



CATÓLICA
LISBON
BUSINESS & ECONOMICS

CORPORATE GOVERNANCE IN PORTUGAL IN 2012

CATOLICA LISBON/AEM
REPORT

With the support of:



CORPORATE GOVERNANCE IN PORTUGAL IN 2012

Report on the Degree of Compliance with Corporate Governance Recommendations Corporate Governance Index and Rating

Data concerning 2012

With the support of:



“In addition to a continued positive evolution in the degree of compliance with the Corporate Governance recommendations, it is also evident that the present cycle of studies was able to influence the shaping of the best Corporate Governance practices”.

Paulo Câmara

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1. Introduction

The present Report was conducted by the *Universidade Católica Portuguesa*, for the third consecutive year, at the request of AEM, the Portuguese Issuers Association, having been carried out in the scope of the CEA – *Centro de Estudos Aplicados* of CATÓLICA-LISBON School of Business & Economics.

The preparation of the Report involved an interdisciplinary team from the Faculties of Law, Economics and Business with a wide academic and practical experience in the field of Corporate Governance, emerging from the fields of Corporate Management and Law as well as Econometrics and Statics.

The Report coordinators were the following Professors of the two mentioned Faculties of Universidade Católica:

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who worked in close cooperation with a team composed of the following members: Patrícia Cruz, Sofia Thibaut Trocado, Francisco Boavida Salavessa, Joana Pinto Monteiro and Mariana Duarte Silva.

Euronext Lisbon also contributed to the production of this Report.

Beyond its conceptual formulation, the present Report also involved an effort in order to collect the necessary data regarding the governance practices accepted and abided to by the companies with shares listed in the Portuguese regulated market (managed by Euronext Lisbon Market).

Its empirical grounds rely on the detailed record and analysis of compliance with the Corporate Governance Code, laid out by the Portuguese Securities Market Committee, by the listed companies, in accordance to the information contained in each company's Corporate Governance Report for the exercise of 2012, that is, the last one published.

According to the analysis carried out on corporate governance for the year 2010 and 2011, the present report adopts the observation and analysis perspective of the capital market investor, who generally may only access information made public through each issuer company's Corporate Governance Report.

Furthermore, a quite significant part of the investment carried out in the Portuguese Stock Exchange is currently originating from abroad (in most recent years, the liquidity generated in the Euronext Lisbon Stock Exchange market originating from outside Portugal has been more than 50% of its total). As such, nowadays the investors will naturally have an inclination to judge the level of compliance with the recommendations on corporate governance, by the companies, in light of the international benchmarks with which they are familiar.

For this reason, the study has adopted a methodology where the level of compliance with the recommendations on corporate governance is evaluated according to a higher weighting for the most relevant recommendations in terms of international benchmarks combined with a lesser weighting for those recommendations that have little or no significance at an international level.

As a result, this study breaks new ground when compared to any other indicator of compliance currently existing for the Portuguese capital market, in that:

- it is solely based on the information any investor may access to;
- it assesses the level of compliance with the Corporate Governance Code recommendations applied in Portugal, considering the international benchmarks.

The contribution of the study lies as well as in the use of two pioneer indicators, used since this study's first edition and maintained in subsequent editions, that sum up the level of compliance with the Corporate Governance Code recommendations in Portugal, hence allowing a collective assessment of the companies listed in the Portuguese market and corresponding categories of compliance.

These indicators take on the form of a corporate governance index and rating which, based on the practices reported in the 2012 corporate governance reports and for the third consecutive year, form a benchmark element from which it is possible to determine the present and future evolution of the Portuguese companies in this area.

This third edition of the Report thereby allows a comparative analysis regarding the data extracted from the 2010 and 2011 Corporate Governance Reports and confirms the increasing usefulness of the corporate governance Index and Rating as such, consolidating the importance of the present study in the context of the increasing importance of good corporate governance practices.

2. Framework and Subject of the Report

In Portugal, the issuers of shares admitted to trading in the regulated market are subject to the obligation of providing yearly information on the degree of compliance with the Corporate Governance Code - a set of recommendations prepared by the Portuguese Securities Market Commission (CMVM), under the dispositions of the article 245-A of the Securities Code and CMVM Regulation n.º 1/2010.

In this context and at the request of AEM, the Portuguese Issuers Association, the Universidade Católica Portuguesa conducted an independent and pioneering study on the degree of compliance with the corporate governance recommendations in force in Portugal, the present “Report on the degree of compliance with Corporate Governance Recommendations in Portugal and production of the Católica Lisbon/ AEM Corporate Governance Index and Rating” (henceforth “Report”).

The subject of the present report is manifold.

On one hand, it seeks to verify the degree of compliance with the recommendations by the listed companies, according to the information stated in the governance reports for the exercise of the year 2012.

On the other hand, it aims to build and present a compliance index on corporate governance (henceforth abbreviated as “Católica Lisbon / AEM Index”), weighting the different recommendations according to their actual relevance.

Moreover, a corporate rating is structured to calculate the degree of compliance with the

Corporate Governance Code (henceforth designated as “Católica Lisbon/ AEM Rating”).

Finally, the statistically collected data shall be analysed in light of several variables which may explain which factors are likely to induce or not a higher acceptance of the referred recommendations of good corporate governance.

The present study comprises a total of 43 corporate issuers of securities admitted to trading in the regulated market, until the 31st December of 2012, which include, among others, all the companies that form the PSI 20 Index.

The list of selected companies is shown in Annex A.

The present study only refers to companies under the Portuguese Law, except for EDP Renováveis, S.A., which despite being a company incorporated by the Spanish Law, is listed in the Portuguese regulated market and is therefore subject to CMVM recommendations.

As a final criterion for the selection of the companies to be analysed, we excluded from the present study those whose exercise does not match the calendar year.

As previously stated in the Introduction chapter, the study takes on the perspective of the capital market investors.

As such and as developed in previous years, the study is solely based on the detailed analysis of the information publicly disclosed and exclusively contained in the yearly Corporate Governance Reports prepared by the mentioned companies, without having engaged in any direct or indirect contact.

The same perspective and method are continued in this edition in order to, on one hand, ensure fairness and equal treatment among issuers and, on the other hand, to allow consistency when comparing historical data.

Another methodological approach that should be clarified concerns the interpretation of the recommendations contained in the Corporate Governance Code.

Here, the Report follows a strict reading of the recommendatory texts, refraining from any corrective interpretation thereof.

This is shown, in particular, in the case of the independence criteria for members of the board, following for the purpose the criteria set out in n.º 5 of article 414 of the Corporate Code to which CMVM refers, in the annex to regulation n.º 1/2010.

Otherwise stated, it is not for this Report to develop or elaborate new criteria concerning the concept of independence of the members of the Governing Bodies, being bound to the criterion imposed by the regulator concerning the application of the Corporate Code.

The respect for the rule of comply or explain was a key principle for the assessment of compliance or non-compliance with CMVM recommendations by the target companies and to that extent the explanation (explain) provided by the company in relation to each recommendation.

The statements that while expressing a non-compliance with the recommendations in question explicitly presented alternative and duly justified solutions, considered as functionally equivalent to the implicit objective of each recommendation, were object of valuation equivalent to a comply.

However, the explanation provided may only conduce to a result equivalent to compliance if the objectives of the recommendatory statement prove to be fulfilled.

Upon the analysis of each explanation, the following factors are considered:

- i) the singularities of the context invoked by the company;
- ii) the nature and strength of the grounds presented by the company for the non-compliance;
- iii) the temporary or permanent nature of the non-compliance; and
- iv) the measures adopted as alternative to the compliance or to mitigate the non-compliance effect.

In order to fulfil the objectives set out, this report is structured so as to provide a detailed indication on the grounds, objective and method of the Lisbon/AEM Católica Index and Rating of Corporate Governance (Chapter 3).

Data on the degree of compliance with corporate governance in Portugal for the year 2012 (chapter 4) is subsequently delivered.

red, as well as the production of the Católica Lisbon/AEM Index (chapter 5), followed by the documentation on the relations between the corporate governance Index and the different characteristics of the companies under analysis (chapter 6).

The Report closes with some final comments (chapter 7).

3. Católica Lisbon/AEM Corporate Governance Index and Rating

3.1. Background and Objective

In Europe, the recommendatory codes for good corporate governance are the basis for the annual reports on Corporate Governance for Issuers of shares traded in the regulated markets.

This is a result of the Directive 2006/46/CE, of the European Parliament and Council, of 14th June 2006.

Portugal is not an exception in this area. In Portugal, the listed companies must prepare a report with the complete description of their governing structure on a yearly basis.

This Report refers to the Corporate Governance Code approved by CMVM, pursuant to article 245-A of the Securities Code and complemented by CMVM Regulation n.º 1/2010.

It should be noted that throughout 2013, two relevant events took place in the context of the national corporate governance which have not however generated any impact on this report.

In January of 2013 and for the first time, a private initiative corporate governance code was approved: the Corporate Governance Code of the Portuguese Corporate Governance Institute (IPCG).

Nevertheless, the companies will be called upon to decide between the adoption of the IPCG Code or the CMVM Corporate Governance Code only for the exercise of 2013.

Furthermore, CMVM has underway a draft revision of its own Corporate Governance Co-

de and Regulation n.º 1/2010, which complements it.

A public consultation took place in March of 2013, for the discussion of the projected amendments (Public Consultation Process n.º 2/2013 of CMVM).

However and considering the reference date for this report – 31st December of 2013, the regulatory process regarding the changes to the Corporate Code and CMVM Regulation n.º 1/2010 were not yet conclude.

As such, the present study is based on the 2010 Corporate Governance Code in force on the date of the economic exercise held as reference.

In this context, and according to the 2010 CMVM Corporate Governance Code, the listed companies should inform on the degree of compliance with the recommendations contained in the Corporate Governance Code (comply) as well as explain the grounds for a non-compliance with the recommendations (explain).

This information model (comply or explain), of British origin, is nowadays imposed at a European level, and as previously referred, presents itself as a mechanism which combines the mandatory provision of information on each company's corporate governance with a facilitating component regarding the choices that each company may make in this regard.

In Portugal, the supervisory authority (CMVM) has taken on the task of monitoring

the content of the mentioned Corporate Governance Reports.

However, according to European Law, the governance codes do not necessarily undergo a public scrutiny as to the respective degree of compliance.

In fact, the trend is quite contrary.

Due to the recommendatory nature of the information stated in the corporate governance codes, the administrative authority's monitoring model in force in Portugal is unlike any other existing in most European Union State-Members.

In these terms, the objective is to firstly enable a private and independent assessment on the degree of compliance with the Corporate Governance Code.

This objective is based on the premise, just stated, that the supervision of the mentioned reports may be carried out by private entities according to both national Law as well as European Law.

In this context, it should be stressed that the eminently private supervision of corporate governance has legislative expression in the fact that it is each listed company's supervisory board's function to verify the completeness of the information contained in the annual corporate governance reports. (cf. article 420, no. 5 and 451, n.º 4, of the CSC - Commercial Companies Code).

Furthermore, private monitoring brings forth advantages when compared to the exercise of compliance verification carried out by the supervisory entities, making it possible to avoid, for instance, the confusion between governance and compliance, which tends to occur in public monitoring.

In this sense, we may also present the European Company Law Experts' Response to the European Commission's Green Paper- 'The EU Corporate Governance Framework' (July 2011, page 23).

On the other hand, one of the most relevant features of each corporate governance code has to do with its length.

In its original version, dated back from 1999, the CMVM Recommendations were but 13 recommendatory mentions.

It so follows that from 1999 until the present date, several legislative changes took place bearing a direct impact on corporate governance, in general, and on listed companies' corporate governance, in particular.

To be noted, namely:

- the changes to the Commercial Companies Code brought forth by the Decree-Law n.º 76-A/2006, of 29th March (with implications particularly in the context of fiduciary duties for members of the governing bodies and corporate governance models);
- Law n.º 28/2009, of 19th June (under appraisal by the General Assembly, on the statement of remuneration policies);
- transposition of Directive n.º 2007/36/CE, of the European Parliament and Council, of the 11th July, (regarding the exercise of certain listed companies shareholders' rights), promoted by the Decree-Law n.º 49/2010, of 19th May;
- and the Decree-Law n.º 88/2011, of 20th July (on the remuneration policy of credit institutions).

As a whole, these regulations - herein referred only as examples - have led to a considerable increase in duties related to corporate governance for the Portuguese companies in general, and listed companies most particularly.

It would be expected that the high number of recent legislative reforms could have determined some stabilisation to the recommendatory texts or possibly a reduction.

