

ANNUAL MONITORING REPORT

CEAM

EXECUTIVE MONITORING
COMMITTEE OF THE IPCG
CORPORATE GOVERNANCE CODE

ABRIDGED VERSION, CONTAINING AN EXTENDED EXECUTIVE SUMMARY,
CHARTS, AND CONCLUSIONS

2021

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EXECUTIVE SUMMARY

This Annual Monitoring Report (hereinafter referred to as RAM) is the fourth prepared by reference to the monitoring system introduced with the IPCG Corporate Governance Code (hereinafter referred to as CGS), initially approved in 2018.

This is the second Report regarding the CGS as revised in 2020.

Thirty-six companies were monitored, including the fifteen companies that are currently part of the PSI index (and the nineteen that were in 2021)*, as well as one unlisted company.

Comprising 53 recommendations, which, for monitoring purposes, were broken down into 74 subrecommendations, the CGS revised in 2020 represented another significant step towards self-regulation of corporate governance in Portugal.

This document, in similar terms to the three previous years, reports on the monitoring work carried out with reference to the year of 2021.

* It is important to note that, by decision of the managing entity of the national stock exchange (Euronext Lisbon), communicated to the market on 12 August 2021, the main index of the Portuguese stock market is no longer the PSI 20®, which had been in force since 1993, and is now simply called PSI®. This alteration, which is not merely a designation, since the change in the index rules also led to relevant changes in its composition, was only made in March 2022. Even so, and although the PSI 20® was still in force throughout the 2021 year, the monitoring of which is reported here, it was decided in this Report to refer to the index as PSI®, as it is its current designation.

The conclusion of this exercise is that the average degree of compliance with the CGS, in the total number of issuer companies monitored, with respect to the total of recommendations and subrecommendations, reached approximately 79%. In the case of issuers that were part of the PSI in 2021, the percentage rises to 88%.

These results mean, on the whole, a positive evolution as regards the average level of compliance, in comparison with the result obtained for 2020: there is a sharp increase in the PSI universe (from 83% to 88%) and a smaller increase (from 78.72% to 79.27%, thus always around 79%), in the total of the issuer companies considered.

These figures result from the operation of two opposing forces.

On the one hand, the dialogue between the monitoring and issuer companies, together with the stability of the recommendatory framework and the commitment of many issuer companies to improve their corporate governance, have been contributing to a very positive evolution regarding the average degree of compliance.

On the other hand, in 2021 the monitoring work was extended to new issuer companies. It is a very positive sign of the growing recognition of the role played by the CGS in corporate governance in Portugal. However, as a consequence of this extension, 17% of the companies now included in this exercise were in a phase of adaptation to the CGS, with the understandable difficulties in adjusting their practices to the content of certain recommendations.

Thus, considering the sustained evolution of results and the progression margin of the companies that have only now been included in the exercise, the CEAM – Executive Accompaniment and Monitoring Committee (*Comissão Executiva de Acompanhamento e Monitorização*) considers that the path of consolidation of the good governance practices already adopted is ensured, as well as the improvement of the governance solutions of the companies listed in Portugal.

This path, it is hoped, will also benefit from the results of the CGS review process underway, with the aim of continuing the effort of alignment with the evolution of best corporate governance practices.

Chart 1

Compliance with CGS recommendations



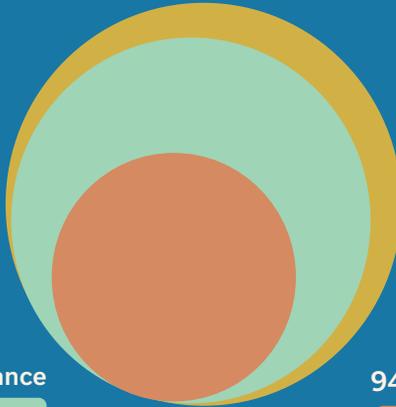
Chart 2

Recommendations with the highest compliance level

100% compliance



I.1.1.
I.2.2.(4)
I.2.2.(5)
I.2.3.(1)
I.2.3.(2)
VI.6.(1)
VI.6.(4)



