, or from any entities belonging to the same corporate group or network, any services other than audit services. If there are reasons for contracting such services, which shall be approved by the supervisory board and detailed in its annual corporate governance report, they shall not account for more than 30% of the total value of the services supplied to the company.	Adopted	See Chapter III Item III.13

IV CONFLICTS OF INTERESTS

IV.1 DEALINGS WITH SHAREHOLDERS

IV.1.1	Transactions between the company and the owners of qualifying holding, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be carried out on an arm's length basis.	Adopted	See Chapter III Item III.13
IV.1.2	Significant transactions with the owners of qualifying holdings, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, shall be submitted for prior clearance by the supervisory board. This body shall determine the procedures and criteria needed for assessing whether such transactions are significant and for deciding on any steps to be taken.	Adopted	See Chapter III Item III.13

0.3. Notwithstanding the foregoing, the company may also make an overall assessment, provided due grounds are stated, of the degree of adoption of groups of thematically related recommendations

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, as detailed in the relevant chapters. Attention is drawn to the reduction in the number of recommendations not adopted, down from seven to five, as described below.

In relation to the recommendations applicable to the constitution and workings of the General Meeting, the Company has adopted the recommendations in full.

With regard to the recommendations applicable to the management and supervisory bodies, the Company can report an improvement in the degree of adoption in relation to the previous year, as the number of recommendations not adopted has fallen from six to five. The recommendation on the disclosure of the rules of procedure of the management and supervisory bodies was adopted with the publication of these rules, in 2011, on the Group website.

In relation to the recommendation not adopted with regard to the composition of the Board of Directors and the policy on directors' remuneration, these are matters for which sole powers lie with the shareholders or the Remuneration Committee, which is elected directly by the General Meeting. The reason for non-adoption of the recommendation on the statement of remuneration policy for management personnel has to do with natural commercial concerns and others relating to competition. In relation to the recommendation on representation of the Company in dealings with the External Auditor, although the letter of the recommendation has not been adopted, the Company is satisfied that it has fully complied with its underlying spirit, as we shall see below.

Finally, with regard to general duties of information, the Company has now adopted the recommendation on the presentation of all motions to the General Meeting in English, having published the relevant documents on its website in English in the motions tabled at the General Meeting of 19 May 2011.

Accordingly, with only five recommendations not adopted, the Company considers that its degree of compliance is fairly high and that significant progress has been made on the degree of adoption of the CMVM recommendations over recent periods.

0.4. When the structure or the corporate governance practices deviate from the CMVM's Recommendations or from other Corporate Governance Codes to which the company is subject or which it has voluntarily applied, the company shall explain which parts of each code have not been complied with and the reasons for this.

II.1.2.2 Non-executive members shall include an adequate number of independent members. The size of the company and its shareholder structure shall be taken into account when setting this number, which shall never be less than a quarter of the total number of directors.

In accordance with the independence criterion defined in Article 414.5 of the Companies Code, the non-executive members of the Portucel's Board of Directors cannot be considered independent. 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.

II.1.5.1 The remuneration of the members of the Board of Directors shall be structured so as to align their interests with the long term interests of the company, shall be based on performance assessments and discourage excessive risk taking. To this end, remuneration shall be structured, namely, as follows:

- i) *the remuneration of directors with executive duties shall include a variable component, set in accordance with the performance assessment, conducted by the competent company bodies, in accordance with measurable and pre-set criteria, which consider the real growth of the company and the wealth effectively created for shareholders, its long term sustainability and the risks accepted, and also compliance with the rules applicable to the company's business operations.*
- ii) *The variable component of remuneration shall be reasonable overall in relation to the fixed remuneration component, and upper limits shall be set for all components;*
- iii) *A significant part of the variable remuneration shall be deferred for a period of no less than three years, and payment of such part shall depend on the continued positive performance of the company over this period.*
- iv) *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.*
- v) *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.*
- vi) *When the variable remuneration includes the allocation of options, the start of the period for exercise shall be deferred for a period of no less than three years.*
- vii) *Appropriate legal instruments shall be instituted so that the severance pay established for any form of dismissal without due cause or termination of directorship is not paid if the dismissal or termination by agreement is due to failings in the director's performance.*
- viii) *The remuneration of non-executive directors shall not include any component dependent on their performance or the value of the company.*

The Remuneration Committee is the body responsible for defining the criteria for directors' pay and which each year submits for the shareholders' approval, at the General Meeting, the criteria for setting this remuneration, which may not necessarily coincide with the limits and procedures described in the items above.

Of the eight sub-paragraphs in this recommendation, the Company fails only to comply with the 2nd part of sub-paragraph ii) and the 1st part of sub-paragraph iii), given that sub-paragraphs v) and vi) are not applicable.

In relation to sub-paragraph ii), it is our view that the criterion embodied by the word "reasonable" is subjective and difficult to define; however, from the Company's perspective, the remuneration paid is entirely reasonable in view of the directors' performance and the results achieved. Although the Company's articles of association set no cap on remuneration, this is not to say that the Remuneration Committee does not carry out an extremely strict appraisal when setting the specific value of remuneration.

On the question of 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.

With regard to sub-paragraph viii), we consider that, although the non-executive directors receive variable remuneration, the Company still complies with this fact given that this variable remuneration is completely unconnected to the Company's performance, and is instead directly tied to responsibilities exercised and contributions on matters regarded as relating to strategic development for the Company and its associated group.

II.1.5.3 The remuneration policy statement referred to in Article 2 of Law 28/2009 should also encompass the remuneration of management personnel, as defined in Article 248/3/B of the Securities Code, whose remuneration includes a significant variable component. The statement should be detailed and the policy presented should take into account the company's long term performance, compliance with the rules applicable to the company's operations and restraint in risk-taking.

The remuneration policy statement drawn up by the Remuneration Committee does not include the remuneration of management personnel, as defined in Article 248/3/B of the Securities Code, as this is a matter not assessed by the General Meeting, insofar as it is understood to be a matter on which the directors have sole powers, and in view of the negligible amounts involved in relation to the company's total assets.

It should also be remembered that that the Company faces fierce competition at home and abroad, which causes it to have understandable reservations about disclosing remuneration or the remuneration policies for management personnel.

II.4.41 The General Supervisory Board, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes in dealings with the external auditor, and shall propose the provider of these services and the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as providing the point of contact at the company and receiving the respective reports.

The letter of this recommendation has not been adopted but the company complies with its spirit.

The company considers in the first place that the recommendation should not be interpreted as meaning that formal powers to represent the company in this regard should be granted to the audit board, by powers of attorney or other equivalent instruments.

The Audit Board effectively is a prime point of contact with the External Auditor, and its reports are generally received and discussed at joint meetings with the Audit Board and a member of the Board of Directors; the Audit Board assures that proper arrangements have been made within the company for the audit services to be conducted correctly.

But the letter of the recommendation goes further, asserting that the Audit Board should be "the" point of contact between the company and the external auditor, and also requiring that instead of the report being received simultaneously it should instead be submitted in the first place to the Audit Board. This appears excessive. The company takes the sufficient steps to assure there are no barriers or filters between the external auditor and the Audit Board which would deny the Audit Board direct knowledge of the auditor's work; the Board of Directors takes the necessary steps to assure the reports are submitted simultaneously to the Audit Board and itself, but it cannot in all conscience deny itself know-

ledge of the findings of the external auditors, or delay the moment when it learns of such findings. Ultimate responsibility for the company's affairs and its financial statements lies with the Board of Directors.

As regards the contracting of the external auditor, the Audit Board proposes the auditor under the terms of Article 420.2 b) of the Companies Code and is party to the process of fixing the respective remuneration and the remuneration for the additional services it provides. It should be noted that the External Auditor is the company's Official Auditor and has been elected by the shareholders for a term of office identical to that of the Audit Board.

In other words, as stated above, the concerns which prompted this recommendation have been taken into due account by Portucel, but the literal text of the recommendation has not been adopted.

II.4.6 The internal audit departments and those that ensure compliance with the rules applicable to the company (compliance services) shall report to the Audit Committee, the General and Supervisory Board or in the case of companies adopting the Latin model, an independent director or Supervisory Board, regardless of the hierarchical relationship that these services have with the executive management of the company.

As may be seen in the organizational chart contained in chapter II of this Report, the internal audit services report directly to the Chairman of the Executive Board. However, irrespective of this direct relationship, the internal audit service meets directly with the Audit Board when requested, providing all information which the Audit Board deems relevant.

CHAPTER I

GENERAL MEETING

1.1. Identification of the officers of the General Meeting:

The Chairman of the General Meeting elected for the four-year period 2011-2014 was José Pedro Aguiar Branco, who however tendered his resignation from this office on 21 June 2011. The office is currently vacant, awaiting the election of a new Chairman at the Company's next General Meeting.

The duties of secretary to the General Meeting are exercised by Rita Maria Pinheiro Ferreira.

The Company provides the chairman of the General Meeting with the human and logistical resources required, through the supporting services of the Company Secretary and the Legal Office; this support is deemed appropriate in view of the size and state of the company's affairs, as well as the usual participation in General Meetings.

The Investor Relations Office also provides support with regard to the general meeting, replying to enquiries from shareholders and organizing accreditation for participation in the meetings, liaising with the Company Secretary and the officers of the General Meeting.

1.2. Starting and ending dates of terms of office:

The officers of the General Meeting were elected for a term of office starting on 01/01/2011 and ending on 31/12/2014.

1.3. Remuneration of the chairman of the General Meeting.

During 2011, the remuneration earned by the Chairman of the General Meeting was 3,000€.

1.4. Time during which shares must be blocked in order for their holders to participate in the General Meeting.

The articles of association require shareholders to present to the Company documentary evidence of ownership of shares no less than five days prior to the date of the meeting, as required by Article 23-C.1 of the Securities Code.

1.5. Rules applicable to the blocking of shares in the event of adjournment of the General Meeting.

In the event of the meeting being adjourned, the Company need not require shares to be frozen until the meeting is resumed, the normal rule for the first session again applying, in other words, shareholders are required to provide evidence of ownership of shares by the fifth day prior to the resumption of the meeting.

1.6. Number of shares that correspond to one vote.

One vote corresponds to each 1,000 shares in the company.

The Company considers that the principle of proportionality between voting rights and shareholder investment is respected. Voting rights are in fact dependent on the holding of a minimum number of shares, in a Company where the Articles of Association do not provide for a cap on the number of votes counted from each shareholder and in which there are no non-voting shares.

1.7. Existence of provision in the articles of association for non-voting shares or rules establishing that votes in excess of a given number are not counted, when cast by a single shareholder or related shareholders.

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

1.8. The existence of rules in the articles of association on the exercise of voting rights, including quorums for holding meetings or adopting resolutions or systems for equity rights.

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.

1.9. Existence of rules in the articles of association on postal votes.

There are no rules in the articles of association on the casting of postal votes, and the procedures for exercising this right are explained in the notice of the General Meeting.

Accordingly, shareholders who wish to cast postal votes are required to send a letter to the Chairman of the General Meeting, at the company's registered offices, containing a closed envelope for each item on the order of business on which they wish to vote, indicating on each envelope that it contains a postal vote, and specifying the General Meeting and the item on the order of business to which it refers; inside each envelope, the shareholder is required to declare his vote, namely by taking a position in relation to any motions submitted in advance to the General Meeting; each voting declaration must be signed, and the signature notarized or authenticated by legal means deemed to be equivalent.

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 holding of the meeting, inclusive.

1.10. Provision of postal voting forms.

The company provides postal voting forms. These forms are available on the company's website and may be requested from the investor support office.

1.11. Time limit for receipt of postal ballots prior to the date of General Meetings.

Postal ballots will be received up to the day prior to the date of the General Meeting.

1.12. Exercise of voting rights by electronic means.

Exercise of voting rights by electronic means is still not possible. We wish to note that the company has yet to receive any enquiry or expression of interest from shareholders or investors in relation to such a facility.

1.13. Shareholder access to extracts from minutes of General Meetings through company website within five days of the holding of the meeting.

Extracts from the minutes of General Meetings are posted on the Company's website, www.portucelsoporcel.com in the investor relations area, within five days of the holding of the General Meeting.

1.14. Existence of historical archives, on the company's website, with resolutions adopted at the company's General Meetings, the share capital represented and the results of votes, for the last three years.

In addition to the minutes of General Meetings, the Company's website also provides shareholders with information on the list of attendees at meetings, the order of business and resolutions adopted, in respect of all General Meetings held in the last three years.

1.15. Information on presence at General Meetings of representative(s) of the remuneration committee.

The presence of the members of the Remuneration Committee is always required at General Meetings. The minutes of General Meetings always indicate how the committee was represented, and in the last three years it was represented by Frederico José da Cunha Mendonça e Meneses at the General Meetings of 19 May 2011, 17 December 2010 and 15 March 2010, by José Gonçalo Maury, João Rodrigo Appleton Moreira Rato and Frederico José da Cunha Mendonça e Meneses at the General Meetings of 6 March 2009.

