

REPORT AND ACCOUNTS CORPORATE GOVERNANCE REPORT

31 december 2016

SUBJECT TO THE APPROVAL BY THE
SHAREHOLDERS' GENERAL MEETING

SONAE CAPITAL

Part III
**CORPORATE
GOVERNANCE
REPORT**

31 december 2016

Part I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER'S STRUCTURE

I. CAPITAL STRUCTURE

1. Share Capital Structure

The share capital of Sonae Capital, SGPS, S.A. (hereinafter referred to as “Company” or “Sonae Capital”) is 250,000,000€, fully subscribed and paid up, and is divided into 250,000,000 ordinary, book entered and bearer shares each with the nominal value of 1 euro.

All the shares of Sonae Capital have been admitted to trading on the Euronext Lisbon regulated market since 28 January 2008.

2. Restrictions on the transferability and ownership of shares

The Company's shares have no restrictions on their transferability or ownership, nor are there shareholders holding special rights. Accordingly, the shares are freely transferable according to the applicable legal rules.

3. Treasury Shares

The Company held 5,156,226 treasury shares at 31 December 2016, representing 2.206% of the share capital, corresponding to the same percentage of voting rights.

4. Impact of the change of shareholder control of the Company on significant agreements

The Company has not entered into any agreements which contain clauses intended to be defensive measures for the change of shareholder control in the case of takeover bids.

Under the same terms, the Company did not approve any statutory provision or rules or regulations in order to prevent the success of takeover bids.

5. Defensive measures in the case of change of shareholder control

No defensive measures were adopted during the 2016 financial year.

The majority of the share capital of the Company is attributed to a single shareholder. There is also no statutory rule that provides for the limitation of the number of votes that may be held or exercised by a shareholder, whether individually or jointly with other shareholders.

6. Shareholder agreements

The existence of any shareholder agreements with regard to the Company is unknown.

II. SHAREHOLDINGS AND BONDS HELD

7. Qualifying holdings

The shareholders who, at 31 December 2016 and in accordance with the notifications received by the Company, in accordance with article 20 of the Securities Code, have a qualifying interest representing at least 2% of the share capital of Sonae Capital, are the following:

Shareholder	No. Shares Held	% Share capital with voting rights
Efanor Investimentos, SGPS, S.A. ¹	156,672,329	62,669%
Briarwood Chase Management LLC	12,463,711	4,985%
Santander Asset Management	5,395,629	2,158%
Argus Funds	5,181,429	2,073%

¹ Belmiro Mendes de Azevedo is, pursuant to article 20(1)(b) and article 21(1) of the Securities Code, the ultimate beneficial owner since he controls Efanor Investimentos SGPS, SA and this, in turn, fully controls Pareuro BV.

8. Number of shares and bonds held by the members of the management and supervisory bodies, presented pursuant to Article 447(5) of the Companies Code

The shares and bonds held by members of the management and supervisory bodies in the Company and in companies in a control or group relationship with the Company, either directly or through related persons, are disclosed in an appendix to the annual report of the Board of Directors, as required by article 447 of the Companies Code and article 14(7) of the CMVM Regulation No. 5/2008.

9. Powers of the Board of Directors in respect of share capital increases

The powers granted by the Articles of Association to the Board of Directors of the Company to decide on share capital increase operations ceased to exist in December 2012 and, from that date, such power is exclusively held by the Shareholders' General Meeting, under the legally established terms.

10. Commercial relationships between the holders of qualifying holdings and the Company

In relation to the commercial activities of the businesses that comprise the portfolio of Sonae Capital, there are a set of commercial relationships between the Company and its Subsidiaries and holders of qualifying holdings, or companies held by them.

These transactions form part of the regular business activity of each company and are carried out in accordance with current market practices and conditions. In addition, when related parties are involved, these transactions are scrutinised and, if significant, approved in advance by the Supervisory Board.

No significant business or commercial transactions were carried out in 2016 between the Company and holders of qualifying holdings in the company.

