

CORPORATE GOVERNANCE CODE

2018
Revised in 2023



Portuguese Institute of
Corporate Governance

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Instituto Português de
Corporate Governance

EDITION

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PREAMBLE (2023 REVISION)

The IPCG Corporate Governance Code entered into force in 2018, having been revised for the first time in 2020.

After the completion of the fourth monitoring exercise in 2022, regarding the year 2021, it became necessary to proceed to a new regular reassessment of the content of the Code, in conformity with the duty undertaken by the IPCG towards the CMVM to *promote the updates deemed necessary, in line with international best practices*. Such an exercise, as also established in the Protocol signed between the IPCG and the AEM, shall be carried out in *tending to be biennial* cycles.

For this purpose, it was appointed a Delegated Committee, composed by Rui Pereira Dias and Mariana Fontes da Costa, nominated by the IPCG, and Abel Sequeira Ferreira, nominated by the Association of the Companies Issuer of Securities on Regulated Market (AEM), who jointly drafted a common proposal, in articulation with the Executive Monitoring Committee of the Code (CEAM), chaired by Duarte Calheiros, and the Monitoring Committee of the Code (CAM) chaired by Pedro Maia.

The Portuguese Securities Market Commission (CMVM), issuer companies and independent personalities with recognised experience and knowledge in corporate governance matters were consulted during the

revision process. The result of this revision is also the result of the contributions obtained in such dialogue.

The progressive increase in the degree of compliance with the Recommendations over the four monitoring exercises already completed is an important reflection of the role that the IPCG Corporate Governance Code has played as a driving force in stimulating and promoting good governance practices in the companies that adhere to the Code.

This second revision is a result of the recognised *stage of maturity* that the Code has reached. The work was guided by the *search for a balance* between, on the one hand, the *stabilisation of the progress achieved* through the good practices implemented and, on the other hand, the purpose of reflecting in the Code the developments that have taken place in the meantime in national and international dynamics, in terms of the *most recent challenges in corporate governance*. Therefore, echoing the words of the Chairman of the CAM at the presentation session of the Annual Monitoring Report (RAM) for the 2021 financial year, we intended to place the Code in a position between, on the one hand, *respecting and reinforcing the progress already achieved* and, on the other hand, *contributing, in a balanced and reasoned manner, to new advances* that are desirable to be achieved in the near future.

Amongst the changes brought by this revision, we highlight the inclusion of a new chapter — Chapter I — dedicated to the matter of *sustainability*. This matter also finds new echoes in Chapter VIII, on the adequacy of the preparation and disclosure of non-financial information, as well as in Chapter VII. This last chapter, dedicated to internal control, was systematically reorganised and densified with new Recommendations regarding risk, notably *environmental and social risk* and regarding the use of *artificial intelligence* mechanisms.

The Recommendations affected by legislative changes that occurred between the 2020 revision and the present moment were amended

and updated, which explains the evolution of the Recommendations in matters of *reporting of irregularities*, verification of *transactions with related parties* and *plural voting*.

We recurred to the monitoring experience to introduce into the text of the Code *clarifications* of doubts of interpretation that had been identified in the contact with companies and that were previously covered in interpretative notes.

The *Glossary* was eliminated, since it is considered that the concepts presented herein are already sufficiently understood by the interested parties to whom the Code is addressed, whereby those concepts deemed in need of clarification are reflected in the footnotes.

The *Principles* have been renumbered and are now always identified by a letter, preceded by the number of the chapter to which the principle belongs in Roman numerals and by the number of the subchapter in Arabic numerals, where applicable. The purpose of this change is to make the distinction between Principles and Recommendations more immediate, the latter being identified only by numerical elements.

Finally, but with particular significance and importance, bearing in mind the relevance of the unitary vision of the Board of Directors and the principle of global responsibility of the Board, it was considered that a change in the systematisation of the Code could contribute to strengthening this vision, and a *systematic reorganisation* of the previous chapters III and IV has been carried out, with chapter IV now focusing on the *Administration* and chapter V on *Supervision*.