Nevertheless, the opposite occurred.

Over the course of the successive revisions to the Corporate Governance Code, there was a significant addition of recommendations which gave way to a multiplication of its original length.

In the original version, as mentioned, there were 13 recommendations.

Presently, the Code includes 54 recommendations.

Among the existing recommendations, the Code also includes several multiple ones - (in particular, the recommendation II.1.5.1 regarding remuneration) - which means that the actual number of recommendations largely exceeds the six dozens.

As previously referred, the present Report was prepared at the request of AEM also in response to the framework just described.

For this reason, a further underlying objective of the present Report is to determine whether the recommendatory density currently existing in Portugal has a match in other jurisdictions of reference and whether the companies, object of the study, comply at a greater or lesser degree with the recommendations relevant in different selected jurisdictions.

Naturally, the considerations over the relevance of the recommendations are neither random nor discretionary.

They are rather the result of the application of a matching criterion with reference to international legal texts, according to the method thoroughly described below.

An additional and key objective of the present Report is to provide an exact and well-timed assessment on the degree of compliance with the national corporate governance recommendations in order to avoid a time lag between the disclosure of the corporate governance reports by the companies and their analysis under the dispositions of the Corporate Governance Code currently in force.

In fact, the assessment that has been conducted by CMVM, through preparing a yearly analytical report on the degree of compliance with the recommendations of the Code by the Portuguese listed companies - report that is made public - has revealed a systemic delay.

For the 2008 to 2010 Reports, this delay exceeded, on average, a year over the disclosure of the examined reports.

As such:

- the results concerning the year of 2008 were released on the 27th April of 2010;
- the CMVM Annual Report on Corporate Governance for Listed Companies, referring to the 2009 annual corporate governance statements, was presented on the 19th May of 2011;
- CMVM's 2010 Annual Report on listed companies' corporate governance was made available on the 31st July of 2012.

In its most recent Report, CMVM now reveals a greater concern to reduce this delay which may prove itself another positive effect determined by this Católica/AEM reporting cycle.

In fact, the 2011 Annual Report on listed companies' corporate governance was released on the 27th December of 2012.

The mentioned delay creates a time lag between the disclosure of the companies' documents and their interconnection in the general landscape of the national listed business.

And it is not only a matter of a statistical delay most importantly, the ability of the supervisory entity to influence, in due time, the shaping of the governance practices of the listed companies is also affected.

This delay also generates some unfairness in the sense that when CMVM's report is disclosed, companies are preparing or have already submitted new annual statements regarding their governance practices, and have possibly already corrected the deviations to the recommendations that are publicly pointed out.

For this very same reason, being historically dated, the use of the reports by the investors is consequently lower.

This situation is further compounded by the two-year pace amendments to the recommendations: in odd-numbered years a reformulation of the recommendations is customary – it so happened in 2001, 2003, 2005, 2007 and 2010.

And in 2013, as pointed out, CMVM recommendations are, once more, under revision.

As a result of the mobility – and constant development of length – of the recommendatory texts, the framework in force no longer corresponds to the supervisory authority's assessment of the disclosed reports.

In addition to the above mentioned, there was the absence, felt in Portugal, of an Index that might summarise the level of compliance with the corporate governance recommendations granting a greater weighting to the most relevant recommendations and a lower or null weighting to those with less significance in terms of international benchmarks and priorities of the wide investors' community.

This background brings forth pertinence and opportunity to the development of a data collection survey which should take place in the very same year the reports are disclosed, so as to amplify the informational and shaping functions that these studies provide.

3.2. Method for the Production of the Index

The method used for the production of the Index is a result, as previously mentioned, of a careful analysis of different international benchmarks.

For this purpose, the following international texts were used in matters of corporate governance:

- (i) the recommendations and regulations arising from European Law;
- (ii) the OECD principles on Corporate Governance;
- (iii) the UK Corporate Governance Code.

We hereinafter explain the reasons for the selection of the mentioned documents as relevant indicators of corporate governance recommendations.

The recommendations and regulations arising from the European Law were taken into account for they are a necessary reference to the Portuguese Law.

The relevance of the OECD Principles on Corporate Governance (dated from 1999 and revised in 2004) is due to its unique global purpose.

Finally, the United Kingdom Corporate Governance Code, (considering its 2010 version and not that released in September of 2012, which only applies to periods after the 30th September of 2012) was also considered, due to its unique pioneering approach in global terms and for unquestionably being the most influent.

Once identified the above-mentioned benchmarks, the adequacy of the recommendatory body to the national code was also verified.

An assessment was thus carried out regarding the matching degree of the Portuguese normative content with the referred international benchmarks.

This analysis revealed that most of the recommendations do mirror the international texts although some others do not present any correspondence.

So being, a careful weighting of the national recommendations was carried out since it became evident that not all of them have a prominent and harmonised relevance.

The Católica Lisbon/AEM Index arises from the consideration of each recommendation according to their correlation with the international benchmarks, as further explained below:

- a maximum relevance was recognised to those recommendations which demonstrate a total match with the selected international benchmarks;
- a mean relevance was given to those recommendations that match two of the selected international benchmarks;
- a minimum relevance was granted to those recommendations that correspond to

only one of the selected international benchmarks;

- a null relevance was granted to those recommendations that do not match any of the selected international benchmarks.

To be noted that the concept of correspondence among recommendations herein used does not require a complete match of the recommendatory content but does imply equivalence in the essential elements of the compared recommendations.

From the comparative analysis conducted, 16 recommendations bear a null relevance, 9 with a minimum relevance, 14 with a mean relevance and 12 with high relevance. To be noted that recommendations I.2.1, I.2.2 and II.1.5.7 were not considered for this comparison for they are no longer in force and thus presenting a null relevance.

On the other hand, the sub-recommendations in recommendations with multiple content, though subject to an individual analysis as explained further ahead, were taken into account for this exclusive purpose as a whole.

We highlight that the high number of recommendations without any international correspondence is, on its own, a revealing and concerning indicator, in that it shows an excessive recommendatory gold plating phenomenon – that is, the addition of an important number of domestic recommendations unparalleled in the international legal systems.

It is revealing, in this regard - in an implicit recognition of the validity of the observation stated in previous years - that in the Public Consultation process n.º 2/2013 CMVM announces its intention to reduce the number of

recommendations contained in its Corporate Governance Code.

In the context of the aforementioned public consultation process, it should be noted that among the recommendations CMVM proposes to suppress we find 12 recommendations with a null relevance (according to the previously presented criterion) and an additional 4 with a minimum relevance.

Our Report is also concerned with the application of an analytical criterion as to the degree of compliance with the recommendations on corporate governance. It is therefore noteworthy that for the specific case of recommendations with multiple content, a weighting of each sub-recommendation contained therein was carried out.

As an example, the recommendation II.1.5.1, applicable to the remuneration policy, was split into 8 sub-recommendations and the benchmarking analysed each one in order to determine an adequate weighting of the recommendation as a whole.

In turn, and in order to imprint greater granularity to the study, the present edition carried out a disaggregated analysis of 11 other recommendations with multiple content, thus allowing an analysis enhancement and refinement over the degree of compliance with the recommendations contained in the Corporate Governance Code.

This methodological refinement in the report enables a better translation of the governance practices actually followed by the companies, generating, however, some difficulty in the inter-temporal comparison of results.

In this regard, it is important to note that in the Public Consultation Process n.º 2/2013,

CMVM stated its intention to proceed to the split of some more extensive and multiple content recommendations into individual recommendations in the future redesign of the Corporate Governance Code.

This Report does not aim to analyse compliance with the mandatory legal regulations but does rather deal with the acceptance of recommendations.

Therefore, it is of great importance to clarify that the acceptance of these recommendations is utterly optional and furthermore, that the corporate decision not to comply with some of the Corporate Governance Code recommendations is entirely lawful.

For this reason, it was sought to recover, in its essence and truth, the respect for the rule of *comply or explain*.

And to this extent, the statements in the present study which, although expressing a non-compliance with the recommendations in question, explicitly presented alternative and duly justified solutions considered as functionally equivalent to the implicit objective of each of the referred recommendations were subject to a valuation equivalent to a Comply.

With this purpose, when analysing the companies' Corporate Governance Reports, the explanations presented to justify the non-compliance with a particular recommendation were markedly valued.

As an example, among several explanations, we took into consideration the following:

- Recommendation I.3.3.: companies who justify the non-matching of one vote per share, explaining that in the case of non-existing voting caps, the smaller shareholders may gather to exercise their voting right;

- Recommendation II.1.5.2.: companies that have opted out benchmarking with other corporate groups as a parameter for setting the remuneration policy (which in itself can contribute to a worsening of the remuneration benefits) and disclose the information publicly;

- Recommendation II.2.5.: companies that state not having a rigid and abstract policy of portfolio rotation in the Board of Directors, but report a structured mechanism for the selection and allocation of responsibilities;

- Recommendation II.5.1.: companies which decide not to create specific committees for certain matters, justifying it as unnecessary and inadequate due to its small dimension.

The production method used for this report's chosen Index bears a great analytical character regarding the degree of compliance with the recommendations.

As such, it enables the identification of the companies that accept a greater number of the most relevant international corporate governance recommendations.

Lastly, we should also refer that the Index is not represented in terms of percentage for a more reliable correspondence with the logic of *comply or explain*.

In addition, a percentage would be closer to the mechanical measuring of compliance and box-ticking, which is herein deliberately avoided.

3.3. Method for the Assignment of the Corporate Governance Rating

In order to complement the presentation of the Católica Lisbon/AEM Index, the same root method was used in the creation of a corporate governance rating matrix, bringing this rating to the statistical class to which each company belongs when considering their observance with the recommendations.

As is the case with the companies' individual results, the individual corporate governance rating assessment is not disclosed by AEM, it is instead communicated to its members individually.

3.4. Comparability of Results

The method used in the preparation of this report's third edition has remained unchanged relatively to the previous edition, therefore allowing a comparability of the results obtained so as to gradually enrich the analysis with the extraction of additional data, as for instance, by recording evolutions, trends and other dynamics.

time which are a result of the frequent regulatory amendments taking place in the field of governance.

In the case of the present report, however, there are no legal or recommendatory amendments that might impair a direct comparison with last year's results.

It is usual to alert to the fact that empirical multiannual observations concerning the degree of adhesion to the corporate governance recommendations suffer fluctuations along

4. Analysis on the Degree of Compliance with Corporate Governance Recommendations in Portugal in 2012

The present chapter analyses the respective degree of compliance for each of the most significant corporate governance recommendations in Portugal by the companies listed in the Stock Exchange (Euronext Lisbon) on the 31st December of 2012.

For this purpose, we have considered as most relevant the recommendations with a maximum and mean relevance (see Chapter 2).

As aforementioned (see chapter 2), the companies chosen for the study are those under the Portuguese Law (except for EDP Renovaveis) which are listed in the Portuguese regulated market defined as Euronext Lisbon, run by Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A., and, therefore subject to CMVM's recommendations.

The degree of compliance with each recommendation considered was analysed among the companies that integrate the PSI 20 Index and the companies which are not part of this Index.

The results are shown in Table 4.1.

We may note that the degree of compliance by the Portuguese companies with the most relevant recommendations contained in the Corporate Governance Code was very significant.

We further conclude that, in general, this compliance is in fact higher in the PSI 20 Index Companies.

Hereupon, the results obtained for each of the most relevant recommendations are examined and when possible compared with the results obtained for 2012 and 2011.