B. GOVERNING BODIES AND COMMITTEES

I. SHAREHOLDERS' GENERAL MEETING

a) Board of Shareholders' General Meeting

11. Identification and positions of the members of the Board of Shareholders' General Meeting and respective term of office

The Shareholders' General Meetings are conducted by the Board of Shareholders' General Meeting, whose members are elected by the shareholders for a term of three years, coinciding with the term of office of the other governing bodies.

The members of the current term of office were elected, for their first term, by decision of the Annual General Meeting of 31 March 2015, for the current term of 2015-2017.

- Manuel Eugénio Pimentel Cavaleiro Brandão (Chairman);
- Maria da Conceição Henriques Fernandes Cabaços (Secretary).

b) Exercise of the right to vote

12. Possible restrictions on the right to vote

The Company's share capital is represented in its entirety by a single category of ordinary shares, each share corresponding to one vote, and there are no statutory limitations to the exercise of the right to vote.

For shareholders to participate in the Shareholders' General Meeting, the only rules that have to be complied with is applicable legislation regarding the "Registration Date" as a relevant moment for proving the quality of shareholder and for exercising the corresponding right to participate in and vote at the Shareholders' General Meeting, as well as the legal scheme for the participation and voting of shareholders who, on a professional basis, hold shares in their own name but on behalf of clients.

Shareholders may be represented at meetings of the Shareholders' General Meeting upon presentation of a written representation document addressed to the Chairman of the Board of the Shareholders' General Meeting and delivered at the beginning of the meeting, indicating the name and domicile of the representative and the date of the meeting. This communication may also be done by e-mail in accordance with the instructions contained in the notice of meeting.

A shareholder may designate different representatives in respect of the shares held in different securities accounts, without prejudice to the principle of voting unity and to a voting differently allowed to shareholders on a professional basis.

The Company makes available, within the legal deadlines, adequate information – notices of meetings, voting procedures and procedures to be adopted for postal voting, voting by e-mail or by proxy, as well as a draft letter of representation, in Portuguese and English, on its website (www.sonaecapital.pt) in order to ensure, promote and encourage the participation of shareholders in general meetings, either directly or through representatives.

In addition to the Company's website, this documentation is also available to shareholders for consultation at the company headquarters during business hours, as well as in the CMVM Information Disclosure System (www.cmvm.pt), from the date of publication of the notice of meeting.

Shareholders may vote by post on all matters requiring approval of the Shareholders' General Meeting, and the vote may be cast electronically. The means of voting is defined in the notice convening the Shareholders' General Meeting, and a form is available at <http://www.sonaecapital.pt/investidores/assembleias-gerais> to request the technical elements necessary to vote in this manner.

The Company also makes available to shareholders draft ballot forms in Portuguese and English on its website at (www.sonaecapital.pt), simultaneously with the publication of the Shareholders' General Meeting notice, as well as the corresponding preparatory documents relating to the various items of the agenda, in Portuguese and English.

13. Maximum percentage of the voting rights that may be exercised by a single shareholder or by shareholders that are in any of the relationships established in article 20(1)

There is no limit to the number of votes that may be held or exercised by a single shareholder or group of shareholders.

14. Shareholder decisions which, by statutory imposition, can only be taken with a qualified majority

Pursuant to the provisions of the Articles of Association, the decisions of the Shareholders' General Meeting shall be taken by basic majority, unless otherwise established by law.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the adopted governance model

The Company adopts a monistic governance model (composed of Board of Directors, Supervisory Board and Statutory Auditor), as provided for by articles 278 (1) (a) and 413 (1) (b), both of the Companies Code, complemented by a delegation of management powers in an Executive Committee.

The Board of Directors is the body responsible for managing the Company's business, for performing all management acts related to the corporate purpose, determining the strategic orientation of the Company, as well as designating and supervising the performance of the Executive Committee and the specialised committees it sets up.

The Board of Directors considers that the adopted governance model is appropriate to the exercise of the powers of each of the governing bodies, ensuring, in a balanced manner, both its independence and the functioning of the respective interface. Moreover, the specialised committees, restricted to matters of great relevance, maximize the quality and performance of the management body, reinforcing the quality of its decision-making process.

