



*CORPORATE GOVERNANCE REPORT*

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## PART I - INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

### A. CAPITAL STRUCTURE

#### I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE (SHARE CAPITAL, NUMBER OF SHARES, DISTRIBUTION OF CAPITAL BETWEEN SHAREHOLDERS, ETC.), INCLUDING INDICATION OF SHARES NOT ADMITTED TO TRADING, DIFFERENT CLASSES OF SHARES, THE RIGHTS AND OBLIGATIONS ATTACHING TO THESE AND THE PERCENTAGE OF SHARE CAPITAL THAT THEY REPRESENT (ARTICLE 245-A.1 AL. A)).

Semapa has a share capital of 81,270,000 Euros, represented by a total of 81,270,000 shares, with a nominal value of one euro each. All shares are ordinary shares and have the same rights and obligations attached to them, and are admitted for trading.

A breakdown of the capital structure, indicating shareholders with qualifying holdings, is provided in the table in item 7 below.

2. ANY RESTRICTIONS ON THE TRANSFER OF SHARES, SUCH AS CLAUSES ON CONSENT FOR DISPOSAL, OR LIMITS ON THE OWNERSHIP OF SHARES (ARTICLE 245-A.1 B)).

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

3. NUMBER OF OWN SHARES, CORRESPONDING PERCENTAGE OF SHARE CAPITAL AND PERCENTAGE OF VOTING RIGHTS WHICH WOULD CORRESPOND TO OWN SHARES (ARTICLE 245-A.1 A)).

On 31 December 2016, Semapa held 586,329 own shares, corresponding to 0.721% of its share capital. If the voting rights were not suspended, the percentage of voting rights would be the same as the percentage of the total capital.

4. SIGNIFICANT AGREEMENTS TO WHICH THE COMPANY IS PARTY AND WHICH TAKE EFFECT, ARE AMENDED OR TERMINATE IN THE EVENT OF A CHANGE IN THE CONTROL OF THE COMPANY AS A RESULT OF A TAKEOVER BID, TOGETHER WITH THE RESPECTIVE EFFECTS, UNLESS, DUE TO ITS NATURE, DISCLOSURE OF SUCH AGREEMENTS WOULD BE SERIOUSLY DETRIMENTAL TO THE COMPANY, EXCEPT IF THE COMPANY IS SPECIFICALLY REQUIRED TO DISCLOSE SUCH INFORMATION BY OTHER MANDATORY PROVISION OF LAW (ARTICLE 245-A.1 j)).

Semapa is not a party to any loan agreement, other debt instruments or any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a Public Offer.

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5. RULES APPLICABLE TO THE RENEWAL OR REVOCATION OF DEFENSIVE MEASURES, IN PARTICULAR THOSE PROVIDING FOR LIMITS ON THE NUMBER OF VOTES WHICH CAN BE HELD OR CAST BY A SINGLE SHAREHOLDER INDIVIDUALLY OR IN A CONCERTED MANNER WITH OTHER SHAREHOLDERS.

There are no defensive measures in place in the company, namely any limiting shareholder's exercisable voting rights.

6. SHAREHOLDERS' AGREEMENTS KNOWN TO THE COMPANY OR WHICH MIGHT LEAD TO RESTRICTIONS ON THE TRANSFER OF SECURITIES OR VOTING RIGHTS (ARTICLE 245-A.1 g)).

The company is only aware of the ongoing and open coordination of the exercise of voting rights mentioned in item 7 below, resulting in the allocation to Sodim, SGPS, S.A. on 31 December 2016 of 71.935% of non suspended voting rights, above the 70.475% arising from the direct and indirect holdings.

## II. HOLDINGS OF SHARES AND BONDS

7. IDENTIFICATION OF PERSONS AND ORGANISATIONS WHO, DIRECTLY OR INDIRECTLY, OWN QUALIFYING HOLDINGS (ARTICLE 245-A.1 c) AND d) AND ARTICLE 16), DETAILING THE PERCENTAGE OF THE SHARE CAPITAL AND VOTES IMPUTABLE AND THE RESPECTIVE GROUNDS.

The owners of qualifying holdings in Semapa on 31 December 2016 are identified in the following table:

| Entity  | No. shares | % capital and voting rights | % non-suspended voting rights |
|---|------------|-----------------------------|-------------------------------|
| <b>A</b>  |            |                             |                               |
| - Sodim, SGPS, S.A.   | 15,252,726 | 18.768%                     | 18.904%                       |
| Directors of Sodim  |            |                             |                               |
| Filipa Mendes de Almeida de Queiroz Pereira Rocha Páris     | 5,488      | 0.007%                      | 0.007%                        |
| Mafalda Mendes de Almeida de Queiroz Pereira Sacadura Botte | 5,888      | 0.007%                      | 0.007%                        |
| Lua Mendes de Almeida de Queiroz Pereira                    | 5,888      | 0.007%                      | 0.007%                        |
| Cimigest, SGPS, S.A.  | 3,185,019  | 3.919%                      | 3.948%                        |
| Cimo - Gestão de Participações, SGPS, S.A.                  | 16,199,031 | 19.932%                     | 20.077%                       |
| Longapar, SGPS, S.A.  | 22,225,400 | 27.348%                     | 27.546%                       |
| OEM - Organização de Empresas, SGPS, S.A.                   | 535,000    | 0.658%                      | 0.663%                        |
| Sociedade Agrícola da Quinta da Vialonga, S.A.              | 625,199    | 0.769%                      | 0.775%                        |
| Total:  | 58,039,639 | 71.416%                     | 71.935%                       |
| <b>B</b>  |            |                             |                               |
| - Bestinver Gestión, S.A., S.G.I.I.C.                       | -          | -                           | -                             |
| Bestinver Empleo, F.P.                                      | 13,930     | 0.017%                      | 0.017%                        |
| Bestinver Bolsa, F.I.M.                                     | 2,319,127  | 2.854%                      | 2.874%                        |
| Bestinver Ahorro Fondo de Pensiones                         | 198,347    | 0.244%                      | 0.246%                        |

| Entity                                  | No. shares | % capital and voting rights | % non-suspended voting rights |
|---|------------|-----------------------------|-------------------------------|
| Bestinver Empleo III Fondo de Pensiones | 2,221      | 0.003%                      | 0.003%                        |
| Bestinver Hedge Value Fund, FIL         | 1,503,046  | 1.849%                      | 1.863%                        |
| Bestinver Global F.P.                   | 405,052    | 0.498%                      | 0.502%                        |
| Bestinver Mixto, F.I.M.                 | 195,019    | 0.240%                      | 0.242%                        |
| Bestvalue, F.I.                         | 519,214    | 0.639%                      | 0.644%                        |
| Bestinver Prevision, F.P.               | 38,849     | 0.048%                      | 0.048%                        |
| Divalsa de Inversiones, SICAV           | 13,543     | 0.017%                      | 0.017%                        |
| Bestinver SICAV – Bestinfund            | 79,928     | 0.098%                      | 0.099%                        |
| Bestinver Empleo II, F.P.               | 3,571      | 0.004%                      | 0.004%                        |
| Bestinver Futuro EPSV                   | 6,607      | 0.008%                      | 0.008%                        |
| Bestinver SICAV – Iberian               | 229,426    | 0.282%                      | 0.284%                        |
| Bestinver Renta F.I.M.                  | 177,186    | 0.218%                      | 0.220%                        |
| Bestinver Consolidacion EPSV            | 1,975      | 0.002%                      | 0.002%                        |
| Bestinfond, F.I.M.                      | 1,459,715  | 1.796%                      | 1.809%                        |
| Total:                                  | 7,166,756  | 8.818%                      | 8.883%                        |

**C**

- Santander Asset Management España, S.A., S.G.I.I.C.

|                                    |           |        |        |
|------------------------------------|-----------|--------|--------|
| Laredo Fondo, F.I.                 | 3,000     | 0.004% | 0.004% |
| Santander Acciones Españolas, F.I. | 2,072,457 | 2.550% | 2.569% |
| Santander Small Caps España, F.I.  | 192,889   | 0.237% | 0.239% |
| Total:                             | 2,268,346 | 2.791% | 2.811% |

The voting rights relating to the companies in group A are allocated on the basis of (i) direct ownership of the shares; (ii) the open coordination of the exercise of voting rights, which means that the voting rights held by these companies taken together in Semapa are allocated to each of them, as explained next, and (iii) the existence of, direct and indirect, controlling relationships of Sodim, SGPS, S.A. also described ahead.

The allocation to Sodim by virtue of the open coordination of the exercise of voting rights, under the terms in which they have been announced according to Article 20.1 c) and h) of the Securities Code, matches the part identified by the letter “A” in the table above.

The allocation to Sodim by virtue of the controlling relationship, in accordance with Article 20.1 b) of the Securities Code, was on 31 December 2016 as follows:

| Entity                                     | Allocation             | No. shares | % capital and voting rights | % non-suspended voting rights |
|--|------------------------|------------|-----------------------------|-------------------------------|
| Sodim, SGPS, S.A.                          |                        | 15,252,726 | 18.768%                     | 18.904%                       |
| Cimigest, SGPS, SA                         | 100% owned by Sodim    | 3,185,019  | 3.919%                      | 3.948%                        |
| Cimo - Gestão de Participações, SGPS, S.A. | 100% owned by Cimigest | 16,199,031 | 19.932%                     | 20.077%                       |
| Longapar, SGPS, S.A.                       | 100% owned by Cimigest | 22,225,400 | 27.348%                     | 27.546%                       |
| Total:                                     |                        | 56,862,176 | 69.967%                     | 70.475%                       |

In relation to the companies in groups B and C, voting rights are allocated on the basis of direct and indirect ownership of shares, by virtue of domain relations.

#### 8. INDICATION OF THE NUMBER OF SHARES AND BONDS HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES.

This information is provided in Annex I to this Report.

#### 9. SPECIAL POWERS OF THE MANAGEMENT BOARD, IN PARTICULAR CONCERNING RESOLUTIONS TO INCREASE CAPITAL (ARTICLE 245-A.1 I)), INDICATING, WITH REGARD TO THESE, THE DATE ON WHICH THEY WERE GRANTED, THE PERIOD DURING WHICH SUCH POWERS MAY BE EXERCISED, THE UPPER LIMIT FOR THE INCREASE IN SHARE CAPITAL, SHARES ALREADY ISSUED UNDER THE POWERS GRANTED AND THE FORM TAKEN BY THESE POWERS.

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

#### 10. INFORMATION ON THE EXISTENCE OF SIGNIFICANT DEALINGS OF A COMMERCIAL NATURE BETWEEN QUALIFYING SHAREHOLDERS AND THE COMPANY.

In 2016 there were no significant dealings of a commercial nature between qualifying shareholders and the company, on the basis of the criteria set out in item 91 below.

### B. CORPORATE BOARDS AND COMMITTEES

#### I. GENERAL MEETING

##### A) COMPOSITION OF THE GENERAL MEETING

#### 11. OFFICERS OF THE GENERAL MEETING AND THEIR TERM OF OFFICE (STARTING AND ENDING DATES).

The officers of the General Meeting are:

|            |  |
|------------|--|
| CHAIRMAN:  | Francisco Xavier Zea Mantero (term of office from 23/05/2014 to 31/12/2017)                    |
| SECRETARY: | Rita Maria Pinheiro Ferreira Soares de Oliveira (term of office from 23/05/2014 to 31/12/2017) |

##### B) EXERCISE OF VOTING RIGHTS

#### 12. ANY RESTRICTIONS ON VOTING RIGHTS, SUCH AS LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS BASED ON THE OWNERSHIP OF A GIVEN NUMBER OR PERCENTAGE OF SHARES, TIME LIMITS FOR EXERCISING VOTING RIGHTS, OR SYSTEMS FOR DETACHING VOTING RIGHTS FROM OWNERSHIP RIGHTS (ARTICLE 245-A.1 F));

In 2016 the statutory provision laying down the exercise of voting rights based on the ownership of 83 shares was

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eliminated, and now the articles of association of Semapa establish that each share in the company carries one vote.

Despite the existence of time limits established in Semapa's Articles of Association for attendance of the General Meeting, the mandatory legal rules on this matter apply, such as Article 23-C of the Securities Code. The time limit established by the Articles of Association for exercise of postal voting rights is the day prior to the general meeting.

The Articles of Association make no provision for electronic voting. Nevertheless, the Board of Directors might regulate on alternative ways to vote besides paper format, as long as authenticity and confidentiality of the votes are also guaranteed until the moment of the voting. Although the Board of Directors has never used this capacity, the Chairman of the General Meeting accepts electronic votes which are received under comparable conditions as the vote by mail, in what regards the deadline, comprehensibility, the guarantee of authenticity, confidentiality, and other formal issues. Signature acknowledgement shall be replaced by the digital signature and closed and separate envelopes for each item in the agenda by separate annexes to the email.

There are no systems for detaching voting rights from ownership rights.

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

### 13. INDICATION OF THE MAXIMUM PERCENTAGE OF THE VOTING RIGHTS WHICH CAN BE EXERCISED BY A SINGLE SHAREHOLDER OR BY SHAREHOLDERS CONNECTED IN ANY OF THE FORMS ENVISAGED IN ARTICLE 20.1

There are no rules in the Articles of Association which lay down that voting rights are not counted if in excess of a given number, when cast by a single shareholder or shareholders related to him.

### 14. IDENTIFICATION OF SHAREHOLDER RESOLUTIONS WHICH, UNDER THE ARTICLES OF ASSOCIATION, CAN ONLY BE ADOPTED WITH A QUALIFIED MAJORITY, IN ADDITION TO THOSE PROVIDED FOR IN LAW, AND DETAILS OF THE MAJORITIES REQUIRED.

The company has established no quorums for constituting meetings or adopting resolutions different from those provided for on a supplementary basis in law.

## II. MANAGEMENT AND SUPERVISION

### A) COMPOSITION

### 15. IDENTIFICATION OF THE GOVERNANCE MODEL ADOPTED

The company has adopted the governance model provided for in article 278.1 a) of the Companies Code (Board of Directors and Audit Board) and in article 413.1 b) (Audit Board and Statutory Auditor), of the same code.

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**16. RULES IN THE ARTICLES OF ASSOCIATION ON PROCEDURAL AND MATERIAL REQUIREMENTS APPLICABLE TO THE APPOINTMENT AND SUBSTITUTION OF MEMBERS, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD OF DIRECTORS AND THE GENERAL AND SUPERVISORY BOARD (ARTICLE 245-A.1 H).**

Semapa's Articles of Association set no special rules on the appointment and replacement of directors, and the general supplementary rules contained in the Companies Code therefore apply here.

**17. COMPOSITION, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD OF DIRECTORS AND THE GENERAL AND SUPERVISORY BOARD, DETAILING THE PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE MINIMUM AND MAXIMUM NUMBER OF DIRECTORS, DURATION OF TERM OF OFFICE, NUMBER OF FULL MEMBERS, DATE OF FIRST APPOINTMENT AND THE END OF THEIR TERMS OF OFFICE FOR EACH MEMBER.**

The company's Articles of Association (Article 11.1) stipulate that the Board of Directors comprises three to fifteen directors appointed each for a four-year term.

We indicate below the date of first appointment of each member, together with the date on which their term of office expires:

| Members of the Board of Directors:               | Date of first appointment and end date of term of office |
|--|--|
| Pedro Mendonça de Queiroz Pereira                | 1991-2017  |
| João Nuno de Sottomayor Pinto de Castello Branco | 2015-2017  |
| José Miguel Pereira Gens Paredes                 | 2006-2017  |
| Paulo Miguel Garcês Ventura                      | 2006-2017  |
| Ricardo Miguel dos Santos Pacheco Pires          | 2014-2017  |
| António Pedro de Carvalho Viana-Baptista         | 2010-2017  |
| Carlos Eduardo Coelho Alves                      | 2015-2017  |
| Francisco José Melo e Castro Guedes              | 2001-2017  |
| Manuel Custódio de Oliveira                      | 2014-2017  |
| Vítor Manuel Galvão Rocha Novais Gonçalves       | 2010-2017  |
| Vítor Paulo Paranhos Pereira                     | 2014-2017  |

**18. DISTINCTION BETWEEN EXECUTIVE AND NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS AND, IN RELATION TO NON-EXECUTIVE DIRECTORS, IDENTIFICATION OF THOSE WHO CAN BE REGARDED AS INDEPENDENT OR, IF APPLICABLE, IDENTIFICATION OF THE INDEPENDENT MEMBERS OF THE GENERAL AND SUPERVISORY BOARD.**

The executive members of the Board of Directors are those who belong to the Executive Board, as per paragraph 28 below, the other members being non-executive.



However, Pedro Mendonça de Queiroz Pereira, Chairman of the Board of Directors, remains very close to the relevant decisions of daily corporate management.

Given that, on 31 December 2016, the company's Board of Directors comprised eleven members, only four of which sat on the Executive Board, it is considered that Semapa has a sufficient number of non-executive directors, which assures they are effectively able to oversee, assess and monitor the work of the other directors.

On the basis of the criteria laid down by the Securities Market Commission, the following non-executive directors may be classified as independent: António Pedro de Carvalho Viana-Baptista, Carlos Eduardo Coelho Alves and Vítor Manuel Galvão Rocha Novais Gonçalves, as they are not associated with any specific group of interests in the company nor are under any circumstance likely to affect an exempt analysis or decision. On the other hand, the Directors Pedro Mendonça de Queiroz Pereira, Francisco José Melo e Castro Guedes, Manuel Custódio de Oliveira and Vítor Paulo Paranhos Pereira may not be classified as independent in the light of the criteria referred, since they are all members of the Board of Directors of companies owning qualified holdings in Semapa.