Table 4.1

Percentage of compliance with the corporate governance recommendations in 2012

Page 1

				Percentage of companies in compliance		
Recommendations				All companies	PSI20	Others
General Meeting	Voting and Exercising voting rights	I.3.1	Vote by correspondence	100,0%	100,0%	100,0%
	Measures on the control of companies	I.6.1	Measures aiming to prevent successful takeover bids	85,7%	77,8%	91,7%
		I.6.2	Free transferability of shares	100,0%	100,0%	100,0%
Managing and Supervisory Bodies	Structure and duties	II.1.1.1	Assessment of the corporate model adopted	100,0%	100,0%	100,0%
		II.1.1.2				
		(i)	Implementation of internal control systems and risk management systems	95,3%	100,0%	91,7%
		(ii)	Components to be integrated in the internal control and risk management systems	74,4%	84,2%	66,7%
		II.1.1.3	Assessment of the functioning of the internal control and risk management systems	88,4%	94,7%	83,3%
		II.1.1.4				
		(i)	Identify economic, financial and legal risks	97,7%	100,0%	95,8%
		(ii)	Describe the performance and efficiency of the risk management system	88,4%	100,0%	79,2%

Table 4.1

Percentage of compliance with the corporate governance recommendations in 2012

Page 2

				Percentage of companies in compliance		
Recommendations				All companies	PSI20	Others
Managing and Supervisory bodies	Structure and duties	II.1.1.5				
		(i)	Operating regulations for the Managing Board	79,1%	94,7%	66,7%
		(ii)	Disclosure of the Managing Board's regulation in the Internet	74,4%	89,5%	62,5%
		(iii)	Operating regulations for the Supervisory Board	81,4%	94,7%	70,8%
		(iv)	Disclosure of the Supervisory Board's regulations in the Internet	76,7%	89,5%	66,7%
	Incompatibility and Independence	II.1.2.1	Number of non-executive members	85,7%	94,4%	83,3%
		II.1.2.2	Independent Directors	38,1%	61,1%	25,0%
		II.1.2.3	Assessment of independence	77,5%	72,2%	81,8%
	Eligibility and appointment criteria	II.1.3.1	Independence of the Chair of the Supervisory Board, Auditing and Financial Committees	90,7%	89,5%	91,7%
		II.1.3.2	Selection of non-executive Directors	45,2%	66,7%	29,2%

Table 4.1

Percentage of compliance with the corporate governance recommendations in 2012

Page 3

				Percentage of companies in compliance		
Recommendations				All companies	PSI20	Others
Managing and Supervisory bodies	Policy on the reporting of irregularities	II.1.4.1				
		(i)	Internal communication	86,0%	94,7%	79,2%
		(ii)	Treatment of communications	83,7%	94,7%	75,0%
	Remuneration	II.1.5.1				
		(i)	Remuneration of Directors with executive duties	68,3%	83,3%	56,5%
		(vi)	Variable remuneration schemes	71,4%	100,0%	33,0%
		(vii)	No compensation in a Director's dismissal without due cause	30,2%	52,6%	12,5%
		(viii)	Remuneration of the non-executive members	92,3%	88,9%	95,2%
		II.1.5.4				
		(i)	Approval in the General Meeting of plans for the share allocation plan and/or share purchase option plan	91,7%	100,0%	80,0%
		(ii)	Proposal must contain all the necessary elements for a correct assessment of the plan	100,0%	100,0%	100,0%

Table 4.1

Percentage of compliance with the corporate governance recommendations in 2012

Page 4

				Percentage of companies in compliance		
Recommendations				All companies	PSI20	Others
Managing and Supervisory bodies	Remuneration	(iii)	The proposal must contain the plan's regulations	100,0%	100,0%	100,0%
		(iv)	GM approval of retirement benefits for members of the Managing, Supervisory and remaining directors	90,9%	100,0%	83,3%
		II.1.5.6	One representative of the remuneration Committee in the GM	90,5%	94,7%	87,0%
	Board of Directors	II.2.1	Delegation of powers	85,7%	83,3%	87,5%
		II.2.2				
		(i)	Non-delegation of powers in the definition of the company's strategy and general policies	85,7%	83,3%	87,5%
		(ii)	Non-delegation of the definition of the group's corporate structure	90,5%	83,3%	95,8%
		(iii)	Non-delegation of strategic decisions	83,3%	77,8%	87,5%
		II.2.3	Ensure information and independence of the non-executive members	100,0%	100,0%	100,0%

Table 4.1

Percentage of compliance with the corporate governance recommendations in 2012

Page 5

				Percentage of companies in compliance		
Recommendations				All companies	PSI20	Others
Managing and Supervisory bodies	Specialised Committees	II.5.1				
		(i)	Creation of specialised committees for the assessment of executive Directors' performance	79,1%	73,7%	83,3%
		(ii)	Creation of specialised committees to for the assessment of the governance model adopted	83,7%	84,2%	83,3%
		(iii)	Creation of specialised committees to identify potential candidates for a director's position	74,4%	68,4%	79,2%
		II.5.2	Independence and duties of the Remuneration Committee members	71,1%	64,3%	75,0%
		II.5.3	Preventing conflicts of interest	95,3%	100,0%	91,7%
Information and auditing	General Disclosure Duties	III.1.1	Principle of equality for shareholders and equal access to information	97,7%	100,0%	95,8%

Table 4.1

Percentage of compliance with the corporate governance recommendations in 2012

Page 6

				Percentage of companies in compliance		
Recommendations				All companies	PSI20	Others
Information and auditing	General Disclosure Duties	III.1.4	Duties of External Auditor	86,0%	89,5%	83,3%
		III.1.5	Limits to the relations with External Auditor	81,4%	89,5%	75,0%

Key for the following pages

100%

100%

The percentage on the right refers to the degree of compliance by the total number of companies that make up the PSI 20

The percentages in grey refer to the homologous degree of compliance recorded in 2011

100%

100%

The percentage on the right refers to the degree of compliance by the total number of listed companies

4.1. Recommendations regarding the General Meeting

Voting by Correspondence (I.3.1)

The total number of listed companies welcomes the recommendation that prohibits limits to the exercise of voting by correspondence.

In 2011, the corresponding percentage was also 100%, both for the companies in the PSI 20 Index and the remaining ones. Nevertheless, we record an improvement when comparing to 2010 when the compliance for all the companies was at 97.7%.



Takeover Bids (I.6.1)

The recommendation regarding the use of measures adopted in order to prevent the success of takeover bids is accepted by 85.7% of the companies.

In this particular case, the compliance by the PSI 20 companies is lower, at only 77.8%. In 2011, the corresponding percentages were at 83.7% and 73.7% respectively. In 2010, the same percentages were around 77.3% and 70%, respectively.

Therefore throughout this three-year period, we have recorded a continued improvement on the degree of acceptance of this recommendation and a steady lower performance by the companies in the PSI 20 against the remaining ones.



Free Transfer of Shares (I.6.2)

The recommendation promoting the free transfer of shares is welcomed by the total number of listed companies, as in 2010.

In 2011, this same recommendation was accepted by 97.7% of the listed companies and also by all the PSI 20 companies.

100% 100%

of the companies that make up the PSI 20 Index welcome the recommendation on the free transfer of shares

100% 100%

of all listed companies welcome the recommendation on the free transfer of shares

4.2. Recommendations regarding the Management and Supervision Bodies

4.2.1 Structure and Duties

Evaluation of the Adopted Corporate Model (II.1.1.1)

The recommendation on the need to review the adopted corporate model and possible need to implement measures so as to enhance its functioning is accepted by 100% of the companies as in 2011, thus recording a steady maximum degree of compliance in the last two years.

In 2010, this recommendation was accepted by 86.4% of the companies, reaching 95% for the companies in the PSI 20 Index. We therefore witness a sustained improvement in the acceptance of this recommendation.

100% 100%

of the companies in the PSI 20 Index accept the recommendation regarding the need to evaluate the Corporate Model Adopted

100% 100%

of all listed companies welcome the recommendation regarding the need to evaluate the Corporate Model Adopted

Implementation of Internal Control Systems and Risk Management Systems (II.1.1.2.i)

The recommendation that calls for the implementation of internal control systems and risk management systems is followed by 95.3% of the companies and by all the companies in the PSI 20 Index.

Once more we witness a better degree of acceptance when comparing to the previous year.



Components to Integrate in the Internal Control Systems and Risk Management Systems (II.1.1.2.ii)

The recommendation regarding the components to be integrated in the internal control and risk management systems is respected by 74.4% of the listed companies and 84.2% of the PSI 20 companies.

In 2011, the corresponding figures were lower, 70.5% and 80%, respectively.

In 2010, these two recommendations were analysed jointly and were accepted by 86% of the listed companies and by 90% of the companies that make up the PSI 20.



Assessment of Internal Control Systems and Risk Management Systems (II.1.1.3)

88.4% of the companies follow the recommendation that calls for the assessment of the Internal Control Systems and Risk Management Systems.

This percentage was at 93.2% in 2011 and 81% in 2010, thus recording an improvement in the degree of compliance with this recommendation when comparing to 2010 but, on the other hand, presenting a decrease when compared to 2011.

When referring to the PSI 20 companies, the abovementioned percentage has declined from 100% to 94.7%, presenting still a high degree of compliance.



Identifying Economic, Financial and Legal Risks (II.1.1.4.i)

In 2012 as well as in 2011, 97.7% of the listed companies identify, in their yearly Report, the major economic, financial and legal risks associated to the exercise of their activity.

In terms of PSI 20 companies, the respective percentage reaches 100%.

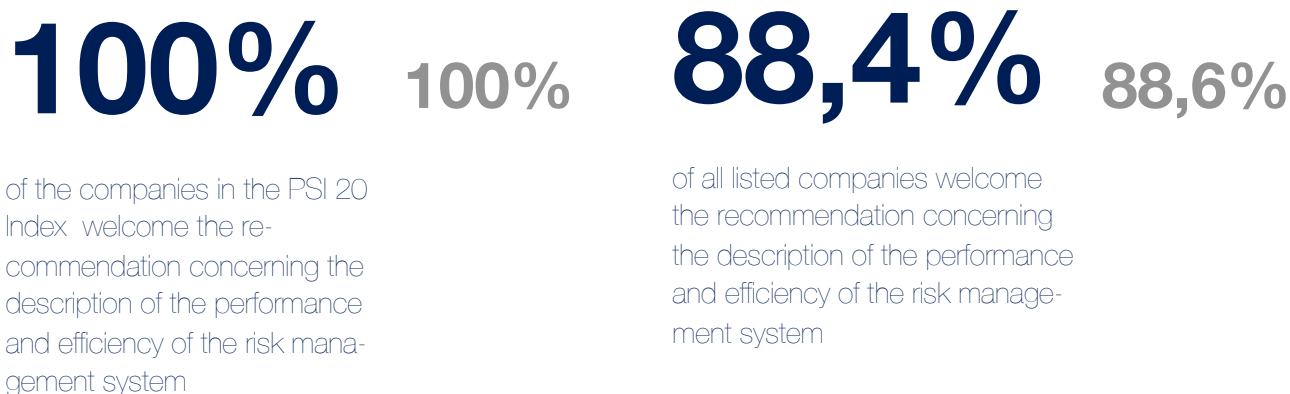


Description of Performance and Efficiency of the Risk Management System (II.1.1.4.ii)

In 2012, 88.4% of the listed companies describe, again in the yearly Report, the performance and efficiency of the risk management system. This percentage reaches 100% in the case of the PSI 20 companies.

Between 2011 and 2012, the degree of compliance remained the same for all the listed companies as well as for the PSI 20 companies.

The compliance with these last two recommendations was analysed jointly in 2010, when 86.4% of the listed companies and 95% of the companies that make up the PSI 20 Index identified, in their annual Report, the major economic, financial and legal risks to which the company is exposed, also describing the performance and efficiency of the risk management system.



Operating Regulations for the Management Bodies (II.1.1.5.i)

94.7% of the companies in the PSI 20 Index have operating regulations for management bodies.

For all the listed companies, the respective percentage is lower being at around 79.1%.

A slight decrease in the percentage of companies that welcome this recommendation is recorded when comparing the results with 2011 when the percentage was at 79.5% in the case of the listed companies and at 100% for the companies in the PSI 20 Index.



Disclosure of Regulations for the Management Bodies on the Internet (II.1.1.5.ii)

74.4% of the listed companies release, on their internet websites, the operating regulations designed for the management bodies.

This percentage is of 89.5% for the PSI 20 companies.

The slight decrease in the percentage of listed companies that actually welcomes this recommendation (75% in 2011) is due to, in this case as before, a decrease in the compliance among the PSI 20 companies (95% in 2011).

89,5% 95%

of the companies in the PSI 20 Index welcome the recommendation regarding the release of regulations for the management bodies on the Internet

74,4% 75%

of all listed companies welcome the recommendation regarding the release of regulations for the management bodies on the Internet

Regulations for the Supervisory Bodies (II.1.1.5.iii)

94.7% of the companies in the PSI 20 Index have available the respective regulations for the supervisory bodies (we record a decline against 2011, when the total number of PSI 20 companies complied with this recommendation).

A not very significant decrease is also recorded for all the listed companies when comparing to 2011, from 81.8% to 81.4% (once again, the decrease is explained by the behaviour of the PSI 20 companies since this percentage has in fact increased for the remaining companies).