1.16. Information on the intervention by the General Meeting on matters concerning the remuneration policy of the company and assessment of the performance of members of the Board of Directors.

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 submitted to the General Meeting in 2012 is set out in Annex IV to this report.

1.17. Information on the General Meeting's intervention concerning proposals for share - or option - based payment schemes or payment schemes based on variations in share prices for members of the board of directors, audit board or other management personnel, as defined in Article 248/3/B of the Securities Code, and on the documents made available to the General Meeting for a correct assessment of these schemes.

There are no share or share option schemes in place, and accordingly this matter is not subject to intervention by the General Meeting.

1.18. Information on the General Meeting's intervention in approving the central features of the retirement benefits system for members of the board of directors, audit board or other management personnel, as defined in Article 248/3/B of the Securities Code

The General Meeting has not to date been involved in approving the main features of retirement pension schemes for members of the Board of Directors and Audit Board and other management personnel.

We should draw attention to the specific nature of the Company's pension plan. 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. The fact that the legislation mentioned in the recommendation was not in force at the time when these rules were instituted means that the recommendation does not apply to Portucel.

1.19. Existence of provision in the Articles of Association requiring the General Meeting to resolve, no less than every five years, on whether to maintain or eliminate a rule in the articles limiting the number of votes which can be held or cast by a single shareholder individually or in conjunction with other shareholders.

The Company's Articles of Association contain no provision to this effect.

1.20. Defensive measures designed to cause automatic and serious erosion in the company's assets in the event of a change of control or alterations to membership of the management body.

The Company has no defensive measures which automatically cause serious erosion in the Company's assets in the event of a change of control or alterations to membership of the management body.

1.21. 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, 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.

Some of the Company's borrowing provides for early repayment in the event of a change in shareholder structure. Clauses of this type are included in 54% 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 not advantage to shareholders.

1.22. Agreements between the company and directors or managers, as defined by Article 248/3/B 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.

There are no agreements between the Company and directors or managers, as defined by Article 248/3/B 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.

CHAPTER II

MANAGEMENT AND SUPERVISORY BODIES

SECTION I - GENERAL ISSUES

Model Adopted by Company

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

2.1. Company bodies and respective membership.

AUDIT BOARD

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

BOARD OF DIRECTORS

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

EXECUTIVE BOARD

Chairman:	José Alfredo de Almeida Honório
Directors:	Manuel Soares Ferreira Regalado Adriano Augusto da Silva Silveira António José Pereira Redondo José Fernando Morais Carreira de Araújo

COMPANY SECRETARY

Full:	António Pedro Gomes Paula Neto Alves
Alternate:	António Alexandre de Almeida e Noronha da Cunha Reis

2.2. Other committees with management or supervisory powers in the company, and respective membership.

REMUNERATION COMMITTEE

Chairman:	José Gonçalo Maury representing Egon Zehnder
Members:	João Rodrigo Appleton Moreira Rato Frederico José da Cunha Mendonça e Meneses

CORPORATE GOVERNANCE 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
Directors:	José Miguel Gens Paredes Jaime Alberto Marques Sennfelt Fernandes Falcão

OTHER COMMITTEES IN THE COMPANY:

SUSTAINABILITY COMMITTEE

Chairman: Manuel Maria Pimenta Gil Mata

Members: Adriano Augusto Silveira
João Manuel Alves Soares

ENVIRONMENTAL BOARD

Chairman: *Carlos Matias Ramos

Members: João Santos Pereira
Casimiro Pio
Rui Ganho
Maria da Conceição Cunha

* Substituting Fernando Ramoa Ribeiro since 26 October 2011

PENSION FUND SUPERVISORY COMMITTEE

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

ASSET RISK ANALYSIS AND SUPERVISION 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
Jerónimo Paulo Alves Ferreira
Manuel Luís Daun e Lorena Arouca

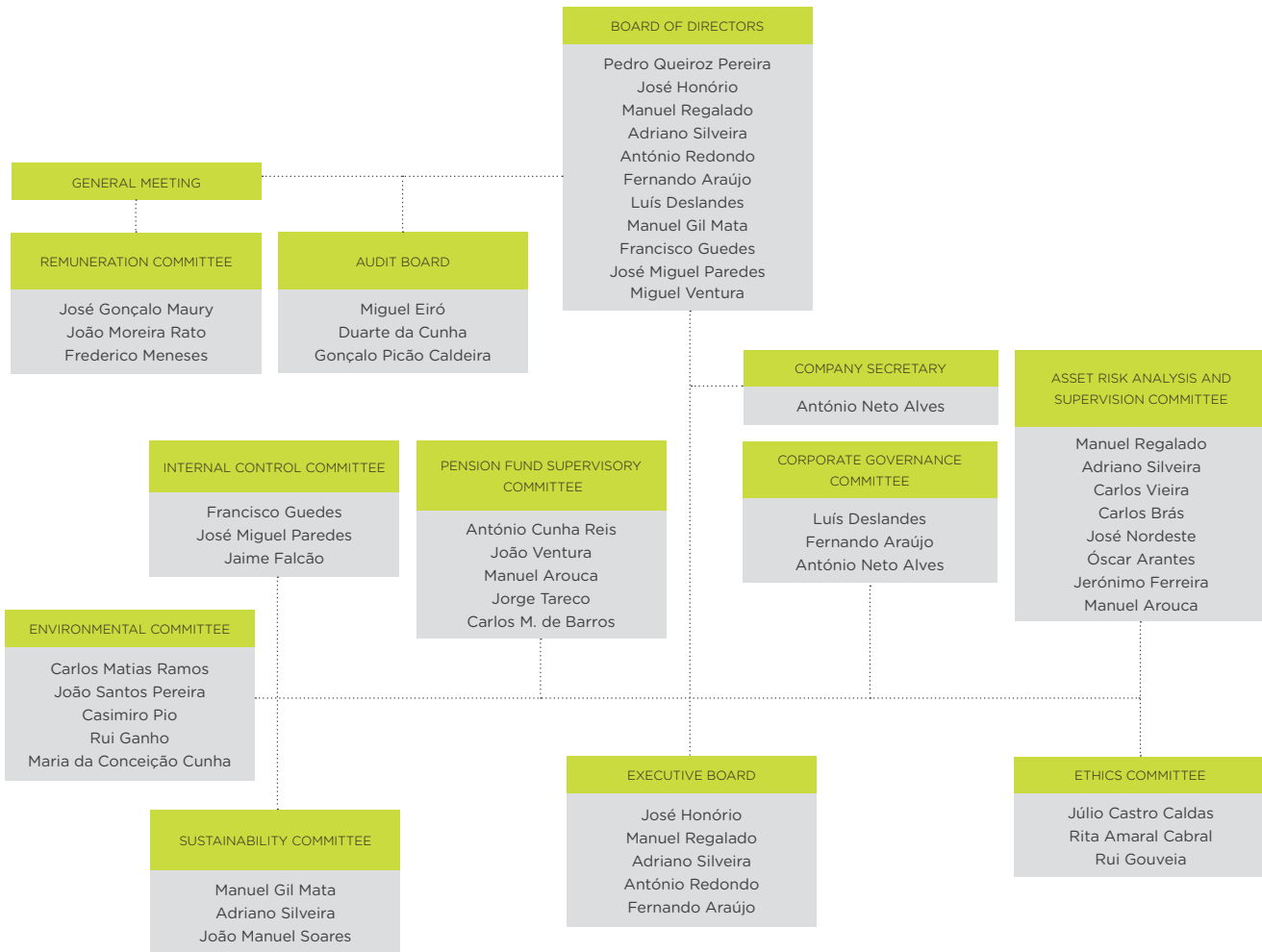
ETHICS COMMITTEE

Chairman: Júlio de Lemos de Castro Caldas

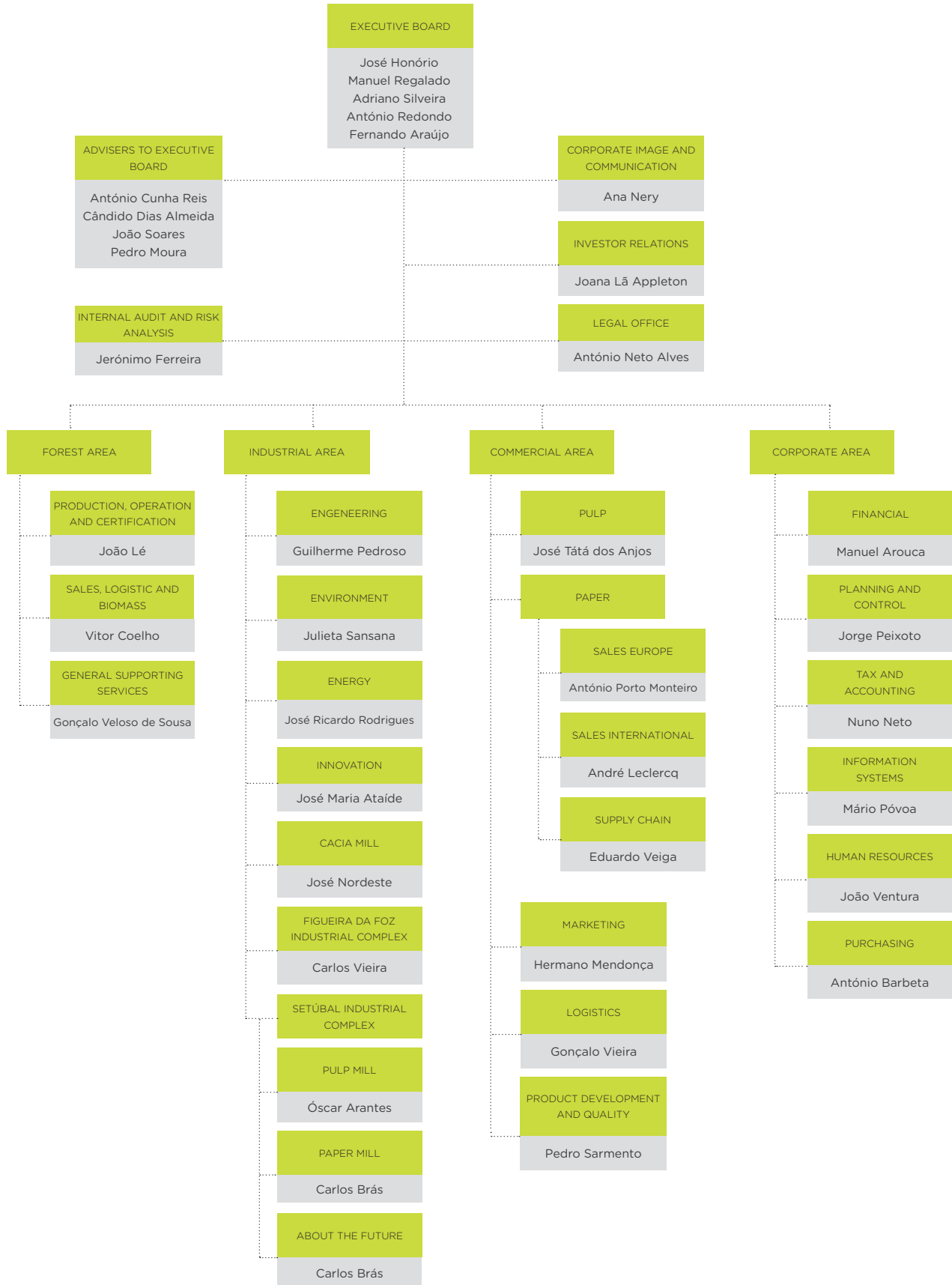
Members: Rita Maria Lago do Amaral Cabral
Rui Tiago Trindade Ramos Gouveia

2.3. Organizational charts or flow charts showing the division of responsibilities between the different company bodies, committees and/or departments, including information on scope of powers delegated, in particular concerning delegation of the day-to-day running of the company, or the distribution of special responsibilities assigned to specific directors or members of the audit board and a list of matters where powers cannot be delegated and powers effectively delegated.

COMPANY BOARDS AND COMMITTEES



COMPANY DIVISIONS AND DEPARTMENTS



MANAGEMENT BODY

Portucel has a Board of Directors comprising nine members, with one chairman and eight 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.

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 immoveable 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 representatives;

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 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.

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

The Board of Directors as well as the Executive Committee have their own rules of procedure, which are available on the Company's website.