Consequently, about 1/4 of the directors are independent, which the company considers to be appropriate and in line with the independent work of the Board of Directors.

#### 19. PROFESSIONAL QUALIFICATIONS AND OTHER RELEVANT BIOGRAPHICAL DETAILS OF EACH OF THE MEMBERS, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS.

##### **PEDRO MENDONÇA DE QUEIROZ PEREIRA**

Pedro Queiroz Pereira attended General High School studies in Lisbon and Instituto Superior de Administração. He lived in Brazil from 1975 to 1987, where he held directorship positions in several companies in the industry, trade, tourism and agriculture areas. After returning to Portugal, he continued to work as director for several companies belonging to the Queiroz Pereira family. In 1995, when the scope of activities of the Queiroz Pereira family expanded to the concrete industry, he was elected Chairman of the Board of Directors of Secil and Semapa, and also CEO of the latter, and resigned as Chairman of the Executive Board of Semapa in July 2015. Since 2004, Pedro Queiroz Pereira has also held the office of Chairman of the Board of Directors of The Navigator Company.

##### **JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO**

João Castello Branco is a graduate in mechanical engineering by *Instituto Superior Técnico* and holds a master degree in management by INSEAD. He has served, since July 2015, as Chairman of the Executive Board of Semapa, and up to that date was Partner-Director of McKinsey & Company - at the Iberian Office. He had joined McKinsey in 1991, where he practised in several fields, at the service of some of the leading institutions in Portugal and Spain. He has also worked in this sector in Europe, Latin America and the USA. He was a member of the McKinsey leadership team of Banking Practices in Europe, also having led the Corporate Finance, Banking and Insurance Practices. He also led teams at McKinsey working in competitiveness, productivity and innovation, in Portugal and Spain. Before joining McKinsey, he worked at the engine development centre of Renault, in France. He has been, since 2015, Director of The Navigator Company and Secil.

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**JOSÉ MIGUEL PEREIRA GENS PAREDES**

José Miguel Paredes holds a degree in Economics and initiated his professional activity in 1985, at the *Direcção Geral de Concorrência e Preços*. The following years, he worked at the Rodoviária Nacional, Interbiz, Cosec, Direcção de Crédito Externo, General Bank, Tesouraria / Sala de Câmbios and United Distillers. In 1994, he became Financial Director of Semapa and some of the other related companies in the group. Since 2004 he is the market relations officer for Semapa and was elected Executive Director of Semapa in 2006. In 2008 José Paredes was appointed Director of ETSA. He also became Director of The Navigator Company and Secil in 2011 and 2012, respectively.

**PAULO MIGUEL GARCÊS VENTURA**

Miguel Ventura has a degree in Law and graduated from INSEAD IEP '08Jul and COL '15Dec. He began practising Law in 1995. In 1997 he became an officer of the General Assemblies in several subsidiaries of Cimigest, Sodim and Semapa and was appointed Company Secretary of Semapa. From 2005 to 2007 he was a member of the Lisbon District Council of the Bar Association. He has held office as Executive Director of Semapa and other related companies since 2006. In 2007 Miguel Ventura was appointed Vice-President of the General Meeting of REN and Infraestruturas de Portugal. He also became Director of The Navigator Company and Secil in 2011 and 2012, respectively. In 2014 he was elected member of the General Board of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado.

**RICARDO MIGUEL DOS SANTOS PACHECO PIRES**

Ricardo Pires holds a degree in Business Administration and Management from Universidade Católica Portuguesa, and he is specialised in Corporate Finance from ISCTE. He also has an MBA in Corporate Management from Universidade Nova de Lisboa. He began his career in the field of management consulting, from 1999 to 2002 for BDO Binder and later for GTE Consultores. From 2002 to 2008 he held several positions in the Corporate Finance Board at ES Investment, where he developed different M&A and capital market projects in the Energy, Paper and Pulp and Food & Beverages sectors. He has worked for Semapa since 2008, first as Director of Strategic Planning and New Business and afterwards, from 2011, as Chief of Staff of the Chairman of the Board of Directors. In 2014 he was appointed Executive Director of Semapa, and he also holds positions in other related companies. Since 2015, he has held positions in the board of The Navigator Company and Secil.

**ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA**

António Viana Baptista holds a degree in Economics, a post-graduate degree in European Economy and an MBA (INSEAD). From 1984 to 1991, he was Principal Partner of McKinsey & Co. Between 1991 and 1998, he was Director of Banco Português de Investimento. Between 1998 and 2008, he held positions at Telefonica S.A. as Chairman of Telefónica Internacional from 1998 to 2002, Chairman of Telefónica Móviles S.A. from 2002 to 2006, and Chairman of Telefonica España from 2006 to 2008, and was also Director of Telefonica S.A. and Portugal Telecom representing Telefonica. From 2011 to 2016 he was CEO of Crédit Suisse AG for Spain and Portugal, and he is currently consultant of the institution. At present, António Viana-Baptista is non-executive Director of Jerónimo Martins, S.A. (where he also acted as member of the Audit Committee from 2010 to 2015) and of Jasper Inc, California. He has been non-executive Director of Semapa since 2010.

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**CARLOS EDUARDO COELHO ALVES**

Carlos Alves has a degree in mechanical engineering by *Instituto Superior Técnico* and is an expert Industrial Manager by the Portuguese Association of Engineers. He began working as a Lecturer of the subjects of Machine Components I and II at *Instituto Superior Técnico* and he was a Trainee Expert of the Works Monitoring Division at *Laboratório Nacional de Engenharia Civil* in Lisbon. He was engineer of the technical services of Cometna - Companhia Metalúrgica Nacional, SARL and later director in charge of manufacturing and managing director of Cobrascom S.A. (Rio de Janeiro, Brazil). From 1989 to 2009 he was director of Semapa, Secil, where he held office as CEO from 1994 to 2008, of Portucel (currently The Navigator Company) and Enersis. He has been non-executive Director of Semapa since 2015.

**FRANCISCO JOSÉ MELO E CASTRO GUEDES**

Francisco Guedes holds a degree in Economic and Financial Sciences and holds an MBA from INSEAD. He initiated his professional career in 1971 at Companhia União Fabril. He performed military service from 1972 to 1975. In the following years, in 1976 he was Financial Director of Companhia Rio Moju and from 1977 to 1987 of the Anglo American Corporation (in Brazil). He held office as Director-General, Executive Director, the Holding's Financial Director, Director in charge of all (non-gold) mining and industrial companies in Brazil and Financial Director of Mineração Morro Velho. Between 1988 and 1989 Francisco Guedes was in charge of the Ricardo Schedel Brokerage. In 1990, he was manager of the Aroeira project at Formentur, and in the following years he was director and manager at Anglo American Corporation Portugal, Nacional – C.I.T.C., Nutrinveste and Sociedade Ponto Verde. Between 2009 and 2015 he was director of The Navigator Company. He has occupied since 2001 management positions at Secil and other group companies.

**MANUEL CUSTÓDIO DE OLIVEIRA**

Manuel Oliveira holds a degree in Economics. In 1977 he began working as Director of the Lagoalva Group, and still holds this position today. In 1978 he worked for Thomson Maclintock and in 1979 for Glaxo Farmacêutica. In 1980 he took office as Director of Sodim and became Financial Director of Cimianto. In the 90s still, he was Chairman of AIPA (Associação das Indústrias de Produtos de Amianto) and negotiator in Brussels for the Asbestos dossier. In the following years, he was Chairman of the Board of Directors of Antasobral S.A., Director of Sousa Campilho S.A. and manager of Zona de Caça e Pesca da Herdade Sobral e Mergulhos, Lda. Since 2013 he has held office as Chairman of the Board of Directors of Cimilonga, Longavia, Refundos and Sonagi Imobiliária, and as Director of Cimigest, Sodim and Sonagi, and he was appointed Chairman of the Board of Directors of the latter in 2014. In 2014 he was appointed non-executive Director of Semapa, company for which he had previously worked as a consultant.

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**VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES**

Vítor Novais Gonçalves holds a degree in Business Management by ISC-HEC, in Brussels. He began his professional activity in 1984 at Unilever as Management Trainee and later as Product Manager and Market Manager. Between 1989 and 1992, he held office as Business Manager in the Venture Capital Area at Citibank Portugal and later he was responsible for the area of Corporate Finance and member of the Management Committee. Between 1992 and 2000, he carried out duties in the financial area of Grupo José de Mello, having held directorships in several companies and having been, among other things, Strategic Marketing and Development Director of Banco Mello and General Manager of Companhia de Seguros Império. Between 2001 and 2009 he carried out duties in the telecommunications area at SGC Group as Director of SGC Comunicações, being responsible for the Strategic Marketing and Business International Development. He is Director of Zoom Investment since 2009, of Semapa since 2010 and of The Navigator Company since 2015.

**VÍTOR PAULO PARANHOS PEREIRA**

Vítor Paranhos Pereira holds a degree in Economics by *Universidade Católica Portuguesa* and attended AESE (Universidade de Navarra). He began working in 1982 at the company Gaspar Marques Campos Correia & C<sup>a</sup>. Lda. as Financial Director until 1987. From 1987 to 1989 he was Deputy Financial Director of *Instituto do Comércio Externo de Portugal* (ICEP). He joined the group in 1989 as Financial Director of Sodim, and in 2009 became member of the Board of Directors of that company. He also holds directorships in several companies related to Sodim, namely Hotel Ritz since 1998. From 2001 to 2016, he was Director of the Hotel Villa Magna. He has held office as Director of Sonagi since 1995. In 2006 he was appointed Chairman of the Audit Board of *Associação de Hotelaria de Portugal* (AHP). Since 2007 he has been Chairman of the General Meeting of *Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios* (APFIPP). He has served as member of the Audit Board of Eurovida – Companhia de Seguros, S.A. and Popular Seguros – Companhia de Seguros, S.A. since 2009. In 2014 he was appointed member of the Board of Directors of Semapa and Cimigest.

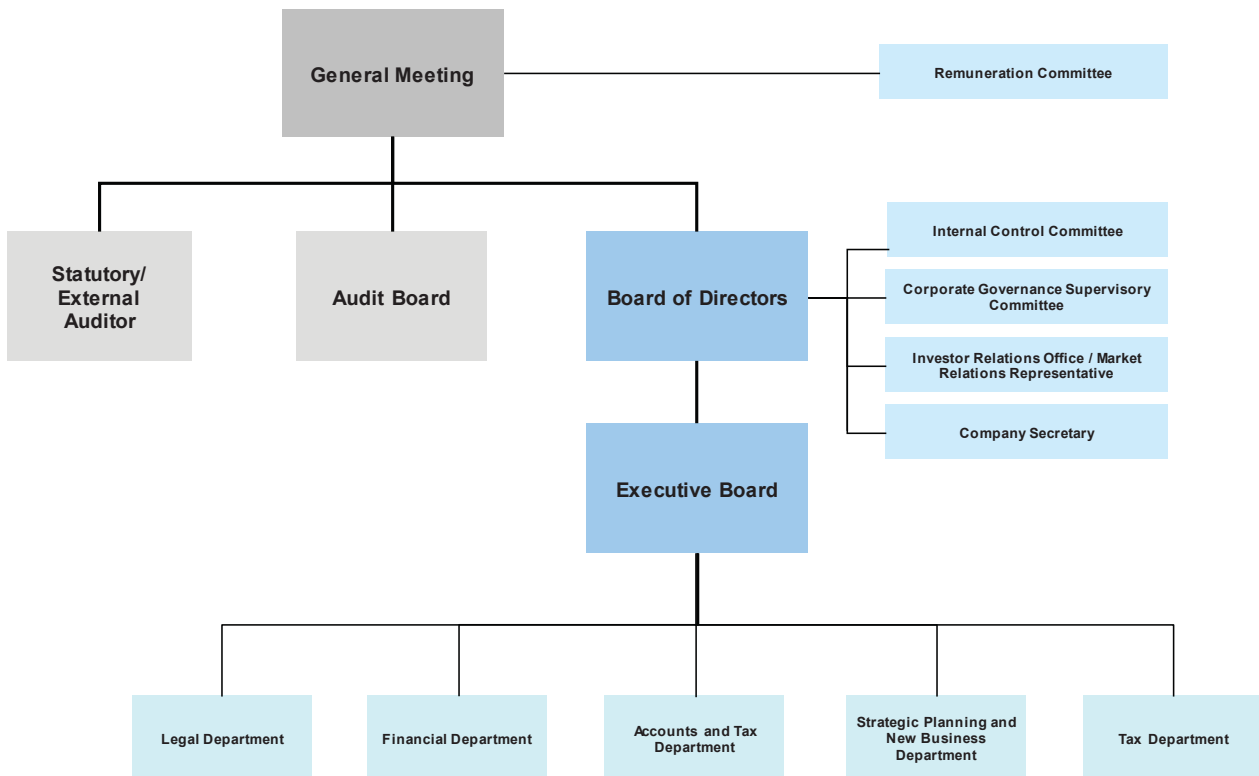
**20. HABITUAL AND SIGNIFICANT FAMILY, PROFESSIONAL OR BUSINESS TIES BETWEEN MEMBERS, AS THE CASE MAY BE, OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS WITH SHAREHOLDERS TO WHOM A QUALIFYING HOLDING GREATER THAN 2% OF THE VOTING RIGHTS MAY BE ALLOCATED.**

Besides the directorships held by several Directors in companies which own qualifying holdings in Semapa, namely Sodim and subsidiaries, as described in paragraph 26 below, and Pedro Mendonça Queiroz Pereira's shareholdings in Sodim, OEM and Vialonga, there are no habitual or significant family, professional or business ties between members of the Board of Directors and shareholders in Semapa which own qualifying holdings.

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21. ORGANIZATIONAL OR FUNCTIONAL CHARTS SHOWING THE DIVISION OF POWERS BETWEEN THE DIFFERENT CORPORATE BOARDS, COMMITTEES AND/OR COMPANY DEPARTMENTS, INCLUDING INFORMATION ON DELEGATED POWERS, IN PARTICULAR WITH REGARD TO DELEGATION OF THE DAY-TO-DAY MANAGEMENT OF THE COMPANY.

The following simplified chart shows the organization of Semapa’s different bodies, committees and departments:



The management of the company is centred on the relationship between the Board of Directors and the Executive Board.

The two bodies are coordinated and kept in contact through the close cooperation between the Chairman of the Board and the executive team and, in particular with the CEO, through the availability of the members of the Executive Board to convey all relevant or urgent or requested information on the day-to-day management of the company to the non-executive directors, in order to keep them abreast of the company’s life at all times. In addition, meetings of the Board of Directors are called for all decisions regarded as especially important, even if they fall within the scope of the powers delegated to the Executive Board, and the Chairman of the Board and the non-executive members often attend the meetings of the company's Executive Board.

Information requested by the other members of corporate boards is also provided in good time and in an appropriate form by the members of the Executive Board.

In order to assure that information is communicated on a regular basis, the Chief Executive Officer also sends the notices and minutes of meetings of the Executive Board to the Chairman of the Audit Board.

Although duties and responsibilities are not rigidly compartmentalised within the Board of Directors, four main areas may be distinguished in the way responsibilities are shared:

- 1st Strategic planning and investment policy, which are the responsibility of the CEO, João Nuno de Sottomayor Pinto de Castello Branco
- 2nd Financial, accounting and audit, which are the responsibility of the director José Miguel Pereira Gens Paredes
- 3rd Legal, corporate governance and IT issues, which are the responsibility of the director Paulo Miguel Garcês Ventura
- 4th New business areas, which are the responsibility of the director Ricardo Miguel dos Santos Pacheco Pires

Regarding strategic planning and Investments Policy, and without prejudice to the mentioned office, this is an area that naturally entails more intervention on behalf of the non-executive members and that counts on the substantial involvement of the Chairman of the Board.

The Executive Board has been granted broad management powers, largely detailed in the respective act of delegation, and only limited with regard to the matters indicated in article 407.4 of the Companies Code. Powers are specifically delegated for the following:

- a) To negotiate and resolve to enter into any commercial or civil contract, by public or private act, on the terms and conditions it deems most appropriate, and to take all decisions it sees fit in the performance of these contracts;
  - b) To resolve to issue, sign, draw, accept, endorse, guarantee, protest or carry out any other act in connection with the use of bills or credit instruments;
  - c) To resolve on all routine banking operations, with Portuguese or foreign financial institutions, namely opening, consulting and establishing the form of effecting movements in bank accounts, in all the legally admissible forms;
  - d) To negotiate and resolve, to contract and amend loan agreements, with financial institutions or other entities, including the provision of the respective guarantees in cases where the law permits such delegation as it sees fit;
  - e) To resolve to acquire, dispose of and encumber assets of all kinds, on the terms and conditions it sees fit, negotiating and resolving on the conclusion for such purposes, by public or private document, of any contractual instrument, and carrying out any accessory or complementary acts which may be necessary for the performance of these contracts;
  - f) To take all decisions and carry out all acts in connection with the exercise by the company of its position as shareholder, namely by appointing its representatives at the General Meetings of companies in which it has holdings and adopting unanimous resolutions in writing;
  - g) To draft the company reports, balance sheets, financial statements and proposals for allocation of profits;
-

- h) To take all steps necessary or appropriate in connection with the company's industrial relations with its employees, namely contracting, dismissing, transferring, defining terms of employment and pay, and revising and amending the same;
- i) To resolve on representation of the company before any court or mediation or arbitration body, taking all decisions as may be necessary or appropriate in connection with any proceedings pending before the same or to bring the same, and namely to withdraw, confess or settle;
- j) To appoint attorneys for the company within the powers delegated to it;
- k) To take all steps necessary or appropriate in connection with existing or planned issues of bonds and commercial paper, including the actual decision to issue; and
- l) In general, to carry out all acts of day-to-day management in the company, except for those which cannot be delegated under article 407.4 of the Companies Code.