The Executive Committee exercises the powers delegated in it by the Board of Directors for day-to-day matters of the Company and the corporate services.

The other two bodies are responsible for oversight.

The details of the structure adopted, the bodies that comprise it and corresponding functions and responsibilities are presented in the following paragraphs.

16. Statutory rules on procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors

The members of the Board of Directors are elected, in accordance with the law and articles of association, under the terms stated in a proposal approved by the Shareholders' General Meeting.

The articles of association envisage that a director may be elected individually if there are proposals subscribed by shareholders who hold shares individually or jointly with other shareholders representing between ten and twenty percent of the share capital (director elected under the minority rule). The same shareholder may not subscribe to more than one voting list. Each proposal must contain at least the identification of two persons eligible for the same position to be filled. If several proposals are tabled by different shareholders or groups of shareholders, the votes will be taken on all proposals.

The articles of association also establish that in the event of death, resignation or temporary or permanent impediment of any of its members, other than the director elected under the minorities rule, the Board of Directors shall promote that director's replacement by co-opting, and this appointment requires ratification by the shareholders at the first Shareholders' General Meeting held after co-optation. In the event of definitive absence of a Director elected in accordance with the rules set forth in the preceding paragraph, the election shall occur at a Shareholders' General Meeting that is convened.

In the exercise of the Board of Directors' power to co-opt, the Board Nomination and Remuneration Committee is responsible for identifying potential candidates for the position of director with the appropriate profile for the exercise of the management functions.

A director shall be deemed to be definitively absent if he fails to attend two consecutive or interpolated meetings, without presenting a justification that is accepted by the Board of Directors.

17. Board Composition

In accordance with the Company's articles of association, the Board of Directors may be composed of an even or odd number of members, at least three and a maximum of nine, elected at a Shareholders' General Meeting. The term of office of the Board of Directors is three years, and its members may be re-elected one or more times. The current term of office of the Board of Directors is the 2015-2017 triennium. It is the Board of Directors that, in accordance with the articles of association, elects its Chairman.

The Board of Directors at 31 December 2016 was composed of seven members, three executive members and four non-executive members, two of whom are independent.

The current members of the Board of Directors who were elected for the 2015-2017 term are listed in the following table:

Name	First appointed	Date of termination of term of office
Duarte Paulo Teixeira de Azevedo	March 2015	31 December 2017
Álvaro Carmona e Costa Portela	March 2011	31 December 2017
Maria Cláudia Teixeira de Azevedo	March 2011	31 December 2017
Ivone Pinho Teixeira	March 2013	31 December 2017
Francisco de La Fuente Sánchez	April 2008	31 December 2017
Paulo José Jubilado Soares de Pinho	April 2008	31 December 2017
Miguel Jorge Moreira da Cruz Gil Mata	April 2016	31 December 2017

18. Executive and Non-Executive Members

Duarte Paulo Teixeira de Azevedo	Chairman - Non-Executive
Álvaro Carmona e Costa Portela	Vice-Chairman - Non-Executive
Maria Cláudia Teixeira de Azevedo	Executive
Ivone Pinho Teixeira	Executive
Miguel Jorge Moreira da Cruz Gil Mata	Executive
Francisco de La Fuente Sánchez	Non-Executive (Independent)
Paulo José Jubilado Soares de Pinho	Non-Executive (Independent)

Non-executive members were appointed on the basis of their prestige in the business, finance, academic and consulting fields, with the aim of strengthening the Board of Directors' competences, namely with regard to the strategy for setting up the business portfolio and the annual financial plan, as well as their revising.

The non-executive members of the Board of Directors, Francisco de La Fuente Sánchez and Paulo José Jubilado Soares de Pinho, are considered independent according to the criterion of independence established in section 18.1 of Annex I of the CMVM Regulation No. 4/2013 and Recommendation II.1.7 of the CMVM (2013).