The 2023 revision of the IPCG Corporate Governance Code thus constitutes a further joint effort of all the institutions involved with a view to promoting the evolution of good corporate governance practices in the Portuguese market.

GENERAL PRINCIPLES

A. *Corporate governance promotes and fosters the pursuit of the respective long-term interests, performance and sustained development, and is structured in order to allow the interests of shareholders and other investors, staff, clients, creditors, suppliers and other stakeholders to be weighed, contributing to the strengthening of confidence in the quality, transparency and ethical standards of administration and supervision, as well as to the sustainable development of the community the companies form part of and to the development of the capital market.*

B. *The Code is voluntary and compliance is based on the comply or explain principle, applicable to all Recommendations.*

Chapter I · COMPANY'S RELATIONSHIP WITH SHAREHOLDERS, INTERESTED PARTIES AND THE COMMUNITY AT LARGE

Principles:

I.A. In their organisation, operation and in the definition of their strategy, companies shall contribute to the pursuit of the Sustainable Development Goals defined within the framework of the United Nations Organisation, in terms that are appropriate to the nature of their activity and their size.

I.B. The company periodically identifies, measures and seeks to prevent negative effects related to the environmental and social impact of the operation of its activity, in terms that are appropriate to the nature and size of the company.

I.C. In its decision-making processes, the management body considers the interests of shareholders and other investors, employees, suppliers and other stakeholders in the activity of the company.

Recommendations:

I.1 The company specifies in what terms its strategy seeks to ensure the fulfilment of its long-term objectives and what are the main contributions resulting herefrom for the community at large.

I.2 The company identifies the main policies and measures adopted with regard to the fulfilment of its environmental and social objectives.

Chapter II · COMPOSITION AND FUNCTIONING OF THE CORPORATE BODIES

II.1 Information

Principle:

II.1.A. *Companies and, in particular, their Directors treat shareholders and other investors in an equitable manner, namely by ensuring mechanisms and procedures for the adequate treatment and disclosure of information.*

Recommendation:

II.1.1 The company establishes mechanisms to adequately and rigorously ensure the timely circulation or disclosure of the information required to its bodies, the company secretary, shareholders, investors, financial analysts, other stakeholders and the market at large.

II.2 Diversity in the Composition and Functioning of the Corporate Bodies

Principles:

II.2.A. *Companies have adequate and transparent decision-making structures, ensuring maximum efficiency in the functioning of their bodies and committees*.*

II.2.B. *Companies ensure diversity in the composition of their management and supervisory bodies and the adoption of individual merit criteria in the respective appointment processes, which shall be the exclusive responsibility of shareholders.*

II.2.C. *Companies ensure that the performance of their bodies and committees is duly recorded, namely in minutes of meetings, that allow for knowing not only the sense of the decisions taken but also their grounds and the opinions expressed by their members.*

Recommendations:

II.2.1 Companies establish, previously and abstractly, criteria and requirements regarding the profile of the members of the corporate bodies that are adequate to the function to be performed, considering, notably, individual attributes (such as competence, independence, integrity, availability and experience), and diversity requirements (with particular attention to equality between men

* *Committees, company committees, specialised committees or internal committees* are understood to mean committees made up for the most part of members of the corporate bodies, to whom the company attributes company functions within the company ambit, excluding the Remuneration Committee appointed by the General Meeting, pursuant to Article 399 of the Portuguese Commercial Companies Code, unless the Code expressly states otherwise.

and women), that may contribute to the improvement of the performance of the body and of the balance in its composition.

II.2.2 The management and supervisory bodies and their internal committees are governed by regulations – notably regarding the exercise of their powers, chairmanship, the frequency of meetings, operation and the duties framework of their members – fully disclosed on the website of the company, whereby minutes of the respective meetings shall be drawn up.

II.2.3 The composition and number of meetings for each year of the management and supervisory bodies and of their internal committees are disclosed on the website of the company.

II.2.4 The companies adopt a whistle-blowing policy that specifies the main rules and procedures to be followed for each communication and an internal reporting channel that also includes access for non-employees, as set forth in the applicable law.