97% compliance

V.2.2.
VII.2.2.(1)

94% compliance

VII.1.1

I.1.1 – establishing of mechanisms for the timely dissemination of information

I.2.2.(4) and (5) - drawing up minutes of the meetings of the management and supervisory bodies

I.2.3.(1) and (2) - disclosure, on the website, of the composition and number of annual meetings of the bodies and committees

VI.6.(1) and (4) - establishment of a risk management function, identifying (1) the main risks to which the issuer company is subjected; (4) the monitoring procedures, aiming at their accompaniment

V.2.2. – remuneration settled by a committee (or by the General Shareholders Meeting upon a committee proposal)

VII.2.2.(1) - the supervisory body as the main interlocutor of the Statutory Auditor and first addressee of his reports

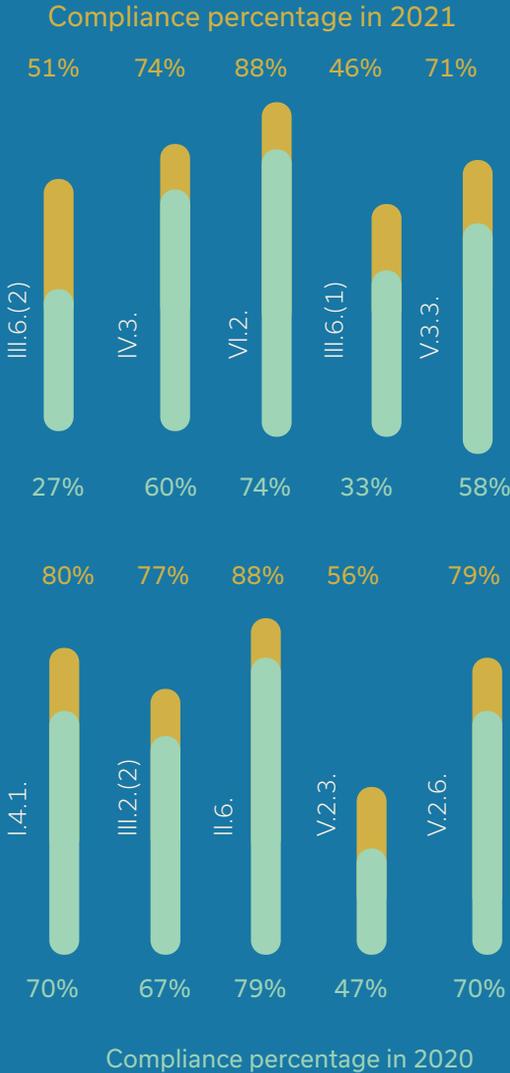
VII.1.1 - imposition, by internal regulation of the supervisory body, of this body to supervise the suitability of the process of preparation and disclosure of financial information by the management body

Note: the recommendations considered herein are those deemed applicable to at least the majority of the issuer companies, which led to the exclusion from the chart of recommendations III.2.(3) and V.2.9, fully accepted but applicable to a reduced number of issuer companies (3% and 17%, respectively).

Chart 3

Recommendations whose compliance grew most

Recommendations where the percentage of compliance has increased the most compared to the 2020 year:



III.6.(2) - the supervisory body assesses and gives an opinion on the risk policy, prior to its final approval by the management body

IV.3. - the management body explains in what terms the strategy and main policies defined seek to ensure the success of the company and how they contribute to the community as a whole

VI.2. - the supervisory body implements mechanisms and procedures for periodic control of consistency between risks incurred and objectives set by the management body

III.6.(1) - the supervisory body assesses and says on the company's strategy, prior to their final approval by the management body

V.3.3. - inclusion of a majority of independent non-executive members on the committee of appointments of senior management