Independent non-executive directors are under a duty to inform the Company immediately of any occurrence during their term of office that may cause incompatibilities or loss of independence, as required by law.

The current composition of the Board of Directors, in particular regarding the number of independent non-executive directors (2 out of 7 members), ensures the degree of supervision necessary for the activities carried out by the Executive Directors, taking into account the governance model adopted, the size of the company and its free float. The Report of the Board of Directors includes a chapter describing the activities carried out by the non-executive members of the Board of Directors.

19. Professional qualifications of the members of the Board of Directors:

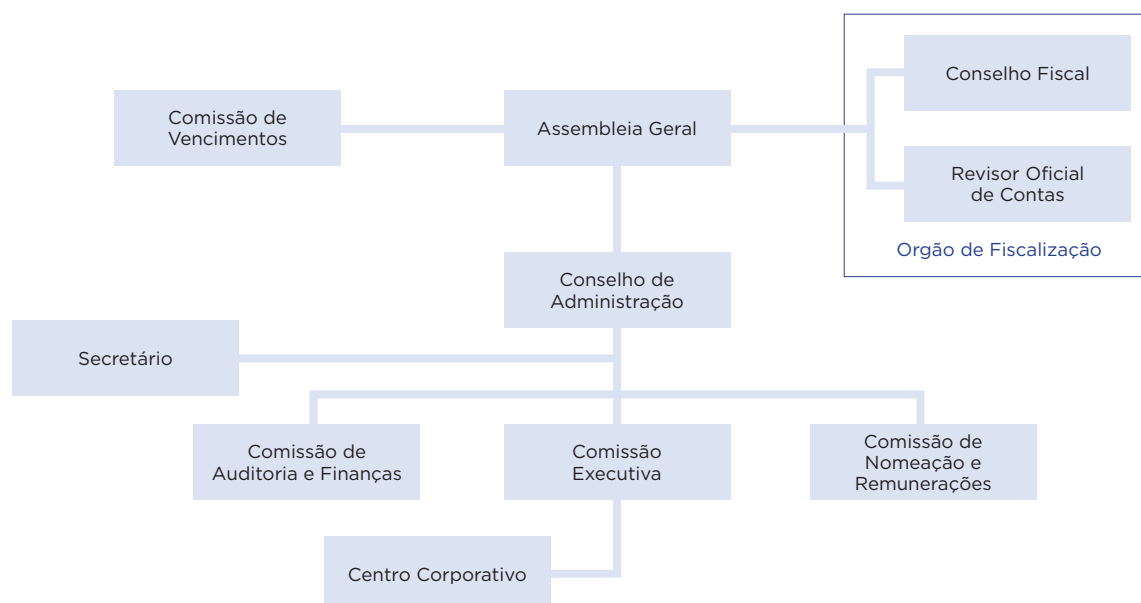
The professional qualifications and other relevant details of the CVs of the members of the Board of Directors are detailed in this report, in the respective annex.

20. Significant family, business and commercial relationships of members of the Board of Directors with shareholders having a qualifying holding

The Chairman of the Board of Directors and the Chief Executive Officer, Duarte Paulo Teixeira de Azevedo and Maria Cláudia Teixeira de Azevedo, respectively, are shareholders and members of the Board of Directors of Efanor Investimentos, SGPS, S.A., a legal person to which the control of the majority of the voting rights in this Company is imputed, and they are the children of Belmiro Mendes de Azevedo, a natural person to whom, in turn, the control of said company Efanor Investimentos, SGPS, SA is indirectly imputed.

To the best knowledge of the Company, there are no other usual and significant family, business and commercial relationships between shareholders holding qualifying holdings in excess of 2% of the voting rights and members of the Board of Directors.

21. Organisational charts or functional charts relating to the division of powers among the various governing bodies, committees and/or departments of the Company, including information on the delegation of powers, particularly with regard to the delegation of the day-to-day management of the Company



According to the current corporate governance structure, the Board of Directors is responsible for strategic decisions at the business portfolio level and their implementation.