94,7% 100%

of the companies in the PSI 20 Index accept the recommendation regarding operating regulations for the supervisory bodies

81,4% 81,8%

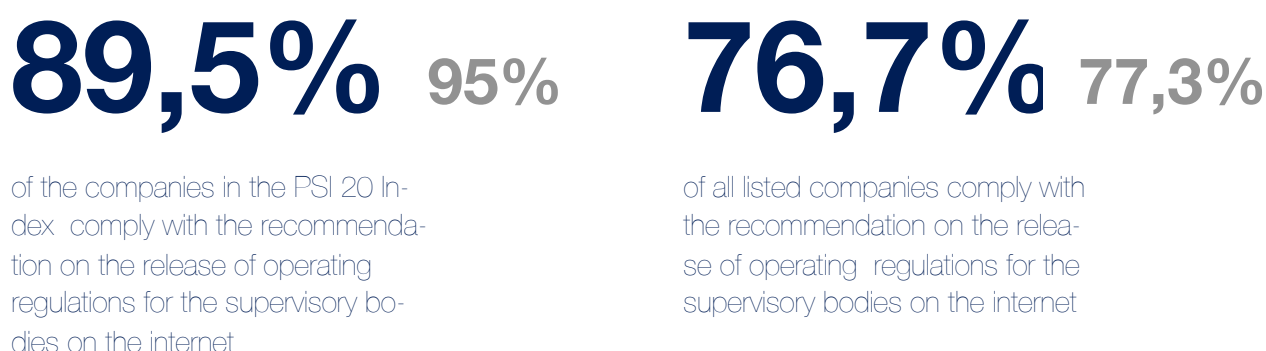
of all listed companies accept the recommendation regarding operating regulations for the supervisory bodies

Disclosure of the Regulations of the Supervisory Bodies on the Internet (II.1.1.5.iv)

76.7% of the listed companies release, on their internet websites, the regulations for the functioning of the supervisory bodies which translates a 0.6 percent decrease when compared to 2011.

The corresponding percentage for the companies that make up the PSI 20 Index is at 89.5%. In this case and when compared to 2011, the decrease is of 5.5 percent.

In 2010, the degree of compliance concerning these last four recommendations was analysed as a group showing 85% of compliance by the PSI 20 companies. This result was at 68% for all the listed companies.

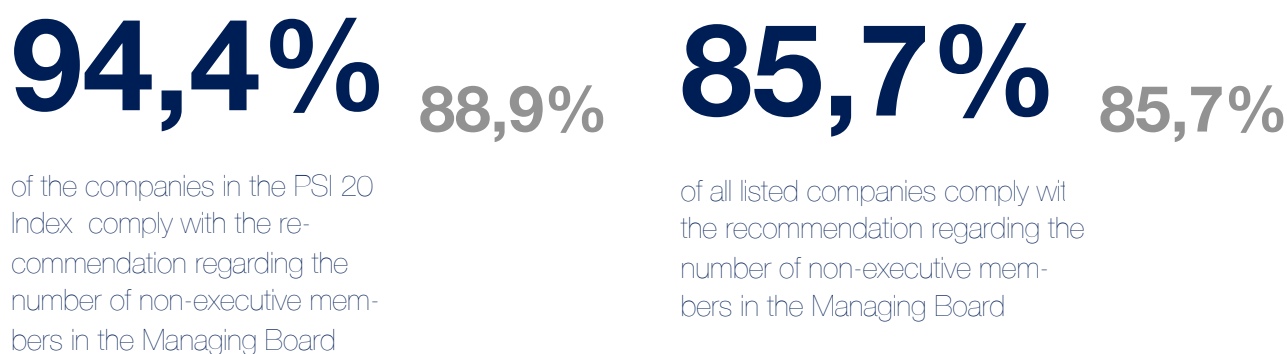


4.2.2 Incompatibility and Independence

Number of Non-Executive Members (II.1.2.1)

The recommendation establishing that the number of non-executive directors in the Managing Board (Board of Directors) should be enough to guaranty an effective supervision, monitoring and assessment of the executive members' activity is accepted by 94.4% of the PSI 20 companies and by 83.3% of the remaining listed companies, that is, those which do not integrate the PSI 20 Index.

Comparing these with the figures obtained in 2011, 88.9% and 83.3% respectively, we find a significant increase in compliance with this recommendation by the PSI 20 companies (nevertheless lower when comparing to the figures recorded for 2010 which were, respectively 100% and 85.7%).



Independent Directors (II.1.2.2)

The recommendation that establishes a number of independent directors never below one quarter of the total number of directors, among the non-executive directors, is still one of the least accepted recommendations among the Portuguese listed companies, followed by only 61.1% of the companies that make up the PSI 20 Index and only 38.1% of the remaining listed companies.

The compliance by the PSI 20 companies has remained unchanged with respect to 2011, but has on the other hand worsened when compared to 2010 (66.7%).

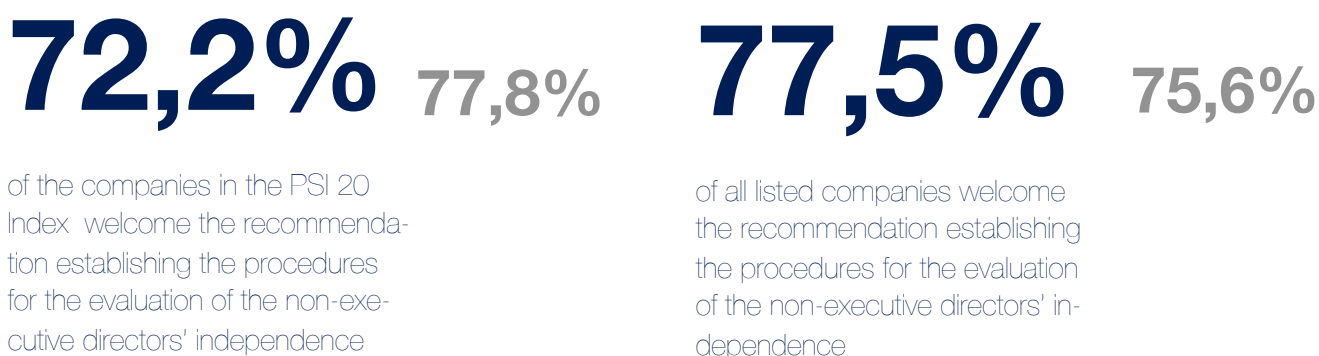
We should further note that these figures are inferior to those recorded in 2011 and 2010, for all listed companies (40.5% and 47.6% respectively).



Evaluation of Independence (II.1.2.3)

The recommendation that establishes the procedures for the evaluation of the independence of the non-executive directors is welcomed by 77.5% of the companies. This percentage is higher, 81.8%, in the case of the companies outside the PSI 20 Index, and 72.2% only for the companies in the national index.

We verify a reversal of results when comparing to 2011, where the ratio was slightly higher for the companies in the PSI 20. For that year, the corresponding percentages were 75.6% for the listed companies and 77.8% in the case of the PSI 20 companies. When comparing to 2010, we witness a clear improvement in terms of compliance, when the percentages were at 64.3% and 66.7% respectively.



4.2.3 Eligibility and appointment criteria

Independence of the Chair of the Supervisory Board, the Audit Committee and the Financial Matters Committee (II.1.3.1)

89.5% of the companies in the PSI 20 follow the recommendation stating that the President of the Supervisory Board, Audit Committee and Financial Matters Committee should be independent and adequately skilled to the exercise of the respective functions. This percentage is slightly inferior to that recorded for all listed companies, *i.e.*, 90.7%.

For 2011, the percentage of listed and PSI 20 companies welcoming this recommendation decreased slightly, in terms of figures representing a decrease of 0.5 and 0.2 percent respectively.

As for 2010, the decline by all listed companies was superior, the compliance having been at 95%. However, it remained the same for the PSI 20 companies from 2010 to 2011.

89,5% 90%

of the companies in the PSI 20 Index welcome the recommendation concerning the independence of the Chair of the Supervisory Board, Audit Committee and Financial Matters Committee.

90,7% 90,9%

of all listed companies welcome the recommendation concerning the independence of the Chair of the Supervisory Board, Audit Committee and Financial Matters Committee.

Selection of Candidates for the Post of Non-Executive Directors (II.1.3.2)

Less than half (45.2%) of the listed companies welcome the recommendation that calls for a process of selection of candidates for non-executive directors' functions designed so as to prevent the interference of executive members.

In the case of the PSI 20 companies, the compliance is higher although still only at 66.7% regarding this recommendation. However, we should stress that the percentages obtained did improve in relation to 2011.

For that year, the percentages observed were lower: 35.7% of the listed companies and 61.1% of the PSI 20 companies welcomed this particular recommendation.

By comparing the results with 2010, the figures deteriorated for all listed companies (50% compliance) not having however changed when referring to the PSI 20 companies (compliance by two thirds of the companies).

66,7% 67,7%

of the companies in the PSI 20 Index welcome the recommendation concerning the selection of candidates for non-executive directors

45,2% 45,2%

of all listed companies welcome the recommendation concerning the selection of candidates for non-executive directors

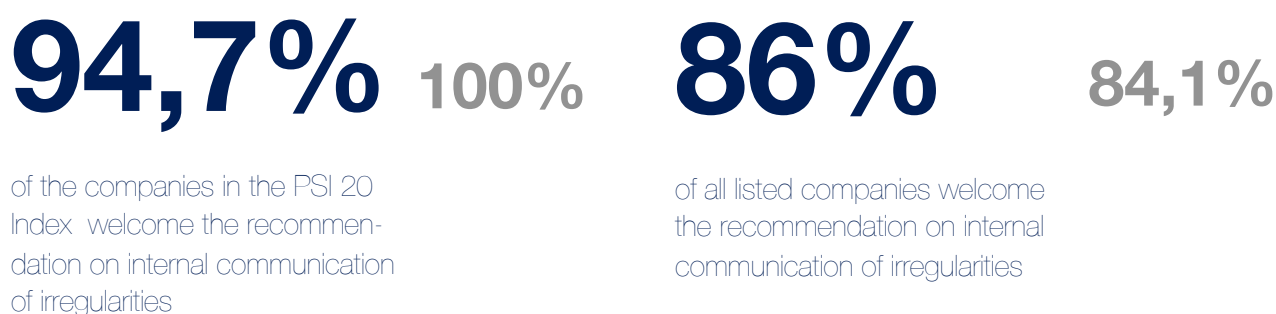
4.2.4 Policy regarding the Reporting of Irregularities

Internal Communication (II.1.4.1.i)

94.7% of the companies in the PSI 20 Index follow a policy on the reporting of irregularities pursuant to international recommendations on corporate governance.

For the companies outside the PSI 20 Index, this percentage is of 79.2% for internal communication.

In 2011 and 2010, all the companies in the PSI 20 Index complied with this recommendation. On the other hand, the percentage of compliance, in 2011 and by the other companies declined (70.8%).



Treatment of Communications (II.1.4.1.ii)

94.7% of the companies that make up the PSI 20 Index comply with the recommendation establishing the treatment of communication of irregularities.

For the companies which do not integrate the PSI 20, this percentage is at 75% concerning the treatment of communications. In 2011 and 2010, all the companies in the PSI 20 Index welcomed this recommendation. For all the remaining companies, this percentage was lower (66.7%) in 2011.

In 2010, these two recommendations were analysed as a whole and the percentage of compliance was at 62.5% by the remaining companies.



4.2.5 Remuneration

Remuneration of the Executive Directors (II.1.5.1.i)

For 83.3% of the PSI 20 companies, the remuneration of directors with executive duties integrates a variable component, which is determined by a performance evaluation.

This percentage is greatly inferior, *i.e.*, 56.5% in the remaining companies which are not part of the PSI 20 Index. Nevertheless, the degree of compliance by these latter companies has improved against the results obtained for 2011 and 2010, years when the percentages were at 47.8% and 41.7% respectively.