II.2.5 The companies have specialised committees for matters of corporate governance, remuneration, appointments of members of the corporate bodies and performance assessment, separately or cumulatively. If the Remuneration Committee provided for in Article 399 of the Portuguese Commercial Companies Code has been set up, the present Recommendation can be complied with by assigning to said committee, if not prohibited by law, powers in the above matters.

II.3 Relations between Corporate Bodies

Principle:

II.3.A. *The corporate bodies create the conditions for them to act in a harmonious and articulated manner, within the scope of their responsibilities, and with information that is adequate for carrying out their functions.*

Recommendations:

II.3.1 The Articles of Association or equivalent means adopted by the company set out the mechanisms to ensure that, within the limits of the applicable laws, the members of the management and supervisory bodies have permanent access to all necessary information to assess the performance, situation and development prospects of the company, including, specifically, the minutes of the meetings, the documentation supporting the decisions taken, the convening notices and the archive of the meetings of the executive management body, without prejudice to access to any other documents or persons who may be requested to provide clarification.

II.3.2 Each body and committee of the company ensures, in a timely and adequate manner, the interorganic flow of information required for the exercise of the legal and statutory powers of each of the other bodies and committees.

II.4 Conflicts of Interest

Principle:

II.4.A. *The existence of current or potential conflicts of interest between the members of bodies or committees and the company shall be prevented, ensuring that the conflicted member does not interfere in the decision-making process.*

Recommendations:

II.4.1 By internal regulation or an equivalent hereof, the members of the management and supervisory bodies and of the internal committees shall be obliged to inform the respective body or committee whenever there are any facts that may constitute or give rise to a conflict between their interests and the interest of the company.

II.4.2 The company adopts procedures to ensure that the conflicted member does not interfere in the decision-making process, without prejudice to the duty to provide information and clarification requested by the body, committee or respective members.

II.5 Transactions with Related Parties

Principle:

II.5.A. *Transactions with related parties shall be justified by the interest of the company and shall be carried out under market conditions, being subject to principles of transparency and adequate supervision.*

Recommendation:

II.5.1 The management body discloses, in the corporate governance report or by other publicly available means, the internal procedure for verification of transactions with related parties.

Chapter III · SHAREHOLDERS AND GENERAL MEETING

Principles:

III.A. *The adequate involvement of shareholders in corporate governance constitutes a positive factor for the efficient functioning of the company and the achievement of its corporate objective.*

III.B. *The company promotes the personal participation of shareholders at general meetings as a space for reflection on the company and for shareholders to communicate with the bodies and committees of the company.*

III.C. *The company implements adequate means for shareholders to attend and vote at the general meeting without being present in person, including the possibility of sending in advance questions, requests for clarification or information on the matters to be decided on and the respective proposals.*

Recommendations:

III.1 The company does not set an excessively large number of shares to be entitled to one vote and informs in the corporate governance report of its choice whenever each share does not carry one vote.

III.2 The company that has issued special plural voting rights shares identifies, in its corporate governance report, the matters that, pursuant to the company's Articles of Association, are excluded from the scope of plural voting.

III.3 The company does not adopt mechanisms that hinder the passing of resolutions by its shareholders, specifically fixing a quorum for resolutions greater than that foreseen by law.

III.4 The company implements adequate means for shareholders to participate in the general meeting without being present in person, in proportion to its size.

III.5 The company also implements adequate means for the exercise of voting rights without being present in person, including by correspondence and electronically.

III.6 The Articles of Association of the company that provide for the restriction of the number of votes that may be held or exercised by one single shareholder, either individually or jointly with other shareholders, shall also foresee that, at least every five years, the general meeting shall resolve on the amendment or maintenance of such statutory provision – without quorum requirements greater than that provided for by law – and that in said resolution, all votes issued are to be counted, without applying said restriction.

III.7 The company does not adopt any measures that require payments or the assumption of costs by the company in the event of change of control or change in the composition of the management body and which are likely to damage the economic interest in the transfer of shares and the free assessment by shareholders of the performance of the Directors.