The Executive Board is barred from resolving on the following:

- i) Selection of the Chairman of the Board of Directors;
- ii) Co-opting of directors;
- iii) Call a General Meeting;
- iv) Annual reports and financial statements;
- v) Provision of bonds and personal or real guarantees by the company;
- vi) Change in registered office and increases in share capital; and
- vii) Plans to merge, break-up or change the company.

At the end of 2015 financial year, some of the company's regular practices were standardised, in order to guarantee intervention by the Board of Directors in strategic decisions involving large amounts of money, high risk or special characteristics.

In the case of the Audit Board, which has the powers established in law, there are no delegated powers or special areas of responsibility for individual members.

The main purpose of the Internal Control Committee (ICC) is to detect and control all relevant risks in the company's affairs, in particular financial risks, and the Committee enjoys full powers to pursue this aim, as set out in item 29 of this report.

The Corporate Governance Supervisory Committee (CGSC) exists to monitor, on a permanent basis, compliance by the company with corporate governance requirements established in law, regulation and the Articles of Association, and to exercise the other powers detailed in item 29 of this report.

The functions of the Investor Support Office are detailed in item 56 of this report.

The Company Secretary is appointed by the Board of Directors and has the powers defined in law.

The Remuneration Committee draws up an annual statement on remuneration policy for members of the board of directors and audit board, and conducts analyses and sets the remuneration of directors.

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The Legal Department provides the company with legal advice and is in charge of legal compliance in order to assure that procedures and proceedings comply with the relevant legislation. The Financial Division is primarily engaged in financial management and planning. The Accounts and Tax Department is mainly responsible for rendering the company's accounts and complying with its tax obligations. As for the New Business directorate, it is in charge of identifying and researching new business opportunities towards their implementation. The Tax directorate, on the other hand, provides tax advice, ensuring compliance with the applicable legislation and preventing unlawful fiscal planning.

## B) FUNCTIONING

### 22. EXISTENCE OF THE RULES OF PROCEDURE OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE, AND PLACE WHERE THESE MAY BE CONSULTED.

The Board of Directors has rules of procedure which are published on the company website (<http://www.semapa.pt/en/rules-corporate-members>), where they may be consulted.

### 23. NUMBER OF MEETINGS HELD AND ATTENDANCE RECORD OF EACH MEMBER OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE.

The Board of Directors met 9 times in 2016, and attendance by each member was as follows:

| Members of the Board of Directors:               | Members present (%) | Members present and represented (%) |
|--|---------------------|-------------------------------------|
| Pedro Mendonça de Queiroz Pereira                | 100                 | 100                                 |
| João Nuno de Sottomayor Pinto de Castello Branco | 100                 | 100                                 |
| José Miguel Pereira Gens Paredes                 | 100                 | 100                                 |
| Paulo Miguel Garcês Ventura                      | 100                 | 100                                 |
| Ricardo Miguel dos Santos Pacheco Pires          | 100                 | 100                                 |
| António Pedro de Carvalho Viana-Baptista         | 89                  | 89                                  |
| Carlos Eduardo Coelho Alves                      | 100                 | 100                                 |
| Francisco José Melo e Castro Guedes              | 100                 | 100                                 |
| Manuel Custódio de Oliveira                      | 100                 | 100                                 |
| Vítor Manuel Galvão Rocha Novais Gonçalves       | 100                 | 100                                 |
| Vítor Paulo Paranhos Pereira                     | 100                 | 100                                 |



## 24. INDICATION OF THE COMPANY BODIES EMPOWERED TO ASSESS THE PERFORMANCE OF EXECUTIVE DIRECTORS.

The Remuneration Committee determines how the system will work and prepares the framework for the assessment of the executive directors. It is also responsible for the final check to the performance factors and their impact in terms of remuneration, as well as guaranteeing overall coherence. However, assessment in the strict sense, as the specific appraisal of individual performance, is the responsibility of the team supervisor, as is the case of the members of the Executive Board, and of the Chairman of the Board of Directors, as for the Chief Executive Officer, and in both cases with the participation of other non-executive directors whom the supervisor deems appropriate to involve.

## 25. PREDETERMINED CRITERIA FOR ASSESSING THE PERFORMANCE OF EXECUTIVE DIRECTORS.

Basic criteria for assessing the performance of executive directors are as defined in item 2 of chapter VI of the Remuneration Policy Statement for setting the variable remuneration component. Such criteria are met through a system of KPIs, which include quantitative and qualitative, individual and collective, components. EBITDA, earnings before tax and TSR are the quantitative elements jointly considered.

## 26. AVAILABILITY OF EACH OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE, INDICATING OFFICE HELD SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES CARRIED ON BY THE MEMBERS OF THESE BODIES DURING THE PERIOD.

The members of the Board of Directors have the appropriate time available to perform the duties entrusted to them, and the other activities carried on by the executive members during the period, outside the business group to which Semapa belongs, are negligible when compared to performance of their duties in the companies and other companies in the same business group.

Besides the activities mentioned under item 19, the members of the Board of Directors occupy the positions detailed below:

### **PEDRO MENDONÇA DE QUEIROZ PEREIRA**

#### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

|                                      |                                    |
|--------------------------------------|------------------------------------|
| CELCIMO, S.L.                        | Chairman of the Board of Directors |
| INSPIREDPLACE, S.A.                  | Chairman of the Board of Directors |
| SEINPART - Participações, SGPS, S.A. | Chairman of the Board of Directors |
| SEMINV - Investimentos, SGPS, S.A.   | Chairman of the Board of Directors |

#### OFFICE HELD IN OTHER COMPANIES:

|   |                                    |
|---|------------------------------------|
| CIMIGEST, SGPS, S.A.                                  | Chairman of the Board of Directors |
| CIMINPART - Investimentos e Participações, SGPS, S.A. | Chairman of the Board of Directors |

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|   |   |
|---|---|
| CMP - Cimentos Maceira e Pataias, S.A.            | Chairman of the Board of Directors <sup>3</sup> |
| COSTA DAS PALMEIRAS – Turismo e Imobiliário, S.A. | Chairman of the Board of Directors <sup>4</sup> |
| ECOVALUE – Investimentos Imobiliários, Lda.       | Manager   |
| HOTEL RITZ, S.A.                                  | Chairman of the Board of Directors              |
| Portucel Soporcel Switzerland Ltd.                | Chairman of the Board of Directors              |
| SECIL - Companhia Geral de Cal e Cimento, S.A.    | Chairman of the Board of Directors              |
| SODIM, SGPS, S.A.                                 | Chairman of the Board of Directors              |
| TERRAÇOS D’AREIA – SGPS, S.A.                     | Chairman of the Board of Directors <sup>5</sup> |
| THE NAVIGATOR COMPANY, S.A.                       | Chairman of the Board of Directors              |
| VILLA MAGNA SL                                    | Chairman of the Board of Directors <sup>6</sup> |

### JOÃO NUNO DE SOTTOMAYOR PINTO DE CASTELLO BRANCO

#### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

No office held in other companies belonging to the same group as Semapa.

#### OFFICE HELD IN OTHER COMPANIES:

|  |   |
|--|---|
| CIMIGEST, SGPS, S.A.                           | Director                                |
| THE NAVIGATOR COMPANY, S.A.                    | Vice-Chairman of the Board of Directors |
| SECIL - Companhia Geral de Cal e Cimento, S.A. | Vice-Chairman of the Board of Directors |
| SODIM, SGPS, S.A.                              | Director                                |

### JOSÉ MIGUEL PEREIRA GENS PAREDES

#### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

|   |                                    |
|---|------------------------------------|
| ABAPOR - Comércio e Indústria de Carnes, S.A.           | Chairman of the Board of Directors |
| Aprovechamiento Integral de Subproductos Ibéricos, S.A. | Director                           |
| BIOLOGICAL - Gestão de Resíduos Industriais, Lda.       | Manager                            |
| CELCIMO, S.L.   | Director                           |
| ETSA - Investimentos, SGPS, S.A.                        | Chairman of the Board of Directors |
| ETSA LOG, S.A.  | Chairman of the Board of Directors |
| INSPIREDPLACE, S.A.                                     | Director                           |
| I.T.S. - Indústria Transformadora de Subprodutos, S.A.  | Chairman of the Board of Directors |
| SEBOL - Comércio e Indústria de Sebo, S.A.              | Chairman of the Board of Directors |
| SEINPART - Participações, SGPS, S.A.                    | Director                           |
| SEMINV - Investimentos, SGPS, S.A.                      | Director                           |

<sup>3</sup> In office until 29 June 2016.

<sup>4</sup> In office until 14 February 2017.

<sup>5</sup> In office until 13 February 2017.

<sup>6</sup> In office until 01 March 2016

**OFFICE HELD IN OTHER COMPANIES:**

|   |                                    |
|---|------------------------------------|
| CIMIGEST, SGPS, S.A.  | Director                           |
| CIMINPART - Investimentos e Participações, SGPS, S.A.                       | Director <sup>7</sup>              |
| CIMIPAR – Sociedade Gestora de Participações Sociais, S.A.                  | Director                           |
| CIMO – Gestão de Participações, SGPS S.A.                                   | Chairman of the Board of Directors |
| CMP - Cimentos Maceira e Pataias, S.A.                                      | Director <sup>8</sup>              |
| HOTEL RITZ, S.A.  | Director                           |
| LONGAPAR, SGPS, S.A.  | Chairman of the Board of Directors |
| MOR ON-LINE – Gestão de Plataformas de Negociação de Resíduos On-Line, S.A. | Director                           |
| OEM - Organização de Empresas, SGPS, S.A.                                   | Director                           |
| SECIL - Companhia Geral de Cal e Cimento, S.A.                              | Director                           |
| SODIM, SGPS, S.A.   | Director                           |
| THE NAVIGATOR COMPANY, S.A.   | Director                           |
| VILLA MAGNA SL  | Director <sup>9</sup>              |

**PAULO MIGUEL GARCÉS VENTURA**
**OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:**

|   |          |
|---|----------|
| ABAPOR - Comércio e Indústria de Carnes, S.A.           | Director |
| Aprovechamiento Integral de Subproductos Ibéricos, S.A. | Director |
| BIOLOGICAL - Gestão de Resíduos Industriais, Lda.       | Manager  |
| CELCIMO, S.L.   | Director |
| ETSA - Investimentos, SGPS, S.A.                        | Director |
| ETSA LOG, S.A.  | Director |
| INSPIREDPLACE, S.A.                                     | Director |
| I.T.S. - Indústria Transformadora de Subprodutos, S.A.  | Director |
| SEBOL - Comércio e Indústria de Sebo, S.A.              | Director |
| SEINPART - Participações, SGPS, S.A.                    | Director |
| SEMAPA Inversiones, S.L.                                | Director |
| SEMINV - Investimentos, SGPS, S.A.                      | Director |

**OFFICE HELD IN OTHER COMPANIES:**

|  |                                    |
|--|------------------------------------|
| AEM - Ass. de Emp. Emitentes de Valores Cotados em Mercado | Member of the General Board        |
| CIMIGEST, SGPS, S.A.                                       | Director                           |
| CIMINPART - Investimentos e Participações, SGPS, S.A.      | Director <sup>10</sup>             |
| CIMIPAR – Sociedade Gestora de Participações Sociais, S.A. | Chairman of the Board of Directors |
| CIMO – Gestão de Participações, SGPS S.A.                  | Director                           |

<sup>7</sup> In office until 28 December 2016

<sup>8</sup> In office until 29 June 2016

<sup>9</sup> In office until 01 March 2016

<sup>10</sup> In office until 28 December 2016

|  |   |
|--|---|
| CMP - Cimentos Maceira e Pataias, S.A.                                   | Director <sup>11</sup>                        |
| HOTEL RITZ, S.A.   | Director                                      |
| LONGAPAR, SGPS, S.A.   | Director                                      |
| OEM - Organização de Empresas, SGPS, S.A.                                | Chairman of the Board of Directors            |
| SECIL - Companhia Geral de Cal e Cimento, S.A.                           | Director                                      |
| SODIM, SGPS, S.A.  | Director                                      |
| THE NAVIGATOR COMPANY, S.A.  | Director                                      |
| VILLA MAGNA SL   | Director <sup>12</sup>                        |
| ANTASOBRAL - Sociedade Agropecuária, S.A.                                | Chairman of the General Meeting               |
| BEIRA-RIO – Sociedade Construtora de Armazéns, S.A.                      | Chairman of the General Meeting               |
| CIMILONGA – Imobiliária, S.A.  | Chairman of the General Meeting               |
| GALERIAS RITZ – Imobiliária, S.A.  | Chairman of the General Meeting               |
| INFRAESTRUTURAS DE PORTUGAL, S.A. <sup>13</sup>                          | Vice-Chairman of the General Meeting          |
| LONGAVIA – Imobiliária, S.A.   | Chairman of the General Meeting               |
| PARQUE RITZ – Imobiliária, S.A.  | Chairman of the General Meeting               |
| REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. | Chairman of the General Meeting               |
| SONAGI – Imobiliária, S.A.   | Chairman of the General Meeting               |
| SONAGI, SGPS, S.A.   | Chairman of the General Meeting               |
| VALUELEGEND – SGPS, S.A.   | Chairman of the General Meeting <sup>14</sup> |
| VÉRTICE – Gestão de Participações, SGPS, S.A.                            | Chairman of the General Meeting               |
| Sociedade Agrícola da Quinta da Vialonga, S.A.                           | Chairman of the General Meeting               |

## RICARDO MIGUEL DOS SANTOS PACHECO PIRES

### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

|                                      |          |
|--------------------------------------|----------|
| INSPIREDPLACE, S.A.                  | Director |
| SEINPART - Participações, SGPS, S.A. | Director |
| SEMINV - Investimentos, SGPS, S.A.   | Director |

### OFFICE HELD IN OTHER COMPANIES:

|  |          |
|--|----------|
| CIMIGEST, SGPS, S.A.                                       | Director |
| CIMIPAR – Sociedade Gestora de Participações Sociais, S.A. | Director |
| CIMO – Gestão de Participações, SGPS S.A.                  | Director |
| HOTEL RITZ, S.A.   | Director |
| LONGAPAR, SGPS, S.A.                                       | Director |
| OEM - Organização de Empresas, SGPS, S.A.                  | Director |
| PYRUS AGRICULTURAL LLC                                     | Director |

<sup>11</sup> In office until 29 June 2016

<sup>12</sup> In office until 01 March 2016

<sup>13</sup> Previously called Estradas de Portugal, S.A.

<sup>14</sup> In office until 30 November 2016

|  |                        |
|--|------------------------|
| PYRUS INVESTMENTS LLC                          | Director               |
| PYRUS REAL ESTATE LLC                          | Director               |
| SECIL - Companhia Geral de Cal e Cimento, S.A. | Director               |
| SODIM, SGPS, S.A.                              | Director               |
| THE NAVIGATOR COMPANY, S.A.                    | Director               |
| UPSIS S.A.                                     | Director               |
| VIEZNADA S.L.                                  | Director <sup>15</sup> |
| VILLA MAGNA SL                                 | Director <sup>16</sup> |
| WOM INTERNATIONAL, S.A.                        | Director               |

### **ANTÓNIO PEDRO DE CARVALHO VIANA-BAPTISTA**

#### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

No office held in other companies belonging to the same group as Semapa.

#### OFFICE HELD IN OTHER COMPANIES:

|   |                                    |
|---|------------------------------------|
| Arica B.V.                                | Director                           |
| CREDIT SUISSE AG (for Spain and Portugal) | CEO <sup>17</sup>                  |
| JASPER WIRELESS Inc.                      | Director                           |
| JERÓNIMO MARTINS SGPS, S.A.               | Director                           |
| LARGO Ltd                                 | Chairman of the Board of Directors |

### **CARLOS EDUARDO COELHO ALVES**

#### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

No office held in other companies belonging to the same group as Semapa.

#### OFFICE HELD IN OTHER COMPANIES:

No office held in other companies.

### **FRANCISCO JOSÉ MELO E CASTRO GUEDES**

#### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

|                          |                                    |
|--------------------------|------------------------------------|
| CELCIMO, S.L.            | Director                           |
| SEMAPA Inversiones, S.L. | Chairman of the Board of Directors |

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<sup>15</sup> In office until 01 March 2016

<sup>16</sup> In office until 01 March 2016

<sup>17</sup> In office until 31 May 2016.

**OFFICE HELD IN OTHER COMPANIES:**

|  |                        |
|--|------------------------|
| CIMENT DE SIBLINE S.A.L.                       | Director               |
| CIMIGEST, SGPS, S.A.                           | Director               |
| CMP- Cimentos Maceira e Pataias, S.A.          | Director <sup>18</sup> |
| SECIL - Companhia Geral de Cal e Cimento, S.A. | Director               |
| SODIM, SGPS, S.A.                              | Director               |

**MANUEL CUSTÓDIO DE OLIVEIRA****OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:**

No office held in other companies belonging to the same group as Semapa.