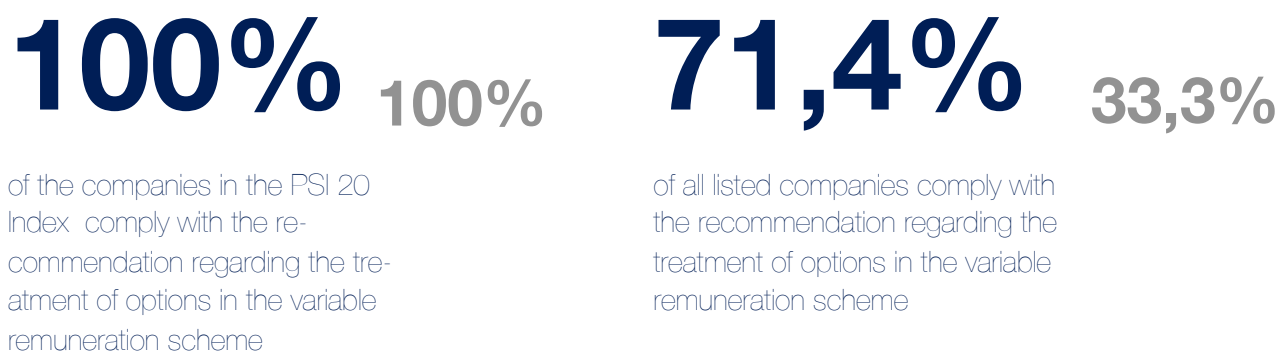
For the PSI 20 companies, the degree of compliance with this recommendation declined relatively to 2011 and 2010, when the percentage of PSI 20 companies welcoming this recommendation was of 95% and 90%, respectively.



Options in the Variable Remuneration (II.1.5.1.vi)

The recommendation regarding the treatment of options, when these are part of the variable remuneration, is followed by the total number of companies in the PSI 20 Index and by only one third of the remaining companies.

When comparing with 2011 and 2010, we verify that the PSI 20 companies maintained their degree of compliance side by side with a significant increment in the acceptance of this recommendation by the remaining companies when considering that for 2011 as well as for 2010 none of these companies welcomed it.



Absence of Compensation in a Director's Dismissal without Just Cause (II.1.5.1.vii)

The recommendation stating that the compensation for any director's dismissal without just cause should not be paid when it is the result of the director's inappropriate performance is one of the least accepted. In fact, only 52.6% of the companies in the PSI 20 follow it and among the remaining companies this percentage drops to 12.5%.

Nevertheless, when comparing to 2011, when only 45% of the PSI 20 companies and 8% of the other companies respected this recommendation, we have recorded a general. In 2010 the compliance was of 30% for the PSI 20 companies and 13% for the remaining corporations.

52,6% 45%

of the companies in the PSI 20 Index comply with the recommendation regarding the lack of compensation in the dismissal of a director without just cause

30,2% 25%

of all listed companies comply with the recommendation regarding the lack of compensation in the dismissal of a director without just cause

Remuneration of Non-Executive Members (II.1.5.1.viii)

The percentage of companies that follow the recommendation according to which the remuneration of the non-executive members of the Managing Board should not include any component whose amount may depend on performance or value of the company is complied with by 88.9% of the PSI 20 companies. This percentage, in 2011, was 88.2% and, in 2010, was only 72.2%.

For the remaining issuer companies, not in the PSI 20 Index, this percentage has also improved, from 85.7% in 2011 to 95.2% in 2012. In 2010, this percentage was at 77.3%.

88,9% 88,2%

of the companies in the PSI 20 Index comply with the recommendation establishing remuneration for non-executive members

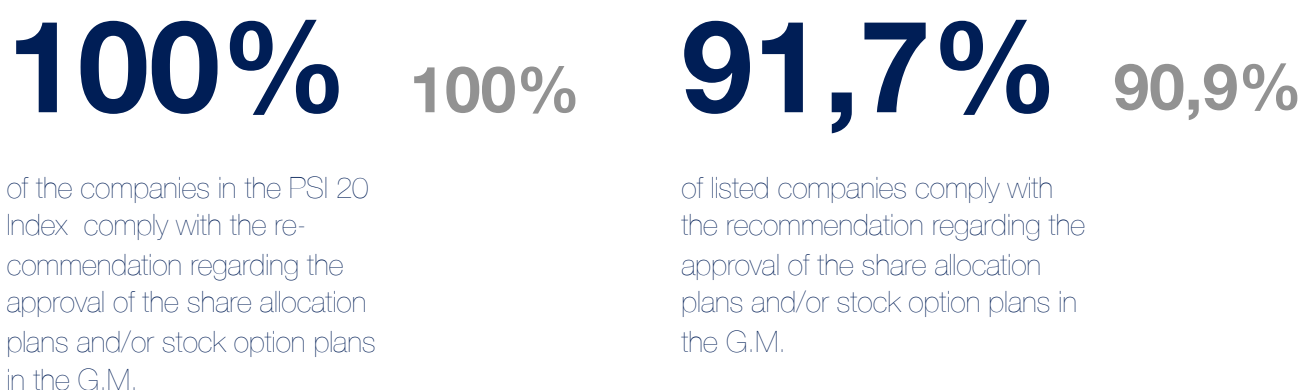
92,3% 86,8%

of all listed companies comply with the recommendation establishing remuneration for non-executive members

Approval in the General Meeting of the Proposal Regarding Share Allocation Plans and/or Stock Option Plans (II.1.5.4.i)

In 2012 as well as in 2011, all the companies in the PSI 20 Index submitted to the General Meeting, for approval, the proposal on the share allocation plans and /or stock option plans for members of the managing board, supervisory body and remaining directors.

Concerning other companies, i.e., not in the PSI 20 Index, this percentage was of 80% against two thirds in 2011.



The Proposal should contain all the Elements Necessary to a Correct Appraisal of the Plan (II.1.5.4.ii)

For all the listed companies, the proposal presented to the General Meeting contains all the elements deemed necessary to a good assessment of the share allocation plans and/or the stock option plans for members of the managing board, supervisory bodies and remaining heads, for both years under review.



The Proposal must contain the Plan Regulations (II.1.5.4.iii)

Once more, in 2012 as well as in 2011, and for the total number of listed companies, the proposal regarding the approval of the share allocation plans and/or stock option plans for members of the managing board, supervisory bodies and remaining heads, contains the plan regulations.

100% 100% **100%** 100%

of the companies in the PSI 20 Index comply with the recommendation ensuring the proposal is presented with the plans regulations

of all listed companies comply with the recommendation ensuring the proposal is presented with the plans regulations

Approval in the General Meeting of Retirement Benefits for the members of the Managing Board, Supervisory Body and other Directors (II.1.5.4.iv)

In 2012, as in 2011, all the companies in the PSI 20 Index approved in the General Meeting the retirement benefits for members of the managing board, supervisory body and remaining directors.

When referring to other listed companies, 83.3% followed this recommendation in 2012.

This last percentage is significantly higher than that recorded in 2011: 50%. We thus witness an important increase in the percentage of companies that do follow this recommendation which goes from 83.3% in 2011 to 90.9% in 2012.

For 2010, the compliance with these last four recommendations was analysed as a whole and the percentages of acceptance were at 81.8% for the companies in the PSI 20 Index and 72.7% for the remaining companies.

100% 100% **90,9%** 83,3%

of the companies in the PSI 20 Index accept the recommendation stating that the retirement benefits for members of the managing board, supervisory body and other directors should be approved in the G.M.

of all listed companies accept the recommendation stating that the retirement benefits for members of the managing board, supervisory body and other directors should be approved in the G.M.

Representation in the General Meeting of one Remuneration Committee Member (II.1.5.6)

For 94.7% of the companies in the PSI 20 and 87% of the remaining listed companies, at least one remuneration committee representative is present in the general shareholders' meetings.

In 2011, the corresponding percentages were of 95% in the case of the PSI 20 companies and 75% for the remaining companies.

For 2010, the percentages were 95% and 78.3%, respectively.

94,7% 95%

of the companies in the PSI 20 Index comply with the recommendation regarding the representation of one member of the remuneration committee in the G.M.

90,5% 84,1%

of all listed companies comply with the recommendation regarding the representation of one member of the remuneration committee in the G.M.

4.2.6 Managing Board

Delegation of Duties (II.2.1)

The recommendation stating that the Managing Board should delegate the daily management of the company and that the delegated powers/duties should be identified in the annual Corporate Governance Report is followed by 85.7% of the listed companies (83.3% in 2011 and 80.5% in 2010).

This figure was of 83.3% for the PSI 20 companies in 2012 and 88.9% in 2011 and 2010.

83,3% 88,9%

of the companies in the PSI 20 Index welcome the recommendation regarding the delegation of duties

85,7% 83,3%

of all listed companies welcome the recommendation regarding the delegation of duties

Non-Delegation of the Corporation's Definition of Strategy and General Policies (II.2.2.i)

The recommendation prohibiting the delegation of the company's definition of strategy and general policies is complied with by 85.7% of all listed companies as in 2011 and by 83.3% of the PSI 20 companies (88.9% in 2011).



Non-Delegation of the Definition of the Group's Corporate Structure (II.2.2.ii)

In 83.3% of the PSI 20 companies and 90.5% of all listed companies, the managing board does not delegate the definition of the group's corporate structure.

In 2011, the percentage of all listed companies welcoming this recommendation was higher (92.9%). The observed decrease in 2012 was due to the PSI 20 companies, since the percentage of the other companies welcoming this recommendation remained at 95.8%.

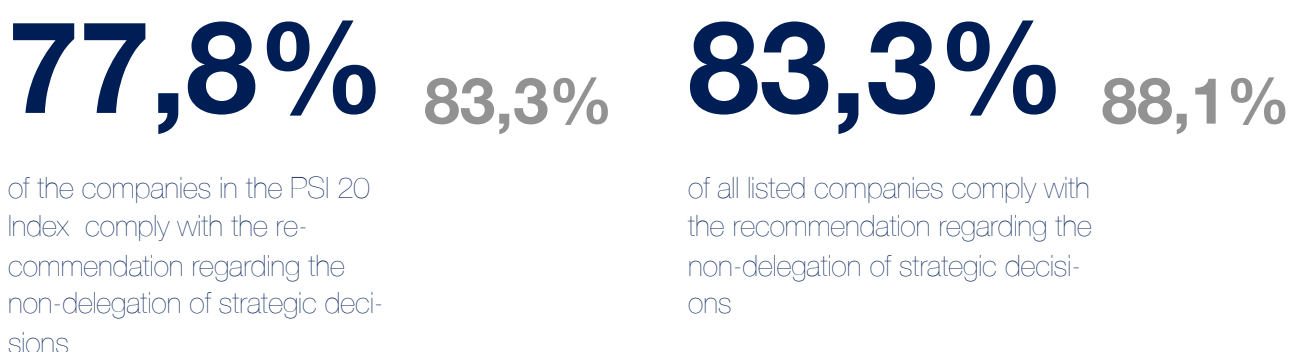


Non-Delegation of Strategic Decisions (II.2.2.iii)

In 77.8% (83.3% in 2011) of the companies in the PSI 20 Index and 83.3% (88.1% in 2011) of all listed companies, the Managing Board does not delegate the strategic decision making.

We can therefore see a decline in the degree of compliance with this recommendation by all listed companies.

In 2010, these three recommendations were analysed as a single set and the recommendation establishing the non-delegable competences was followed by 82.9% of the listed companies and by 88.9% of those in the PSI 20.



Ensure Information and Independence of the Non-Executive Members (II.2.3)

All the companies in the PSI 20 Index (in 2011 and 87.5% in 2010) and remaining companies (91.7% in 2011 and 75% in 2010) welcome this recommendation which states that if the Chair of the Managing Board has executive duties, then the Managing Board must find mechanisms to ensure that the non-executive members can make independent and well-informed decisions.



4.2.7 Special Committees

Creation of Special Committees to Appraise Executive Directors' Performance (II.5.1.i)

The necessary committees have been created to secure a competent and independent assessment of the executive directors' functions in 73.7% of the companies in the PSI 20 Index and in 83.3% of the remaining companies.

We may see an improvement in the degree of compliance with this particular recommendation when comparing with 2011, when this percentage was of 77.3%, against 79.1% in 2012.

73,7% 75%

of the companies in the PSI 20 Index comply with the recommendation which ensures the creation of special committees for the evaluation of the executive directors' performance

79,1% 77,3%

of all listed companies comply with the recommendation which ensures the creation of special committees for the evaluation of the executive directors' performance

Creation of Specialised Committees for the Evaluation of the Governance System (II.5.1.ii)

The necessary committees to ponder upon and improve the adopted governance system are established in 83.7% of the issuer companies and 84.2% of those in the PSI 20 Index. The percentage of listed companies that accept this recommendation showed a 0.4 percent decrease against the results of 2011, entirely due to the PSI 20 companies.