Chapter IV · MANAGEMENT

IV.1 Management Body and Executive Directors

Principles:

IV.1.A. *The day-to-day management of the company shall be the responsibility of executive directors with the qualifications, skills, and experience appropriate for the position, pursuing the corporate goals and aiming to contribute to its sustainable development.*

IV.1.B. *The determination of the number of executive directors shall take into account the size of the company, the complexity and geographical dispersion of its activity and the costs, bearing in mind the desirable flexibility in the running of the executive management.*

Recommendations:

IV.1.1 The management body ensures that the company acts in accordance with its object and does not delegate powers, notably with regard to: i) definition of the corporate strategy and main policies of the company; ii) organisation and coordination of the corporate structure; iii) matters that shall be considered strategic due to the amounts, risk and particular characteristics involved.

IV.1.2 The management body approves, by means of regulations or through an equivalent mechanism, the performance regime for executive directors applicable to the exercise of executive functions by them in entities outside the group.

IV.2 Management Body and Non-Executive Directors

Principles:

IV.2.A. *For the full achievement of the corporate objective, the non-executive directors shall exercise, in an effective and judicious manner, a function of general supervision and of challenging the executive management, whereby such performance shall be complemented by commissions in areas that are central to the governance of the company.*

IV.2.B. *The number and qualifications of the non-executive directors shall be adequate to provide the company with a balanced and appropriate diversity of professional skills, knowledge and experience.*

Recommendations:

IV.2.1 Notwithstanding the legal duties of the chairman of the board of directors, if the latter is not independent, the independent directors – or, if there are not enough independent directors, the non-executive directors – shall appoint a coordinator among themselves to, in particular (i) act, whenever necessary, as interlocutor with the chairman of the board of directors and with the other directors, (ii) ensure that they have all the conditions and means required to carry out their duties, and (iii) coordinate their performance assessment by the administration body as provided for in Recommendation VI.1.1.; alternatively, the company may establish another equivalent mechanism to ensure such coordination.

IV.2.2 The number of non-executive members of the management body shall be adequate to the size of the company and the complexity of the risks inherent to its activity, but sufficient to ensure the efficient performance of the tasks entrusted to them, whereby the formulation of this adequacy judgement shall be included in the corporate governance report.

IV.2.3 The number of non-executive directors is greater than the number of executive directors.

IV.2.4 The number of non-executive directors that meet the independence requirements is plural and is not less than one third of the total number of non-executive directors. For the purposes of the present Recommendation, a person is deemed independent when not associated to any specific interest group in the company, nor in any circumstances liable to affect his/her impartiality of analysis or decision, in particular in virtue of:

- i. Having carried out, continuously or intermittently, functions in any corporate body of the company for more than twelve years, with this period being counted regardless of whether or not it coincides with the end of the mandate;
- ii. Having been an employee of the company or of a company that is controlled by or in a group relationship with the company in the last three years;
- iii. Having, in the last three years, provided services or established a significant business relationship with the company or with a company that is controlled by or in a group relationship with the company, either directly or as a partner, director, manager or officer of a legal person;
- iv. Being the beneficiary of remuneration paid by the company or by a company that is controlled by or in a group relationship with the company, in addition to remuneration stemming from the performance of the functions of director;

- v. Living in a non-marital partnership or being a spouse, relative or kin in a direct line and up to and including the 3rd degree, in a collateral line, of directors of the company, of directors of a legal person owning a qualifying stake in the company or of natural persons owning, directly or indirectly, a qualifying stake;
- vi. Being a holder of a qualifying stake or representative of a shareholder that is holder of a qualifying stake.

IV.2.5 The provisions of paragraph (i) of the previous Recommendation do not prevent the qualification of a new Director as independent if, between the end of his/her functions in any corporate body and his/her new appointment, at least three years have elapsed (cooling-off period).

Chapter V · SUPERVISION

Principles:

V.A. The supervisory body carries out permanent supervision activities of the administration of the company, including, also from a preventive perspective, the monitoring of the activity of the company and, in particular, the decisions of fundamental importance for the company and for the full achievement of its corporate object.

V.B. The composition of the supervisory body provides the company with a balanced and adequate diversity of professional skills, knowledge and experience.