**OFFICE HELD IN OTHER COMPANIES:**

|  |                                    |
|--|------------------------------------|
| ANTASOBRAL - Sociedade Agropecuária, S.A.                                | Chairman of the Board of Directors |
| CIMIGEST, SGPS, S.A.   | Director                           |
| CIMILONGA – Imobiliária, S.A.  | Chairman of the Board of Directors |
| ESFORÇO - Investimentos Imobiliários, S.A.                               | Director                           |
| HOTEL RITZ, S.A.   | Director                           |
| LONGAVIA – Imobiliária, S.A.   | Chairman of the Board of Directors |
| REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. | Chairman of the Board of Directors |
| SODIM, SGPS, S.A.  | Director                           |
| SONAGI, SGPS, S.A.   | Chairman of the Board of Directors |
| SONAGI – Imobiliária, S.A.   | Chairman of the Board of Directors |
| SOUSA CAMPILHO - Investimentos, SGPS, S.A.                               | Director                           |
| VIEZNADA S.L.  | Director <sup>19</sup>             |
| VILLA MAGNA SL   | Director <sup>20</sup>             |
| Zona de Caça e Pesca da Herdade Sobral e Mergulhos, Lda.                 | Manager                            |

**VÍTOR MANUEL GALVÃO ROCHA NOVAIS GONÇALVES****OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:**

No office held in other companies belonging to the same group as Semapa.

**OFFICE HELD IN OTHER COMPANIES:**

|                       |          |
|-----------------------|----------|
| BELDEVELOPMENT, S.A.  | Director |
| EXTRASEARCH SGPS S.A. | Director |

<sup>18</sup> In office until 29 June 2016

<sup>19</sup> In office until 01 March 2016

<sup>20</sup> In office until 01 March 2016

|  |                        |
|--|------------------------|
| MAGALHÃES e GONÇALVES - Consultoria e Gestão, Lda. | Manager                |
| QUALQUER PRUMO – Sociedade Imobiliária, Lda.       | Manager                |
| TCARE - Conhecimento e Saúde, S.A.                 | Director <sup>21</sup> |
| THE NAVIGATOR COMPANY, S.A.                        | Director               |
| VRES – Vision Real Estate Solutions, S.A.          | Director               |
| ZOOM INVESTMENT, SGPS, S.A.                        | Director               |
| ZOOM INVESTMENT TURISMO, S.A.                      | Director               |

### VÍTOR PAULO PARANHOS PEREIRA

#### OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

No office held in other companies belonging to the same group as Semapa.

#### OFFICE HELD IN OTHER COMPANIES:

|  |                                    |
|--|------------------------------------|
| ANTASOBRAL - Sociedade Agropecuária, S.A.                                | Director                           |
| CAPITAL HOTELS BV  | Director                           |
| CIMIGEST, SGPS, S.A.   | Director                           |
| CIMILONGA – Imobiliária, S.A.  | Director                           |
| GALERIAS RITZ, S.A.  | Chairman of the Board of Directors |
| HOTEL RITZ, S.A.   | Director                           |
| LONGAVIA – Imobiliária, S.A.   | Director                           |
| PARQUE RITZ, S.A.  | Chairman of the Board of Directors |
| REFUNDOS – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. | Director                           |
| SOC. AGRÍCOLA da HERDADE dos FIDALGOS, Unip., Lda..                      | Manager                            |
| SODIM, SGPS, S.A.  | Director                           |
| SODIMPARQUE – Parqueamento e Garagens, Lda.                              | Manager                            |
| SONAGI, SGPS, S.A.   | Director                           |
| SONAGI – Imobiliária, S.A.   | Director                           |
| VALUELEGEND – SGPS, S.A.   | Director <sup>22</sup>             |
| VIEZNADA S.L.  | Director <sup>23</sup>             |
| VILLA MAGNA SL   | Director <sup>24</sup>             |

#### C) COMMITTEES BELONGING TO THE MANAGEMENT OR SUPERVISORY BODIES AND MANAGING DIRECTORS

#### 27. IDENTIFICATION OF COMMITTEES SET UP BY THE BOARD OF DIRECTORS, THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS, AS THE CASE MAY BE, AND PLACE WHERE THE RULES OF

<sup>21</sup> In office until 25 May 2016

<sup>22</sup> In office until 30 November 2016

<sup>23</sup> In office until 01 March 2016

<sup>24</sup> In office until 01 March 2016

PROCEDURE MAY BE CONSULTED.

The following committees exist in the company within the Board of Directors: Executive Board, Internal Control Committee and Corporate Governance Supervisory Committee.

All committees have rules of procedure, which are published on the company website (<http://www.semapa.pt/en/rules-corporate-members>), where they may be looked up.

The following are the Executive Board's operating rules:

- a) The Executive Board shall meet when convened by its Chairman or any other two members;
- b) The members of the Executive Board may be represented by another member, and each person may not represent more than one member;
- c) The CEO has a casting vote;
- d) Absent members may cast written votes, and
- e) The CEO is particularly responsible for reporting and communicating with the Board of Directors.

## 28. COMPOSITION, IF APPLICABLE, OF THE EXECUTIVE BOARD AND/OR IDENTIFICATION OF THE MANAGING DIRECTOR(S).

The following are the members of the Executive Board, who, excluding the CEO who assumed office on 1 July 2015, were appointed by resolution of the Board of Directors on 19 June 2014:

- João Nuno de Sottomayor Pinto de Castello Branco, who chairs the board;
- José Miguel Pereira Gens Paredes;
- Paulo Miguel Garcês Ventura, and
- Ricardo Miguel dos Santos Pacheco Pires.

## 29. INDICATION OF THE POWERS OF EACH OF THE COMMITTEES CREATED AND SUMMARY OF THE ACTIVITIES CARRIED OUT ON THE EXERCISE OF THESE RESPONSIBILITIES.

The powers of the Executive Board are described in item 21 of this report.

The Executive Board is the company's executive body, which has performed its duties in the scope of the powers entrusted to it by the Board of Directors. The Board meets on a regular basis and whenever necessary in the light of ongoing business and monitoring of the company's activity. In 2016 it held eighty four meetings. These meetings are attended by the members of the Board, and regularly by the non-executive directors, as well as the company secretary, Rui Gouveia. When the matters to be discussed so require, the directors of the group's companies and some of the company's managers may also take part in the meetings.

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In view of implementing its purpose to detect and control all relevant risks in the company's affairs, in particular financial risks, the ICC has the following responsibilities and powers:

- a) To ensure compliance by the company with the regulatory framework applicable to it, deriving both from law and regulations;
- b) To monitor the company's business affairs, with integrated and permanent analysis of the risks associated with these affairs;
- c) To propose and follow through the implementation of specific measures and procedures relating to the control and reduction of the company's business risks, with a view to perfecting the internal risk control and management system;
- d) To check implementation of the adjustments to the internal control and risk management system proposed by the Audit Board; and
- e) To monitor the quality control of financial and accounting information, taking steps to ensure that it is reliable.

The ICC met twice in the financial year 2016 and is composed of Joaquim Martins Ferreira do Amaral, Jaime Alberto Marques Sennfelt Fernandes Falcão and Margarida Isabel Feijão Antunes Rebocho. This committee conducted the activities, ensured the monitoring and implemented all the verifications which correspond to its duties, and held joint meetings with the Executive Director, José Miguel Paredes and the members of the Audit Board. The fact that Margarida Rebocho is the Tax and Accounting Director of Semapa has made reporting and access to the company's everyday activities easier, without jeopardising the required impartiality, which is guaranteed by a majority of members who do not take part in the daily activities.

The CGSC monitors on a continuous basis the company's compliance with the provisions of the law, regulations and articles of association applicable to corporate governance, and is responsible for critical analysis of the company's practices and procedures in the field of corporate governance and for proposing for debate, altering and introducing new procedures designed to improve the structure and governance of the company. The CGSC is also required to assess annually corporate governance and submit to the Board of Directors any proposals as it sees fit.

The CGSC met three times in the financial year 2016 and is composed of Jorge Manuel de Mira Amaral, Gonçalo Allen Serras Pereira and Francisco José Melo e Castro Guedes, who was appointed member of this Committee after he resigned from office as Executive Director. The CGSC conducted its oversight and corporate governance assessment activities throughout the financial year. It also participated actively in the drafting of the Annual Report on Corporate Governance, for which it obtained the necessary information, particularly by keeping in touch and attending the meetings with the Executive Director, Miguel Ventura, and a member of the Legal Department.

### III. AUDITING

#### A) COMPOSITION

#### 30. IDENTIFICATION OF THE SUPERVISORY BODY CORRESPONDING TO THE MODEL ADOPTED.

The company's affairs are supervised by the Audit Board and the Statutory Auditor, in accordance with Article 413.1 b) of the Companies Code.

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31. COMPOSITION, AS APPLICABLE, OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, INDICATING THE MINIMUM AND MAXIMUM NUMBERS OF MEMBERS AND DURATION OF THEIR TERM OF OFFICE, AS ESTABLISHED IN THE ARTICLES OF ASSOCIATION, NUMBER OF FULL MEMBERS, DATE OF FIRST APPOINTMENT AND END DATE OF THE TERM OF OFFICE OF EACH MEMBER; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 17.

As established in the Articles of Association, the Audit Board consists of three to five full members, one of whom serves as Chairman with a casting vote, and of one or two alternate members, depending on whether there are three or more full members, all holding office for four year terms.

| Members of the Audit Board                                      | Date of first appointment and end date of term of office |
|---|--|
| Miguel Camargo de Sousa Eiró<br>(Chairman)                      | 2006-2017  |
| Gonçalo Nuno Palha Gaio Picão Caldeira<br>(Full member)         | 2006-2017  |
| José Manuel Oliveira Vitorino<br>(Full member)                  | 2015-2017  |
| Ana Isabel Moraes Nobre de Amaral Marques<br>(Alternate member) | 2016-2017  |

José Manuel Oliveira Vitorino was appointed full member by the General Meeting on 20 April 2016 (since 2 July 2015 he had acted as alternate member).

32. IDENTIFICATION, AS APPLICABLE, OF THE MEMBERS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS WHO ARE DEEMED INDEPENDENT, IN ACCORDANCE WITH ARTICLE 414.5 OF THE COMPANIES CODE; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 18.

Semapa has always considered that all members of the Audit Board were independent, pursuant to Article 414.5 of the Companies Code.

The members of the Audit Board, Miguel Camargo de Sousa Eiró (Chairman), Gonçalo Nuno Palha Gaio Picão Caldeira and José Manuel Oliveira Vitorino are deemed independent by Semapa, in accordance with Article 414.5 of the Companies Code. The former two are currently in their third term and the latter in his first term in office.

The understanding that fulfilling a third term does not compromise the status of independence was reinforced by the opinion of the Securities Market Commission of 12 November 2011, which concluded that only the third "re-election" of members of the audit board, for a fourth term of office, causes them not to meet the independence criterion.

However, in the request for prior registration of the General and Voluntary Public Tender Offer in 2015, as an exchange offer proposed, the Portuguese Securities Market Commission reported that it did not consider Gonçalo Picão Caldeira as an independent member of the Audit Board of Semapa. The Securities Market Commission founded its qualification of non-independence of the aforementioned member on the fact that he took up office as advisor to the Board of Directors of Semapa, from April 2002 and February 2004. The Securities Market Commission views of non-independence of the member of the Audit Board are not shared by Semapa, nor by the member himself.

**33. PROFESSIONAL QUALIFICATIONS, AS APPLICABLE, OF EACH OF THE MEMBERS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS AND OTHER RELEVANT BIOGRAPHICAL DETAILS; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 21.**

#### **MIGUEL CAMARGO DE SOUSA EIRÓ**

Miguel Eiró graduated in Law by *Universidade de Lisboa* in 1971. He joined the Portuguese Bar Association on 28 June 1973, and was a member of its Lisbon District Committee between 1982/1984 and member of the General Committee between 1999/2002 and 2002/2004. He is an Intellectual Property Agent and attended a course in Mediation. He has been practising Law since his graduation in 1971, and is currently partner and director at “Correia Moniz & Associados – Sociedade de Advogados, R.L.” law firm. Between 1972 and 1975 Miguel Eiró performed military service in the Portuguese navy as a Law Expert. He was member of the Board of the Centre for Arbitrage of the Portuguese Bar Association between 1997/1999. In 2004 he was arbitrator at the Centre for Automobile Conflict Resolution and served as arbitrator in several more arbitration cases. Between 1975 and 1980 he was Director of Brisa – Auto Estradas de Portugal, S.A., and of other companies during his working life. He became member of the Audit Board of Semapa in 2006, of The Navigator Company in 2007, and of Secil in 2013, and is currently Chairman of these supervisory bodies.

#### **GONÇALO NUNO PALHA GAIO PICÃO CALDEIRA**

Gonçalo Picão Caldeira holds a degree in Law and joined the Portuguese Bar Association in 1991, after completing a legal internship. He holds an MBA from *Universidade Nova de Lisboa* and attended a course in real estate management and evaluation from ISEG. Gonçalo Picão Caldeira has performed management and property development functions in family-owned companies since 2004. He collaborated previously with BCP Group (1992-1998) and Sorel Group (October 1998 to March 2002). He also worked for Semapa from April 2002 to February 2004. He has been a member of the Audit Board of Semapa, The Navigator Company and Secil since 2006, 2007 and 2013, respectively.

#### **JOSÉ MANUEL OLIVEIRA VITORINO**

José Manuel Vitorino holds a degree in Corporate Organisation and Management by *Instituto Superior de Economia* of Lisbon University. He is a qualified Statutory Auditor and by the executive training programme of the *Universidade Nova de Lisboa*. He was an Assistant Professor at the School of Economics of Coimbra University until 1980, after which he joined PricewaterhouseCoopers and performed functions in auditing and financial consultancy, in national and foreign companies and groups, and in projects by taking part in international teams. He had performed Partner duties for several years when he left PricewaterhouseCoopers in 2013, after reaching the default retirement age. He is currently the Chairman of the Audit Board of Novo Banco, S.A., member of the Audit Boards of ANA - Aeroportos de Portugal, S.A., Semapa, SGPS, S.A., The Navigator Company and Secil.

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**B) FUNCTIONING**

34. EXISTENCE AND PLACE WHERE THE RULES OF PROCEDURE MAY BE CONSULTED FOR THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, AS THE CASE MAY BE; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 22.

The audit board has rules of procedure which are published on the company website (<http://www.semapa.pt/en/rules-corporate-members>), where they may be consulted.

35. NUMBER OF MEETINGS HELD AND RATE OF ATTENDANCE AT MEETINGS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, AS THE CASE MAY BE; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 23.

In the financial year 2016, the Audit Board met twelve times, all members having attended all of the meetings (physical presence).

36. AVAILABILITY OF EACH OF THE MEMBERS OF THE AUDIT BOARD, THE AUDIT COMMITTEE, THE GENERAL AND SUPERVISORY BOARD OR THE COMMITTEE FOR FINANCIAL AFFAIRS, AS THE CASE MAY BE, INDICATING OFFICE HELD SIMULTANEOUSLY IN OTHER COMPANIES, INSIDE AND OUTSIDE THE GROUP, AND OTHER RELEVANT ACTIVITIES CARRIED ON BY THE MEMBERS OF THESE BODIES DURING THE PERIOD; REFERENCE MAY BE MADE TO THE ITEM IN THE REPORT WHERE THIS INFORMATION IS CONTAINED IN ACCORDANCE WITH PARAGRAPH 26.

The members of the Audit Board have the appropriate time available to perform the duties entrusted to them.

Besides the activities mentioned under item 33, the members of the Audit Board perform the duties detailed below:

**MIGUEL CAMARGO DE SOUSA EIRÓ**

OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

No office held in other companies belonging to the same group as Semapa.

OFFICE HELD IN OTHER COMPANIES:

SECIL - Companhia Geral de Cal e Cimento, S.A.  
THE NAVIGATOR COMPANY, S.A.

Chairman of the Audit Board  
Chairman of the Audit Board

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**GONALO NUNO PALHA GAI0 PICAO CALDEIRA**

## OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

No office held in other companies belonging to the same group as Semapa.

## OFFICE HELD IN OTHER COMPANIES:

|  |                           |
|--|---------------------------|
| LINHA DO HORIZONTE – Investimentos Imobiliarios, Lda. | Manager                   |
| LOFTMANIA – Gestao Imobiliaria, Lda.                 | Manager                   |
| SECIL - Companhia Geral de Cal e Cimento, S.A.         | Member of the Audit Board |
| THE NAVIGATOR COMPANY, S.A.                            | Member of the Audit Board |

**JOS MANUEL OLIVEIRA VITORINO**

## OFFICE HELD IN OTHER COMPANIES BELONGING TO THE SAME GROUP AS SEMAPA:

No office held in other companies belonging to the same group as Semapa.

## OFFICE HELD IN OTHER COMPANIES:

|  |                             |
|--|-----------------------------|
| ANA Aeroportos de Portugal, S.A.               | Member of the Audit Board   |
| NOVO BANCO, S.A.                               | Chairman of the Audit Board |
| SECIL - Companhia Geral de Cal e Cimento, S.A. | Member of the Audit Board   |
| THE NAVIGATOR COMPANY, S.A.                    | Member of the Audit Board   |

**C) POWERS AND RESPONSIBILITIES****37. DESCRIPTION OF THE PROCEDURES AND CRITERIA APPLICABLE TO THE WORK OF THE SUPERVISORY BODY FOR THE PURPOSES OF CONTRACTING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR.**

The Audit Board analyses the additional services and proposals submitted by the external auditor for provision of the same as transmitted to them by the directors, seeking to safeguard, essentially, that the independence and impartiality of the external auditor needed for the provision of audit services is not undermined and that the additional services are provided to a high standard of quality and independence.

Note that such analysis by the Audit Board is conducted following the rules laid down in the new Regulation of the Register of Auditors, as adopted by Law no. 140/2015 of 7 September, which entered into force on 1 January 2016, and the internal procedures established to guarantee that the new legal provisions are fulfilled.