84,2% 85%

of the companies in the PSI 20 Index comply with the recommendation which ensures the creation of specialised committees for the evaluation of the governance system

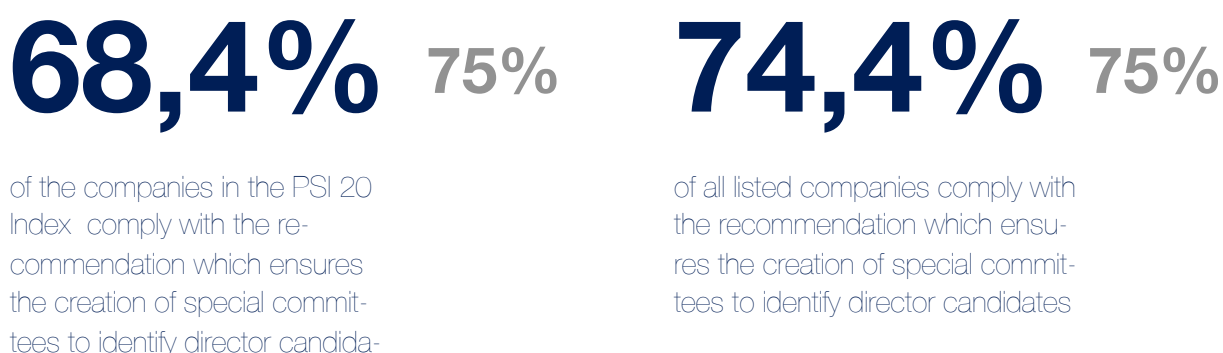
83,7% 84,1%

of all listed companies comply with the recommendation which ensures the creation of specialised committees for the evaluation of the governance system

Creation of Special Committees to Identify Candidates for a Director's Position (II.5.1.iii)

In 74.4% of the issuer companies (inside and outside of the PSI 20 Index), the necessary committees to timely identify potential candidates to perform the functions of director are in place. The respective percentage was 75% in 2011.

In 2010, the last three points were analysed globally, with the following results: for 75% of the issuer companies (within and outside of the PSI 20 Index) the necessary committees were implemented so as to ensure a competent and independent performance evaluation, better the governance system adopted and identify potential candidates to perform the duties of a director.

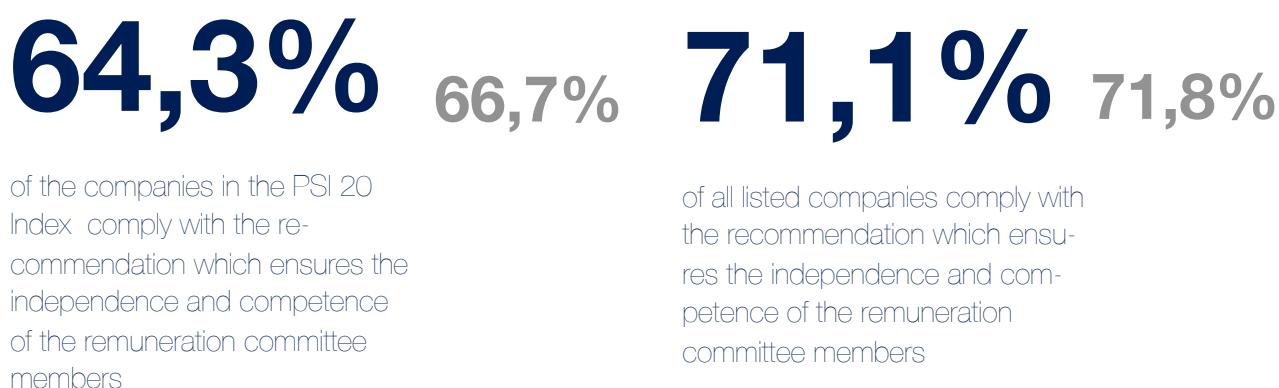


Independence and Competence of the Remuneration Committee Members (II.5.2)

The recommendation that calls for the independence of the members belonging to the Remuneration Committee in relation to members of the Board, including at least one member with knowledge and experience in matters of remuneration policies is followed by 71.1% of the issuers and by only 64.3% of the companies in the PSI 20 Index. The performance by the companies integrating the Portuguese benchmark Index is thus poorer, presenting a negative evolution when compared to 2011, continuing a downward trend since 2010.

Indeed, in 2011 this percentage was of 66.7% in the PSI 20 companies and 71.8% in 2010.

We witness, on the other hand, a sustained performance by the remaining companies, that is, those not integrated in the PSI 20 Index, where the proportion is still at 75% as in 2011, improving the result against 2010 when the respective figure was 62.5%.



Prevention of conflicts of Interest (II.5.3)

The recommendation that aims to prevent conflicts of interest in determining remunerations, namely by stipulating that a person who renders or has rendered services to the company in the last three years shall not be recruited to assist the Remuneration Committee, is welcomed by the total number of companies in the PSI 20 Index and by 91.7% of the remaining companies.

The corresponding figures were, in 2011, 95% in the case of the PSI 20 companies and 91.7% for the remaining companies.

In 2010, the results obtained were 85% and 75%, respectively. The significant betterment in terms of general compliance with this recommendation should therefore be pointed out.

100% 95%

of the companies in the PSI 20 Index welcome the recommendation which aims to prevent conflicts of interest in determining remunerations

95,3% 93,2%

of all listed companies comply with the recommendation which aims to prevent conflicts of interest in determining remunerations

4.3 Information and Audit

4.3.1 General Information Duties

Principle of Shareholder Equality and Prevention of Asymmetries in the Access to Information (III.1.1)

As in 2011 and 2010, the total number of the companies in the PSI 20 respects the principle of shareholder equality preventing asymmetries in the access to information by investors, with the existence of an Investor's Assistance Unit.

This percentage was at 95.8% for the remaining listed companies in 2010, 2011 and 2012.

100% 100%

of the companies in the PSI 20 Index comply with the recommendation which ensures the principle of shareholder equality preventing asymmetries in information

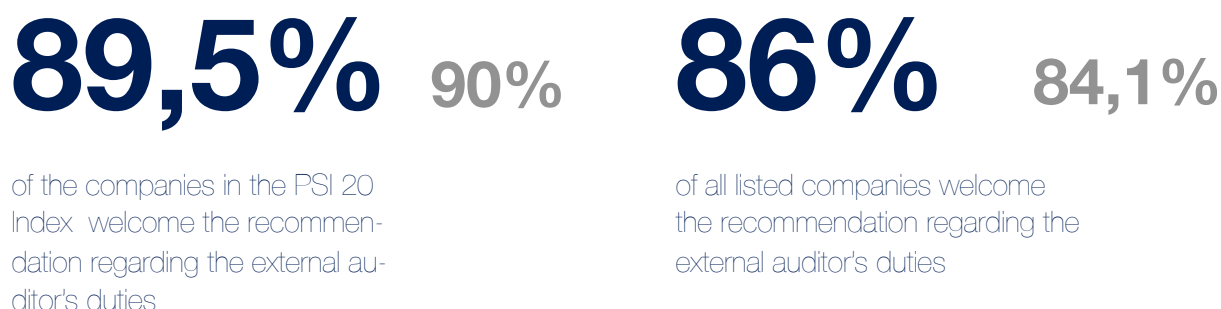
97,7% 97,7%

of all listed companies comply with the recommendation which ensures the principle of shareholder equality preventing asymmetries in information

External Auditor's Duties (III.1.4)

The recommendation regarding the duties of the external auditor is followed by 89.5% of the PSI 20 companies (90% in 2011 and 85% in 2010) and by 83.3% of the remaining listed companies (79.2% in 2011 and 62.5% in 2010).

We should also note, for this recommendation, an improvement in terms of compliance by the companies outside the PSI 20 Index.

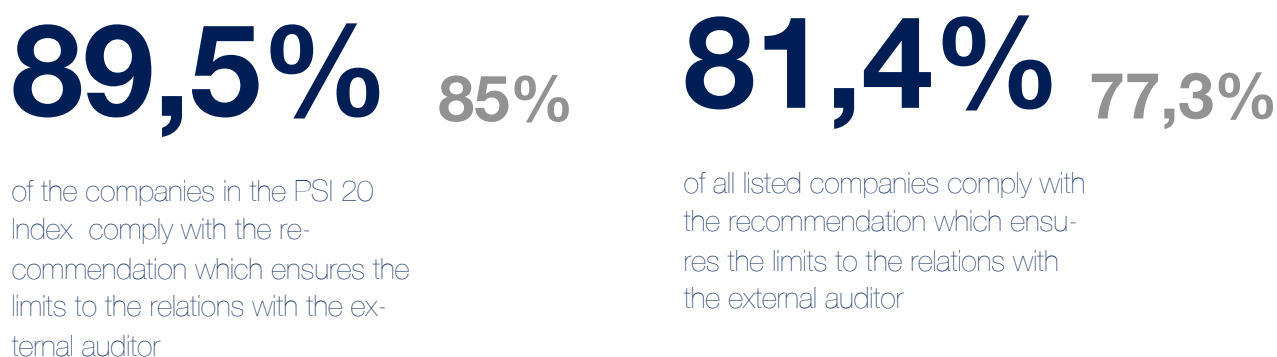


Limits to the Relations with External Auditor (III.1.5)

The recommendation according to which the company must not appoint an external auditor for a significant number of services is welcomed by 81.4% of the listed companies (89.5% for the PSI 20 companies).

In 2011, 77.3% of the listed companies had accepted this recommendation (85% in the case of the PSI 20 companies). In 2010, in turn, these figures were 65.9% and 65% respectively.

To refer once more the better compliance on the part of all issuer companies as well as a strong growth in the compliance with this particular recommendation.



4.4. Final Comments

Firstly, we would like to point out the increase in the degree of compliance recorded in 2012, which did greatly improve in relation to 2011.

As a matter of fact, six (14%) out of the 42 recommendations reviewed in this chapter are welcomed by all the listed companies and 38% of the mentioned 42 recommendations are followed by more than 90% of the listed companies. In 2011, these figures were 9.5% and 31% respectively.

Furthermore, we verify that the compliance degree by the companies in the PSI 20 Index is higher than that observed for the remaining companies.

In fact, 13 (31%) out of the 42 recommendations are accepted by the total number of the PSI 20 companies and 50% of the recommendations are followed by more than 90% of the corporations included in this Index.

Nevertheless, in 2011, the corresponding percentages were at 42.8% and 57% respectively, which means that the recorded global improvement was very much due to the companies outside the Index. In fact, those in PSI 20 Index showed a worse performance.

Among the recommendations with a higher degree of compliance we find those referring to the functioning and competences of the General Meeting (100% of compliance for two of three considered recommendations), those regarding the Internal Control Systems and Risk Management Systems

(100% of compliance by the PSI 20 companies with three out of the five recommendations) and also the ones concerning the share allocation plans and the need to approve in the General Meeting the retirement benefits of the members of the managing boards, supervisory bodies and other directors (100% of compliance by the PSI 20 companies in four out of five recommendations considered).

Noteworthy, in the last case, is the relevant improvement among the companies which do not integrate the PSI 20 Index.

While in 2011, only 50% of these companies approved the retirement benefits of the managing boards, supervisory bodies and other directors, in 2012 this percentage reaches 83.3%.

The recommendations designed to prevent conflicts of interest and establish the principles of shareholder equality are also among those widely accepted (100% of compliance by the PSI 20 companies).

As for the companies outside the PSI 20 Index, the most relevant increases in compliance have to do with recommendations referring to the approval, in the General Meeting, of the retirement benefits of the managing boards, supervisory bodies and other directors (83.3% in 2012 and only 50% in 2011) and the approval, again in the General Meeting, of the share allocation plans and/or stock option plans (80% in 2012, against two thirds in 2011).

Among the recommendations with a poorer degree of compliance we may highlight those regarding remunerations.

However, the level of compliance observed did improve by comparison with 2011. In fact, the recommendations stating that there should not be compensation in the dismissal of a director without just cause is only accepted by 52.6% of the PSI 20 companies (45% in 2011) and by a low 12.5% of the remaining listed companies (8.3% in 2011).

Although the recommendation on the use of remuneration options was, throughout 2012, welcomed by only one third of the companies outside the PSI 20 Index, it presents an improvement in compliance if we consider that in 2011 it was not accepted by any of these companies.

In matters of incompatibility and independence of the managing and supervisory bodies, we still verify a low level of compliance.

As seen in 2011, the recommendation regarding the proportion of independent directors is accepted by only 61.1% of the PSI 20 companies and by a mere 25% of remaining listed companies.

We may also find, as in 2011, that compliance by the companies which do not integrate the PSI 20 Index is also low in what respects the selection of non-executive directors (29.2% of compliance in 2012 and 16.7% in 2011) and concerning the remuneration of directors with executive duties (56.5% of compliance in 2012 and 47.8% in 2011).

Nevertheless, we have observed a significant improvement in compliance for all these in relation to results obtained for 2011.