The Board of Directors delegates in the Executive Committee powers for the day-to-day operational management, also controlling the way in which this body functions and how the delegated powers are exercised.

The following powers of the Board of Directors may not be delegated, while all others have been delegated:

- Election of the Chairman of the Board of Directors;
- Co-optation of a substitute member of the Board of Directors;
- Request to convene General Meetings;
- Approval of the Annual Report and Accounts;
- Provision of collateral and personal or real guarantees by the Company;
- Decision to change the registered office or increase the share capital;
- Decision on mergers, spin-offs or transformation of the Company;
- Approval of the business portfolio configuration strategy;
- Approval of the business plan and any significant changes to that plan.

The Corporate Centre plays an instrumental role in supporting the Executive Committee and Board of Directors in the definition and control of the implementation of the defined strategies, policies and objectives. Composed of sovereign functions and shared functions, which are described below, its purpose is to provide transversal services to all Group companies:

- Corporate Finance
- Legal Department
- Corporate Management Planning and Control
- Corporate Human Resources
- Portfolio Development
- Internal Audit
- Risk Management
- Information Systems
- Financial Department

The Corporate Finance role is to be responsible for defining and implementing financial management strategies and policies, ensuring an integrated and transversal vision of the Group's needs as well as ensuring the upkeep of relations with the capital, debt and banking markets. It is also responsible for managing the Group's financial risks and for preparing and monitoring the Group's financial plan.

The Legal area provides legal support in all fields, guaranteeing the defence of the Group's interests and promoting in an integrated and cross-cutting manner the strategy defined by the Board of Directors. It is responsible for monitoring legal compliance, litigation management, the corporate secretariat and the management of the Group's legal risks.

The Corporate Management Planning and Control function is to assist in the strategic development of the Group and in the definition of management information policies and ensure the reporting of consolidated information internally. This function is part of the Investor Relations Office which has the main responsibilities of reporting information to the market and ensuring permanent contact with institutional investors, shareholders and analysts.

Corporate Human Resources is responsible for the definition and implementation of the Group's human resources strategy and policies as well as the planning and management of talent and careers of top managers, under the terms approved by the Board of Directors and Remuneration Committee.

Portfolio Development, including Mergers & Acquisitions, has the mission to support the Board of Directors of Sonae Capital in projects of organisational growth and in the Group's business management, as well as in portfolio optimisation projects including the analysis and negotiation of investment and divestment opportunities.

The Internal Audit function defines and implements the Internal Audit activities by systematically and independently evaluating the Group's activities in order to ensure the effectiveness of the internal management and control systems and processes.

The Risk Management function assists the Board of Directors in the identification, modelling and monitoring of the Group's risks with the aim of ensuring their control and mitigation, as well as making it possible to include the risk dimension in strategic and operational decisions.

The Information Systems function is to ensure the alignment of information systems with the Group's strategy, creating value through the provision of solutions that promote effectiveness, efficiency and innovation of processes.

The sovereign functions report to the Executive Committee of Sonae Capital.

As for the Shared Functions, the Financial Department's mission is:

- to optimise the Group's financial flows through the efficient management of external entities, namely customers, suppliers and banks;
- to guarantee an accounting management model that ensures the integrity and availability of accounting, financial and asset information for the whole organisation through an integrated system;
- to coordinate human resources administrative management activities, ensuring alignment with the businesses.

The function is coordinated by a director at the Corporate Centre level.

b) Functioning

22. Existence of and place where the rules of procedure of the Board of Directors can be consulted

The rules of procedure of the Board of Directors are available for consultation on the Company's website (<http://www.sonaecapital.pt>) (investors tab, Corporate Governance section, Regulations).