I.4.1. - duty to inform in case of conflict of interest

III.2.(2) - judgement on the number of members of the supervisory body

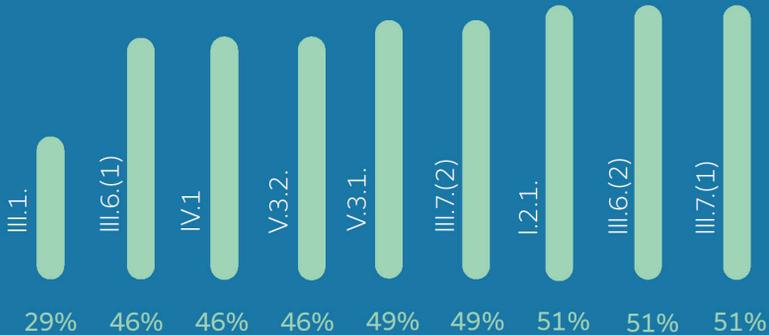
II.6. - no adoption of measures susceptible of harming the economic interest in the transfer of shares and free appraisal of the performance of the members of the board in the event of a change of control in the company or change in the composition of the management body

V.2.3. - approval of the maximum amount of compensation in the event of termination of functions

V.2.6. - the remuneration committee ensures the independence of the consultancy services and that such consultants shall not be contracted for the provision of other services without the express authorisation from the remuneration committee.

Chart 4

Recommendations with the lowest compliance level



III.1 - appointment, by the independent directors, of a coordinator

III.6.(1) and (2) - the supervisory body assesses and says on the company's strategy (1) and the risk policy (2), prior to their final approval by the management body

IV.1. - approval, by the management body, of the regime for the exercise by executive directors of functions outside the group

V.3.2. - existence of a committee to monitor and support the appointment of senior management

V.3.1. – the company promotes that the proposals for the appointment of members of the governing bodies are accompanied by a justification on the suitability for the functions to be performed, the profile, knowledge and curriculum vitae of each candidate

III.7.(2) - existence of a committee specialised on appointments

I.2.1. - establishment of criteria and requirements relating to the profile of new members of the corporate bodies, considering individual attributes and diversity requirements

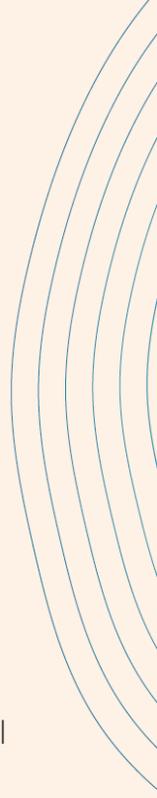
III.7.(1) - existence of a committee specialised on corporate governance matters

Note: in this chart only recommendations that were deemed applicable to at least the majority of the issuer companies were considered, which led to the exclusion from the chart of Recommendation II.1.(2), applicable to a smaller number of issuer companies (23%).

2 CONCLUSION

- In the monitoring regarding 2021, the average degree of compliance with the 53 recommendations of the IPCG CGS 2018 revised in 2020 - broken down into 74 subrecommendations - is 79%.
- This average degree of compliance rises to 88% in the universe of issuer companies that are part of the PSI.
- In comparison with the previous year, there was a slight improvement of 0.55 percentage points (from 78.72% to 79.27%, i.e. always around 79%), an improvement that was more accentuated in the PSI universe (from 83% to 88%).
- These figures result from the operation of two opposing forces:

on the one hand, the fact that the universe of issuer companies that adopted the revised 2020 version of the 2018 CGS has been extended. In fact, the phase of adaptation to this new version, adopted for the first time by 17% of the companies included in this exercise (among new companies in the market and companies that adopted the 2020 version of the Code for the first time), generated understandable difficulties in adjusting their practices to the content of certain recommendations;



on the other hand, the dialogue between the monitoring team and the issuer companies, together with the stability of the recommendatory framework and the commitment of many issuer companies to improving their corporate governance, have contributed to a positive evolution with regard to the average degree of compliance.