Recommendations:

V.1 With due regard for the competences conferred to it by law, the supervisory body takes cognisance of the strategic guidelines and evaluates and renders an opinion on the risk policy, prior to its final approval by the administration body.

V.2 The number of members of the supervisory body and of the financial matters committee should be adequate in relation to the size of the company and the complexity of the risks inherent to its activity, but sufficient to ensure the efficiency of the tasks entrusted to them, and this adequacy judgement should be included in the corporate governance report.

Chapter VI · PERFORMANCE ASSESSMENT, REMUNERATION AND APPOINTMENTS

VI.1 Annual Performance Assessment

Principle:

VI.1.A. *The company promotes the assessment of performance of the executive body and its individual members as well as the overall performance of the management body and its specialised committees.*

Recommendation:

VI.1.1 The management body – or committee with relevant powers, composed of a majority of non-executive members – evaluates its performance on an annual basis, as well as the performance of the executive committee, of the executive directors and of the company committees, taking into account the compliance with the strategic plan of the company and of the budget, the risk management, its internal functioning and the contribution of each member to that end, and the relationship between the bodies and committees of the company.

VI.2 Remunerations

Principles:

VI.2.A. *The remuneration policy for members of the management and supervisory bodies shall allow the company to attract qualified professionals at a cost that is economically justified by their situation, provide for the alignment with the interests of the shareholders – taking into consideration the wealth effectively created by the company, the economic situation and the market situation – and shall constitute a factor for developing a culture of professionalism, sustainability, merit promotion and transparency in the company.*

VI.2.B. *Taking into consideration that the position of directors is, by nature, a remunerated position, directors shall receive a remuneration:*

- i) that adequately rewards the responsibility undertaken, the availability and competence placed at the service of the company;*
- ii) that ensures a performance aligned with the long-term interests of shareholders and promotes the sustainable performance of the company;*
and
- iii) that rewards performance.*

Recommendations:

VI.2.1 The company constitutes a remuneration committee, whose composition shall ensure its independence from the board of directors, whereby it may be the remuneration committee appointed pursuant to Article 399 of the Portuguese Commercial Companies Code.

VI.2.2 The remuneration of the members of the management and supervisory bodies and of the company committees is established

by the remuneration committee or by the general meeting, upon proposal of such committee.

VI.2.3 The company discloses in the corporate governance report, or in the remuneration report, the termination of office of any member of a body or committee of the company, indicating the amounts of all costs related to the termination of office borne by the company, for any reason, during the financial year in question.

VI.2.4 In order to provide information or clarification to shareholders, the president or another member of the remuneration committee shall be present at the annual general meeting and at any other general meeting at which the agenda includes a matter related to the remuneration of the members of bodies and committees of the company, or if such presence has been requested by shareholders.

VI.2.5 Within the budget constraints of the company, the remuneration committee may freely decide to hire, on behalf of the company, consultancy services that are necessary or convenient for the performance of its duties.

VI.2.6 The remuneration committee ensures that such services are provided independently.

VI.2.7 The providers of said services are not hired by the company itself or by any company controlled by or in group relationship with the company, for the provision of any other services related to the competencies of the remuneration committee, without the express authorisation of the committee.

VI.2.8 In view of the alignment of interests between the company and the executive directors, a part of their remuneration has a variable nature that reflects the sustained performance of the company and does not encourage excessive risk-taking.

VI.2.9 A significant part of the variable component is partially deferred over time, for a period of no less than three years, and is

linked to the confirmation of the sustainability of performance, in terms defined in the remuneration policy of the company.

VI.2.10 When the variable remuneration includes options or other instruments directly or indirectly subject to share value, the start of the exercise period is deferred for a period of no less than three years.

VI.2.11 The remuneration of non-executive directors does not include any component whose value depends on the performance of the company or of its value.

VI.3 Appointments

Principle:

VI.3.A. *Regardless of the method of appointment, the knowledge, experience, professional background, and availability of the members of the corporate bodies and of the senior management** shall be adequate for the job to be performed.*

Recommendations:

VI.3.1 The company promotes, in the terms it deems adequate, but in a manner susceptible of demonstration, that the proposals for the appointment of members of the corporate bodies are accompanied by grounds regarding the suitability of each of the candidates for the function to be performed.