23. Number of meetings held and attendance record of each member, as applicable, at meetings of the Board of Directors, the General and Supervisory Board and the Executive Committee

The Articles of Association establish that the Board of Directors must meet at least once every quarter and, in addition, whenever the Chairman or two Directors convene it. During 2016, the Board of Directors met 9 times and the attendance record, either in person or through representation, was as follows:

Duarte Paulo Teixeira de Azevedo	100%
Maria Cláudia Teixeira de Azevedo	100%
Álvaro Carmona e Costa Portela	100%
Ivone Pinho Teixeira	100%
Francisco de La Fuente Sánchez	100%
Paulo José Jubilado Soares de Pinho	100%
Miguel Jorge Moreira da Cruz Gil Mata	100%

The Secretary of the Board of Directors is responsible for the preparation and functioning of the meetings. The Secretary also keeps records of all decisions taken in the minutes of the meetings and sends the agendas of the meetings and supporting documents at least five days in advance, always with a weekend before the date of the meeting.

24. Competent governing bodies to assess the performance of the executive directors

The Remuneration Committee, elected at the Shareholders' General Meeting, is the body responsible for assessing the performance and approving the remuneration of the members of the Board of Directors and other governing bodies, in representation of the shareholders and in accordance with the remuneration policy approved by the Shareholders at the General Meeting.

On the other hand, non-executive members, as part of their supervisory role, monitor in particular the performance of executive directors.

The Board Nomination and Remuneration Committee (CNR), which is solely composed of non-executive directors, supports the Remuneration Committee in the performance of its remuneration responsibilities. These committees may be assisted by international consultants of recognised competence, in order to carry out these functions. The independence of the consultants is guaranteed by their autonomy vis-à-vis the Board of Directors, the Company and the Group, as well as by their broad experience and credibility recognised by the market.

25. Pre-determined criteria for assessing the performance of the executive directors

The performance assessment of executive directors is based on pre-determined criteria, consisting of objective performance indicators set for each period and in line with the overall strategy of growth and positive business performance.

These indicators consist of the business, economic and financial KPIs (Key performance indicators), subdivided into collective, departmental and personal KPIs. The collective business KPIs consist of economic and financial indicators that are defined based on the budget, the performance of each business unit, as well as on the consolidated performance of the Company.

Departmental business KPIs, in turn, are similar in nature to the previous ones, and they measure the specific contribution of the director to the performance of the business. Personal KPIs include objective and subjective indicators and are intended to measure compliance with duties and commitments individually taken on by the executive director. Additional information can be found in points 71 to 75 below.

26. Availability of each member of the Board of Directors, indicating the positions held simultaneously in other companies, inside and outside the Group, and other relevant activities carried out by the members of those bodies during the year

The list of positions held by the Company's directors and other relevant activities is included in the appendix to this Report. Each of the members of the Board of Directors have consistently demonstrated their availability to perform their duties, having regularly attended the meetings of the body and participated in its work.

c) Committees within the board of directors and delegates

27. Identification of Committees established within the Board of Directors and the place where the rules of procedure can be consulted

The committees created by the Board of Directors are the Executive Committee, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

The functioning of the various committees is established in the rules of procedure of the Board of Directors, available for consultation on the Company's website (<http://www.sonaecapital.pt>) (investors tab, Corporate Governance section, Regulations).

28. Composition of the Executive Committee¹

Name	Position
Maria Cláudia Teixeira de Azevedo	Chief Executive Officer
Ivone Pinho Teixeira	CFO
Miguel Jorge Moreira da Cruz Gil Mata ¹	Executive Director

¹ Appointed by the Board of Directors on 7 April 2016.

29. Indication of the powers of each of the committees created and a summary of the activities carried out in the exercise of those powers

Executive Committee

The Executive Committee is empowered to deliberate on all matters that have been delegated by the Board of Directors or related to the day-to-day management of the Company, following the strategic guidelines defined by the Board of Directors and under the aforementioned delegation of powers.

Pursuant to the established policy, the members of the Executive Committee share responsibilities in more than one area, and the allocation of these responsibilities is done according to the profile and experience of each member.

The Executive Committee of the Company shall meet on a monthly basis and at any time a meeting is called in writing, at least 3 days in advance, by the Chief Executive Officer or by a majority of its members. Notwithstanding regular contact between the members of the Executive Committee in the periods between meetings, 16 meetings were held in 2016.