DISTRIBUTION OF RESPONSIBILITIES

Specific responsibilities are assigned as described below to the following members of the Board of Directors, all of them belonging to the Executive Board:

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
- Communication and Image
- Product development

José Fernando Morais Carreira de Araújo

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

2.4. Reference to the fact that the annual reports on the activities of the General and Supervisory Board, the Committee for financial affairs, the Audit Committee and the Audit Board include a description of the supervisory activities carried on, referring to any constraints detected, and that they are published on the company's website, in conjunction with the other reports and financial statements.

The Company bodies with powers and responsibilities in this area are the Audit Board and the Internal Control Committee, both of which include in their annual reports an assessment of their supervisory work during the period together with an account of the Company's activities, mentioning, when relevant, any constraints on their work, as well as any recommendations they may have for the bodies with powers of corporate management. No constraints on this work have to date been reported.

THE MANAGEMENT BODY'S ASSESSMENT OF THE GOVERNANCE MODEL ADOPTED

The Board of Directors considers that the corporate governance model adopted has proven appropriate for the correct internal and external running of the Company. The Board of Directors has an Executive Board comprising five members who meet every week and discuss all matters relating to the management of the Company; there are quarterly meetings with non-executive members and detailed information flows between non-executive and executive members of the Board on all relevant company matters.

The Board of Director is also supported by a number of specialised committees which make their contribution in their specific areas.

No company officer or body has felt any constraint or drawn attention to the working of the corporate governance model, given the autonomy with which each of the bodies carries on its work, in view of the rigour and frequency with which information is transmitted.

2.5. Description of the internal control and risk management systems within the company, namely as regards the financial information disclosure system, the workings and effectiveness of this system.

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. 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 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.

In addition to the risks involved in the actual business of producing pulp and paper, in which it is engaged, the main risks to which the Group is subject are the following:

- financial;
- property;
- environmental;
- health and safety

Measures taken in order to manage these risks, together with the internal structures responsible for this task, are described below.

FINANCIAL RISK

The Group's operations are exposed to a variety of financial risk factors: exchange rate risk, interest rate risk, credit risk and liquidity risk. The Group has a risk management programme which focuses its analysis on the financial markets, seeking to minimize potential adverse effects on the Group's financial performance.

Risk management is handled by the Financial Department, in keeping with policies approved by the Board of Directors. The Financial Department assesses and manages financial risks, in close cooperation with the Group's operating units.

The Board of Directors lays down principles for risk management as a whole and policies for specific areas, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and other non-derivative financial instruments and investment of surplus liquidity.

It should be noted that the factors of financial and operating risk, together with the risk management systems in place, are detailed and quantified in no. 2 of the Notes to the Financial Statements.

PROPERTY RISKS

The Group's manufacturing units are subject to the risks involved in any industrial operations, such as the risk of accident, breakdown or natural disaster, which could cause harm to their assets and interrupt the production process.

The Group manages these risks with care, on two complementary fronts:

- i) Implementation of a strict prevention plan at all industrial facilities, with a special emphasis on fire detection and automatic protection, monitoring systems, systems for protection of machinery and plant, and particularly on maintenance and the training of internal accident prevention and combat teams, backed by special material and human resources;
- ii) A comprehensive programme of property insurance, including multi-risk insurance (damage caused by external factors, including natural disasters), breakages and breakdown of machinery, and operating losses caused by these events.

In addition, the reinsurers in the insurance programme, represented by the lead reinsurer, conduct an inspection of all plant facilities, every two years, issuing a report with a set of recommendations which are adopted by the Group.

As described above, the company has a Property Risk Analysis and Monitoring Committee which pronounces on the measures taken to meet the recommendations issued as a result of inspections by reinsurers.

ENVIRONMENTAL RISKS

The Board of Directors has paid special attention to environmental risks, which are managed at the level of the industrial units by the respective plant management divisions and centrally by the Environmental Board, whose members are appointed by the Board of Directors and report directly to the Executive Board. These members comprise three to five individuals of recognized expertise in the field of environmental protection.

The Environmental Committee's mission is to monitor and to issue its recommendations on environmental issues relating to the company's operations and, whenever so requested by the Board of Directors, to give its opinion and recommendations on the environmental impact of the company's developments, especially in the light of the legal rules in this area.

HEALTH AND SAFETY AT WORK

In the course of 2007 the Group reorganized its health and safety arrangements at its different plants, in order to comply with legal requirements, implementing a similar structure at all industrial facilities.

In keeping with labour law, Health and Safety Committees have been set up at the different plants, with responsibility for assessing potential hazards in the plants and for issuing recommendations for eliminating these risks.

During 2011, healthy and safety activities were pursued at the Group's different industrial complexes in a regular and sustained manner, with high levels of performance and attainment of targets, resulting in good accident rate indicators at the industrial plants.

We should point out that with the opening of the new paper mill in Setúbal in 2009, another major industrial facility was added to the list of premises to be controlled, and the existing safety certifications at the Setúbal site had to be extended accordingly

Sustained efforts to improve health and safety at the Setúbal, Figueira da Foz and Cacia complexes have included regular meetings of the health and safety committees. Half the members of these committees are legally elected workers' representatives, making this a forum for permanent consultation with the workforce in this field.

Ongoing training in safety issues was provided to all employees over the year at all industrial complexes, starting with induction training for new recruits and continuing with other specific training activities.

The Group has also implemented all recommendations made by experts in relation to industrial risks on the basis of the audits conducted, with a view to continuous and sustained improvement of its fire prevention and fire fighting resources.

"Emergency Response Exercises" were conducted at all plants, catering for a variety of scenarios, so as to assure expertise and readiness for the Internal Emergency Plan.

FINANCIAL REPORTING PROCESS

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 or Ethics, contained in Annex I to this report, in particular with regard to duties of confidentiality and secrecy.

2.6. Responsibility of the management body and supervisory body for creating and running internal control and risk management systems in the company, and for assessing the workings of these systems and adjusting them to the company's needs.

All the committees existing in the Company, except for the Remuneration Committee, are set up by resolution of the Board of Directors. The supervisory body is elected by the shareholders.

When it sees fit, the Audit Board may request from the management body and the other committees in the company structure all the information it deems necessary for an adequate assessment of the Company's internal risks, notwithstanding the flow of information provided on a periodic basis by the management body to the Audit Board and its joint meetings with the Board of Directors. As stated in the preceding item, the Company's hierarchical structure includes bodies and systems at each industrial unit with responsibility for risk assessment.

2.7. Indication of the existence of rules of procedure for corporate bodies or any internally defined rules on incompatibility and the maximum number of positions that a member is entitled to hold and where these rules may be consulted.

The company's management and 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.

In addition, there is no specific rule on the maximum number of positions any individual may hold.

SECTION II - BOARD OF DIRECTORS

2.8. If the chairman of the management body has executive powers, information on procedures for coordinating the work of non-executive members which assure that their decisions are independent and informed.

The Chairman of the Board of Directors does not have executive powers.

2.9. Identification of the main economic, financial and legal risks 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 customers with an appropriate credit track record;

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 Group'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 price of Portucel shares 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.

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.

2.10. Powers of the management body, in particular with regard to resolutions on increasing the share capital

The powers of the management body are those assigned by the Companies Code and those set out in Article 16, 17 and 18 of the Articles of Association.

Under the Articles of Association, the Board of Directors has no powers to resolve on increases in share capital.

2.11. Information on the policy of rotating areas of individual responsibility in the Board of Directors, and in particular responsibility for financial affairs, and on the rules applicable to the appointment and replacement of members of the management and supervisory bodies

As explained in Chapter 2.3 of this Report, dealing with the distribution of specific powers, financial affairs are overseen by two members of the Board of Directors, given that financial matters are managed separately from accounts and taxation. No policy has been defined with regard to rotating the special areas of responsibility within the board of directors, and there are no rules on this matter. This is in fact regarded as a question of strategic interest which should be determined by the Company and its Shareholders, in accordance with the specific circumstances of the Company's governance and business model.

The special areas of responsibility exercised by the Board of Directors have particularities proper to each type of business and cannot be assigned without duly considering the characteristics of the fields in which the companies carry on their business.

2.12. Number of meetings of the management and supervisory bodies, and reference to the minutes of these meetings

Body	Number of meetings in 2011
Board of Directors	7
Audit Board	9

Minutes were drawn up for all meetings

2.13. Indication of the number of meetings of the Executive Board or the Executive Board of Directors, together with reference to the taking of minutes of these meetings and the forwarding of the same, together with the notice of meetings, as applicable, to the Chairman of the Board of Directors, the Chairman of the Audit Board or the Audit Committee, to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Affairs Committee.

Body	Number of meetings in 2011
Executive Board	44

There were 44 meetings of the Executive Board, all of which were duly planned, and their 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 Committee.

2.14. Indication of the executive and non-executive members and, with regard to the latter, a list of members who would comply, if they were applicable, with the incompatibility rules provided for in article 414-A.1, except for item b), and the independence criterion referred to in article 414.5, both of the Companies Code.

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 were delegated by the Board of Directors, and the other six are non-executive directors.

Identification of the members of the Board of Directors, distinguishing between executive and non-executive directors:

Chairman of the Board of Directors

PEDRO MENDONÇA DE QUEIROZ PEREIRA
(Non-executive)

Member of the Board of Directors

JOSÉ ALFREDO DE ALMEIDA HONÓRIO
(Chairman of the Executive Board)

Member of the Board of Directors

MANUEL SOARES FERREIRA REGALADO
(Member of Executive Board)

Member of the Board of Directors

ADRIANO AUGUSTO DA SILVA SILVEIRA
(Member of Executive Board)

Member of the Board of Directors

ANTÓNIO JOSÉ PEREIRA REDONDO
(Member of Executive Board)

Member of the Board of Directors

JOSÉ FERNANDO MORAIS CARREIRA DE ARAÚJO
(Member of Executive Board)

Member of the Board of Directors

LUÍS ALBERTO CALDEIRA DESLANDES
(Non-executive)

Member of the Board of Directors

MANUEL MARIA PIMENTA GIL MATA
(Non-executive)

Member of the Board of Directors

FRANCISCO JOSÉ MELO E CASTRO GUEDES
(Non-executive)

Member of the Board of Directors

JOSÉ MIGUEL PEREIRA GENS PAREDES
(Non-executive)

Member of the Board of Directors

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), one of the non-executive members of the Board of Directors, Mr. Pedro Mendonça de Queiroz Pereira, does not meet the requirements of the incompatibility rules, namely with regard to sub-paragraph h), insofar as he holds directorships in five companies outside the Portucel Group.

2.15. Indication of the legal and regulatory rules and other criteria forming the basis for the management body's assessment of its members' independence.

The assessment criteria are those set out in the Companies Code, the Securities Code and the Securities Market Commission Regulations in force.

2.16. Indication of the procedural rules for the selection of candidates for non-executive directorships and how these rules preclude any interference in the process by executive directors

There are no roles on the selection process for prospective non-executive directors. The selection process for all directors (executive and non-executive) is the sole responsibility of the company's shareholders, who exercise this authority at the General Meeting. The executive directors accordingly have no say in the selection of non-executive directors.

2.17. Reference to the fact that the company's annual management report includes a description of the work undertaken by non-executive directors and any constraints detected.

Annex II to this report contains a description of the work performed by the non-executive directors.

2.18. Professional qualifications of the members of the Board of Directors, indicating their professional activities over at least the last five years, the number of shares held in the company, the date of first appointment and of expiry of their term of office.

and

2.19. Office held by members of the Board of Directors in other companies, indicating that held in other companies of the same group.

All the members of the Board of Directors hold office in other companies, as specified below:

PEDRO MENDONÇA DE QUEIROZ PEREIRA

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. Qualifications: Completed secondary education in Lisbon and attended Instituto Superior de Administração.
4. Date when first appointed and expiry of term of office: 2004 - 2014.
5. Management office held in companies:

Companies in the Portucel Group:

- Chairman of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, 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:

- Manager of Cimentospar - Participações Sociais, SGPS, Lda.
- 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 CMP - Cimentos Maceira e Pataias, 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, S.L.
- 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.
- Member of the Board of Directors of Tema Principal - SGPS, S.A.

- Chairman of the Board of Directors of Terraços d'Areia - SGPS, S.A.
- Chairman of the Board of Directors of Vértice-Gestão de Participações, SGPS, S.A.

6. Other professional activities in the last 5 years:

- Chairman of the Board of Directors of Cimo - Gestão de Participações Sociais, S.A.
- Chairman of the Board of Directors of Longapar, SGPS, S.A.
- Chairman of the Board of Directors of Semapa Inversiones, S.L.
- Manager of Ecolua - Actividades Desportivas, Lda.
- Member of the Board of Directors of Portucel Soporcel Floresta, SGPS, S.A.