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### 38. OTHER DUTIES OF THE SUPERVISORY BODIES AND, IF APPLICABLE, OF THE COMMITTEE FOR FINANCIAL AFFAIRS.

As stated above, the Audit Board has the duties established in law, in particular those stated in Article 420 of the Companies Code, as well as those indicated in the Rules of Procedure of the Audit Board, which are:

- To oversee the management of the company;
  - To ensure compliance with the law and the articles of association;
  - To check that books, accounting records and the respective supporting documents are in order;
  - To check, as and when it sees fit, the state of cash and inventories of any type of goods or valuables belonging to the company or received by the same as security, deposit or on another basis;
  - To check the accuracy of financial reporting;
  - To check that the accounting policies and valuation criteria adopted by the company lead to a correct valuation of the company's assets and profits or losses;
  - To draw up an annual report on its audit activities and to issue its opinion on the report, accounts and motions submitted by the directors;
  - To call the General Meeting, when the respective Chairman fails to do so;
  - To monitor the effectiveness of the risk management system, the internal quality control and internal audit systems, if applicable, with regard to the financial information preparation and disclosure procedure, without violating its independence;
  - To receive reports of irregularities (whistle-blowing) submitted by shareholders, company employees or others;
  - To contract the provision of services by experts who assist one or more of its members in the exercise of their duties, which experts shall be contracted and remunerated in line with the importance of the matters entrusted to them and the economic situation of the company;
  - To perform any other duties established in law or the articles of association;
  - To inform the management board of the statutory audit results and explain how this has contributed to the integrity of the process of financial information disclosure, as well as the role that the supervisory body played in this process;
  - To audit and oversee the process of drafting and disclosure of financial information and make recommendations or proposals to ensure the soundness of the accounts;
  - To choose the statutory auditor to be submitted to the approval and election by the General Meeting and to present the grounds for such choice;
  - To oversee the legal auditing of the, individual and consolidated, annual accounts, namely the implementation thereof, based on possible remarks and conclusions of the Securities Market Commission;
  - To oversee the auditing of the company's financial statements and reports;
  - To check, monitor and oversee the Auditor's independence, namely with regard to the provision of additional services and, in particular, look into its appropriateness and approve the provision of other services, in addition to the audit services;
-

Nonetheless, although the powers of the Audit Board do not expressly include the possibility of proposing the dismissal of the auditor to the general meeting, it is fully accepted that these powers derive from its general duties and responsibilities – oversight and notification of irregularities detected to the first General Meeting held after such discovery. If the irregularities constitute due cause for dismissal, the Audit Board must inevitably submit a proposal to the shareholders to this effect.

The Audit Board is also the prime point of contact with the External Auditor, with direct access to and knowledge of his work. The company believes that this direct supervision by the Audit Board is possible, without interference from the Board of Directors, in relation to the work carried out by the External Auditor, provided that it does not undermine a prompt and adequate information of the management body, which has ultimate responsibility for the company's affairs and financial statements. Complying with this principle, the External Auditor's reports are addressed to the Audit Board and discussed at joint meetings of this board with a member of the Board of Directors, whom the Audit Board informs about the findings of the accounts audit, and the Audit Board ensures that the necessary conditions are in place in the company for the provision of audit services. The Audit Board is further in charge of suggesting and monitoring, with the support of the company's internal services, the External Auditor's pay.

#### IV. STATUTORY AUDITOR

##### 39. IDENTIFICATION OF THE STATUTORY AUDIT FIRM AND THE PARTNER AND STATUTORY AUDITOR REPRESENTING THE SAME.

###### STATUTORY AUDITOR

|            |   |
|------------|---|
| FULL:      | PricewaterhouseCoopers & Associados – SROC, Lda, represented by Jorge Manuel Santos Costa (ROC) or by António Alberto Henriques Assis (ROC) |
| ALTERNATE: | (Vacant)  |

##### 40. INDICATION OF THE CONSECUTIVE NUMBER OF YEARS FOR WHICH THE STATUTORY AUDIT FIRM HAS HELD OFFICE IN THE COMPANY AND/OR GROUP.

PricewaterhouseCoopers has held office with the company for 14 consecutive years.

##### 41. DESCRIPTION OF OTHER SERVICES PROVIDED BY THE STATUTORY AUDITOR TO THE COMPANY.

In addition to legal auditing services, PricewaterhouseCoopers provides the company with the authorised tax consultancy and reliability assurance services.

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## V. EXTERNAL AUDITOR

### 42. IDENTIFICATION OF THE EXTERNAL AUDITOR APPOINTED FOR THE PURPOSES OF ARTICLE 8 AND THE PARTNER AND STATUTORY AUDITOR REPRESENTING SUCH FIRM IN THE DISCHARGE OF THESE DUTIES, TOGETHER WITH THEIR RESPECTIVE REGISTRATION NUMBER WITH THE SECURITIES MARKET COMMISSION.

The company's external auditor and its representative are indicated in item 39, and PricewaterhouseCoopers is registered with the Securities Market Commission under number 20161485.

### 43. INDICATION OF THE CONSECUTIVE NUMBER OF YEARS FOR WHICH THE EXTERNAL AUDITOR AND THE RESPECTIVE PARTNER AND STATUTORY AUDITOR REPRESENTING THE SAME IN THE DISCHARGE OF THESE DUTIES HAS HELD OFFICE IN THE COMPANY AND/OR GROUP.

The external auditor is the statutory auditor which has held office in the company for 14 years, as stated in item 40. The actual representative of the external auditor, Jorge Manuel Santos Costa (ROC), has held office in the company since 05 December 2016.

### 44. POLICY ON ROTATION OF THE EXTERNAL AUDITOR AND THE RESPECTIVE PARTNER AND STATUTORY AUDITOR REPRESENTING THE SAME IN THE CARRYING OUT OF THESE DUTIES, AND THE RESPECTIVE FREQUENCY OF ROTATION.

The new Regulation of the Register of Auditors, as adopted by Law no. 140/2015 of 7 September, entered into force on 1 January 2016, and governs the new applicable laws that require the rotation of the auditors in companies of interest for society, like Semapa, which the Company will comply with.

Previously, the company had no policy that required the rotation of the external auditor or its representative. However, if the Audit Board decided to retain the external auditor for more than two terms of office it should issue a recommendation in favour of such continued appointment.

This was the case in 2013 when the Statutory Auditor of Semapa terminated his term. The Audit Board heard the Board of Directors and asked the internal services to prepare a restricted tender by invitation, addressed to four Audit Firms, for the selection of the external auditor and the Statutory Auditor of Semapa and its subsidiaries for the period of four years starting in 2014. The bids were analysed by a Selection Committee, the process was overseen by the Audit Board.

Finally, the Audit Board submitted to the shareholders a proposal for retaining the External Auditor, issuing its opinion in a report in which it argued the pros and cons of maintaining the same Audit Firm for a new term, it underscored that the quality of the work performed by PricewaterhouseCoopers and the firm's accrued experience in the sectors in which Semapa invests outweighed the drawbacks of retaining it. Nonetheless, in line with best international practices and in view of enhancing PricewaterhouseCoopers's independence, rotation of the partner representing the firm was proposed. The proposal submitted by the Audit Board was adopted by the shareholders at the General Meeting of 23 May 2014.

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**45. INDICATION OF THE BODY RESPONSIBLE FOR ASSESSING THE EXTERNAL AUDITOR AND THE INTERVALS AT WHICH THIS ASSESSMENT IS CONDUCTED.**

As part of its supervisory work and auditing of the company's accounts, the Audit Board assesses the external auditor on an ongoing basis, particularly under the preparation of its Report and Opinion on the annual accounts.

**46. IDENTIFICATION OF WORK, OTHER THAN AUDIT WORK, CARRIED OUT BY THE EXTERNAL AUDITOR FOR THE COMPANY AND/OR COMPANIES IN A CONTROLLING RELATIONSHIP WITH IT, AND INDICATION OF THE INTERNAL PROCEDURES FOR APPROVAL OF THE CONTRACTING OF THESE SERVICES AND INDICATION OF THE REASONS FOR CONTRACTING THEM.**

The services delivered by the external auditor other than audit work include permitted tax consultancy and reliability assurance services. All additional work has been approved by the Audit Board, in compliance with the applicable laws and internal procedures set up for this purpose.

These services consist essentially of support services to safeguard compliance with tax obligations laid down in the new legal framework provided by the new Regulation of the Register of Auditors in force in Portugal and abroad, and are approved by the Audit Board. The Board of Directors and the Audit Board consider that the occasional contracting of these services is justified by the External Auditor's accrued experience in the sectors in which the company operates and by the quality of its work, in addition to the careful definition of the services required at the contracting stage.

In the framework of the provision of tax consultancy services and services other than auditing, our auditors have set strict internal rules to guarantee their independence, and these rules have been adopted in the provision of these services and monitored by the company, in particular by the Audit Board and the Internal Control Committee.

**47. INDICATION OF THE ANNUAL REMUNERATION PAID BY THE COMPANY AND/OR CONTROLLED, CONTROLLING OR GROUP ENTITIES TO THE AUDITOR AND OTHER INDIVIDUALS OR ORGANIZATIONS BELONGING TO THE SAME NETWORK, SPECIFYING THE PERCENTAGE RELATING TO THE FOLLOWING SERVICES:**

| Services   | Company          |                | Group entities<br>(including the company itself) |                |
|--|------------------|----------------|--|----------------|
|  | Amount           | Percentage     | Amount   | Percentage     |
| Value of auditing services                           | 43,765.00        | 94.62%         | 767,919.00                                       | 76.86%         |
| Value of reliability assurance services              | 690.00-          | 1.49%-         | 119,741.00                                       | 11.99%         |
| Value of tax consultancy services                    | 1,800.00-        | 3.89%-         | 111,412.00                                       | 11.15%         |
| Value of other services other than auditing services | -                | -              | -  | -              |
| <b>Total:</b>  | <b>46,255.00</b> | <b>100.00%</b> | <b>999,072.00</b>                                | <b>100.00%</b> |

NOTE: Figures in Euros

In 2016, services other than audit services contracted by the company or controlling entities from the External Auditor, including by entities belonging to the same corporate group or service network, represented 23% of the total services provided, which percentage is below the recommended 30%.

## C. INTERNAL ORGANIZATION

### I. ARTICLES OF ASSOCIATION

#### 48. RULES APPLICABLE TO AMENDMENT OF THE ARTICLES OF ASSOCIATION (ARTICLE 245-A.1 H)).

There are no specific rules at Semapa on the amendment of the Articles of Association, and the general supplementary rules contained in the Companies Code therefore apply here.

### II. NOTIFICATION OF IRREGULARITIES (WHISTLE-BLOWING)

#### 49. WHISTLE-BLOWING - PROCEDURES AND POLICY

The company has a set of “Regulations on Notification of Irregularities”, which govern the company’s procedures that employees can use to report irregularities allegedly taking place within the company.

These regulations lay down the general duty to report alleged irregularities, requiring that such reports are made to the Audit Board, and also provide for an alternative solution in the event of conflicts of interests on the part of the Audit Board regarding 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. We further note that, in the event of conflict of interest regarding an irregularity committed by a member of the Audit Board, a copy of the report must also be sent to the Chairman of the Board of Directors.

This process ends with the report being filed or submitted to the Board of Directors or the Executive Board, depending on whether a company officer is implicated or not, a proposal for application of the measures most appropriate in light of the irregularity in question.

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

Access to the “Regulations on Notification of Irregularities” is reserved.

The Company also has a set of “Principles of Professional Conduct”, approved by the Board of Directors on 30 December 2002. This document establishes ethical principles and rules applicable to company staff and officers.

In particular, this document establishes the duty of diligence, requiring professionalism, zeal and responsibility, the duty of loyalty, which in relation to the principles of honesty and integrity is especially geared to safeguard conflict of interest situations, and the duty of confidentiality, in relation to the treatment of relevant information.

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The document also establishes duties of corporate social responsibility, namely of environmental conservation and protection of all shareholders, ensuring that information is fairly disclosed, and all shareholders treated equally and fairly.

### III. INTERNAL CONTROL AND RISK MANAGEMENT

#### 50. PEOPLE, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITS AND/OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS.

Although the company has no specific independent structure for internal audits, internal control and risk management are conducted by the Board of Directors and through an organizational unit with special responsibilities in this area, the Internal Control Committee (ICC), the Audit Board and the External Auditor being responsible for oversight and monitoring.

It should be clearly noted that in consolidated terms the company has 6,028 employees in total and the holding, individually, only has 27. The corporate universe represented by most of the group's workers, and which concerns the holdings main subsidiaries, The Navigator Company and Secil, is covered by separate auditing systems with organisational units with special auditing responsibilities.

#### 51. DESCRIPTION OF THE LINES OF COMMAND IN THIS AREA IN RELATION TO OTHER BODIES OR COMMITTEES; AN ORGANIZATIONAL CHART MAY BE USED TO PROVIDE THIS INFORMATION

The lines of command are shown in the organizational chart in item 21 of this report, and the responsibilities of the bodies and committees involved are better described in item 54.

#### 52. EXISTENCE OF OTHER DEPARTMENTS WITH RESPONSIBILITIES IN THE FIELD OF RISK CONTROL.

Non-existence of other departments with responsibilities in the field of risk control.

#### 53. IDENTIFICATION OF THE MAIN RISKS (ECONOMIC, FINANCIAL AND LEGAL) TO WHICH THE COMPANY IS EXPOSED IN THE COURSE OF ITS BUSINESS.

Chapter 2 of the notes to the consolidated financial statements provides a detailed analysis of all financial and operational risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk, price risk, raw material supplies risk, sales price risk, risk of product demand, risk of competition, risk of environmental legislation, human resources risk, energy cost risk and economic and market risks in general.

With regard to legal risks, which are not detailed in the same way in the notes to the financial statements, it is important to point out that they derive essentially from tax and regulatory risks which are covered by the analysis of operational risks, specific general liability risks or risks relating to the negotiation and conclusion of contracts. These risks are controlled by legal counsels both in Semapa as the holding company and in its subsidiaries, and through recourse to external lawyers whenever justified by their particular expertise, the amount at stake or other factors in specific cases.

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#### 54. DESCRIPTION OF THE PROCESS OF IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND RISK MANAGEMENT.

The main purpose of the Internal Control Committee (ICC) is to detect and control all relevant risks in the company's affairs, in particular financial and legal risks, and the Committee is vested with the powers set out in item 21 of this report.

In addition to the important role played by the Audit Board in this field, internal procedures for risk control are also particularly important in each of the company's main subsidiaries. The nature of the risks and the degree of exposure vary from company to company, and each subsidiary therefore has its own independent system for controlling the risks which it is subject to.

Independent audits of Semapa and the companies it controls are carried out by PricewaterhouseCoopers. The company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and workings of internal control procedures through the information and documents provided by the company, and in particular by the Remuneration Committee and the Internal Control Committee. The respective conclusions are reported by the External Auditor to the Audit Board, which then reports the shortcomings detected, if any.

The implemented internal control and risk management systems have proven to be effective, and no situations have so far arisen which have not been anticipated, duly guarded against or expressly accepted in advance as controlled risks.

As stated above, in addition to its own powers in this field and in order to safeguard against the acceptance of excessive risks by the company, the Board of Directors created the ICC which, in accordance with the responsibilities defined by the Board of Directors, is responsible for assuring internal control and risk management. The Audit Board is responsible for overseeing the effectiveness of the risk management system and the internal control system, proposing adjustments to the existing system whenever necessary, being the ICC responsible for implementing these adjustments. Finally, it should be noted that these systems are monitored and overseen at all times by the Board of Directors, which has ultimate responsibility for the company's internal activities.

The Audit Board plays a particularly important role in this field, with all the powers and responsibilities assigned to it directly by law.

#### 55. MAIN ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IMPLEMENTED IN THE COMPANY WITH REGARD TO THE PROCESS OF DISCLOSURE OF FINANCIAL INFORMATION (ARTICLE 245-A.1 M)).

The disclosure of financial information is the responsibility of the market relations officer and, where applicable, it falls to the Audit Board, the Internal Control Committee and the External Auditor to assess the quality, reliability and completeness of the financial information approved by the company's Board of Directors and drawn up by the Financial and Accounts and Tax departments.

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The process of preparing financial information is subject to an internal control system and to rules, which are designed to assure that the accounting policies adopted by the company are properly and consistently applied and that the estimates and judgements used in preparing this information are reasonable.

With regard to internal control procedures for the process of disclosing financial information, the company has implemented rules, which are intended to assure that disclosures are made in good time and to mitigate the risk of unevenness in the information provided to the market.

#### IV. INVESTOR SUPPORT

##### 56. OFFICE RESPONSIBLE FOR INVESTOR SUPPORT, COMPOSITION, FUNCTIONS, INFORMATION PROVIDED AND CONTACT DETAILS

The investor support service is provided by an office reporting to the Director José Miguel Paredes. This office is adequately staffed and enjoys swift access to all sectors of the company, in order to ensure an effective response to requests, and also to transmit relevant information to shareholders and investors in due time and without any inequality.

The Director José Miguel Paredes can be contacted through his email address ([jmparedes@semapa.pt](mailto:jmparedes@semapa.pt)) or on the company's general telephone numbers (+351 21 318 47 00). All public information regarding the company can be accessed by these means. It should be noted, in any case, that the information most frequently requested by investors is available at the company's website at [www.semapa.pt](http://www.semapa.pt), and it generally concerns information about the Semapa group, the company's business, corporate governance and financial information.