The Executive Committee may only take decisions if the majority of its members are attending or represented. Decisions are taken by majority of the votes cast by the members attending or represented and by those voting by post.

Employees of the Corporate Centre may attend Executive Committee meetings, at the request of one of the Executive Directors, to give support and opinions on certain matters.

The Secretary of the Executive Committee (who is also the Secretary of the Board of Directors) is responsible for the functioning of the Executive Committee and other logistical aspects. The Secretary is also responsible for recording the decisions in the minutes of the meetings and for providing the members of the Executive Committee with the agenda and supporting documents for the meeting, at least three business days prior to the date of the meeting. The fact that the Secretary is the same for both bodies ensures the adequate flow of information between both bodies, allows the timely distribution of information and minimises any problems in the interpretation of requests for clarification, contributing to greater efficiency and effectiveness of the process.

During 2016, the Executive Committee sent the agendas and approved minutes of the respective meetings to the Non-Executive Directors and to the members of the Supervisory Board. The members of the Executive Committee shall provide, in a timely and adequate manner, any information requested by other members of the governing bodies.

Board Audit and Finance Committee

The Board Audit and Finance Committee (BAFC) functions under the terms approved by the Board of Directors.

At 31 December 2016, the BAFC is composed of the independent Non-Executive Directors, Francisco de La Fuente Sánchez (Chairman) and Paulo José Jubilado Soares de Pinho.

The BAFC reviews the reports, financial information and financial statements of the Company prior to their approval by the Board of Directors, issues opinions on the reports addressed to shareholders and financial markets as to the adequacy and regularity of the information provided by the Executive Committee, including the internal business control systems, compliance with corporate governance best practices and it accompanies, on behalf of the Board of Directors, the audit and risk management activities and evaluates the processes and procedures in order to ensure the monitoring of internal control and efficient risk management. The BAFC meets with the Statutory Auditor and the Internal Audit team.

Refer to Chapter III of this report for information on risk-taking and control of risks.

The BAFC must meet at least six times a year, prior to the annual and interim disclosure of the results, once before the approval of the consolidated annual budget, once to evaluate the effectiveness of the Company's governance policies and practices and whenever convened by its Chairman, or by the Chairman of the Board of Directors, or by the Chief Executive Officer.

The Secretary of BAFC distributes the agenda and supporting documents to the members of the Committee at least five days before the date of the meeting and with a weekend beforehand. The Secretary also records the decisions taken in the minutes of the meetings.

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (BNRC) is composed of the Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo, Vice-Chairman Álvaro Carmona e Costa Portela and the independent Non-Executive Director Francisco de La Fuente Sánchez.

The members have been appointed to the BNRC for a period of three years (2015-2017).

The BNRC ordinarily meets once a year, before the meeting of the Remuneration Committee, and whenever such is deemed necessary.

The BNRC operates in accordance with the provisions of the rules of procedure of the Board of Directors. It is responsible for:

- (i) Identifying potential candidates with profiles for the performance of managerial duties (in particular when the Board of Directors performs its role of co-opting members), preparing general information regarding succession plans, contingency plans and talent management, in general for the members of the Board of Directors, as well as for other senior managers;
- (ii) Submitting to the Board of Directors a reasoned opinion on the proposal of the Executive Committee regarding remuneration and compensation policy of the members of the Board of Directors, to be submitted to the Board of Directors and subsequently submitted to the Remuneration Committee for its appraisal, in the context of the respective resolution to be put on the table at the General Meeting;
- (iii) Analysing, in accordance with the approved internal procedure, the remuneration proposals for the members of the Board of Directors, to be sent to the Remuneration Committee for appraisal, which then decides on the remuneration to be awarded. The proposals must be formulated in accordance with the terms established in the remuneration and compensation policy approved at the Shareholders' General Meeting;
- (iv) Supervising the decisions taken by the Executive Committee regarding the remuneration of executive members reporting directly to the Executive Committee;
- (v) Advising the Board of Directors on communications received from any of the members of the Board of Directors, within the scope of the process of prior consultation before acceptance by them of other management positions or other significant roles of activities.