JOSÉ ALFREDO DE ALMEIDA HONÓRIO

1. Type of directorship: Executive.
2. No. of shares held in company: holds no shares in company.
3. Qualifications: Degree in economics from the Faculty of Economics, University of Coimbra, 1980.
4. Date when first appointed and expiry of term of office: 2004 - 2014.
5. Management office held in companies:

Companies in the Portucel Group:

- Chairman of the Executive Board and Member of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, 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 Produtora 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 Floresta, 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
- Chairman of the Board of Directors of Eucaliptusland, 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. (previously Aliança Florestal - Sociedade para o Desenvolvimento Agro-Florestal, S.A.)
- Chairman of the Board of Directors of Soporcel Pulp, S.A.
- Directors of Portucel Soporcel Sales & Marketing, S.A.
- Chairman of the Board of Directors of Portucel Soporcel Switzerland, Ltd.

Other Companies / Entities:

- Member of the Board of Directors of Seminv - Investimentos, SGPS, S.A.
 - Manager of Cimentospar - Participações Sociais, SGPS, Lda.
 - 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
6. 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 Bosques do Atlântico, S.L.
 - Member of the Board of Directors of Betopal, S.L.
 - 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

MANUEL SOARES FERREIRA REGALADO

1. Type of directorship: Executive
2. No. of shares held in company: holds no shares in company
3. 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)
4. Date when first appointed and expiry of term of office: 2004 - 2014
5. Management office held in companies:

Companies in the Portucel Group:

- Member of the Executive Board and Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, 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.
- Chairman of the Board of Directors of Aflomec - Empresa de Exploração Florestal, 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, S.L.
- Chairman of the Board of Directors of Cofotrans - Empresa de Exploração Florestal, S.A.
- Chairman of the Board of Directors of Enerforest - Empresa de Biomassa para Energia, 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 Floresta, 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
- Chairman of the Board of Directors of 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
- 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 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

6. 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 Management Board of Aflotrans - Empresa de Exploração Florestal, S.A.

ADRIANO AUGUSTO DA SILVA SILVEIRA

1. Type of directorship: Executive.
2. No. of shares held in company: holds 2,000 shares in the company.
3. Qualifications: Degree in Chemical Engineering from the University of Porto, 1975.
4. Date when first appointed and expiry of term of office: 2007 - 2014.
5. Management office held in companies:

Companies in Portucel Group:

- Member of the Executive Board and Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, 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 Floresta, 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 Management Board of Tecnipapel - Sociedade de Transformação e Distribuição de Papel, Lda.
- 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 Management Board of RAIZ - Instituto de Investigação da Floresta e Papel
- Member of the Board of Directors of Countrytarget, SGPS
- 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 PortucelSoporcel Pulp, SGPS, S.A.
- Member of the Management Board of PortucelSoporcel Abastecimento de Madeira, ACE

6. 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
 - Director of EMA Cacia - Engenharia e Manutenção Industrial, ACE
 - Director of EMA Figueira da Foz - Engenharia e Manutenção Industrial, ACE
 - Director of EMA Setúbal - Engenharia e Manutenção Industrial, ACE
 - Central Engineering Director for the Portucel Group

ANTÓNIO JOSÉ PEREIRA REDONDO

1. Type of directorship: Executive.
2. No. of shares held in company: holds 6,000 shares in the company.
3. 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).
4. Date when first appointed and expiry of term of office: 2007 - 2014.
5. Management office held in companies:

Companies in Portucel Group:

- Member of the Executive Board and Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, 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 Floresta, 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.
- Chairman of the Board of Directors of Portucel Soporcel España 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
- 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
- Member of the Board of Directors of Portucel Soporcel France EURL
- Chairman of the Board of Directors of Portucel Soporcel International BV
- Chairman of the Board of Directors of Portucel Soporcel Italia, SRL
- Member of the Board of Directors of Portucel Soporcel North America, INC

- 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 PortucelSoporcel Pulp, SGPS, S.A.

6. Other professional activities in the last 5 years:
- Member of the Management Board of Tecnipapel, Lda
 - Sales and Marketing Director for the Portucel Group

JOSÉ FERNANDO MORAIS CARREIRA DE ARAÚJO

1. Type of directorship: Executive.
2. No. of shares held in company: holds no shares in company.
3. Qualifications: Bachelors Degree in Accounting and Administration from Instituto Superior de Contabilidade e Administração do Porto (ISCAP) 1986; Higher Studies in Financial Control, from Instituto Superior de Contabilidade e Administração do Porto (ISCAP) (1992); Official auditor since 1995; Degree in Law from Universidade Lusíada do Porto (2000); Post-graduate in Advanced Financial Accounting (ISCTE) - 2002/2003; Post-graduate in Fiscal Law from Faculdade de Direito de Lisboa (FDL) - 2002/2003; Post-Graduate in Corporate Governance from Instituto Superior de Economia e Gestão de Lisboa (ISEG) - 2006/2007.
4. Date when first appointed and expiry of term of office: 2007 - 2014.
5. Management office held in companies:

Companies in Portucel Group:

- Member of the Executive Board and Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, 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 CountryTarget SGPS, S.A.
- Member of the Board of Directors of Eucaliptusland, S.A.
- Member of the Board of Directors of Impactvalue, 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 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 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 Floresta, SGPS, S.A.
- Member of the Board of Directors of PortucelSoporcel Papel, SGPS, S.A.
- Member of the Management Board of PortucelSoporcel Logística do Papel
- 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 S.A.
- Member of the Board of Directors of Portucel Soporcel España, S.A.
- Member of the Board of Directors of Portucel Soporcel International BV
- Member of the Board of Directors of Portucel Soporcel UK, Ltd
- Member of the Board of Directors of Portucel Soporcel France, EURL
- Member of the Board of Directors of Portucel Soporcel Italia, SRL

- 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 North America, INC
- Member of the Board of Directors of Portucel Soporcel Switzerland Ltd
- Member of the Board of Directors of PortucelSoporcel Pulp, SGPS, S.A.
- Chairman of the Board of Directors of PortucelServiços Partilhados, S.A.

6. Other professional activities in the last 5 years:
- Member of the Management Board of Tecnipapel, Lda
 - Chairman of the Board of Directors of Setipel - Serviços Técnicos para a Indústria Papeleira, S.A.
 - Accounts and Tax Manager at Semapa, SGPS, S.A. from May 2002 and also at Secil S.A. from May 2002 to June 2006 and in Portucel S.A. from July 2006 to March 2007

LUÍS ALBERTO CALDEIRA DESLANDES

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. Qualifications: Chemical Engineer - Instituto Superior Técnico de Lisbon; Brewery Engineer - Inst. Superieur D'Agronomie de Louvain.
4. Date when first appointed and expiry of term of office: 2001 - 2014.
5. Management office held in companies:

Companies in Portucel Group:

- Member of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, 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.

6. Other professional activities in the last 5 years:
- Member of the Executive Board of Portucel - Empresa Produtora de Pasta e Papel, S.A. for the three-year term 2004-2006
 - Chairman of the Board of Directors of companies in the Portucel Group:
 - Portucel Soporcel Italy SRL
 - Portucel Soporcel France EURL
 - Portucel Soporcel UK Ltd
 - Portucel Soporcel International Bv
 - Portucel Soporcel North America INC
 - Portucel Soporcel Deutschland GmbH
 - Portucel Soporcel Austria GmbH

MANUEL MARIA PIMENTA GIL MATA

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. Qualifications: Degree in chemical engineering from the Faculty of Engineering, Porto, 1966; International Courts in Senior Management in the Paper and Pulp Industry, Swedish paper Industry Federation, Markaryd, 1987.
4. Date when first appointed and expiry of term of office: 1998 - 2014.
5. Management office held in companies:

Companies in Portucel Group:

- Member of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, 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.
6. Other professional activities in the last 5 years:
- Associate Guest Professor of the Department of Chemical Engineering, University of Coimbra

FRANCISCO JOSÉ MELO E CASTRO GUEDES

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company.
3. Qualifications: Degree in Finance from Instituto Superior de Ciências Económicas e Financeiras – Lisbon (1971); MBA from INSEAD – Fontainebleau, France (1976)
4. Date when first appointed and expiry of term of office: 2009 - 2014.

On 1 June 2009, in view of the resignation from the board of Mr. Carlos Eduardo Coelho Alves, the Board of Directors resolved to replace this member by co-opting Mr. Francisco José Melo e Castro Guedes as non-executive director for the term of office underway (2007-2010). The cooption was ratified at the General Meeting held on 15 March 2010.

5. Management office held in companies:

Companies in Portucel Group:

- Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, 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 and member of Executive Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
- Member of the Board of Directors of Celcimo, S.L.
- 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 of Seminiv Investimentos, SGPS, S.A.
- Member of the Board of Directors of SCG – Société des Ciments de Gabès, S.A.
- Member of the Board of Directors of Ciments de Sibline, S.A.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.
- Chairman of the Board of Directors of Semapa Inversiones, S.L.

- Member of the Board of Directors of Silonor, S.A.
- Member of the Board of Directors of Secilpar, S.L.
- Manager of Cimentospar – Participações Sociais, SGPS, Lda
- Chairman of the Board of Directors of Viroc Portugal – Indústrias de Madeira e Cimento, 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.
- Manager of Florimar – Gestão e Participações, SGPS, Soc.Unipessoal, Lda.
- Manager of Hewbol – SGPS, Lda.

6. Other professional activities in the last 5 years:

- Member of the Board of Directors of Parseinges – Gestão de Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of Verdeoculto – Investimentos, SGPS, S.A.

JOSÉ MIGUEL PEREIRA GENS PAREDES

1. Type of directorship: Non-executive.
2. No. of shares held in company: holds no shares in company
3. Qualifications: Degree in Economics (1984)
4. Date when first appointed and expiry of term of office: 2011 – 2014
5. Management office held in companies:

Companies in Portucel Group:

- Member of the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, 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 Aprovechamiento Integral de Subproductos Ibéricos, S.A.
- Manager of Biological – Gestão de Resíduos Industriais, Lda.
- Member of the Board of Directors of Celcimo, S.L.
- Manager of Cimentospar – Participações Sociais, SGPS, Lda.

- Chairman of the Board of Directors of ETSA Investimentos, SGPS, S.A. (formerly called Verdeoculto - Investimentos, SGPS, S.A.)
 - Chairman of the Board of Directors of ETSA, SGPS, 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 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 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.
 - Member of the Board of Directors of Hotel Ritz, S.A.
 - Member of the Board of Directors of Sodim, SGPS, S.A.
- 6. Other professional activities in the last 5 years:**
- Member of the Board of Directors of Abapor - Comércio e Indústria de Carnes, S.A.
 - Member of the Board of Directors of ECH - Exploração de Centrais Hidroeléctricas, 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 Silonor, S.A.
 - Member of the Audit Board of Sodim, SGPS, S.A.
 - Member of the Board of Directors of Secilpar Inversiones, S.L.
 - Member of the Board of Directors of Tercim - Terminais de Cimento, 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

- 1.** Type of directorship: Non-executive.
- 2.** No. of shares held in company: holds no shares in company
- 3.** Qualifications: Degree in law from the Faculty of Law, University of Lisbon (1994). Member of the Portuguese Bar Association. IEP Insead.
- 4.** Date when first appointed and expiry of term of office: 2011 - 2014
- 5.** Management office held in companies:

Companies in Portucel Group:

- Member of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, 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 Aprovechamiento Integral de Subprodutos Ibéricos, S.A.
- Manager of Biological - Gestão de Resíduos Industriais, Lda.
- Member of the Board of Directors of Celcimo, S.L.
- Manager of Cimentospar - Participações Sociais, SGPS, Lda.
- Member of the Board of Directors of ETSA Investimentos, SGPS, S.A. (formerly called Verdeoculto - Investimentos, SGPS, S.A.)
- Member of the Board of Directors of ETSA, SGPS, 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 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.

6. Other professional activities in the last 5 years:
- Chairman of the General Meeting of Cimipar - Sociedade Gestora de Participações Sociais, S.A.
 - Chairman of the General Meeting of Cimo - Gestão de Participações, SGPS, S.A.
 - Member of the Board of ETSA - Empresa de Transformação de Subprodutos Animais S.A.
 - Chairman of the General Meeting of Imocipar - Imobiliária, S.A.
 - Chairman of the General Meeting of Goliatur - Sociedade de Investimentos Imobiliários, S.A.
 - Member of the Board of Goliatur - Sociedade de Investimentos Imobiliários, S.A.
 - Chairman of the General Meeting of Longapar, SGPS, S.A.
 - Vice-President of the General Meeting of REN - Redes Eléctricas Nacionais, SGPS, S.A.
 - Chairman of the General Meeting of Seinpart - Participações SGPS S.A.
 - Company Secretary of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
 - Chairman of the General Meeting of Seminv - Investimentos, SGPS, S.A.
 - Chairman of the General Meeting of Verdeoculto - Investimentos, SGPS, S.A.