##### 57. MARKET RELATIONS OFFICER.

The market relations officer is José Miguel Paredes.

##### 58. INFORMATION ON THE NUMBER OF ENQUIRIES RECEIVED IN THE PERIOD OR PENDING FROM PREVIOUS PERIODS, AND ENQUIRY RESPONSE TIMES.

Semapa receives various types of enquiries, which are normally answered within 24 hours of receipt, although some enquiries, because of their breadth, scope or complexity, necessarily take longer to process. There are also specific times of the year when Semapa receives more enquiries, in particular in the run-up to general meetings and the payment of dividends, when response times may sometimes be longer. There are no enquiries pending from previous years.

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## V. WEBSITE (59 TO 65)

| Description  | Internet address   |
|--|--|
| 59. SEMAPA WEBSITE   | <a href="http://www.semapa.pt/en/home">http://www.semapa.pt/en/home</a>  |
| 60. ADDRESS WHERE INFORMATION IS PROVIDED ON THE COMPANY'S NAME, PUBLIC COMPANY STATUS, REGISTERED OFFICE AND OTHER DATA REQUIRED BY ARTICLE 171 OF THE COMPANIES CODE.  | <a href="http://www.semapa.pt/en/location">http://www.semapa.pt/en/location</a>  |
| 61. ADDRESS WHERE THE ARTICLES OF ASSOCIATION AND RULES OF PROCEDURES OF COMPANY BOARDS AND/OR COMMITTEES CAN BE LOOKED UP.  | <a href="http://www.semapa.pt/en/laws">http://www.semapa.pt/en/laws</a><br><a href="http://www.semapa.pt/en/rules-corporate-members">http://www.semapa.pt/en/rules-corporate-members</a>                         |
| 62. ADDRESS WHERE INFORMATION IS PROVIDED ON THE IDENTITY OF COMPANY OFFICERS, MARKET RELATIONS OFFICER, THE INVESTOR SUPPORT OFFICE OR EQUIVALENT STRUCTURE, RESPECTIVE POWERS AND RESPONSIBILITIES AND CONTACT DETAILS.  | <a href="http://www.semapa.pt/en/company-officers">http://www.semapa.pt/en/company-officers</a><br><a href="http://www.semapa.pt/en/investor-support-office">http://www.semapa.pt/en/investor-support-office</a> |
| 63. ADDRESS FOR CONSULTATION OF FINANCIAL STATEMENTS AND REPORTS, WHICH MUST BE ACCESSIBLE FOR NO LESS THAN FIVE YEARS, TOGETHER WITH THE SIX-MONTHLY CORPORATE DIARY, DISCLOSED AT THE START OF EACH SEMESTER, INCLUDING, AMONGST OTHER THINGS, GENERAL MEETINGS, DISCLOSURE OF ANNUAL, HALF-YEARLY AND, IF APPLICABLE, QUARTERLY ACCOUNTS. | <a href="http://www.semapa.pt/en/demonstracoes-financeiras">http://www.semapa.pt/en/demonstracoes-financeiras</a><br><a href="http://www.semapa.pt/en/eventos">http://www.semapa.pt/en/eventos</a>               |
| 64. ADDRESS WHERE NOTICE OF GENERAL MEETINGS IS POSTED, TOGETHER WITH ALL PREPARATORY INFORMATION AND SUBSEQUENT INFORMATION RELATED TO MEETINGS.  | <a href="http://www.semapa.pt/en/extraordinary-general-meeting-december-30-2016">http://www.semapa.pt/en/extraordinary-general-meeting-december-30-2016</a>  |
| 65. ADDRESS FOR CONSULTATION OF HISTORICAL ARCHIVES, WITH RESOLUTIONS ADOPTED AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND THE RESULTS OF VOTES, FOR THE PAST THREE YEARS.   | <a href="http://www.semapa.pt/en/ag-arquivo">http://www.semapa.pt/en/ag-arquivo</a>  |

## D. REMUNERATION

## I. POWERS TO DETERMINE REMUNERATION

## 66. INDICATION OF POWERS TO SET THE REMUNERATION OF COMPANY OFFICERS, MEMBERS OF THE EXECUTIVE BOARD OR MANAGING DIRECTOR AND THE COMPANY MANAGERS.

Powers to determine the remuneration of the Board of Directors and the Audit Board lie with the Remuneration Committee.

Powers to determine the remuneration of company managers lie with the Board of Directors.

## II. THE REMUNERATION COMMITTEE

### 67. COMPOSITION OF THE REMUNERATION COMMITTEE, INCLUDING IDENTIFICATION OF INDIVIDUALS OR ORGANIZATIONS CONTRACTED TO PROVIDE SUPPORT, AND DECLARATION REGARDING THE INDEPENDENCE OF EACH MEMBER AND ADVISER.

The Remuneration Committee comprises José Gonçalo Ferreira Maury, Frederico José da Cunha Mendonça e Meneses and João Rodrigo Appleton Moreira Rato and does not subcontract auxiliary staff.

The company considers the Committee's members to be independent, although the Portuguese Securities Market Commission has a different understanding in relation to Frederico da Cunha. With regards to this member, the following needs to be said:

First, he is linked to Semapa due to the fact that until 2005 he was non-executive Director for the company and currently earns a retirement pension as a result of the duties performed. However, Semapa considers that, since non-executive duties were performed, by virtue of the elapsed time and the right to a pension being an acquired right, independent from the will of Semapa's directors, the impartiality of analysis and decision is not impaired. Secondly, he exercised administrative duties from June 2013 to May 2014 in Sodim, a company to which approximately 72% of the non-suspended voting rights of Semapa are now allocated, according to item 7 above. The company considers that this does not affect his unbiased analysis and decision. In effect, and considering that what is at stake here is the independence from the executive members of the Board of Directors, Semapa considers that this committee member exercises his duties in the Remuneration Committee independently.

José Maury resigned in 2014 from office at Egon Zehnder, an HR services company which over the years supported Semapa and other related companies in procurement procedures. The aforementioned resignation in our view has not undermined the independence of this member of the Committee.

### 68. EXPERTISE AND EXPERIENCE OF THE MEMBERS OF THE REMUNERATION COMMITTEE IN THE FIELD OF REMUNERATION POLICY.

One of the members of the Remuneration Committee, José Maury has vast knowledge and experience in matters of remuneration policy and he was a partner of the company Egon Zehnder for a number of years, which is a leading recruitment company, involving thorough knowledge of assessment procedures and criteria and related remuneration packages.

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### III. REMUNERATION STRUCTURE

#### 69. DESCRIPTION OF THE REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AS REFERRED TO IN ARTICLE 2 OF LAW NO. 28/2009, OF 19 JUNE.

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

#### 70. INFORMATION ON HOW REMUNERATION IS STRUCTURED IN ORDER TO ALIGN THE INTERESTS OF MEMBERS OF THE MANAGEMENT BODY WITH THE LONG TERM INTERESTS OF THE COMPANY, AND ON HOW IT IS BASED ON PERFORMANCE ASSESSMENT AND DISCOURAGES EXCESSIVE RISK-TAKING.

The way in which remuneration is structured and how it is based on the directors' performance follows with clarity the Remuneration Policy Statement of the Remuneration Committee, specifically items 1 and 6 of chapter VI, to which we make reference.

Following such principles, to determine precisely the variable remuneration component, a set of KPIs are applied, for which EBITDA, earnings before tax and the TSR are the quantitative elements considered, as mentioned in item 25 above.

The effect of the alignment of the interests in the long-term results, to some extent, from an existing KPI of the value of the company over time, the TSR, albeit in a form that is more limited than that arising from Semapa's *de facto* situation in relation to the significant stability of the Executive Board's members. Such stability is naturally linked to longer time lines, including in the wage component, as future results influence future remunerations for which expectations exist.

The same is true for excessive risk-taking. The company has no separate remuneration mechanism aimed specifically at that. Risk is an intrinsic characteristic of any act of management and, as such, it is unavoidably and continuously considered in all management decisions. A quantitative or qualitative assessment of risk as good or bad cannot be made autonomously, but only in the light of its impact on company's performance over the time. It is thus confused with long-term interests, and consequently benefits from the aforementioned incentives to overall alignment over time.

#### 71. REFERENCE, IF APPLICABLE TO THE EXISTENCE OF A VARIABLE REMUNERATION COMPONENT AND INFORMATION ON ANY IMPACT ON THIS FROM PERFORMANCE ASSESSMENTS.

The remuneration of executive directors includes a variable component which depends on a performance assessment, as described in the Remuneration Policy Statement, in particular in item 2 of chapter VI.

The performance assessment under the variable remuneration, in its individual and qualitative component, accounts for approximately 50% of that remuneration component. In the case of non-executive directors, without prejudice to the exceptional status of the Chairman of the Board of Directors, who remains very close to the relevant decisions of daily corporate management, a variable remuneration is sometimes awarded, albeit more exceptionally, in line not with the performance or value of the company, but rather with the outcome of the performance of management tasks closer in nature to executive duties.

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There are no upper limits to remuneration, notwithstanding the limit set by the articles of association on directors' profit sharing.

The remuneration of the members of the Audit Board includes no variable component.

#### 72. DEFERRED PAYMENT OF THE VARIABLE COMPONENT OF REMUNERATION, INDICATING THE DEFERRAL PERIOD.

Payment of the variable component of remuneration is not deferred at Semapa.

#### 73. CRITERIA APPLIED IN ALLOCATING VARIABLE REMUNERATION IN SHARES AND ON THE CONTINUED HOLDING BY EXECUTIVE DIRECTORS OF THESE SHARES, ON ANY CONTRACTS CONCLUDED WITH REGARD TO THESE SHARES, SPECIFICALLY HEDGING OR TRANSFERRING RISK, THE RESPECTIVE LIMITS AND THE RESPECTIVE PROPORTION REPRESENTED OF TOTAL ANNUAL REMUNERATION.

At Semapa, the variable remuneration has no component consisting of shares.

#### 74. CRITERIA APPLIED IN ALLOCATING VARIABLE REMUNERATION ON OPTIONS AND INDICATION OF THE DEFERRAL PERIOD AND THE PRICE FOR EXERCISING OPTIONS.

At Semapa, the variable remuneration has no component consisting of options.

#### 75. MAIN PARAMETERS AND GROUNDS FOR ANY ANNUAL BONUS SYSTEM AND ANY OTHER NON-CASH BENEFITS.

The criteria for setting annual bonuses are those related to the variable remuneration, as described in item 2 of chapter VI of the Remuneration Policy Statement, and in item 25 above, and no other non-cash benefits are allocated.

#### 76. MAIN FEATURES OF COMPLEMENTARY OR EARLY RETIREMENT SCHEMES FOR DIRECTORS AND THE DATE OF APPROVAL BY THE GENERAL MEETING, ON AN INDIVIDUAL BASIS.

There are no complementary or early retirement schemes for directors currently in place in the company. Nevertheless, Frederico José da Cunha Mendonça e Meneses receives a monthly pension, because he exercised an option under the expiry of a past pension scheme for directors.

At present, this is the only pension which Semapa pays. It is a lifetime monthly pension paid 12 months per year, for which the following is provided: (i) the transferability of half of its value to the surviving spouse or minor or disabled children and (ii) mandatory deduction from this pension either the value of remunerated services later delivered to Semapa or controlled companies, or the value of pensions that the beneficiary is entitled to receive from the national social insurance scheme related to the same period of service. Semapa's liability with this pension is as mentioned in Note 29 to the Consolidated Financial Statements and Note 26 to the Individual Financial Statements.

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#### IV. DISCLOSURE OF REMUNERATION

77. INDICATION OF THE ANNUAL REMUNERATION EARNED FROM THE COMPANY, ON AN AGGREGATE AND INDIVIDUAL BASIS, BY THE MEMBERS OF THE COMPANY'S MANAGEMENT BODY, INCLUDING FIXED AND VARIABLE REMUNERATION AND, IN RELATION TO THE LATTER, REFERENCE TO THE DIFFERENT COMPONENTS.

Below we indicate the remuneration earned in 2016, paid by Semapa to the members of the company's management body, distinguishing between fixed and variable remuneration, but without a breakdown of the different components of the latter, insofar as it is set as a whole, taking into account the factors described in the Remuneration Policy Statement issued by the Remuneration Committee, without identifying components.

| Board of Directors                               | Fixed Remuneration  | Variable Remuneration |
|--|---------------------|-----------------------|
| António Pedro de Carvalho Viana Baptista         | 128,305.13          | –                     |
| Carlos Eduardo Coelho Alves                      | 90,892.00           | –                     |
| Francisco José de Melo e Castro Guedes           | 77,825.00           | –                     |
| João Nuno de Sottomayor Pinto de Castello Branco | 749,950.00          | 370,970.00            |
| José Miguel Pereira Gens Paredes                 | 311,300.00          | 545,178.00            |
| Manuel Custódio de Oliveira                      | 128,305.13          | –                     |
| Paulo Miguel Garcês Ventura                      | 311,300.00          | 527,882.00            |
| Pedro Mendonça de Queiroz Pereira                | 430,308.43          | 885,576.00            |
| Ricardo Miguel dos Santos Pacheco Pires          | 247,625.00          | 528,075.00            |
| Vítor Manuel Galvão Rocha Novais Gonçalves       | 81,392.50           | –                     |
| Vítor Paulo Paranhos Pereira                     | 128,305.13          | –                     |
| <b>TOTAL</b>                                     | <b>2,658,508.32</b> | <b>2,857,681.00</b>   |

NOTE: Figures in Euros

78. AMOUNTS PAID ON ANY BASIS BY OTHER CONTROLLED, CONTROLLING OR GROUP COMPANIES OR COMPANIES UNDER COMMON CONTROL.

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

The following directors earned remunerations in other controlling or group companies or companies under common control: Pedro Mendonça de Queiroz Pereira, Francisco José de Melo e Castro Guedes, Vítor Manuel Galvão Rocha Novais Gonçalves and Vítor Paulo Paranhos Pereira, amounting to 2,959,164.23 euros, 86,213.25 euros, 124,818.13 euros and 590,628.00 euros, respectively.

**79. REMUNERATION PAID IN THE FORM OF PROFIT SHARING AND/OR PAYMENT OF BONUSES, AND THE GROUNDS ON WHICH THESE BONUSES AND/OR PROFIT SHARING WERE GRANTED.**

The amount of the remuneration paid by Semapa in the form of profit-sharing and/or payment of bonuses corresponds to the variable remuneration referred to in item 77 of this report, which amounts were determined by the Remuneration Committee based on the actual application of the criteria described in item 2 of chapter VI of the Remuneration Policy Statement.

**80. COMPENSATION PAID OR OWING TO FORMER EXECUTIVE DIRECTORS IN RELATION TO TERMINATION OF THEIR DIRECTORSHIPS DURING THE PERIOD.**

No compensation was paid or is due to former executive directors for termination of their directorships.

**81. INDICATION OF THE ANNUAL REMUNERATION EARNED, ON AN AGGREGATE AND INDIVIDUAL BASIS, BY THE MEMBERS OF THE COMPANY'S SUPERVISORY BODY, FOR THE PURPOSES OF LAW 28/2009, OF 19 JUNE.**

| Audit Board                            | Fixed Remuneration | Variable Remuneration |
|--|--------------------|-----------------------|
| Miguel Camargo de Sousa Eiró           | 21,278.65          | –                     |
| Gonçalo Nuno Palha Gaio Picão Caldeira | 15,383.77          | –                     |
| José Manuel Oliveira Vitorino          | 15,383.77          | –                     |
| <b>TOTAL</b>                           | <b>52,046.19</b>   | <b>–</b>              |

NOTE: Figures in Euros

**82. INDICATION OF REMUNERATION EARNED IN THE REPORTING PERIOD BY THE CHAIRMAN OF THE GENERAL MEETING.**

During the financial year of 2016, the Chairman of the General Meeting earned 3,000.00 euros.

**V. AGREEMENTS WITH REMUNERATION IMPLICATIONS**

**83. CONTRACTUAL LIMITS FOR COMPENSATION PAYABLE FOR THE UNFAIR DISMISSAL OF DIRECTORS AND THE RESPECTIVE RELATIONSHIP WITH THE VARIABLE REMUNERATION COMPONENT.**

Semapa has no contract with directors limiting or otherwise altering the supplementary legal rules on fair or unfair termination.

84. REFERENCE TO THE EXISTENCE AND DESCRIPTION OF AGREEMENTS BETWEEN THE COMPANY AND DIRECTORS OR MANAGERS, AS DEFINED BY ARTICLE 248-B.3 OF THE SECURITIES CODE, WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF RESIGNATION, DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT CONTRACT AS A RESULT OF A CHANGE OF CONTROL OF THE COMPANY, INDICATING THE AMOUNTS INVOLVED. (ARTICLE 245.-A.1 L)).

There are also no agreements between the company and the company officers or managers providing for compensation in the event of resignation, unfair dismissal or redundancy as the result of a takeover.

The company does not enter into any contracts with directors with the effect of mitigating the risk inherent to the variability of the remuneration set by the company. With regard to the conclusion of contracts of this type by directors with third parties, the company does not encourage this, nor is there any director who has done so.

## VI. STOCK OR STOCK OPTION PLANS

### 85. IDENTIFICATION OF PLAN AND BENEFICIARIES.

The company has no stock or stock option plans.

86. DESCRIPTION OF PLAN (TERMS OF ALLOCATION, NON-TRANSFER OF SHARE CLAUSES, CRITERIA ON THE PRICE OF SHARES AND THE PRICE OF EXERCISING OPTIONS, THE PERIOD DURING WHICH THE OPTIONS MAY BE EXERCISED, THE CHARACTERISTICS OF THE SHARES TO BE DISTRIBUTED, THE EXISTENCE OF INCENTIVES TO PURCHASE SHARES AND/OR EXERCISE OPTIONS)

Not applicable.