It is also important to mention that for the companies outside the PSI 20 Index, the degree of compliance has only suffered a decline regarding two recommendations.

5. Calculation of the Católica Lisbon/AEM Corporate Governance Index and Rating in 2012

5.1. The Católica Lisbon/ AEM Corporate Governance Index

This section presents and analyses the production of the Católica Lisbon/AEM Index.

This Index measures, for each company listed in the Stock Exchange market, the degree of compliance with the Portuguese corporate governance recommendations which have a match with international recommendations and regulations (see chapter 2).

Indeed, as explained previously, only the Corporate Code's recommendations with a parallel with international reference texts were considered in the construction of this Index.

Among these, we further distinguish as more relevant those with a higher number of matches with the international benchmarks.

The Católica Lisbon/AEM Index is, therefore, a weighted Index, which does not take into consideration the Portuguese code recommendations that do not mirror international texts.

To be noted, also, that in the production of the Index for each company, the recommendations deemed not applicable for that same company have not been considered.

As such, we produce a unique Index, original in its assumptions, that is presented for the third consecutive year and which is not directly comparable to any other compliance indicator existing for the Portuguese capital market.

The value of the index for each company shall represent the respective level of compliance with the governance rules applied in Portugal with international relevance.

This Index, in its own scale, may present figures ranging from 5.000 to 10.000; the value 5.000 corresponds to a total non-compliance and 10.000 to a scenario of total compliance.

Also, to be referred that the methodological changes introduced in 2011 in the calculation of the Index, thoroughly explained in the 2012 Report, do not allow a comparison of values obtained for 2012 and 2011 with those available for 2010.

So being, in the chapter, we compare the years of 2012 and 2011 only.

In the following table we present some of the descriptive statistics concerning the distribution of the Católica Lisbon/AEM Index, in 2012, for the 43 companies comprised in the study as well as for those in the PSI 20 Index.

	All Companies	Companies in the PSI 20 Index
Mean	9224	9452
Variable	282585	139838
Standard deviation	532	374
Median	9380	9584
1.st Quartile	8942	9149
3.st Quartile	9640	9762
Inter-quartile variation	698	613
Maximum	9989	9989
Minimum	7878	8607
Range of variation	2111	1382
Coefficient of variation	6%	4%
Number of companies	43	19

Table 5.1 – Católica Lisbon/AEM Index in 2012 – Descriptive statistics

On average, the weighted degree of compliance with the governance rules with an international correspondence, by the Portuguese listed companies in 2012, calculated by the index was of 9.224, which means 58 points more than last year.

When we distinguish between companies that integrate or not the PSI 20 Index, we found that the average degree of the former is largely higher than the latter.

In addition, for the 28 companies affiliated to AEM included in this study, the mean degree of compliance was significantly higher to

that obtained by the non-associated companies, 9.468 against 8.768 points.

For all the listed companies as well as the companies in the PSI 20 Index, and such as in 2011, the median values recorded were higher than the mean, 9.380 and 9.584 respectively.

This means that for 50% of the listed companies the Index value was above 9.380 and that for half of the companies in the PSI 20, the Index exceeded 9.584 points.

By comparing the mean and the median results, we verify that for both the set of 43 companies considered and the subset of 19 in the PSI 20 Index, on the date of observation, *i.e.*, 31st December of 2012, we have a concentration on the right side of distribution, that is, the one corresponding to higher values.

To be noted that the same is true for the AEM associated companies which are included in the study; for these companies the median was of 9.578 points (despite this, it is noted that from 2011 to 2012, the median of the PSI 20 companies fell 31 points, suggesting a drop in the percentage of companies on the right side of distribution against the previous year).

The values obtained for the first and third quartiles confirm the above results. In fact, for 75% of the 43 companies the Index value was superior to 8.942, standing at 9.640 for 25% of the companies.

For the PSI 20 companies, in 75% of the cases, the Index value exceeded the 9.149 points and 9.762 points in 25% of the companies.

For the 28 AEM associated companies, the first and third quartiles were at 9.316 and at 9.706 respectively.

Considering matters of dispersion, we verify that it is not very marked.

9989

Maximum degree of compliance with the governance rules bearing International correspondence achieved by the Portuguese listed companies in 2012.

9224

Mean of the weighted degree of compliance with governance rules with international correspondence

9452

Mean of the weighted degree of compliance with the governance rules with international correspondence by the companies listed in the PSI 20 Index.

9468

Mean of the weighted degree of compliance with governance rules with international correspondence by the companies affiliated to AEM.

Thus, in 2012, the Index recorded values between 7.878 and 9.989, showing a variation range of only 2.111 points. The standard deviation was of 532, corresponding to a variation coefficient of 6%.

As seen in table 5.1, the dispersion is significantly lower for the companies in the PSI 20 Index. The same applies to the 28 companies affiliated to AEM, included in the Report.

In terms of PSI 20 companies, the Index showed values ranging from 8.607 to 9.989. The standard deviation was of 374, which corresponds to a coefficient of variation of 4%. To point out that all the companies in the PSI 20 are associated to AEM, thus the results of the PSI 20 companies and all the referred affiliated companies are quite similar.

In evolutionary terms, we witness a decrease in the dispersion when compared to 2011.

9380

Median of the weighted degree of compliance with international governance rules bearing international correspondence by the Portuguese listed companies in 2012.

9584

Median of the weighted degree of compliance with governance rules with international correspondence by the companies listed in the PSI 20 Index..

9578

Median of the weighted degree of compliance with governance rules with international correspondence

5.2. Católica Lisbon/AEM Corporate Governance Rating

Having obtained, for each listed company, a specific Index value as to the degree of compliance with corporate governance recommendations, we may now group the companies into different categories of compliance thus making up a Corporate Governance Rating.

This is a further contribution of the present study, which in addition to the creation of the Index, presents a rating of compliance with the

recommendations on corporate governance in Portugal with international correspondence.

The table below presents the different rating classes considered, their limits, the respective designation as well as the number and percentage of companies that pertain to each one.

Rating	Classes	Number of Companies	Percentage of Companies
D	inferior to 6850	0	0
C	6850 - 7300	0	0
CC	7300 - 7750	0	0
B	7750 - 8200	2	4,7 %
BB	8200 - 8650	6	14,0 %
A	8650 - 9100	8	18,6 %
AA	9100 - 9550	10	23,3 %
AAA	9550 - 10000	17	39,5 %

Table 5.2- Católica Lisbon/AEM Corporate Governance Rating in 2012

As presented in the two preceding editions, this study considered a division into 8 classes, and following a terminology already established a rating was assigned to each class ranging from AAA to D.

The D rating corresponds to a very poor degree of compliance and is equivalent to the notion of *junk* already existing for other crite-

ria. Noteworthy is the fact that, for the year 2012, no listed company was included in this class.

The CC or C ratings reflect a sub-compliance regarding the Corporate Governance recommendations. As shown in table 5.2, there are no companies in this category.

18.7% of the companies are included in the BB and B ratings when the Index may present values ranging from 7.750 to 8.650. The degree of compliance is, in this case, considered medium-high.

To achieve an A rating, the Index value must exceed 8.650 points, which is observed for 81.4% of the listed companies.

An AAA rating is assigned to a company with an Index value above 9.550 points.

In 2012, 39.5% of the companies achieved this rating, this being the modal class, that is, the class which includes the largest number of companies.

It is important to note that, comparing to 2011, the degree of compliance did increase significantly which explains the absence of companies rated below B and an increase in the number of companies rated A or above.

These went from 77.3% to 81.5%.

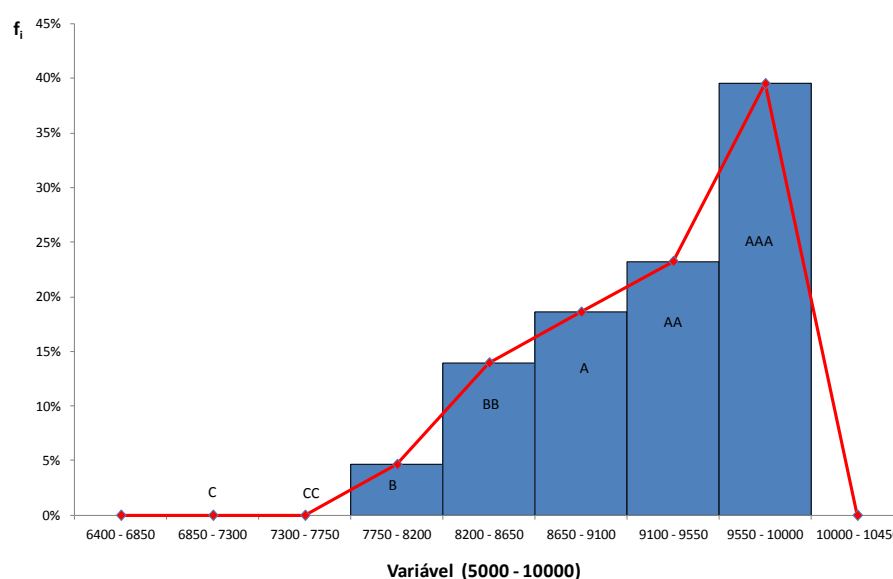
For a better view of the companies' distribution by the rating classes defined, we present below the respective graphic.

The first finding is that, as already shown in tables 5.1 and 5.2., the percentage of companies that record sub-compliance situations is zero. Indeed, there are no companies in the rating classes below B.

Another significant result is that 95.3% (against 93.2% in 2011) of the companies are concentrated in the BB, A, AA and AAA classes.

The fact that in the two highest ratings, *i.e.*, AA and AAA, we find 62.8% of the listed companies (61.4% in 2011) is also noteworthy.

Once more, we point out that the corporate governance rating presented, as well as the compliance Index on which it is based, are calculated on a scale of its own, using the methodology inherent to this study and therefore not directly comparable to any other corporate governance indicator for the Portuguese capital market.



Picture - 5.1 Católica/AEM Corporate Governance Rating Classes - 2012

6. Relations between Corporate Governance Index and the Characteristics of Companies

Subsequent to a description of the corporate governance practices followed by the companies included in the study and an assessment of the degree of compliance with the recommendations on corporate governance for each one leading to the Católica Lisbon/AEM Index and Rating, in the present chapter we enumerate companies' characteristics which may explain the differences in the respective degrees of compliance.

Indeed, we seek to understand how the degree of compliance with these recommendations (measured by the individual index obtained earlier), revealed by the Portuguese listed companies, varies according to certain characteristics of each of the mentioned companies.

6.1. Characteristics of Companies

Having based the analysis on prior academic studies (e.g., Bhagat and Bolton (2008) and Alves e Mendes (2009)), it was deemed appropriate to include the following companies' characteristics as explanatory of the compliance Index with corporate governance recommendations:

1. Size of the company
2. Industry sector
3. Performance and profitability of the business
4. Return to Investor
5. Shareholder structure
6. Experience in the capital market
7. Governance model

In order to measure the size of the company, the following variables were considered:

- Market capitalisation, registered in the Euronext Lisbon Stock Exchange market on 31st December of 2012 (the size criterion is used,

for instance, by Financial Times in its well-known Directory "FT 1000");

- Sales (revenues) stated in the companies' Financial Reports referring to the exercise of 2012 (a size criterion used by several sources, from which we may highlight Fortune in its Directories "Fortune 500" and "International Fortune 500");

- Number of employees, reported in the companies' Financial Reports regarding the exercise of 2012 (the headcount or full-time equivalent criteria are commonly used in literature to define the size of the company).

As for the sector of activity, and following the existing literature, the given size of the sample and its density in terms of sectorial classes, the distinction was made between:

- (i) financial and non-financial companies;
- (ii) companies in the construction sector and others, considering the construction sec-

tor was severely hit by the economic crisis.

As performance and profitability indicators, the following variables were used: Net Income Earnings before Interest and Taxes (EBIT), Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA), and the Financial Debt ratio/EBITDA as a leverage measure/debt service coverage ratio.

In what concerns the return to investor, the return on equity indicator (ROE) was used.

To characterise the shareholder structure, a free float variable was introduced. This variable represents the share capital represented in shares admitted to trading in the regulated market in circulation, *i.e.*, the percentage of the total shares listed in the Stock Exchange that are available for free trading in the secondary market.