** In this Code, *senior management* is understood as persons who are part of the senior management as defined (under the name “management”) by European and national legislation regarding listed companies, excluding members of the corporate bodies.

VI.3.2 The committee for the appointment of members of corporate bodies includes a majority of independent directors.

VI.3.3 Unless it is not justified by the size of the company, the task of monitoring and supporting the appointments of senior managers shall be assigned to an appointment committee.

VI.3.4 The committee for the appointment of senior management provides its terms of reference and promotes, to the extent of its powers, the adoption of transparent selection processes that include effective mechanisms for identifying potential candidates, and that for selection those are proposed who present the greatest merit, are best suited for the requirements of the position and promote, within the organisation, an adequate diversity including regarding gender equality.

Chapter VII · INTERNAL CONTROL

Principle:

VII.A. *Based on the medium and long-term strategy, the company shall establish a system of internal control, comprising the functions of risk management and control, compliance and internal audit, which allows for the anticipation and minimisation of the risks inherent to the activity developed.*

Recommendations:

VII.1 The management body discusses and approves the strategic plan and risk policy of the company, which includes setting limits in matters of risk-taking.

VII.2 The company has a specialised committee or a committee composed of specialists in risk matters, which reports regularly to the management body.

VII.3 The supervisory body is organised internally, implementing periodic control mechanisms and procedures, in order to ensure that the risks effectively incurred by the company are consistent with the objectives set by the administration body.

VII.4 The internal control system, comprising the risk management, compliance, and internal audit functions, is structured in terms that are adequate to the size of the company and the complexity of the risks inherent to its activity, whereby the supervisory body shall assess it and, within the ambit of its duty to monitor the effectiveness of this system, propose any adjustments that may be deemed necessary.

VII.5 The company establishes procedures of supervision, periodic assessment and adjustment of the internal control system, including an annual assessment of the degree of internal compliance and performance of such system, as well as the prospects for changing the previously defined risk framework.

VII.6 Based on its risk policy, the company sets up a risk management function, identifying (i) the main risks to which it is subject in the operation of its business, (ii) the probability of their occurrence and respective impact, (iii) the instruments and measures to be adopted in order to mitigate such risks, and (iv) the monitoring procedures, aimed at following them up.

VII.7 The company establishes processes to collect and process data related to the environmental and social sustainability in order to alert the management body to risks that the company may be incurring and propose strategies for their mitigation.

VII.8 The company reports on how climate change is considered within the organisation and how it takes into account the analysis of climate risk in the decision-making processes.

VII.9 The company informs in the corporate governance report on the manner in which artificial intelligence mechanisms have been used as a decision-making tool by the corporate bodies.

VII.10 The supervisory body pronounces on the work plans and resources allocated to the services of the internal control system, including the risk management, compliance, and internal audit functions, and may propose adjustments as deemed necessary.

VII.11 The supervisory body is the addressee of reports made by the internal control services, including the risk management, compliance, and internal audit functions, at least when matters related to accountability, identification or resolution of conflicts of interest and detection of potential irregularities are concerned.

Chapter VIII · INFORMATION AND STATUTORY AUDIT OF ACCOUNTS

VIII.1 Information

Principles:

VIII.1.A. *The supervisory body, diligently and with independence, ensures that the management body observes its responsibilities in choosing policies and adopting appropriate accounting criteria and establishing adequate systems for financial and sustainability reporting, and for internal control, including risk management, compliance and internal audit.*

VIII.1.B. *The supervisory body promotes a proper articulation between the work of the internal audit and that of the statutory audit of accounts.*

Recommendation:

VIII.1.1 The regulations of the supervisory body requires that the supervisory body monitors the suitability of the process of preparation and disclosure of information by the management body, including the appropriateness of accounting policies, estimates, judgements, relevant disclosures and their consistent application from financial year to financial year, in a duly documented and reported manner.