SECTION III - GENERAL AND SUPERVISORY BOARD, COMMITTEE FOR FINANCIAL AFFAIRS, AUDIT COMMITTEE AND AUDIT BOARD

2.21. Identification of the members of the Audit Board, declaring that members comply with the incompatibility rules provided for in article 414-A.1 and the independence criterion provided for in article 414.5, both of the Companies Code

	Incompatibility Rules		Independence Rules	
	Complies	Does not comply	Complies	Does not comply
Miguel Camargo de Sousa Eiró	X		X	
Duarte Nuno d'Orey da Cunha	X		X	
Gonçalo Nuno Palha Gaio Picão Caldeira	X		X	

2.22. Professional qualifications of the members of the Audit Board, professional activities over the last five years or more, the number of shares held in the company, date of first appointment and expiry of term of office.

and

2.23 Office held by members of the Audit Board in other companies, indicating that held in other companies of the same group.

MIGUEL CAMARGO DE SOUSA EIRÓ

1. Qualifications: Degree in law, University of Lisbon (1971).
2. No. of shares held in company: holds no shares in company.
3. Date when first appointed and expiry of term of office: 2007 - 2014
4. Holds no office in other Portucel Group companies
5. Management office held in other companies:
 - Chairman of the Audit Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
6. Other professional activities in the last 5 years:
 - Full Member of the Audit Board of Semapa - Sociedade de Investimento e Gestão, SGPS, S.A.
 - Legal practice

DUARTE NUNO D'OREY DA CUNHA

1. Qualifications: Degree in financial affairs, ISCEF (1965).
2. No. of shares held in company: 16,000 shares
3. Date when first appointed and expiry of term of office: 2007 - 2014
4. Holds no office in other Portucel Group companies
5. 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.
 - Chairman of the General Meeting of Cimipar - Sociedade Gestora de Participações Sociais, S.A.

6. Other professional activities in the last 5 years:
 - Member of the Board of Directors of Beira-Rio – Sociedade Construtora de Armazéns, S.A.
 - 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.

GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA

1. 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)
2. No. of shares held in company: holds no shares in company.
3. Date when first appointed and expiry of term of office: 2007 - 2014.
4. Holds no office in other Portucel Group companies
5. Management office held in other companies:
 - Member of the Audit Board of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.
 - Manager of Loftmania – Gestão Imobiliária, Lda.
 - Manager of Linha do Horizonte – Investimentos Imobiliários, Lda
6. In addition to the positions indicated in the preceding item, no other office held in the last 5 years.

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.

2.24. Reference to the fact that the audit board conducts an annual assessment of the external auditor and to the possibility of it proposing to the General Meeting the auditor's dismissal with due cause.

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.

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, provided the legal rules are observed on the submittal of motions.

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 the recommendation. It was also the understanding of Portucel's Audit Board, supported by last year's annual General Meeting, that the recommendation on the rotation of the auditor is adopted, as it has considered that the quality of work performed by the existing audit firm and its accrued experience in Portucel outweigh any possible drawbacks in retaining this firm.

2.25 to 2.29 - not applicable

SECTION V - REMUNERATION

2.30. 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 policy on remuneration of members of the management and supervisory bodies is described in annex IV.

2.31. Indication of the annual remuneration earned individually by members of the company's management and supervisory bodies, including fixed and variable remuneration and, with regard to the latter, indication of the different component parts, the portion which is deferred and the portion already paid.

REMUNERATION: BOARD OF DIRECTORS

(Amount in euros)	Net	Income tax	Social Security	Gross	Fixed	Variable
PEDRO QUEIROZ PEREIRA	1,143,592	654,898	0	1,798,490	798,490	1,000,000
Portucel	0	0	0	0	0	0
Group companies	1,143,592	654,898	0	1,798,490	798,490	1,000,000
JOSÉ HONÓRIO	907,715	518,180	0	1,425,895	966,896	458,999
Portucel	163,115	85,133	0	248,248	248,248	0
Group companies	744,600	433,047	0	1,177,647	718,648	458,999
MANUEL REGALADO	741,654	447,277	0	1,188,931	342,589	846,342
Portucel	541,749	333,225	0	874,974	264,138	610,836
Group companies	199,905	114,052	0	313,957	78,451	235,506
ADRIANO SILVEIRA	541,678	325,207	6,549	873,434	297,747	575,687
Portucel	356,926	218,761	0	575,687	0	575,687
Group companies	184,752	106,446	6,549	297,747	297,747	0
ANTÓNIO REDONDO	543,332	323,737	6,550	873,619	297,747	575,872
Portucel	357,117	218,755	0	575,872	0	575,872
Group companies	186,215	104,982	6,550	297,747	297,747	0
FERNANDO ARAÚJO	534,702	332,159	6,550	873,411	297,754	575,657
Portucel	356,908	218,749	0	575,657	0	575,657
Group companies	177,794	113,410	6,550	297,754	297,754	0
LUÍS DESLANDES	134,881	85,625	11,464	231,970	151,970	80,000
Portucel	134,881	85,625	11,464	231,970	151,970	80,000
Group companies	0	0	0	0	0	0
MANUEL GIL MATA	121,311	74,475	9,388	205,174	125,174	80,000
Portucel	121,311	74,475	9,388	205,174	125,174	80,000
Group companies	0	0	0	0	0	0
FRANCISCO NOBRE GUEDES	90,138	41,346	0	131,484	71,484	60,000
Portucel	90,138	41,346	0	131,484	71,484	60,000
Group companies	0	0	0	0	0	0
Total	4,759,002	2,802,904	40,501	7,602,407	3,349,850	4,252,557

REMUNERATION OF THE AUDIT BOARD

(Amounts in euros)	Fixed Remuneration	Variable Remuneration	Total
Miguel Eiró	17,805	0	17,805
Duarte da Cunha	16,509	0	16,509
Gonçalo Caldeira	14,294	0	14,294
Total	48,608		48,608

As stated in chapter 0.3 of this report, the Company does not defer payment of a significant portion of the variable income, and the amounts indicated in these tables were effectively paid in 2011 to the members of the Board of Directors and the Audit Board.

The amounts previously presented in relation to the fixed remuneration earned by the Board of Directors differ from those disclosed in nos. 6 and 7 of the Notes to the Financial Statements, and are reconciled as follows:

Note 6:	2011	
	Fixed Remuneration	Variable Remuneration
Board of Directors	3,074,103	4,252,557
Amount imputed to 2010		(4,252,557)
Imputation of amounts payable in 2012		4,418,451
Net change in estimate for remuneration payable	275,747	
	3,349,850	4,418,451

Note 7:	2011
Amounts in Euros	
Board of Directors	
Portucel, S.A.	3,074,103
Corporate bodies of other Group companies	162,710
External auditor	374,696
Audit Board	48,608
Officers of the General Meeting	12,750
	3,672,866

2.32. 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 Annex IV, 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.

2.33. In relation to the remuneration of executive directors:

- a) Reference to the fact that the remuneration of executive directors includes a variable component and information on how this component depends on a performance assessment;
- b) Indication of the company bodies empowered to assess the performance of executive directors;
- c) Indication of the pre-set criteria for assessing the performance of executive directors;
- d) Specification of the proportion of directors' pay represented by variable and fixed components, and indication of upper limits for both components;
- e) Information on deferred payment of the variable component of remuneration, indicating the deferral period.
- f) Details of how payment of variable remuneration is subject to the company's continued positive performance over the deferral period;
- g) Sufficient information on the criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of the shares in the company acquired in this manner, 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;

With regard to sub-paragraphs a, b, and c, the text on the remuneration policy contained in Annex IV provides a direct response on these issues.

With regard to sub-paragraph d), there are no upper limits on either the variable or fixed components of remuneration.

On the issue of deferring remuneration and making it conditional on positive performance by the company over the deferral period, no such measure has been adopted for the reasons set out above and there are no pre-set rules whereby payment of variable remuneration is conditional on the continued positive performance of the company.

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 contained in Annex IV. The Company operates no share or option scheme, or any other share-based incentive scheme.

h) Sufficient information on the criteria applied in allocating variable remuneration in options and indication of the deferral period and the price for exercising options;

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

i) Identification of the main parameters and grounds for any annual bonus system and any other non-cash benefits;

The main parameters for granting annual bonuses are based on the Company's annual results, combined with the merit and performance assessment of each particular director.

There are no non-cash benefits.

j) 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. With regard to the payment of bonuses, the Remuneration policy set out in Annex IV establishes the criteria used for paying variable remuneration.

l) Compensation paid or owing to former executive directors in relation to termination of their directorships during the period;

The situation in question has never arisen in the Company, and when it does the legal rules will apply.

m) Reference to contractual limits on severance pay for director, and the respective relationship with the variable remuneration component;

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

n) Sums paid on any grounds by controlled or controlling companies or companies belonging to the same group;

The information on remuneration paid in item 2.31 includes a breakdown of total remuneration paid by controlled or controlling companies.

o) Description of the main features of complementary or early retirement schemes for directors, indicating whether they have been assessed by the General Meeting;

There are no early retirement arrangements for directors.

Complementary retirement and survivor's pension schemes in force in the company are described in detail 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 2011, the value of liabilities allocated to post-employment benefits plans for five directors of the Portucel Group stood at 4,629,594€ (31 December 2010: 4,571,507€) breaking down individually as follows:

Beneficiary	Liabilities at 31-12-2011
(amount in Euros)	
Adriano Augusto da Silva Silveira	721,169
António José Pereira Redondo	338,238
Luís Alberto Caldeira Deslandes	1,922,088
Manuel Maria Pimenta Gil Mata	991,096
Manuel Soares Ferreira Regalado	657,002
Total	4,629,594

p) Estimated value of relevant non-cash benefits considered as remuneration and not included in the foregoing.

No non-cash benefits which may be regarded as remuneration are assigned to any director.

q) Arrangements which prevent executive directors from entering into contracts which undermine the rationale of variable remuneration.

There are no arrangements preventing executive directors from entering into contracts which undermine the rationale of their variable remuneration, nor can the Company envisage circumstances in which such arrangements might be instituted.

2.34. Reference to the fact that the remuneration of non-executive members of the management body does not include variable components.

As stated above, the remuneration of non-executive directors can include a variable component which, although unrelated to the performance of the Company, is directly related to occasional contributions made on matters deemed to concern the strategic development of the Company and the related Group.

2.35. Information on the policy adopted in the company on whistleblowing (reporting channels, persons entitled to receive reports, required treatment of such reports and indication of persons and bodies with access to the information and their respective involvement in the procedure).

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 solution in the event of a conflict 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, namely designed to safeguard the confidentiality of communications, non-prejudicial treatment of employees making reports and dissemination of the respective rules in the Company.

No irregular situation was reported in the course of 2011.

SECTION V - SPECIALIST COMMITTEES

POWERS AND RESPONSIBILITIES OF SPECIALIST COMMITTEES IN THE COMPANY:

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) 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) Monitor and oversee, on a permanent basis, matters relating to corporate governance and social, environmental and ethical responsibility, the sustainability of the PSg'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 and the PSg;
- 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;
- d) To monitor the Company's corporate links with the organizational structure of the other companies in the Portucel 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 Portucel 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 COMMITTEE

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 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 Portucel 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.

2.36. Identification of the members of the committees set up to assess the individual and collective performance of executive directors, to reflect on the governance system adopted by the company and to identify potential candidates with the right profile for directorships.

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.

Number of meetings of committees with management and supervisory responsibilities during the period in question, with reference to the taking of minutes of these meetings.

Body	Number of meetings in 2011
Remuneration Committee	3
Corporate Governance Committee	3
Sustainability Committee	6
Internal Control Committee	3
Environmental Board	3
Pension Fund Supervisory Board	2

All these specialist committees within the Company keep minutes of the meetings held during the year.

2.37. Reference to the fact that one member of the Remuneration Committee has knowledge and experience 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 Egon Zehnder, a multinational specializing in human resources, and especially senior management recruitment.

2.38. Reference to the independence in relation to the board of directors of individuals or entities contracted to sit on the remuneration committee by employment or service contract and, when applicable to the fact that such persons have current relationships with the company's consultants.

The members of the Remuneration Committee have no contractual relationship with the Company, and are wholly independent of the Board of Directors, although Egon Zehnder occasionally provides consultancy services to the Company in the field of management recruitment.

2.39. Composition of the remuneration committee or equivalent body, if any, identifying the respective members who are also directors, together with their spouses, relatives and kin in the direct line to the 3rd degree, inclusive

The composition of the Remuneration Committee:

Chairman:	José Gonçalo Maury representing Egon Zehnder
Members:	João Rodrigo Appleton Moreira Rato Frederico José da Cunha Mendonça e Meneses

No member of this committee or any of their spouses, relatives or in-laws, in the direct line, to the third degree, is a member of the company's management body.