- As in previous years, we have observed qualitative progress in terms of the information provided in the governance reports regarding the practices adopted, attesting to a healthy concern of the issuer companies to meet the recommendatory requirements, and to explain them so that an external observer may verify their compliance. The Executive Accompaniment and Monitoring Committee has continued to play its role in this area, seeking, within the scope of its competences and through the interactions that this exercise allows, to promote the improvement of governance practices and the improvement of their reporting.
- Among the recommendations that were most accepted, the following deserve special mention: establishment of mechanisms for the timely disclosure of information; preparation of minutes of the meetings of the administration and supervisory bodies; disclosure, on the website, of the composition and number of annual meetings of the bodies and committees; establishment of a risk management function, identifying the main risks to which the issuing company is subject, as well as the monitoring procedures, with a view to

their accompaniment; setting of remunerations by committee (or by the general meeting, upon the proposal of the committee); the supervisory body as the main interlocutor of the statutory auditor and first addressee of its reports; imposition, by internal regulation of the supervisory body, of this body to oversee the adequacy of the process of preparation and disclosure of financial information by the management body.

- Amongst the recommendations whose compliance grew most, those which concern, in particular, the following shall be highlighted: assessment and issuance of an opinion by the supervisory body on the risk policy and strategic guidelines, prior to their final approval by the management body; explicitness of the terms under which the strategy and main policies defined by the company seek to ensure its success and contribute to the community at large; implementation, by the supervisory body, of periodic control mechanisms and procedures to ensure consistency between the risks incurred and the goals set by the management body; inclusion of a majority of independent non-executive members on the nominations committee for senior management; the duty to provide information in the event of a conflict of interests; the formulation of a judgement on the appropriateness of the number of members of the supervisory body; not adopting measures that may harm the economic interest in the transfer of shares and the free appraisal of the performance of members of the board of directors in the event of a transfer of control or change in the composition of the management body; approval of the maximum

amount of compensation to be paid by the company in the event of termination of duties by a member of any company body or committee; the guarantee, by the remuneration committee, of the independence of the consultancy services hired.

- Among the recommendations that were least accepted were the following: appointment of a coordinator for independent members of the board of directors; assessment and say, by the supervisory body, on the strategic guidelines and risk policy defined by the management body, prior to its final approval by this body; approval, by the management body, of the rules on the performance by executive members of the board of directors of executive duties outside the group; existence of a committee to monitor and support the appointment of senior management; promotion, by the company, that the proposals for election of members of the governing bodies are accompanied by substantiations on the suitability of the profile, knowledge and curriculum of each candidate for the function to be performed; existence of specialised committees on nominations and corporate governance; establishment of criteria and requirements relating to the profile of new members of the governing bodies, considering individual attributes and diversity requirements.
- The results obtained, as reported in this Annual Report, clearly demonstrate the commitment of all those involved in the monitoring process to continue to consolidate the good governance practices already adopted, as well as to improve the governance solutions of the companies listed on the Portuguese market.

List of monitored issuer companies that adopted the revised IPCG CGS 2018 as revised in 2020 (year of 2021)*

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

Banco Comercial Português, S.A.

Caixa Geral de Depósitos, S.A.

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

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

CTT - Correios de Portugal, S.A.

EDP - Energias de Portugal, S.A.

EDP Renováveis, S.A.

Estoril-Sol, S.G.P.S., S.A.

Flexdeal SIMFE, S.A.

Futebol Clube do Porto - Futebol, SAD

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

Glintt - Global Intelligent Technologies, S.G.P.S., S.A.

Greenvolt - Energias Renováveis, S.A.

Grupo MEDIA CAPITAL, S.G.P.S., S.A

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

*The universe of companies listed here includes the 35 entities that timely adhered to the IPCG CGS 2018 in its 2020 revised version. It does not include, therefore, an issuer company that has still adopted the 2013 CMVM Code; an issuer company that has adopted the IPCG CGS in its original 2018 version; nor another issuer company that, as at the date of the present IPCG Report, had not yet published the approval of its governance report for 2021.

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

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

JERÓNIMO MARTINS, S.G.P.S., S.A.

Martifer, S.G.P.S., S.A.

Mota-Engil, Engenharia e Construção, S.A.

NOS, S.G.P.S., S.A.

NOVABASE, S.G.P.S., S.A.

Pharol, S.G.P.S., S.A.

Ramada Investimentos e Indústria, S.A.

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

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

SONAE, S.G.P.S., S.A.

SONAECOM, S.G.P.S., S.A.