VIII.2 Statutory Audit and Supervision

Principle:

VIII.2.A. *It is the responsibility of the supervisory body to establish and monitor formal, clear, and transparent procedures as to the relationship between the company and the statutory auditor and the supervision of compliance, by the statutory auditor, with the rules of independence imposed by law and by professional standards.*

Recommendations:

VIII.2.1 By means of regulation, the supervisory body defines, in accordance with the applicable legal regime, the supervisory procedures to ensure the independence of the statutory auditor.

VIII.2.2 The supervisory body is the main interlocutor of the statutory auditor within the company and the first addressee of the respective reports, and is competent, namely, for proposing the respective remuneration and ensuring that adequate conditions for the provision of the services are in place within the company.

VIII.2.3 The supervisory body annually evaluates the work carried out by the statutory auditor, its independence and suitability for the exercise of its functions and shall propose to the competent body its dismissal or termination of the contract for the provision of its services whenever there is just cause to do so.

PREAMBLE TO THE 1ST EDITION OF THE CODE (2018)

1. The Portuguese Institute of Corporate Governance (IPCG), responding to the appeal of national companies and a wide community of stakeholders in corporate governance matters, upon proposal of Pedro Rebelo de Sousa and João Calvão da Silva, set up a committee (composed of Alexandre Mota Pinto, António Dias, António Gomes Mota, João Soares da Silva, Jorge Brito Pereira, Paulo Bandeira, Paulo Câmara and Pedro Maia, who chaired it). This drafting committee prepared, throughout 2011, a first version of the Corporate Governance Code, published in 2012.

This first text subsequently received several suggestions, leading to a new version in 2014.

Ready to be adopted by issuer companies, the Code, in the 2014 version, soon highlighted the inconvenience of the existence of two distinct Codes — that of the Portuguese Securities Market Commission (CMVM) and that of the IPCG —, especially in a capital market of a reduced size such as the Portuguese one.

It was then that the journey of the objective began, without abandoning the essential idea of leaving the corporate governance code to self-regulation, to find a point of balance that would make it possible to avoid the duplicity of standards that was being created.

The IPCG worked, corresponding to the willingness and spirit of cooperation that the CMVM immediately showed, — supported by a very fruitful dialogue with the Issuer Companies and, in particular, with the AEM — to prepare a document with a content that would respect the essential features of the 2014 IPCG Code and, at the same time, meet the fundamental concerns of the CMVM in terms of corporate governance. The legislative changes that have occurred in the meantime, especially in the area of auditing, also required some adjustments to the Code.

This interaction resulted in a new text, submitted, through public consultation, to the scrutiny of the opinion of all those interested in the matter of corporate governance, now with the already clarified design that this would be, in the final version that would be approved, the new Corporate Governance Code: a Code that is not presented as an alternative to the CMVM Code, since the latter was no longer published, as already announced in the joint statement of 16 March 2016, but as a *successor to the two then existing Codes*.

2. Although the application of the Code is not limited to a specific group of companies, its natural addressees are public companies, particularly issuers of shares admitted to trading on a regulated market, which are obliged to adopt a corporate governance code.

The Code is *voluntary* and its adherence is based on the *comply or explain* principle.

Although situated at a very different level from the legal one, the Code is based on a systematic articulation with the legal framework of the capital market and of commercial companies, establishing with the law a harmonious complementary relationship. Without taking on an injunctive character, the Code seeks to induce companies to adopt practices that are in accordance with the guidelines that are recognised at national and international level as being of *good governance*: in this

sense, the Code constitutes, on the one hand, a *complement* to the legal system and, on the other hand, a *guide* to good corporate governance.

In order to ensure the easiest *adaptability of the companies to the Code*, no Recommendations are imposed that presuppose a certain statutory content, thus guaranteeing that the observance of the Code does not require statutory amendments. With the same objective, the Code does not discriminate between the organisational models that, pursuant to the law, the so-called *sociedades anónimas*, limited liability companies, may adopt, being entirely neutral in this respect.