CHAPTER III - INFORMATION AND AUDITING

3.1. 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.

3.2. Qualifying holdings in the issuer's share capital, calculated in accordance with Article 20 of the Securities Code.

ENTITY	N. SHARES	% OF CAPITAL AND VOTING RIGHTS	% OF NON-SUSPENDED VOTING RIGHTS
Semapa SGPS S.A.	582,172,407	75.85%	78.10%
Semapa - Soc. de Investimento e Gestão SGPS S.A.	340,571,392	44.37%	45.69%
Seinpar Investments B.V.	241,583,015	31.48%	32.41%
Cimentospar - Participações Sociais SGPS Lda.	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%
Bestinver Gestión, S.A. SGIIC	15,407,418	2.01%	2.07%
Bestinver Bolsa, F.I.	5,532,650	0.72%	0.74%
Bestifond, F.I.	4,775,869	0.62%	0.64%
Bestinver Global, FP	1,268,711	0.17%	0.17%
Bestinver Mixto, F.I.	906,989	0.12%	0.12%
Soixa SICAV	855,721	0.11%	0.11%
Bestinver Bestvalue SICAV	757,838	0.10%	0.10%
Bestinver Ahorro, FP	751,543	0.10%	0.10%
Texrenta Inversiones, SICAV	234,336	0.03%	0.03%
Bestinver Value Investor SICAV	207,049	0.03%	0.03%
Divalsa de Inversiones, SICAV, S.A.	38,893	0.01%	0.01%
Bestinver Empleo FP	34,924	0.00%	0.00%
Linker Inversiones, SICAV, S.A.	23,776	0.00%	0.00%
Sumeque Capital, SICAV	15,508	0.00%	0.00%
Bestinver Empleo II, FP	1,987	0.00%	0.00%
Bestvalue, FI	1,624	0.00%	0.00%

(*) Officer in Portugal

As at 31/12/2011, Portucel held (indirectly through subsidiaries) 22,111,382 own shares, corresponding to 2.88% of the share capital.

3.3. Identification of shareholders with special rights, and description of such rights.

No shareholders or categories of shareholders in Portucel have special rights.

3.4. Any 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.

3.5. 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.

3.6. Rules applicable to amendment of the articles of association;

Portucel has no special rules on the amendment of its articles of association. The general rules deriving from the Companies Code therefore apply to these issues.

3.7. Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by employees.

There is no employee ownership scheme in Portucel.

3.8. Description of evolution in the issuer's share price, taking into account:

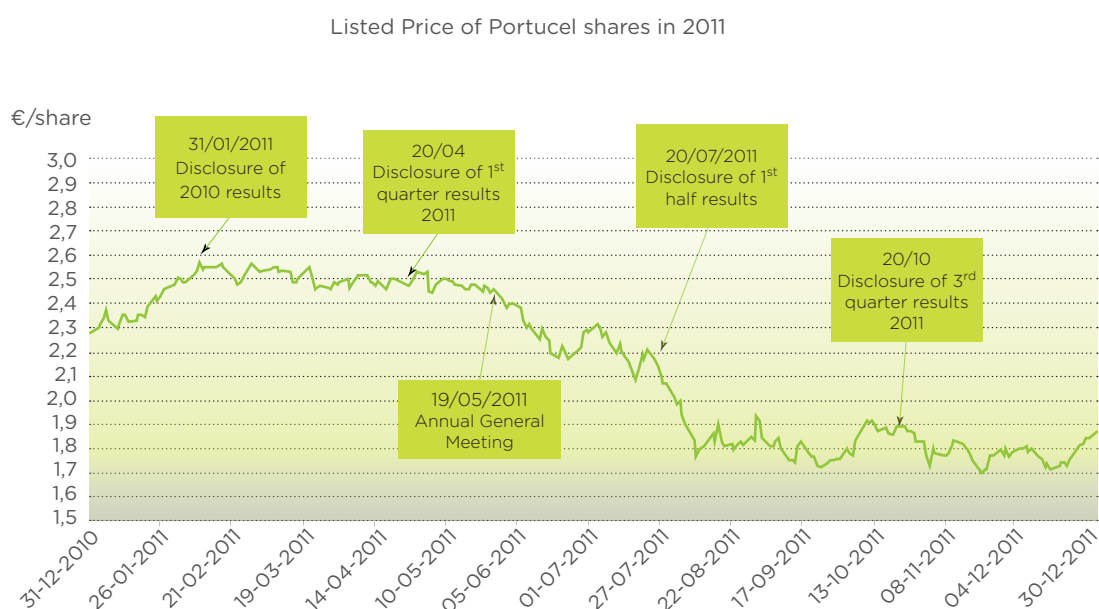
- a) The issuing of shares or other securities entitling the holder to subscribe or acquire shares;
- b) Announcement of results;
- c) Payments of dividends for each category of share, indicating the net dividend per share.

The performance of the capital markets over the course of 2011 reflected the serious financial crisis affecting the Euro Zone, causing significant instability on European stock exchanges. The principal markets recorded significant losses, with the Paris, London and Madrid main share indexes down by 17%, 15.5% and 13.1% respectively. The Portuguese stock exchange was particularly hard hit, with the PSI20 index ending the year down by 27.6%.

In this economic environment, and in a situation of unfavourable paper consumption, companies in the industry were particularly affected, ending the year with substantially lower share prices. The HX Paper & Forest index recorded an accrued drop from the start of the year of approximately 37%, with shares in Scandinavian companies presenting severe losses. Pulp producers in Latin American also presented negative performance overall, with only a few North American producers recording an increase in share price.

Against this background, the performance of Portucel shares in 2011, albeit negative, compares favourably with that of its European competitors. Portucel shares ended the year at 1.84 €, down on the year by a total of 19.2%. The peak closing price in 2011 was 2.57 €/share, recorded on 17 February, with a low of 1.70 €/share recorded on 21 November. Average monthly trading in Portucel shares in 2011 stood at approximately 10 million. At year end, treasury stock stood at approximately 22.1 million, corresponding to 2.88% of the share capital.

The following graph shows the listed share price, identifying the dates of publication of results, the General Meeting and distribution of dividends.



Dividends were not distributed in 2011.

No shares or other securities were issued during 2011.

3.9. Description of the dividend distribution policy adopted by the company, including the dividend per share distributed during the last three periods.

Powers to propose dividends lie with the Board of Directors of Portucel, subject to the legislation in force and the articles of association. Under the articles of association, as amended by the General Meeting of 14-03-2007, the General Meeting resolves on the amount to be distributed in dividends, by simple majority of votes.

In the last three financial years, the following dividends were distributed per share in circulation:

- 2009 (for the financial year of 2008) 0.1050 € per share
- 2010 (for the financial year of 2009) 0.0825 € per share

Analysis of the dividends for the financial year of 2010 should take into consideration payment of reserves of 0.1564 € per share, in December of the same year.

3.10. A description of the main characteristics of the share and share option plans adopted or valid for the financial year in question, the reason for adopting said scheme and details of the category and number of persons included in the scheme, share-assignment conditions, non-transfer of shares clauses, criteria on share-pricing and the exercising option price, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase and/or exercise options, and the responsibilities of the Board of Directors for executing and/or changing the plan.

Details shall also include the following:

- a) The number of shares required for exercise of the options allocated and the number of shares required for the exercise of the exercisable options at the start and end of the year in question;
- b) The number of options allotted, exercisable and expired during the year;
- c) The General Meetings' appraisal of the plans adopted or in force during the period in question.

There are no share or share option plans in force in the company.

3.11. Description of the main transactions and operations carried out between the company and the members of the management and supervisory body, the owners of qualifying holdings or controlled, controlling or group companies, when economically significant for any of the parties involved, except for those transactions or operations that are carried out on an arms-length basis and form part of the company's normal business.

There are no transactions or operations which are economically significant to any of the parties involved.

3.12 Outline essential details of transactions and operations carried out between the company and holders of qualifying holdings or any related entities, under Article 20 of the Securities Code, not on an arm's length basis.

All the company's transactions with third parties, be they shareholders owning qualifying holdings or entities in any way related to them, were carried out on an arm's length basis.

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

No transactions of significant importance as referred to above have taken place involving the Company. However, were they to occur, it would fall to the Audit Board to analyze the situations and issue its opinion, this duty being expressly established in its rules of procedure.

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

3.14. Description of statistical data (number, average and maximum values) relating to transactions subject to prior intervention by the supervisory body.

The Company has not undertaken transactions requiring the prior intervention of the Audit Board, despite this board's extensive knowledge of the company's affairs; however, were it to be justified, the Audit Board would study the situation and issue its opinion, as is expressly established in its rules of procedure.

3.15. Reference to the existence of an Investor Support Office or other similar service:

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.

All mandatory disclosures, such as information on the company name, its status as a public company, registered offices and other details required by Article 171 of the Companies Code, are available at the Group’s website, at www.portucelsoporcel.com. Also available on 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.

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@portucelsoporcel.com); these contact details are supplied on Portucel’s website, in the investors’ section.

3.16. Indication of annual remuneration paid to the auditor or other individuals or entities belonging to the same network and borne by the company and/or by controlled, controlling or group entities and details of the percentage relating to such services:

In the financial year ended 31 December 2011, expenditure on legal auditing of accounts, audits and fiscal consultancy totalled 814,133 euros, breaking down as follows:

Amounts in Euros	2011	%
Audit Services		
Legal audit of accounts	374,696	46%
Financial audit of foreign subsidiaries	177,728	22%
Financial consultancy		
In Portugal	85,602	11%
In foreign subsidiaries	107,753	13%
Other reliability assurance services	68,354	8%
	814,133	100%

Legal auditing services include financial audits of the Groups subsidiaries and foreign companies; these totalled 177,728 euros. The services described as fiscal consultancy and others consist 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. It should be noted that the amount paid for fiscal consultancy services, 60,673 euros, relate to a success fee for a process relating to reclaiming tax unduly deducted at source on dividends distributed in a foreign subsidiary, between 2001 and 2004 and which therefore relate to services rendered up to 2005, but whose results only materialized in the reporting period.

The vast majority of services indicated as “other reliability assurance services” relate to the issuing of opinions on request for reimburse of expenses under contracts with AICEP and compliance with financial ratios; the Company is required to obtain these opinions under contracts it has signed, and not because of service requested with any other purpose.

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.

ANNEX I

CODE OF ETHICS

1. GENERAL AIMS AND VALUES

1.1 The Code of Ethics as foundation of the Portucel Group's culture

The pursuit of the aims set out in this Code of Ethics, respect for its values and compliance with its rules of conduct together form the professional ethos of the Portucel business universe. The Code shall be distributed to investors, clients, suppliers, regulatory authorities, competitors and representatives of the communities with which the group deals, and shall govern the professional conduct of all those working in the Group's companies and other organizations.

The Code of Ethics is to be viewed as setting standards of conduct, which Portucel Group and all those working and interacting with it should follow and respect. It should accordingly be interpreted as a benchmark for behaviour, applying beyond the specific reach of its clauses.

Portucel Group will assure that the Code of Ethics is made available to all its staff and arrange for specific training in this field, at all levels, in order to assure that the Code is disseminated, generally understood and mandatorily put into practice. It will also make permanent arrangements for direct and confidential communication, through the Board of Directors, allowing any member of Portucel Group staff to clarify the interpretation of the Code, to resolve any queries and make good any lacunae which may arise in its application.

An Ethics Committee is also set up, comprising three independent members of good standing, appointed for this purpose by the Board of Directors.

The Ethics Committee is the body responsible for appraising and assessing any situation which may arise in relation to compliance with the rules established in this Code involving any Board member, and shall also advise the Board of Directors on matters relating to application and interpretation of this Code.

1.2 Fundamental aims

The fundamental aims pursued by Portucel Group are based on creating value and an appropriate level of return for investors, by offering the highest standards of quality in the supply of goods and services to clients, through the recruitment, motivation and development of the most able and highly skilled professionals, within a meritocratic culture permitting its employees to enjoy personal and professional development and the Group to position itself at the forefront of the markets in which it operates, maintaining a policy of sustainable management of natural resources, mitigation of environmental impacts and fostering of social development in the areas in which it carries on its business operations.