Sport Lisboa e Benfica - Futebol, SAD

Sporting Clube de Portugal - Futebol, SAD

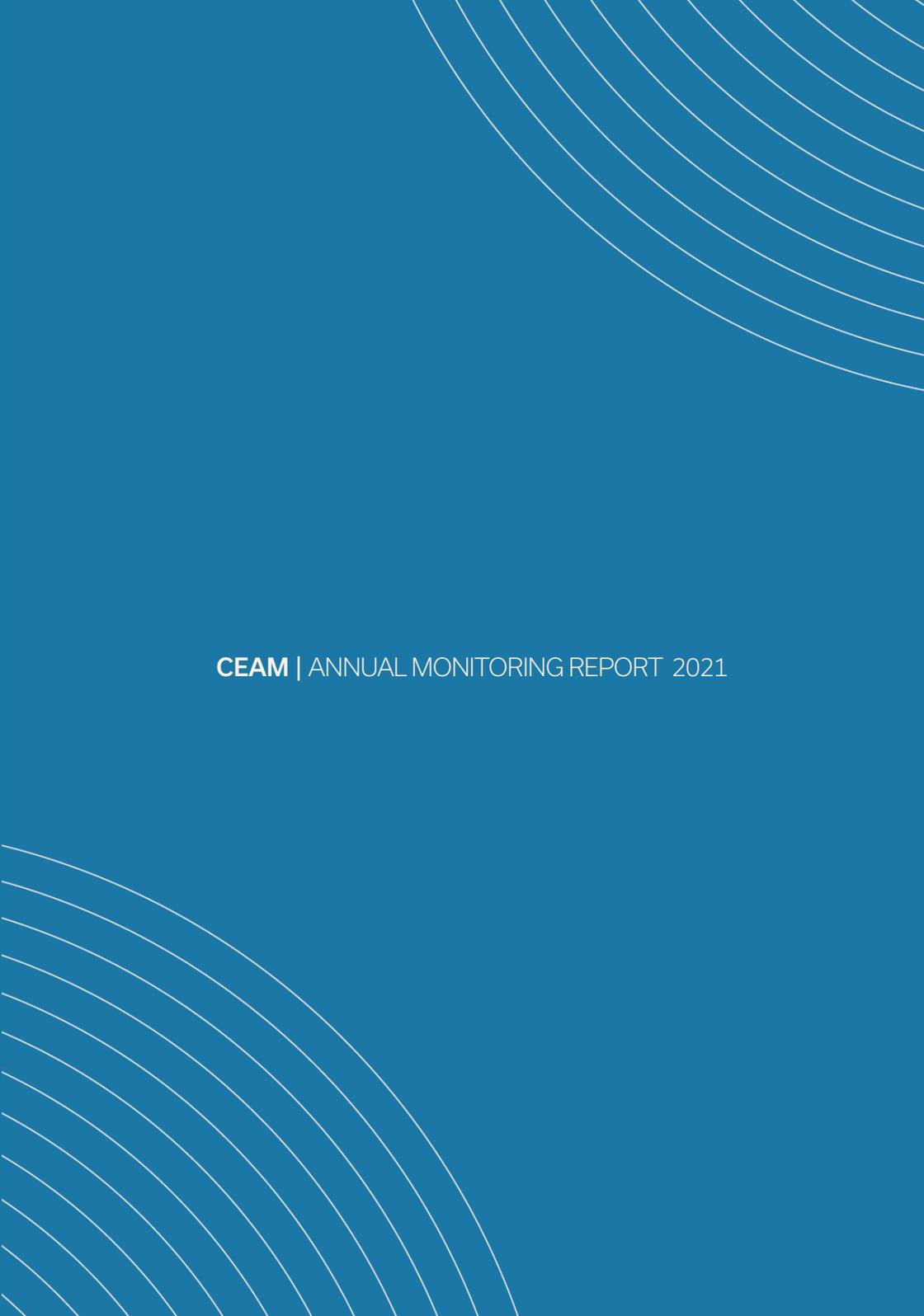
TEIXEIRA DUARTE - Engenharia e Construções, S.A.

Toyota Caetano Portugal, S.A.

THE NAVIGATOR COMPANY, S.A.

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

Issuer companies included in the PSI index in 2021



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