### 87. STOCK OPTION RIGHTS ALLOCATED TO COMPANY EMPLOYEES AND STAFF.

Not applicable.

88. CONTROL MECHANISMS IN AN EMPLOYEE OWNERSHIP SCHEME INSOFAR AS VOTING RIGHTS ARE NOT DIRECTLY EXERCISED BY EMPLOYEES (ARTICLE 245-A.1 E)).

There is no employee ownership scheme in Semapa.

## E. RELATED PARTY TRANSACTIONS

### I. CONTROL MECHANISMS AND PROCEDURES

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**89. PROCEDURES IMPLEMENTED BY THE COMPANY FOR CONTROLLING RELATED PARTY TRANSACTIONS (REFERENCE IS MADE FOR THIS PURPOSE TO THE CONCEPT DERIVING FROM IAS 24).**

The company has established the procedures and criteria referred to in item 91 for transactions with holders of qualifying holdings.

**90. INDICATION OF TRANSACTIONS SUBJECT TO CONTROL DURING REPORTING PERIOD**

In 2016, no transactions were subject to control given that, through application of the criteria referred to in item 91 below, none of the company's transactions with the qualifying shareholders, or with entities in any way related to such shareholders, as defined in Article 20 of the Securities Code, were subject to prior clearance from the Audit Board. There were no transactions between the company and qualifying shareholders outside of regular market conditions.

**91. 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 QUALIFYING SHAREHOLDERS OR RELATED ENTITIES, UNDER ARTICLE 20 OF THE SECURITIES CODE.**

The Board of Directors must subject to review and prior opinion of the Audit Board the transactions between the company and qualifying shareholders or entities in any way related to these shareholders, as defined in Article 20 of the Securities Code, whenever one of the following criteria is met with regard to each period:

- a) When each such transaction has a value greater than or equal to 1% of the company's consolidated turnover in the previous year;
- b) When the accrued value, with regard to the same qualifying shareholder, or entity related to the same in any way, as defined in Article 20 of the Securities Code, is greater than or equal to double the amount resulting from application of the criteria referred to in the preceding sub-paragraph.

**II. DETAILS OF TRANSACTIONS**

**92. INDICATION OF THE PLACE IN THE FINANCIAL REPORTS AND ACCOUNT WHERE INFORMATION IS AVAILABLE ON RELATED PARTY TRANSACTIONS, IN ACCORDANCE WITH IAS 24, OR, ALTERNATIVELY, REPRODUCTION OF THIS INFORMATION.**

Information on related party transactions is contained in Note 35 of the attachment to consolidated financial statements and Note 31 of the attachment to the individual financial statements.

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## PART II – ASSESSMENT OF CORPORATE GOVERNANCE

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

Semapa has adopted the 2013 Corporate Governance Code of the Securities Market Commission ([Regulation of the CMVM no. 4/2013](#)), due to the natural evolution from the 2010 Corporate Governance Code of the same body, adopted in the past by Semapa.

The Code adopted is disclosed by the Securities Market Commission and may be consulted on the website.

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

The following table indicates the recommendations adopted and not adopted. For the recommendations adopted, we indicate only the place in this report where detailed information is contained. For recommendations not adopted, information is provided below the table on the respective grounds for non-adoption and any alternative measures taken.

| # | Adoption | Text | Reference |
|---|----------|------|-----------|
|---|----------|------|-----------|

#### I. VOTING AND CORPORATE CONTROL

|     |         |  |                         |
|-----|---------|--|-------------------------|
| I.1 | Adopted | Companies shall encourage shareholders to attend and vote at General Meetings and shall not set an excessively large number of shares required for the entitlement to one vote, and implement the means necessary to exercise the right to vote by mail and electronically.  | Part I, items 12 and 13 |
| I.2 | Adopted | Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.  | Part I, item 14         |
| I.3 | Adopted | Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.  | Part I, item 12         |
| I.4 | Adopted | The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a single shareholder, either individually or in concert with other shareholders, shall also provide for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without increased quorum requirements in addition to those required by law – and that in said resolution, all votes issued be counted, without applying said restriction. | Part I, item 13         |

| #   | Adoption | Text   | Reference      |
|-----|----------|--|----------------|
| I.5 | Adopted  | Measures shall not be adopted that require payment or acceptance of charges by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members. | Part I, item 4 |

## II. SUPERVISION, MANAGEMENT AND OVERSIGHT

### II.1 SUPERVISION AND MANAGEMENT

|           |                |  |  |
|-----------|----------------|--|--|
| II.1.1.   | Adopted        | Within the limits established by law, and except due to the small size of the company, the Board of Directors shall delegate the day-to-day management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.  | Part I, items 21, 28 and 29                      |
| II.1.2    | Adopted        | The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group, iii) decisions considered strategic due to the amounts, risk or particular characteristics involved.   | Part I, item 21                                  |
| II.1.3    | Not applicable | The General and Supervisory Board, in addition to its supervisory duties, shall take full responsibility at corporate governance level, and a requirement shall therefore be enshrined, in the articles of association or by equivalent means, that this body shall pronounce on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that are to be considered strategic due to the amounts or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company. | Part I, item 15                                  |
| II.1.4 a) | Not adopted    | Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to:<br>a) Ensure competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees.  | Explanation of Recommendations not adopted below |
| II.1.4 b) | Adopted        | b) Reflect on the governance system, structure and practices adopted, verify their effectiveness and propose to the competent bodies measures to be implemented with a view to their improvement.  | Part I, items 21, 27, 28 and 29                  |

| #      | Adoption | Text   | Reference              |
|--------|----------|--|------------------------|
| II.1.5 | Adopted  | The Board of Directors or the General and Supervisory Board, depending on the applicable model, shall set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.  | Part I, items 50 to 55 |
| II.1.6 | Adopted  | The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.  | Part I, item 18        |
| II.1.7 | Adopted  | <p>Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float.</p> <p>The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to:</p> <ol style="list-style-type: none"> <li>Having been an employee at the company or at a related or group company in the past three years;</li> <li>Having, in the past three years, provided services or established a significant commercial relationship with the company or a related or group company, either directly or as a partner, board member, manager or director of a legal person;</li> <li>Being the beneficiary of remuneration paid by the company or by a related or group company, other than the remuneration deriving from a directorship;</li> <li>Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;</li> <li>Being a qualifying shareholder or representative of a qualifying shareholder.</li> </ol> | Part I, item 18        |
| II.1.8 | Adopted  | Directors who exercise executive duties shall respond to enquiries from other company officers by providing the information requested in a timely and appropriate manner.  | Part I, item 21        |



| #       | Adoption       | Text   | Reference                   |
|---------|----------------|--|-----------------------------|
| II.1.9  | Adopted        | The Chairman of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings. | Part I, item 21             |
| II.1.10 | Not applicable | If the Chairman of the board of directors exercises executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.         | Part I, items 18, 21 and 28 |

## II.2 OVERSIGHT

|         |             |  |  |
|---------|-------------|--|--|
| II.2.1. | Adopted     | Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.  | Part I, item 32                                  |
| II.2.2. | Adopted     | The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, in particular, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.   | Part I, item 38                                  |
| II.2.3  | Adopted     | The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract for provision of their services when there is a valid basis for such dismissal.  | Part I, item 38                                  |
| II.2.4. | Adopted     | The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.   | Part I, items 50, 54 and 55                      |
| II.2.5. | Not adopted | The Audit Committee, the General and Supervisory Board and the Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities. | Explanation of Recommendations not adopted below |

| # | Adoption | Text | Reference |
|---|----------|------|-----------|
|---|----------|------|-----------|

## II.3 REMUNERATION SETTING

|           |                |   |  |
|-----------|----------------|---|--|
| II.3.1    | Adopted        | All members of the Remuneration Committee or equivalent shall be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.  | Part I, items 67 and 68                          |
| II.3.2.   | Adopted        | No natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above. | Part I, item 67                                  |
| II.3.3 a) | Adopted        | The statement on the remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following:<br>a) Identification and details of the criteria for determining the remuneration paid to the company officers;  | Annex II to the Corporate Governance Report      |
| II.3.3 b) | Not adopted    | b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;   | Explanation of Recommendations not adopted below |
| II.3.3 c) | Adopted        | c) Information on whether payments are due for the dismissal or termination of appointment of board members.  | Annex II to the Corporate Governance Report      |
| II.3.4    | Not applicable | Approval of stock and/or option plans or plans based on share price variation for company officers shall be submitted to the General Meeting. The proposal shall contain all the necessary information for a correct assessment of said plan.   | Part I, items 73 and 74                          |
| II.3.5    | Not applicable | Any retirement benefit scheme established for company officers shall be submitted to the General Meeting for approval. The proposal shall contain all the necessary information in order to correctly assess said system.   | Part I, item 76                                  |

## III. REMUNERATIONS

|       |         |  |                         |
|-------|---------|--|-------------------------|
| III.1 | Adopted | The remuneration of the executive directors shall be based on actual performance and shall discourage excessive risk-taking. | Part I, items 69 and 70 |
|-------|---------|--|-------------------------|

| #     | Adoption       | Text  | Reference  |
|-------|----------------|---|--|
| III.2 | Adopted        | The remuneration of non-executive directors and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.   | Part I, item 71                                  |
| III.3 | Not adopted    | The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits shall be set for all components.   | Explanation of Recommendations not adopted below |
| III.4 | Not adopted    | A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to payment shall depend on the continued positive performance of the company during that period.  | Explanation of Recommendations not adopted below |
| III.5 | Adopted        | 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.  | Part I, item 84                                  |
| III.6 | Not applicable | Executive directors shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on earnings from said shares, until the end of their term of office.  | Part I, items 73 and 74                          |
| III.7 | Not applicable | When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period of no less than three years.   | Part I, items 73 and 74                          |
| III.8 | Adopted        | When the removal of a director is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is even so attributable to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments to ensure that no damages or compensation, beyond those legally due, are payable. | Part I, item 83                                  |

#### IV. AUDIT COMMITTEE

|      |         |  |                 |
|------|---------|--|-----------------|
| IV.1 | Adopted | The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems for company officers as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company. | Part I, item 54 |
|------|---------|--|-----------------|

| #    | Adoption | Text  | Reference       |
|------|----------|---|-----------------|
| IV.2 | Adopted  | The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that belongs to the same network, for services other than audit services. If there are reasons for contracting such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - these services shall not account for more than 30% of the total value of services rendered to the company. | Part I, item 47 |
| IV.3 | Adopted  | Companies shall rotate auditors after two or three terms, depending on whether the terms are four or three years, respectively. Retention of the auditor beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.  | Part I, item 44 |

#### V. CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS

|     |         |  |                        |
|-----|---------|--|------------------------|
| V.1 | Adopted | The company's transactions with qualifying shareholders, or entities with which they are in any type of relationship pursuant to article 20 of the Securities Code, shall be conducted on regular market conditions.   | Part I, items 89 to 91 |
| V.2 | Adopted | The supervisory or audit board shall establish the procedures and criteria necessary to define the relevant level of significance of transactions with qualifying shareholders - or entities with which they are in any of the relationships described in Article 20.1 of the Securities Code -, and the execution of transactions of significant relevance requires clearance from such body. | Part I, item 91        |

#### VI. INFORMATION

|      |         |   |                        |
|------|---------|---|------------------------|
| VI.1 | Adopted | Companies shall provide, via their websites in both the Portuguese and English languages, access to information on the course of their affairs, as regards economic, financial and governance issues.                         | Part I, items 59 to 65 |
| VI.2 | Adopted | Companies shall ensure the existence of an investor support and market relations office, which responds to enquiries from investors in a timely fashion and records shall be kept of the submittal and handling of enquiries. | Part I, item 56        |

#### EXPLANATION OF RECOMMENDATIONS NOT ADOPTED:

##### RECOMMENDATION II.1.4 A)

This recommendation states that "Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other existing committees..."

Although the company will not adopt this recommendation, the criticism of the recommendation itself must be distinguished from the *explain* in the technical sense.

Starting with the first, the exaggerated advocacy of creating committees to supervise committees must be highlighted. It is only bureaucracy which causes management to get lost in a web of time and resource consuming formalities, distancing it increasingly from the essence which should be preserved.

As for the *explain*, one should begin by attempting to identify the main principles probably underpinning this recommendation and which must be safeguarded. They appear to be a concern that the supervisor is supervised and that remunerations are assessed independently. Both concerns are effectively addressed in Semapa.

The committees are supervised by the entities which established them, the Board of Directors, which is ultimately responsible for managing the company, and by the body appointed by the shareholders for overseeing all of the company's affairs, the Audit Board. Creating an intermediate level, in a holding company with a simplified and reduced management structure, does not seem to add value to the supervisory function. The Remuneration Committee reports directly to the shareholders and is excluded from this regime.

The assessment of the executive directors, on the other hand, is a more complex issue. When assessing performance, there is always tension between proximity, which ensures greater precision and full knowledge of the facts, and distance, which grants independence. An assessment committee could guarantee greater independence due to the distance it enjoys, but the full knowledge of the facts that proximity ensures would be damaged. At Semapa, the compromise solution described in Part I, item 24 above has now been adopted. As mentioned, the Remuneration Committee ensuring greater independence sets the system and conducts the final checks to the performance factors, but the specific appraisal of individual performance is the responsibility of the team supervisor, i.e., the Chairman of the Executive Board in the case of the members of the Executive Board, and of the Chairman of the Board of Directors, of the Chairman of the Executive Board, and in both cases with the participation of other non-executive directors whom the supervisor deems appropriate to involve.

##### RECOMMENDATION II.2.5

This recommendation states that "the Audit Committee, the General and Supervisory Board and the Audit Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and shall be recipients of reports made by these services at least when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities."

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The company does not have internal departments solely dedicated to audit or compliance and these functions are assigned essentially to the Internal Control Committee, the Audit Board and to other of Semapa's departments, in particular the Legal Department for the detection of potential illegalities. The decision not to have departments with special functions in this area is due to Semapa's simplified administrative structure as a holding company, without prejudice to the existence of departments of this type in its subsidiaries, as described in item 50.

In view of this fundamental option and in the absence of autonomous internal audit and compliance units, these units do not have work plans. Nonetheless, the Audit Board has the knowledge and the chance to deliver an opinion on the activities performed by the Internal Control Committee and Semapa's departments in this framework, on the resources allocated to the departments that also perform compliance duties, and is the recipient, where available, of the reports and opinions made by these services when they concern matters related to financial reporting, identification or resolution of conflicts of interest and detection of potential illegalities.

This recommendation has not been adopted by the company, but also here we strongly feel that the purpose and concerns which justify this recommendation are fully guaranteed.

#### RECOMMENDATION II.3.3 B) AND RECOMMENDATION III.3

Recommendation II.3.3 b) states that "The statement on remuneration policy for the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;"

Recommendation III.3 states that "The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and upper limits should be set for all components".

These recommendations have not been adopted by Semapa insofar as the remuneration policy statement, contained in Annex II to this report, only sets aggregate upper limits for variable remuneration, as a percentage of profits, and not for fixed remuneration.

However, Semapa considers that the principles pursued by the recommendation are guaranteed in three ways. First, through the aforementioned existence of a percentage limit of the variable part on the earnings. Second, by ensuring elements of fairness arising from the statement. Third, since the KPI system implemented under the remunerations policy provides for the values for the variable remuneration of each executive director, fixing the double thereof as the ceiling, which may be exceeded only in exceptional situations.

#### RECOMMENDATION III.4

This recommendation states that "A significant part of the variable remuneration should be deferred for a period of no less than three years, and the right to payment shall depend on the continued positive performance of the company during that period".

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The explanation for not adopting this recommendation can be found in the remuneration policy statement in force, Annex II hereto, which states in particular that:

*"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 Semapa 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 Semapa, with a stable shareholder structure and management, where these concerns are inherently less of an issue."*

In substance, a director whose remuneration is not deferred, but who is paid over a longer period of time according to the results achieved in a given year is more in line with long-term management than a director who holds an office for 3 or 4 years and whose remuneration is deferred for that period. The recommended three-year period must be weighed against the executive directors' time with Semapa since these powers were first awarded to an executive board: Pedro Queiroz Pereira - 13 years, João Castello Branco - 2 years (elected in 2015) and still in office, Carlos Alves – 7 years, José Honório - 12 years, Gonçalo Serras Pereira - 4 years, Carlos Horta e Costa – 6 years, Francisco Guedes - 11 years, Miguel Ventura – 11 years and still in office, José Miguel Paredes – 11 years and still in office, Ricardo Pires – 3 years (elected in 2014) and still in office.

Therefore, this recommendation is not adopted by the company, without prejudice to the underlying substance, which is guaranteed to a greater extent than if such recommendation were implemented.