1.3 Values

The principles and rules of conduct of the Code of Ethics derive from values regarded as fundamental for Portucel Group, which should be pursued on an ongoing basis in the course of its business, and in particular:

- in protecting the interests and rights of shareholders and safeguarding and increasing the value of assets belonging to Portucel Group;
- in the good governance of Group companies;
- in scrupulous compliance with the requirements of the law, the articles of association and regulations applicable to Portucel Group's operations and companies;
- in the observance of duties of loyalty and confidentiality, and in assuring the principle of the professional accountability of the staff in the exercise of their respective duties;
- in the resolution of conflicts of interests and the application to staff of scrupulous and transparent rules in situations involving business transactions;
- in observance by institutions and individuals of the highest standards of integrity, loyalty and honesty, both in dealings with investors, suppliers, clients and regulators, and in interpersonal relations between members of Portucel Group staff;
- in good faith in business dealings and scrupulous compliance with contractual obligations to clients and suppliers;
- in strict compliance with the legislation in force on competition practices;

- in recognizing equality of opportunity, individual merit and the need to respect and advance human dignity in professional relationships and business activities;
- in guaranteeing safety and well-being at the workplace;
- in the adoption of social responsibility principles and practices;
- in the genuine and careful pursuit of sustainable development;
- in promoting a permanent stance of dialogue with all stakeholders and respect for their principles and values.

2. SCOPE OF APPLICATION

The Code of Ethics applies to all corporate officers and staff of the Portucel Group, notwithstanding other applicable legal or regulatory requirements.

For the purposes of this Code of Ethics, the following definitions shall apply:

- Staff – all persons who work or render services, on a permanent or casual basis, to Portucel Group companies, including, namely, employees, service providers, agents and auditors;
- Clients – individuals or organizations to which Portucel Group companies supply products or services;
- Suppliers – individuals or organizations which supply products or services to Portucel Group companies;
- Stakeholders – individuals or organizations with which Portucel Group companies deal in their business, institution or social activities, including shareholders, officers, staff, suppliers, business partners or members of the community with whom Portucel Group interacts.

The Code of Ethics accordingly describes the ethical and professional conduct expected by the Company in connection with the pursuit of its business activities and dealings with third parties, and is of instrumental importance to the business policy and culture followed and fostered by the Group.

The Board members, and in particular the Executive Directors, who in their daily conduct should set an example of ethical behaviour for the whole Group, are required to exercise special diligence in adopting, implementing and enforcing the rules contained in the Code.

The Ethics Committee has authority to oversee the conduct of the members of the corporate bodies, in relation to matters concerning application of the Code of Ethics.

3. RULES OF CONDUCT

3.1 Legality

3.1.1. All Portucel Group's activities shall be guided by strict compliance with the applicable rules deriving from law, the articles of association and regulations.

3.1.2. In its conduct Portucel Group shall cooperate at all times with the public authorities, and specifically with regulatory bodies, complying with requests made to it and adopting forms of behaviour which permit these authorities to exercise their powers.

3.2 Diligence and courtesy

3.2.1. Portucel Group shall strive to ensure that all clients are treated with professionalism, diligence and care, with Group staff responding in full to all enquiries and making every effort to support clients in reaching their decisions.

3.2.2. Portucel Group staff shall behave courteously and politely at all times and display due care and professionalism in their dealings with clients, suppliers and other stakeholders or any other person or organization, with any kind of dealings with the Company.

3.2.3 All of Portucel Group's relationships shall be based on values of truth and transparency, and all staff shall conduct themselves in keeping with high standards of honesty and integrity.

3.3 Integrity

Bribery and other corrupt practices are prohibited, in all active and passive forms, through act or omission, or by creating or maintaining situations of favouritism or other irregularities, together with conduct such as may create expectations of favouritism in dealings with Portucel Group;

3.3.1. Portucel Group and its staff shall decline any gifts which may be considered or interpreted as attempts to influence the company or the member of staff. In the event of doubt, staff shall give written notice of these situations to their hierarchical superior or the Board of Directors.

3.3.2. If any staff member is approached with an attempt at corruption, he or she shall notify their hierarchical superior or the Board of Directors in writing, describing how they were approached and supplying all details regarded as essential for the relevant Portucel Group bodies, namely the respective Internal Audit service, to assess the situation and take action.

3.3.3. The Board of Directors shall notify the Ethics Committee in writing of all facts of which it learns under the terms of the preceding paragraph.

3.4 Secrecy

3.4.1. Members of staff shall assure the confidentiality of all information belonging to the Group, other staff, clients, suppliers or stakeholders, of which they may learn in the course of their duties, and shall only use this information in the interest of Portucel Group.

3.4.2. Portucel Group and its staff shall guarantee strict confidentiality in relation to all personal data belonging to staff, clients, suppliers, stakeholders or third parties, of which they learn solely through their work and business. This data is deemed to include information of a strategic nature concerning production methods, product and brand characteristics, IT data concerning clients, suppliers and of a personal nature, together with technical documentation relating to any project carried out or underway.

3.4.3 Staff shall maintain confidentiality, on the terms set out in the preceding paragraphs, even after cessation of their employment contracts with Portucel Group companies and irrespective of the cause of cessation, for a period of three years thereafter. The information subject to the duty of confidentiality shall not be used in order to prejudice Portucel Group companies and may only be disclosed to third parties when so required by law, provided the Board of Directors is notified in advance of such disclosure, in writing.

3.5. Accounting practices

3.5.1. Portucel Group shall observe and comply strictly with generally accepted accounting principles and criteria.

3.5.2. Portucel Group shall arrange for auditing and other procedures to be conducted by independent bodies, to which it shall make available information detailing its economic, financial, social and environmental risks, and undertaking to apply the most appropriate measures to eliminate or mitigate the risks involved.

4. RULES ON CONDUCT IN THE WORKPLACE

4.1 Working atmosphere

4.1.1 Portucel Group shall actively promote courtesy, loyalty, civility and assertiveness in relations between staff members, fostering group feeling, with strict respect for individual rights and freedoms.

4.1.2 Portucel Group shall promote team spirit, the sharing of common goals and mutual help between staff.

4.1.3 Staff shall not seek to obtain personal advantages at their co-workers' expense, and their conduct shall be guided by compliance with legal and contractual obligations and respect for their hierarchical superiors and other Portucel Group staff, behaving in a cordial and respectful manner, and avoiding any type of conduct which might undermine the image and reputation of other members of staff.

4.1.4 The health, safety and well-being of its staff is a priority for Portucel Group, and accordingly all staff shall seek to familiarize themselves and comply with the legislation in force and with internal rules and recommendations. Immediate notice must be given of any accident or hazard to health and safety in the workplace, in accordance with the said rules, and the necessary or advisable preventative measures shall be adopted.

4.2. Professional specialization and development

4.2.1 Portucel Group will advance the personal and professional development and specialization of its staff, promoting appropriate training activities.

4.2.2 Portucel Group will make every effort to assure its staff high levels of job satisfaction and self-realization, operating a fair and appropriate pay policy, and providing opportunities for personal and professional development over the course of careers, in keeping with criteria of merit and prevailing market conditions for equivalent situations, in accordance with the Performance Assessment System in place.

4.2.3 For their part, Portucel Group staff shall make efforts to update their skills and to undergo training on an ongoing basis, in order to develop their knowledge and technical expertise and to improve the services rendered to PGs, clients and other stakeholders.

4.3. Equality of opportunities

4.3.1. Portucel Group recognizes that all citizens are equal, and guarantees compliance with conventions, treaties and other legislation protecting the universal and fundamental rights of citizens, operating within the framework of reference of the Portuguese Constitution, the United Nations Universal Declaration of Human Rights and the International Labour Organization.

4.3.2 Portucel Group shall assure equality of opportunities in recruitment, hiring and professional development, only valuing professional aspects and adopting the measures it sees fit to combat and prevent any form of discrimination or differentiated treatment on the basis of ethnic or social origin, religious beliefs, nationality, gender, marital status, sexual orientation or physical disability.

4.3.3 Portucel Group shall protect its staff against any type of insulting or other discriminatory behaviour, encouraging respect for human dignity as one of the underlying principles of the Group's culture and policies.

4.3.4 Portucel Group will never employ child or forced labour, nor will it ever collude with such practices, adopting the measures deemed appropriate to combat such situations, namely by public denunciation whenever they come to its attention.

4.4. Transparency, honesty and integrity

4.4.1. The staff of Portucel Group will comply with the responsibilities assigned to them, even in adverse circumstances, in a professional and responsible manner, namely within the limits of risk tolerance defined for the Company and in keeping with the budgetary targets for the areas in which they work.

4.4.2. Portucel Group staff shall conduct themselves at all times so as to pursue the interests of the Company, and shall immediately notify their hierarchical superior of any situation which might give rise to a conflict of interests, namely if, in the course of their duties, they are called on to intervene in processes or decisions which directly or indirectly involve organizations, entities or persons with which they work or have worked, or to which they are connected by ties of kinship or friendship. In the event of any doubt as to their impartiality, they shall notify their hierarchical superior.

4.4.3. Portucel Group staff undertake not to carry on any outside work, paid or unpaid, which might directly prejudice their professional performance or Portucel Group's business or interests.

4.4.4. Portucel Group staff shall immediately inform their superiors on learning of any conduct which might undermine compliance with the Code of Ethics and which is clearly contrary to the values championed herein.

4.4.5. Portucel Group staff shall make sensible and reasonable use of the working resources at their disposal, avoiding waste and undue use.

4.4.6. Portucel Group staff shall care for the Group's property, and not behave wilfully or negligently in any manner which might undermine its state of repair.

5. DEALINGS WITH STAKEHOLDERS AND OTHER ENTITIES

5.1. Dealings with shareholders

5.1.1. The primary aim of Portucel Group is an ongoing quest to create value for shareholders, supported by a commitment to standards of excellence in professional and business performance, in the exercise of social responsibility and the pursuit of sustainable development.

5.1.2. Shareholders shall be treated in strict compliance with the legal rules applicable to their relations with each other and with their companies, namely those contained in the Companies Code.

5.2. Dealings with clients, suppliers, service providers and third parties

5.2.1. Portucel Group shall assure that all the terms for sale of its products to clients are clearly defined, and Group companies and their staff shall assure scrupulous compliance with these terms.

5.2.2. The suppliers and providers of services to Portucel Group shall be selected on the basis of objective criteria, taking into consideration the terms proposed, guarantees effectively provided and overall optimization of advantages for the Group. One of the selection criteria shall be compliance, by these service providers and suppliers, with rules of conduct consistent with the principles laid down in this Code.

5.2.3. Portucel Group and its staff shall negotiate at all times in keeping with the principles of good faith and full compliance with all their obligations.

5.2.4. Portucel Group undertakes to monitor the ethical conduct of its suppliers and to adopt immediate and strict measures in cases where such conduct is questionable.

5.3. Relationship with competitors

The competition practices of Portucel Group companies shall comply strictly with the legislation in force, in keeping with market rules and criteria, and with a view to assuring fair competition.

5.4. Dealings with political movements and parties

Dealings between Portucel Group and its staff, on the one hand, and political movements or parties, on the other, shall be conducted in compliance with the legal rules in force, and in the course of these dealings staff members shall not invoke their relationship with Portucel Group.

6. SECURITIES TRADING

Portucel Group staff who are in possession of relevant information, not yet made public, which might potentially influence the listed prices of shares in Portucel,

shall not, during the period prior to disclosure of such information, trade securities issued by Group companies, strategic partners or companies involved in transactions or dealings with the Group, not disclose this information to third parties. In particular, estimates of results, decisions on significant acquisitions or partnerships and the winning or loss of important contracts constitute forms of privileged information.

7. PRESS RELEASES AND ADVERTISING

7.1. The information released by Portucel Group to the media and those intended for advertising purposes shall:

- be issued solely by the units or offices authorized to do so;
- comply with the principles of legality, rigour, opportunity, objectivity, veracity and clarity;
- safeguard secrecy and confidentiality so as to protect the Group's interests;
- respect the cultural and ethical norms of the community and human dignity;
- contribute to an image of consistency which adds to the value and dignity of Portucel Group, promoting its good name in society.

8. SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

8.1. Portucel Group accepts its social responsibility to the communities in which it carries on its business activities, as a means of contributing to their advancement and well-being.

8.2. The sustainable development of Group companies is regarded as the business contribution to their present and future development through pro-active management of the environmental, social and economic impacts of their respective activities, through a permanent commitment to application of best practices.

8.3. Portucel Group companies shall participate and encourage its staff to participate actively in initiatives relating to environmental protection, energy efficiency and efficient resource management, assigning preference to the use of materials produced in accordance with sustainability principles.

8.4. Portucel Group will seek to encourage its staff to take part in socio-cultural activities and to perform voluntary work.

8.5. The staff of Portucel Group companies shall seek to ensure that, in the course of their business, no harm or damage is caused directly or indirectly to the community's heritage, caring for its external image by showing respect for archaeological, architectural and environmental heritage and improving the quality of life enjoyed by citizens.

8.6. Portucel Group regards sustainable development as a strategic aim for assuring economic growth and contributing to a more developed society, preserving the environment and non-regenerating resources for future generations.

9. NON-COMPLIANCE

9.1. Failure to comply with the general and mandatory rules of conduct established in this Code of Ethics shall constitute serious misconduct, subject to disciplinary proceedings, notwithstanding any possible civil or criminal liability.