For purposes of the present report, the free float, in question, was registered for each company in the Euronext Lisbon Stock Exchange market, on the 31st December 2012. In accordance with the official regulations for the PSI 20 Index, Index Rule Book Version 11-02, published by NYSE Euronext, applied from the 1st June of 2011 in force until the 31st December of 2012: *“Free float is defined as the outstanding capital less shareholdings exceeding 5%, except where such interests are held by a. collective investment schemes/mutual funds or b. pension funds. In addition, certain insider holdings (e.g. shares held by directors, employees, founders and family), government holdings and holdings of the company itself (including subsidiaries) are not considered free float, irrespective of the size”* (page 14).

In order to measure the capital market experience, we considered the number of years in the Stock Exchange, *i.e.*, the date of initial dispersion or initial public offer of each company and the 31st December of 2012.

In terms of governance model, three models were considered, under the Portuguese law: the classical model, the dualist model, and the Anglo-Saxon model.

In what concerns supervision, the classical model comprises a managing board, a supervisory board and a statutory auditor (SA).

This description is directed to the business world object of this Report. The inclusion of the single auditor replacing the supervisory board and also the possibility of the SA integrating the supervisory board are not admitted for listed companies (articles 278, n.º 3 and 413, n.º 2 a) of the Corporate Code (for further developments: Câmara, P. (2007), *Modelos de Governo das Sociedades Anónimas*, 197-258, *Reformas do Código das Sociedades*, Almedina, 179-242).

The dualist model envisions the existence of an executive managing board and a supervisory board, to which a statutory auditor is added.

The Anglo-Saxon model, in turn, contemplates a managing board, an audit committee and an SA.

In addition to the seven predefined variables described above, one other was introduced to distinguish between companies in or outside the PSI 20 Index, therefore making up a General PSI Index.

This new variable adds two characteristics; size and liquidity, according to the official regulations for the inclusion of a company in the PSI 20 Index (see *PSI 20 Index Rule Book Version 11-02*).

Thus, the selected 19 companies part of the benchmark Index for the Portuguese market, on the 31st December of 2012, presented higher market capitalisations and higher levels of liquidity when compared to the remaining 24 companies included.

6.2. Econometric Results

The relationship between the Index of compliance with corporate governance recommendations in Portugal and the features of the companies above described was tested econometrically by using a linear regression model.

The estimation results are presented in Annex B of this Report.

The results obtained may be summarised as follows:

(i) As in 2010 and in 2011, no significant statistical relation was found between the compliance Index and the size variables considered, *i.e.* market capitalisation, sales and number of employees.

(ii) The performance and profitability indicators used do not explain the degree of compliance with corporate governance recommendations as according to data from 2011 and 2012. Indeed, significant correlations were not found between the level of compliance of each company and the respective performance indicators, measured via the four variables described above (Net result, EBIT, EBITDA and leverage/debt service coverage ratio). Likewise, the return to investor did not produce significant statistical results.

(iii) In contrast, a very significant relation was found, in statistical terms, between the values of the Index and whether these companies belong or not to the PSI 20 Index. The results of the study demonstrate that a company in the PSI 20 Index best

complies with the corporate governance recommendations, corresponding to an increase of 315 points in the individual compliance Index (this percentage is nevertheless inferior to the results obtained for 2010 and 2011, 443 and 447 points respectively).

To be noted that in the study for the Portuguese market by Alves e Mendes (2009), this positive relation was also found.

(iv) In contrast to that observed in previous studies, the shareholder structure does not present itself as an explanatory factor for each company's degree of individual compliance in 2012. As a matter of fact, no significant statistical relation was found between the free float variable and the compliance degree in 2012.

(v) However, the choice of the governance model affects the degree of compliance with corporate governance recommendations. The study data reveals that, as in 2010 and 2011, the companies that follow the Anglo-Saxon model tend to comply with the recommendations at a higher rate.

(vi) The present study did not determine a major statistical relation between the compliance Index and the capital market experience. The distinction between financial companies and non-financial companies did not determine any statistic relation either. The same results had been obtained for 2010 and 2011.

To be noted that these results contrast with those obtained previously for the Por-

tuguese companies by Alves e Mendes (2009).

(vii) However, as in 2011, most of the companies in the construction sector tend to present compliance levels lower than other companies in other industry sectors. As surmised, this result may be due to a bigger exposure to the economic crisis experienced by this particular sector.

As a whole, the results of the Report allow to conclude that the companies simultaneously larger and with more stock exchange generated liquidity (specifically those integrated in the PSI 20 Index) present a higher degree of compliance with corporate governance recommendations.

This result also indicates that a greater exposure to the capital market translates a better acceptance of the Corporate Governance Code and this is considered a key conclusion of this study.

7. Final Conclusions

A.

The present Report incorporates the methodology of the previous two studies since it is based on an innovative approach to analyse the degree of compliance with the recommendations contained in the Corporate Governance Code, by issuer companies of shares admitted to trading in the Euronext Lisbon Market, according to the corporate governance reports referring to the 31st December of 2012.

This methodology remains grounded on five key characteristics:

- i) the private nature of the assessment;
- ii) the independence of the assessment;
- iii) a timely analysis;
- iv) high analytical character, particularly in relation to multiple recommendations; and
- v) weighting the importance of the recommendations in light of the internationally recognised benchmarks.

B.

The cycle of reports, which is continued by means of this new study on the degree of acceptance of the good Corporate Governance practices in Portugal, seeks to serve as a systemic demonstration of the feasibility and advantage of performing private scrutiny to the degree of compliance with the recommendations for good governance serving as an tool for a clearer separation between, on the one hand, the area of compliance (as a managing and supervisory activity in the fulfilment of the legal regulations) and on the other hand, the assessment of practices freely undertaken by companies in matters of Governance.

C.

A relevant contribution of the present study is the creation of an Index on the compliance with the corporate governance recommendations in Portugal designated as Católica Lisbon/AEM Index.

The mean of the Católica Lisbon/AEM Index reached the value of 9.224 this year against 9.165 in 2011 in a maximum of 10.000.

It may therefore be stated that, in addition to a higher degree of compliance with the corporate governance recommendations by the national listed companies, an improvement is also recorded in 2012 in relation to 2011.

Another relevant contribution of the present Report follows with the construction of a corporate governance rating, the Católica Lisbon/AEM Rating.

It is based on a classification made of eight classes, from D (minimum rating) to AAA (maximum rating).

The implementation of this rating classification revealed results consistent with previous data where none of the analysed companies was placed in the lower classes (D, CC and C).

On the other hand, 81.4% of the listed companies recorded ratings from AAA to A. Furthermore, 39.5% obtained the maximum AAA rating.

D.

By comparing the practices followed by the listed companies in 2011 and 2012 with the previous year, we find a continued positive evolution in the degree of compliance with good corporate governance practices.

E.

In respect to the explanatory variables a propos the different levels of compliance with good governance practices, it was found that, on the one hand the companies in the PSI 20 Index which simultaneously have a larger size and more liquidity generated in the stock market present a bigger degree of acceptance of the recommendations.

This result confirms that a bigger exposure to the capital market means a better compliance with the corporate governance code.

F.

In addition to releasing a recorded continued positive evolution in the degree of compliance with corporate governance recommendations, we point out the present cycle of Reports was able to influence the shaping of the best Corporate Governance practices.

G.

Recent developments have come to show the important implications in terms of legislative policies which have been extracted from the cycle of reports herein continued.

In 2011, we pointed out an excessive national legal recommendatory density which in many cases did not match the international benchmarks.

It is rather revealing in this regard – in an implicit recognition of the justness of this observation that in the Public Consultation Process n.º 2/2013 CMVM announced its intention to reduce the number of recommendations included in its Corporate Governance Code.

It is also significant that among the recommendations to be suppressed we should find twelve which were rated with a null relevance according to their acceptance in international benchmarks.

Furthermore, and also since the very beginning of this reporting cycle, it was noted that multiple recommendations bear a negative effect and imply a negative bias in the supervision of these recommendations.

As a matter of fact, during the same public consultation process, CMVM informed its intention to carry out the breakdown of several longer and multiple content recommendations into individual ones.

Lastly, the approval of a private initiative corporate governance code, in 2013, confirms the viability of entrusting private institutions with the treatment of aspects regarding corporate governance, which also applies, *mutatis mutandis*, to the monitoring system on the degree of compliance with the governance codes as evident since the first edition of the Católica Lisbon/AEM Reports.

The mentioned data prove the relevance and influence of this reporting cycle in the regulatory and recommendatory conformation of listed companies' corporate governance in Portugal.

List of Companies Included in the Study

Altri, S.G.P.S., S.A.

Banco BPI, S.A.

Banco Comercial Português, S.A.

Banco Espírito Santo, S.A.

Banif – S.G.P.S., S.A.

Brisa - Auto Estradas de Portugal, S.A.

Cimpor - Cimentos de Portugal, S.G.P.S., S.A.

Cofina, S.G.P.S., S.A.

Compta - Equipamentos e Serviços de Informática, S.A.

Corticeira Amorim, S.G.P.S., S.A.

EDP - Energias de Portugal, S.A.

EDP Renováveis, S.A.

Estoril Sol – S.G.P.S., S.A.

F.Ramada - Investimentos, S.G.P.S., S.A.

Galp Energia, S.G.P.S., S.A.

GLINTT – Global Intelligent Technologies, S.G.P.S., S.A.

Grupo Média Capital, S.G.P.S., S.A.

Grupo Soares da Costa, S.G.P.S., S.A.

Ibersol, S.G.P.S., S.A.

Imobiliária Construtora Grão Pará, S.A.

Impresa, S.G.P.S., S.A.

Inapa - Investimentos, Participações e Gestão, S.A.

Jerónimo Martins – S.G.P.S., S.A.

Lisgráfica - Impressão e Artes Gráficas, S.A.

Martifer – S.G.P.S., S.A.

Mota-Engil, S.G.P.S., S.A.

Novabase – S.G.P.S., S.A.

Portucel - Empresa Produtora de Pasta de Papel, S.A.

Portugal Telecom, S.G.P.S., S.A.

Reditus – S.G.P.S., S.A.

REN - Redes Energéticas Nacionais, S.G.P.S., S.A.

SAG GEST – Soluções Automóvel Globais, S.G.P.S., S.A.

Semapa - Sociedade Investimento e Gestão, S.G.P.S., S.A.

Sociedade Comercial Orey Antunes, S.A.

Sonae – S.G.P.S., S.A.

Sonae Capital, S.G.P.S., S.A.

Sonae Indústria, S.G.P.S., S.A.

SONAECOM – S.G.P.S., S.A.

Sumol + Compal, S.A.

Teixeira Duarte - Engenharia e Construções, S.A.

Toyota Caetano Portugal, S.A.

VAA - Vista Alegre Atlantis, S.G.P.S., S.A.

**Zon Multimédia – Serviços de Telecomunicações e Multimédia,
S.G.P.S., S.A.**

**“Bold”- companies affiliated to AEM analysed
in the present Report.**

ANNEX B: Results of the Econometric Estimate

The model chosen to describe the behaviour of the Católica Lisbon/AEM (IND) Index was:

$$IND_i = \beta_1 + \beta_2 PSI + \beta_3 AS_i + \beta_4 HC1_i + e_i$$

where PSI is a qualitative variable indicating that the company belongs to the PSI 20 Index, AS is a qualitative variable which indicates that the governance model adopted by the company is Anglo-Saxon and HC1 is a qualitative variable used to identify construction companies with a poorer performance.

The model represented above was estimated according to the ordinary least square method by using data from a sample of 43 companies included in the study.

The choice of the method was validated by the endogeneity tests carried out.

The presence of heterocedasticity was not detected. As such, we present the usual standard deviations.

Below, the results arising from the selected specification are presented.

Equation 1
=====

Method of estimation = Ordinary Least Squares

Dependent variable: IND
Current sample: 1 to 43
Number of observations: 43

Mean of dep. var. = 9223.78	LM het. test = 1.66329 [.197]
Std. dev. of dep. var. = 537.879	Durbin-Watson = 1.70640 [<.299]
Sum of squared residuals = 5368100	Jarque-Bera test = 1.14771 [.563]
Variance of residuals = 137643	Ramsey's RESET2 = 1.10915 [.299]
Std. error of regression = 371.003	F (zero slopes) = 16.4267 [.000]
R-squared = .558224	Schwarz B.I.C. = 320.835
Adjusted R-squared = .524241	Log likelihood = -313.312

Variable	Estimated Coefficient	Standard Error	t-statistic	P-value
C	9040.25	81.6549	110.713	[.000]
AS	400.384	129.652	3.08814	[.004]
PSI	315.071	118.855	2.65088	[.012]
HC1	-994.835	225.785	-4.40611	[.000]

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Corporate Governance Index and Rating

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