### 3. ADDITIONAL INFORMATION

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

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## ANNEX I

### TO THE CORPORATE GOVERNANCE REPORT

DISCLOSURES REQUIRED BY ARTICLES 447 AND 448 OF THE COMPANIES CODE AND PARAGRAPHS 6 AND 7 OF ARTICLE 14 OF SECURITIES MARKET COMMISSION REGULATION 5/2008

(WITH REGARD TO FINANCIAL YEAR 2016)

1. SECURITIES ISSUED BY THE COMPANY AND HELD BY COMPANY OFFICERS, IN THE SENSE DEFINED IN PARAGRAPHS 1 AND 2 OF ARTICLE 447 OF THE COMPANIES CODE (\*):

- José Miguel Pereira Gens Paredes – 70 "Obrigações SEMAPA 2014/2019"

(\*): *The bonds issued by Semapa with the name "Obrigações Semapa 2014/2019" correspond to bonds with a variable 6-month EURIBOR rate, on the next working day TARGET immediately preceding the first day of each interest period, plus 3.25% a year, expiring in 2019.*

2. SECURITIES ISSUED BY COMPANIES CONTROLLED BY OR BELONGING TO THE SAME GROUP AS SEMAPA HELD BY COMPANY OFFICERS, IN THE SENSE DEFINED IN PARAGRAPHS 1 AND 2 OF ARTICLE 447 OF THE COMPANIES CODE:

- Carlos Eduardo Coelho Alves - 578,309 shares in The Navigator Company, S.A.
- Undivided estate of Maria Rita de Carvalhosa Mendes de Almeida de Queiroz Pereira – 1,000 shares in The Navigator Company, S.A.

3. SECURITIES ISSUED BY THE COMPANY AND CONTROLLED COMPANIES HELD BY COMPANIES IN WHICH DIRECTORS AND AUDITORS HOLD CORPORATE OFFICE:

- Cimigest, SGPS, S.A. - 3,185,019 shares in the company
- Cimo - Gestão de Participações, SGPS, S.A. - 16,199,031 shares in the company
- Longapar, SGPS, S.A. – 22,225,400 shares in the company, 1,000 shares in Secil – Companhia Geral de Cal e Cimento, S.A. and 5,000 shares in ETSA – Investimentos, SGPS, S.A.
- OEM - Organização de Empresas, SGPS, S.A. - 535,000 shares in the company
- Sodim, SGPS, S.A. - 15,252,726 shares in the company

4. ACQUISITION, DISPOSAL, ENCUMBRANCE OR PLEDGE OF SECURITIES ISSUED BY THE COMPANY, CONTROLLED COMPANIES OR COMPANIES IN THE SAME GROUP BY COMPANY OFFICERS AND THE COMPANIES REFERRED TO IN 3 (\*\*):

José Miguel Pereira Gens Paredes no longer holds 1 bond of The Navigator Company, S.A. as a result of the reimbursement of the bond loan on 17 May 2016.



Besides the reimbursement, in 2016 there were no acquisitions, transfers, encumbrances or pledge of securities issued by Semapa, controlled companies or companies in the same group by company officers and the companies referred to in 3 above.

*(\*\*) The company bonds of The Navigator Company, S.A. referred to in this item correspond to bonds named "Obrigações Portucel € 350,000,000 5.375% Senior Notes due 2020".*

## 5. TRANSACTIONS IN OWN SHARES:

In 2016, Semapa acquired the following amount of equity (the details of the transactions, including price, can be found in the information system of the Securities Market Commission:

- 18 January 2016: 14,681 shares
  - 19 January 2016: 18,785 shares
  - 20 January 2016: 17,788 shares
  - 21 January 2016: 35,005 shares
  - 22 January 2016: 21,463 shares
  - 25 January 2016: 8,500 shares
  - 08 February 2016: 40,499 shares
  - 09 February 2016: 43,337 shares
  - 10 February 2016: 2,501 shares
  - 11 February 2016: 18,385 shares
  - 12 February 2016: 18,959 shares
  - 15 February 2016: 24,143 shares
  - 16 February 2016: 34,022 shares
  - 18 February 2016: 6,303 shares
  - 19 February 2016: 5,428 shares
  - 22 February 2016: 8,000 shares
  - 23 February 2016: 11,500 shares
  - 24 February 2016: 26,847 shares
  - 25 February 2016: 6,043 shares
  - 26 February 2016: 12,810 shares
  - 09 March 2016: 1,923 shares
  - 15 March 2016: 2,500 shares
  - 05 April 2016: 5,500 shares
  - 06 April 2016: 2,000 shares
  - 07 April 2016: 11,500 shares
  - 08 April 2016: 4,000 shares
  - 11 April 2016: 3,014 shares
  - 20 April 2016: 490 shares
  - 22 April 2016: 5,000 shares
  - 02 May 2016: 1,000 shares
  - 03 May 2016: 6,000 shares
-

- 04 May 2016: 7,200 shares
  - 05 May 2016: 225 shares
  - 06 May 2016: 12,404 shares
  - 09 May 2016: 10,000 shares
  - 10 May 2016: 5,000 shares
  - 11 May 2016: 19,500 shares
  - 12 May 2016: 11,000 shares
  - 13 May 2016: 4,500 shares
  - 16 May 2016: 1,000 shares
  - 17 May 2016: 5,500 shares
  - 18 May 2016: 3,446 shares
  - 19 May 2016: 1,400 shares
  - 20 May 2016: 8,190 shares
  - 24 May 2016: 2,954 shares
  - 02 June 2016: 2,600 shares
  - 03 June 2016: 12,504 shares
  - 06 June 2016: 8,000 shares
  - 07 June 2016: 13,500 shares
  - 09 June 2016: 7,500 shares
  - 10 June 2016: 21,200 shares
  - 13 June 2016: 21,000 shares
  - 14 June 2016: 50,000 shares
  - 15 June 2016: 30,000 shares
  - 16 June 2016: 19,893 shares
  - 17 June 2016: 44,454 shares
  - 21 June 2016: 13,000 shares
  - 22 June 2016: 16,000 shares
  - 23 June 2016: 1,071 shares
  - 24 June 2016: 24,499 shares
  - 27 June 2016: 72,593 shares
  - 28 June 2016: 22,501 shares
  - 29 June 2016: 3,334 shares
  - 05 July 2016: 5,550 shares
  - 06 July 2016: 10,000 shares
  - 07 July 2016: 1,461 shares
  - 12 July 2016: 7,192 shares
  - 13 July 2016: 6,000 shares
  - 14 July 2016: 9,000 shares
  - 15 July 2016: 4,592 shares
  - 19 July 2016: 2,308 shares
  - 20 July 2016: 11,000 shares
-

- 21 July 2016: 3,725 shares
- 22 July 2016: 1,600 shares

Note that, on 20 April 2016, a Semapa reduced its share capital by cancelling 375,523 of its own shares, corresponding to approximately 0.49 % of its share capital.

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## *ANNEX II*

### *TO THE CORPORATE GOVERNANCE REPORT*

#### REMUNERATION POLICY STATEMENT

Law 28/2009, of 19 June, requires the Remuneration Committee to submit each year for the approval of the General Meeting of shareholders a statement on the remuneration policy for members of the management supervisory bodies. A draft document was accordingly submitted to shareholders in 2016, resulting in approval of a remuneration policy statement as transcribed below:

#### “REMUNERATION POLICY STATEMENT - SEMAPA DIRECTORS AND AUDITORS

##### I. INTRODUCTION

Semapa’s Remuneration Committee drew up a remuneration policy statement for the first time in early 2007, successfully submitting it for approval by the company’s general meeting that year. The statement was drawn up under the terms of the relevant recommendation of the Securities Market Commission then in force.

At that time, the Remuneration Committee stated its view that the options defended should be maintained until the end of the term of office of the company officers. The term of office in question ran from 2006 to 2009.

The statement was due for review in 2010, not only because a fresh term of office had started, but also because of the entry into force of Law 28/2009, of 19 June, requiring remuneration committees to submit a remuneration policy statement annually for the approval of the general meeting.

This Committee is still of the view that a remuneration policy, due to its nature as a set of principles, should be generally stable for the duration of a mandate.

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

This year it has been decided to propose once more the approval of a statement similar in content to that currently in force with small changes arising from the work done in 2015 on the assessment system and the KPIs.

The two most common possibilities for setting the remuneration of company officers are significantly different from each other. 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.

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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 legal requirements in this field as referred to above.

## II. LEGAL FRAMEWORK AND RECOMMENDATIONS

This statement is issued in the legal framework formed by Law 28/2009, of 19 June and the recommendations of the Securities Market Commission for 2013.

In addition to requiring annual statements, approved by the general meeting and duly disclosed, the new law requires the statement on remuneration policy to include information on:

- a) Procedures to permit directors' interests to be aligned with those of the company;
- b) The criteria for setting the variable component of remuneration;
- c) The existence of share bonus or share option plans for directors and auditors;
- 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 remuneration 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 recommendations from the Securities Market Commission advise that:

II.3.3. THE STATEMENT ON THE REMUNERATION POLICY FOR THE MANAGEMENT AND SUPERVISORY BODIES REFERRED TO IN ARTICLE 2 OF LAW NO. 28/2009 OF 19 JUNE, SHALL ALSO CONTAIN THE FOLLOWING:

- a) Identification and details of the criteria for determining the remuneration paid to the company officers;
  - b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances in which these maximum amounts may be payable;
  - c) Information on whether payments are due for the dismissal or termination of appointment of board members.
-

### III. RULES DERIVING FROM LAW AND THE ARTICLES OF ASSOCIATION

Any system for setting remuneration will inevitably have to consider the legal rules, as well as any private rules which may be established in the articles of association.

The legal rules for the board of directors are essentially established in Article 399 of the Companies Code, and may in practice be summarised as follows:

- Powers to fix the remuneration lie with the general meeting of shareholders or a committee appointed by the same.
- The remuneration fixed shall take into account the duties performed and the state of the company's affairs.
- The remuneration may be fixed or else consist in part of a percentage of the profits of the period, but the maximum percentage for distribution to directors must be authorized by a clause in the articles of association, and shall not apply to the amounts allocated to reserves or to any portion of the profits not legally available for distribution to the shareholders.

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

Semapa's articles of association contain a specific clause, number seventeen, dealing only with the directors and governing also retirement provision. We transcribe the relevant passages:

*"2 – The remuneration of the directors [...] is fixed by a Remuneration Committee comprising an uneven number of members, elected by the General Meeting.*

*3 – The remuneration may consist of a fixed part and a variable part, which shall include a share in profits, which shall not exceed five per cent of the net profits of the previous period, for the directors as a whole. "*

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

### IV. HISTORICAL BACKGROUND

Since the incorporation of Semapa and up to 2002, all directors of Semapa received remuneration comprising a fixed component, paid fourteen times a year, and fixed by the Remuneration Committee, then called the *Comissão de Fixação de Vencimentos*.

In 2003, the resolution on the distribution of profits from 2002 included, for the first time, a part of the profits to be directly paid as remuneration to the directors, divided between the directors as decided by the Remuneration Committee.

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This procedure was repeated through to 2005, with regard to the profits from 2004.

In 2006, the allocation of profits from 2005 did not provide for any amount for directors' remuneration. The variable component of the remuneration was fixed in 2006 by the Remuneration Committee, also with reference to the profits, in accordance with the articles of association.

This is the procedure which stayed in place until 2014, although since 2007 this has taken place within the terms of a remuneration policy statement approved by the company's General Meeting. In 2015 we addressed again the benefits of returning to the previous procedure of having the shareholders decide directly at the General Meeting the total amount to be paid, according to the year's results and as proposed by the Remunerations Committee, which would be in charge of the individual distributions. The procedure was received favourably and applied in 2015 to the variable remunerations due for performance in 2014.

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

There has therefore been a constant procedure since 2003, with the directors' remuneration comprising a fixed component and a variable component.

Since the incorporation of the company, the members of the Audit Board have received fixed monthly remuneration. Since the officers of the general meeting started to receive remuneration, this has been set in accordance with 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 of 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.

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It should be noted that Semapa's experience has shown that the directors of this company, contrary to what is often observed in other companies of the same type, have not always been 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 the directors without delegated powers have been closely involved in the life of the company in a variety of ways. In this context, namely for awarding the variable remuneration, it is particularly relevant to highlight the position of the Chairman of the Board of Directors, who is not a member of the Executive Board, but remains very close to the relevant decisions of daily corporate management.

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 are clearly 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 Semapa, 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 Semapa 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.

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The variable remuneration component is fixed on the basis of a target value that is applied to each director, according to the relevant performance and that of the company in accordance with the expectations and the objectives established previously. The target value is set against the weight of the aforementioned principles - market, specific functions, the business position -, compared to similar market situations and other offices occupying positions equivalent in function. Another important factor which is taken into overall account when setting these targets is Semapa's option not to provide any share or option plans.

The weighting of actual performance against expectations and objectives that indicate change in relation to target, is based on a series of quantitative and qualitative KPIs related to the performance of the company and the relevant director, in particular EBITDA, earnings before tax and total shareholder return.

### 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 Semapa 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 Semapa, with a stable shareholder structure and management, where these concerns are inherently less of an issue.

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5. ARTICLE 2 E) OF LAW 28/2009. PROCEDURES LIMITING VARIABLE REMUNERATION.

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

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

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 Semapa.

6. RECOMMENDATION II.3.3. A). CRITERIA FOR DETERMINING THE REMUNERATION PAID.

The criteria for determining the remuneration paid to the company officers are that which are drawn from the principles listed in chapter V above and that are described in item 2 of chapter VI above, concerning the variable component of the directors' remuneration.

Besides these, there are no predetermined mandatory criteria at Semapa for setting the remuneration.

7. RECOMMENDATION II.3.3. B). MAXIMUM POTENTIAL, INDIVIDUAL AND AGGREGATE REMUNERATION.

Semapa's Articles of Association only lay down the maximum potential aggregate amount of variable remuneration payable to directors which, according to clause 17.3, corresponds to a share in profits not exceeding five per cent of the net profits of the previous period. Without prejudice to the fact that this Committee agrees with the meaning of the recommendation concerning the fixing of maximum potential amounts, in Semapa's case in our view, where a statutory provision on this matter already exists, no complementary rules limiting amounts are required, without prejudice to setting such limits for controlled companies. The maximum amount can be reached whenever performance criteria have been fulfilled completely.

8. RECOMMENDATION II.3.3. C). PAYMENTS FOR THE DISMISSAL OR TERMINATION OF DUTIES.

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

This fact is the natural result of the particular situations existing in the company, and not a position of principle taken by this Committee against the existence of agreements of this nature.

The supplementary legal rule in this matter apply here.

## VII. SPECIFIC OPTIONS

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

- 1 - The remuneration of executive directors and the Chairman of the Board referred to in paragraph a) of Chapter
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V shall comprise a fixed component and a variable component.

- 2 - The remuneration of non-executive directors shall comprise only a fixed component that may be complemented according to the piling on of added responsibilities.
- 3 - The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
- 4 - The fixed component of the remuneration of directors shall consist of a monthly amount payable fourteen times a year or of a pre-set amount for each meeting of the Board of Directors attended.
- 5 - A monthly rate shall be set for the fixed component of the remuneration of directors for all those who are members of the Executive Board and those who, although not members of such Board, perform duties or carry out specific work of a repeated or ongoing nature.
- 6 - The pre-set amount for participation in meetings of the Board of Directors shall be fixed for those who have duties which are essentially advisory and supervisory.
- 7 - The fixed remuneration of the members of the Audit Board shall consist in all cases of a pre-set amount paid fourteen times a year.
- 8 - The fixed remuneration of the officers of the General Meeting shall consist in all cases of a pre-set amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.
- 9 - The procedure for assigning variable remuneration to the executive members of the Board of Directors shall comply with the criteria proposed by the Remuneration Committee, and the total such remuneration shall not exceed five per cent of the consolidated net profits (IFRS format).
- 10 - 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.

Lisbon, 11 March 2016

The Remuneration Committee

*José Gonçalo Ferreira Maury,*

*Frederico José da Cunha Mendonça e Meneses*

*João Rodrigo Appleton Moreira Rato*

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## ANNEX III

### TO THE CORPORATE GOVERNANCE REPORT

#### DECLARATION REQUIRED UNDER ARTICLE 245.1 c) OF THE SECURITIES CODE

Article 245.1 c) of the Securities Code requires that each of the persons responsible for the issuers make a number of declarations, as described in this article. In the case of Semapa, a uniform declaration has been adopted, worded as follows:

*I hereby declare, under the terms and for the purposes of Article 245.1 c) of the Securities Code that, to the best of my knowledge, the management report, annual accounts, legal accounts certificate and other financial statements of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., for the financial year of 2016, were drawn up in accordance with the relevant accounting rules, and provide a true and fair view of the assets and liabilities, financial affairs and profit or loss of said company and other companies included in the consolidated accounts, and that the management report contains a faithful account of the business, performance and position of said company and other companies included in the consolidated accounts, describing the main risks and uncertainties which they face.*

Considering that the members of the Audit Board and the Official Auditor sign an equivalent declaration in relation to the documents for which they are responsible, a separate declaration with the above text was signed by the directors only, as it was deemed that only the company officers fall within the concept of “persons responsible for the issuer”. As required by this rule, we provide below a list of the persons signing the declaration and their office in the company:

| Name   | Title                              |
|--|------------------------------------|
| Pedro Mendonça de Queiroz Pereira                | Chairman of the Board of Directors |
| João Nuno de Sottomayor Pinto de Castello Branco | Member of the Board of Directors   |
| José Miguel Pereira Gens Paredes                 | Member of the Board of Directors   |
| Paulo Miguel Garcês Ventura                      | Member of the Board of Directors   |
| Ricardo Miguel dos Santos Pacheco Pires          | Member of the Board of Directors   |
| António Pedro de Carvalho Viana-Baptista         | Member of the Board of Directors   |
| Carlos Eduardo Coelho Alves                      | Member of the Board of Directors   |
| Francisco José Melo e Castro Guedes              | Member of the Board of Directors   |
| Manuel Custódio de Oliveira                      | Member of the Board of Directors   |
| Vítor Manuel Galvão Rocha Novais Gonçalves       | Member of the Board of Directors   |
| Vítor Paulo Paranhos Pereira                     | Member of the Board of Directors   |