9.2. The Board of Directors shall be notified immediately in writing of any instance of non-compliance which come to light, and shall pronounce on the facts within 30 days of being informed.

9.3. If it is found, initially or whilst the proceedings are pending, that a company officer may be involved, the Board of Directors shall forward the file to the Ethics Committee which shall then proceed accordingly and may, if justified, inform any relevant judicial authority of the facts.

9.4. The personnel assessment system shall include a mandatory reference on the individual appraisal sheet for each staff member of any failure to comply with rules deriving from this Code of Ethics.

9.5. The Ethics Committee shall draw up an annual report on compliance with the rules established in this Code of Ethics, detailing all irregularities of which it is aware, and setting out the conclusions and follow-up proposals adopted in the different cases examined.

9.6. For the purposes envisaged in the preceding paragraph, the Board of Directors shall notify the Ethics Committee of all relevant facts which come to its attention.

9.7. The Ethics Committee's Report shall be annexed to the Corporate Governance Report.

ANNEX II

NOTE ON THE ACTIVITIES OF PORTUCEL'S NON-EXECUTIVE DIRECTORS

All the members of Portucel's Board of Directors were re-elected at the last Annual General Meeting for the term of office from 2011 to 2014. The existing members have been joined by Mr. José Miguel Pereira Gens Paredes and Mr. Paulo Miguel Garcês Ventura, appointed to non-executive directorships.

All the non-executive directors took part in all the meetings of the Board of Directors, and were copied on all relevant information. Whenever requested from the Executive Board they received diligent and satisfactory explanations or complementary information concerning the company's day-to-day affairs. The non-executive directors frequently requested detailed information on decisions taken by the Executive Board, in order to assess the performance of the Company's executive management in the light of annual and longer terms plans and the budgets approved from time to time by the Board of Directors.

On the Chairman's request, they took part in various meetings of the Executive Board, particularly in those dealing with strategic questions, namely plans for the Group's expansion and future development.

Executive management decisions were also closely scrutinised at the quarterly meetings, and the non-executive directors were provided with information which enabled them to assess the performance of the Executive Board.

In addition to monitoring day-to-day operating matters, the non-executive directors paid special attention to following through the major capital expenditure projects implemented in recent years.

In his capacity as Chairman of the Board of Directors, Mr. Pedro Queiroz Pereira called and coordinated all the meetings of the board during the financial year of 2011. In the course of his duties he has coordinated, in cooperation with the other directors, the development and strategic options of the Company and the Group to which it belongs.

Also in connection with his capacity as Chairman of the Board of Directors, he held regular meetings with the Chairman of the Executive Board in order to obtain information and appropriate documentation, to keep him informed on the evolving affairs of the company and its subsidiaries.

He was informed in advance of the order of business for each meeting of the Executive Board, and of the resolutions adopted over the course of the year, accompanied by the respective supporting documents. During the year he held a series of informal meetings with the other non-executive directors, in order to assess the performance of the Executive Board.

As a non-executive member of Portucel's Board of Directors, Mr. Manuel Maria Gil Mata took part in board meetings and, on the Chairman's invitation, he also took part in several meetings of the Executive Board,.

In addition to monitoring normal business affairs, he paid special attention to progress on the latest major investment projects underway, such as the modernization of the Biomass Boiler in Cacia and the new Steam Turbogenerator in Figueira da Foz.

As Chairman of the Sustainability Committee, he called quarterly the quarterly meetings of this committee, which he chaired, and coordinated and led the preparatory work on the drafting of the Group's Sustainability Report for 2010/2011

He continued to make a significant contribution to the work of the Environmental Council, which held its three regular meetings planned for 2011, and took an active part in the search for a new chairman for the council, to replace the former chairman who sadly passed away.

As representative of Portucel's Directors, he took part in the meetings of the general Council of Celpa, the Portuguese Paper Industry Association.

In addition to monitoring day-to-day operational activities, Mr. Luís Alberto Caldeira Deslandes paid particular attention to progress on the Major Investment Projects at the consolidation phase, such as the Setúbal Paper Mill, following through its evolving production capacity, in terms of efficiency and quality.

As Chairman of Portucel's Corporate Governance Committee he called and chaired several working meetings held by the committee in the course of 2011, with a total of three formal meetings, following through developments related to corporate governance issues over the year, and in particular with regard to the drafting of the Corporate Governance Report and dealings with the regulatory authority, as well as analyzing the various reports published by the CMVM and monitoring the work of the recently constituted Association of Securities Issuers (AEM).

Mr. Francisco José Melo e Castro Guedes focussed his activities primarily on monitoring the work of the Executive Board, in order to obtain the necessary information on all aspects of Company and Group affairs, and over the course of the year provided his contribution to the executive directors in his specialist fields, both at board meetings and informally. This non-executive director is currently devoting his closest attention to following through the Company's projects for international expansion, thanks to his considerable expertise in this area, in particular with regard to activities of potential interest in Brazil, due to his experience of the country.

The directors Mr. José Miguel Pereira Gens Paredes and Mr. Paulo Miguel Garcês Ventura concentrated essentially on monitoring the work of the Executive Board, in order to obtain the necessary information on the affairs of the Company and the Group in all areas, assisting the executive directors over the course of the year on matters in which they have expertise, both at board meetings and informally. These directors followed certain specific areas more closely, and Mr. José Miguel Pereira Gens Paredes has worked primarily on financial matters whilst Mr. Paulo Miguel Garcês Ventura has concentrated on legal issues, where his experience allows him to make the greatest contribution.

ANNEX III

REPORT AND OPINION OF THE AUDIT BOARD

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2011 and to issue our opinion on the consolidated management report and consolidated financial statements presented by the Board of Directors of Portucel – Empresa Produtora de Pasta e Papel, S.A., for the financial year ended 31 December 2011.

2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, through periodic meetings with the company's directors and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risks management, internal control and internal audit systems. We also monitored compliance with the law and the articles of association. We encountered no constraints in the course of our supervisory activities.

3. We met several times with the official auditor and external auditor, PricewaterhouseCoopers & Associados, SROC, Lda, monitoring its auditing activities and checking its independence. We assessed the legal accounts certificate and the audit report, and are in agreement with the legal accounts certificate presented.

4. In the course of our work we found that:

- a) the consolidated income statement, the consolidated statement of recognized income and expense, the statement of changes in consolidated equity and the consolidated statement of cash flows and the corresponding Notes provide an adequate picture of the state of the company's affairs and its profits;

- b) the accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards (IFRS) as adopted in the European Union and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;
- c) the consolidated management report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year.
- d) the corporate governance report includes the information required by Article 245-A of the Securities Code.

5. Accordingly, taking into consideration the information received from the Board of Directors and the company departments, and also the conclusions of the legal accounts certificate and the audit report, we recommend that:

- a) the consolidated management report be approved;
- b) the consolidated financial statements be approved;

6. Finally, the members of the Audit Board wish to acknowledge and express their thanks for the assistance received from the Board of Directors, the senior managers of the company and other staff.

Lisbon, 29 February 2012

The Chairman of the Audit Board

Miguel Camargo de Sousa Eiró

Member

Duarte Nuno d'Orey da Cunha

Member

Gonçalo Nuno Palha Gaio Picão Caldeira

ANNEX IV

STATEMENT ON THE REMUNERATION POLICY FOR THE MEMBERS OF PORTUCEL'S MANAGEMENT AND SUPERVISORY BODIES FOR SUBMISSION TO THE GENERAL MEETING OF SHAREHOLDERS OF APRIL 10TH 2012

I. Introduction

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

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

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

It remains the view of this Committee that, as a set of principles, the remuneration policy statement should be kept stable throughout the term of office of the company officers, unless exceptional or unforeseen circumstances require a change. Moreover, given that the Remuneration Committee has been re-elected for another term of office, running until 2014, it continues to make sense that this stability be maintained, except in the possible case of the circumstances mentioned, which have not so far occurred.

We have therefore opted to proposal for approval a statement with the same content as that currently in force.

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

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

II. Legal requirements and recommendations

This statement is issued in the legal framework formed by Law 28/2009, of 19 June (as referred to above), and the recommendations of the Securities Market Commission set out in the Corporate Governance Code issued by the Commission.

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

- a) *Arrangements for aligning the interests of members of the management body with those of the company;*
- b) *Criteria for setting the variable component of remuneration;*
- c) *The existence of share or share option pay schemes for members of the management and supervisory bodies;*
- d) *The possibility of the variable component of remuneration, if any, being paid, wholly or in part, after the accounts have been finalized for the entire term of office;*
- e) *Rules limiting variable limitation in the event of the company's results revealing significant deterioration in the company's performance in the last period for which accounts are closed or when such deterioration may be expected in the period underway.*

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

II.1.5.2. In addition to the content referred to in Article 2 of Law 28/2009, of 19 June, the statement on remuneration policy for the management and supervisory bodies referred to in the same article should contain sufficient information on: i) which corporate groups were chosen for the purposes of comparing remuneration policies and practices with a view to setting remuneration; ii) severance pay for directors.

II.1.5.3. The remuneration policy statement referred to in Article 2 of Law 28/2009 should also cover the pay of management personnel as defined by Article 248/3/B of the Securities Code, when such pay includes a significant variable component. The statement should be detailed and the policy presented should take into account, namely, the company's long term performance, compliance with the rules applicable to the company's business activities and restraint in risk-taking.

III. Rules deriving from law and the articles of association

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

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

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

For the Audit Board and the officers of the General Meeting, the law states that the remuneration shall consist of a fixed amount, determined in the same way by the General Meeting, or by a committee appointed by the same, in accordance with the duties performed and the company's state of affairs.

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

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

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

IV. Historical background

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

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

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

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

V. General Principles

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

a) Duties performed.

It is necessary to consider the duties performed by each company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive directors are in the same position, and the same is also true, for example, of the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated, or the added value to the company resulting from a given type of intervention or representation of a given institution.

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

It should be noted that Portucel's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same time, cannot be neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of directors without delegated powers are closely involved in the life of the company in a variety of ways. These are essential aspects which must inevitably be considered when setting remuneration.

b) The state of the company's affairs.

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

c) Market criteria.

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

VI. Compliance with legal requirements and recommendations

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

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

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

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

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

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

The company's results are the most important 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.

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

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

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

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the company's shareholders.

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

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

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

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

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

5. Article 2 e) of Law 28/2009. Procedures for capping variable remuneration.

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

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

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for Portucel.

6. First part of recommendation II.1.5.2. Comparative information.

In relation to groups of companies whose remuneration policies and practices have been taken as the baseline for setting remuneration, this Committee took into consideration, to the extent of the information accessible, all Portuguese companies of equivalent size, namely PSI 20 companies, and also companies in international markets with characteristics similar to those of Portucel.

7. Second part of recommendation II.1.5.2. Termination and severance pay.

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

8. Recommendation II.1.5.3. Inclusion of managers in this statement.

The Remuneration Committee has no proposal or statement to make on this issue, as it is the express understanding of the Board of Directors that it has sole powers over this matter and that it is not in the company's interest to comply with this recommendation.

VII. Specific Options

The specific options for the remuneration policy we propose are as follows:

1. The remuneration of executive directors shall comprise a fixed component and a variable component.

2. The remuneration of non-executive directors shall comprise only a fixed component, or else a fixed component and a variable component, as for executive directors, whenever justified by the nature of the duties actually exercised and their degree of responsibility and involvement in the day to day running of the company.

3. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.

4. The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.

5. A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.

6. The pre-set amount for participation in members of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.

7. The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.

8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first General Meeting of the year.

9. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.

THE REMUNERATION COMMITTEE

Chairman:

José Gonçalo Maury represented by Egon Zehnder

Member: Frederico José da Cunha Mendonça e Meneses

Member: João Rodrigo Appleton Moreira Rato

ANNEX V

REPORT OF THE ETHICS COMMITTEE

During the period ended 31 December 2011, the Ethics Committee took cognizance of the resolution of the Board of Directors of Portucel - Empresa Produtora de Pasta e Papel, S.A., adopted at the meeting of 26 October 2011, substituting the former director Mr. Miguel Ventura by Mr. Rui Gouveia.

In the course of the year, no question falling within the scope of the Committee's responsibilities, which it would be required to assess, was submitted for its scrutiny, and no issue was put to the Committee, for its opinion or recommendation, by any of the company's governing bodies, employees, customers or other stakeholders.

The Committee can only express its satisfaction that the company's governing bodies have functioned properly and issues this report as required and for the purposes of the provisions of Article 2 a) of the Rules of Procedure of the Ethics Committee.

Lisbon, 24 February 2012

The Chairman of the Ethics Committee

Júlio de Castro Caldas

The Members

Rita Amaral Cabral

Rui Gouveia