On the other hand, an attempt was made to meet the difficult objective of making the Code *adaptable to the very heterogeneous realities* of the companies to which it is addressed. To this end, two main instruments were adopted: the variation of the content of some Recommendations according to the size of the company (for example, III.4. and V.4.1) and, in other cases, the deferral to the company of the duty to comply, by means of a bylaw or equivalent, with certain aspects relevant to corporate governance. In this case, the Code establishes a basic recommendatory level, leaving to the company the task of creating and developing the regime most suited to its specificities. In other words, a specific regime is not recommended to the company, but it is recommended that the company develops and enshrines the regime it deems appropriate.

The Code is structured and developed on two distinct levels: that of the *Principles* and that of the *Recommendations*. The function of the Principles is, first of all, to establish a basis for the *interpretation* and for the *application* of the Recommendations, but also to provide a *qualitatively relevant basis* for the *explain*: compliance with the principle alone does not allow to affirm compliance with the Recommendations but allows for a *positively differentiated* assessment of the non-compliance.

In any case, Principles are not in themselves the subject of a declaration of compliance.

3. After dialogue with the various stakeholders, the IPCG undertakes to create and maintain, either alone or in partnership, the necessary and appropriate structures to monitor the Code and to analyse its implementation and, on a regular basis, revise its content.

PREAMBLE (2020 REVISION)

The IPCG Corporate Governance Code entered into force in 2018 and has been widely adopted by companies issuing shares admitted to trading on the Portuguese regulated market.

Having completed the first monitoring exercise in 2019, regarding the year 2018, the IPCG was able to meet the commitment made in the preamble of the original 2018 version of the Code to *create and maintain the necessary and appropriate structures to monitor the Code and to analyse its implementation*. In these tasks, the role played by the committees created for this purpose has been decisive: the Accompaniment and Monitoring Committee (CAM), which is chaired by Pedro Maia, and the Executive Accompaniment and Monitoring Committee (CEAM), chaired by Duarte Calheiros. Equally essential for the proper performance of said tasks is the permanent articulation between the IPCG and the AEM, in implementation of the Protocol signed in February 2018.

In the present Protocol, the IPCG also undertook to *revise the content of the Code on a regular basis*. One of the functions of the CAM was to *promote a (commonly) biennial revision of the Code*, taking into consideration *the reality found in the monitoring, changes in the law and the international dynamics of evolution of best corporate governance practices*, in line with the duty assumed by the IPCG before the CMVM,

to *promote, in biennial cycles and with the participation of the CMVM, the updates that may be deemed necessary, in line with international best practices*. Furthermore, it was established that a *Delegated Committee*, composed by representatives of the IPCG and the AEM, would prepare and present to the CAM a *joint proposal* for discussion and approval.

It was in this context that Rui Pereira Dias and Mafalda de Sá, appointed by the IPCG, and Abel Sequeira Ferreira, appointed by the AEM, worked together to prepare a common proposal, in articulation with the Chairmans of the CEAM and the CAM.

In the *spirit of cooperation* that allowed the approval of the Code, in 2018, and in continuation of the *fruitful dialogue* with the various stakeholders in the Portuguese capital market, the CMVM and the issuer companies were heard, and the final result is due to the contributions received in that process.

Faithful to the revision mandate, the proposal presented began by feeding on the *monitoring experience*, which is visible in several revision suggestions that are essentially based on the *partial coincidence of Recommendations with legal requirements*, in the *repetition of content* and in *proven difficulties in the implementation of Recommendations*, as found during the monitoring.

The *legislative changes* also merited the attention of the Delegated Committee with the aim of the Code continuing to establish with the law a *harmonious complementary* relationship. This explains the recommendatory evolutions on *remunerations* and *related party transactions*, in view of the imminent transposition of the *Shareholders' Rights Directive II*.

The attention paid to the *international dynamics of the evolution of corporate governance* has led, as an example, to an emphasis on *sustainability*, through the insistence on promoting the long-term success of the company and its contribution to the community at large.

The 2020 revision of the 2018 IPCG Code thus constitutes the result of a self-regulation exercise, concluded at the end of July 2020, which was made possible thanks to the cooperation between all the institutions involved, in a continuous and common effort to improve corporate governance practices in the Portuguese capital market.



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