BNRC has at its disposal, in partnership with the Remuneration Committee, the possibility of hiring the services of specialised external entities whose independence, repute and competence are recognised by the market.

III. SUPERVISION

a) Composition

30. Identification of the supervisory body

The Supervisory Board and Statutory Auditor are the supervisory bodies of the Company, according to the adopted governance model.

31. Composition of the Supervisory Board

In accordance with the Company's articles of association, the Supervisory Board may be composed of an even or odd number of members, at least three and a maximum of five. The number of members is defined at the Shareholders' General Meeting. The Supervisory Board shall also have one or two substitute members, if it is made up of three or more members, respectively.

The members of the Supervisory Board are elected for three-year terms, jointly with the members of the other governing bodies.

The Supervisory Board appoints its Chairman, if the Shareholders' General Meeting does not do so.

If the Chairman leaves office before the expiry of the respective term of office, the other members must elect a chairman from among themselves to carry out those duties until the end of the term of office. The substitute members must replace current members unable to perform their duties or who have resigned. They shall remain a full member until the next Shareholders' General Meeting, which shall appoint new members to fill the vacant positions. In the event that there are no substitute members, the Shareholders' General Meeting shall appoint new members.

32. Identification of Supervisory Board members considered independent

The members appointed for the current mandate (triennium 2015-2017) and in office are:

Name	Position	First appointed
António Monteiro de Magalhães	Chairman	March 2015
Manuel Heleno Sismeiro	Member	April 2009
Carlos Manuel Pereira da Silva	Member	March 2015 (substitute between December 2007 and March 2015)
Joaquim Jorge Amorim Machado	Substitute	March 2015

All the members of the Supervisory Board are independent, with the exception of Manuel Heleno Sismeiro, pursuant to article 414(5) of the Companies Code and they comply with all the incompatibility rules mentioned in paragraph 1 of article 414-A of the Companies Code. Manuel Heleno Sismeiro has lost independence due to the fact that he has been re-elected for more than two terms.

The members of the Supervisory Board are required to immediately inform the Company of any occurrence during their term of office that may cause incompatibilities or the loss of independence, as required by law.

The Statutory Auditor will be discussed in points 39 to 41 below.

33. Professional Qualifications

The professional qualifications and other relevant details of the CVs of the members of the Supervisory Board are detailed in this report, in the respective annex.

b) Functioning

34. Place where the rules of procedure can be consulted

The rules of procedure of the Supervisory Board are available for consultation on the Company's website (<http://www.sonaecapital.pt>) (investors tab, Corporate Governance section, Regulations).

35. Meetings of the Supervisory Board

The Supervisory Board meets at least once every quarter. 7 formal meetings of this body were held in 2016 and the respective attendance rate, in person or through representation, was as follows:

António Monteiro de Magalhães	100%
Manuel Heleno Sismeiro	100%
Carlos Manuel Pereira da Silva	100%

The decisions of the Supervisory Board are approved by simple majority.

36. Availability of each of the members, indicating the positions held in other companies, inside and outside the Group, and other relevant activities carried out by members of the Supervisory Board

Each of the members of the Supervisory Board have consistently demonstrated their availability to perform their duties, having regularly attended the meetings of the body and participated in its work.

The information on other positions held by members of the Supervisory Board, their qualifications and professional experience is available in the curricula vitae included in the annex to this report.

c) Powers and duties

37. Description of the procedures and criteria applicable to the intervention of the Supervisory Body for the purpose of contracting additional services from the External Auditor

It is the responsibility of the Supervisory Board to approve the provision of additional audit services to be provided by the External Auditor.

At the first meeting of each financial year, the Supervisory Board prepares a plan and work schedule for that year which includes, inter alia, the coordination and supervision of the External Auditor's work. It shall include the following activities:

- Approval of the annual activity plan of the External Auditor;
- Monitoring the work and discussion of the conclusions of the audit work and review of the accounts;
- Supervising the External Auditor's independence;
- Joint meeting with the Board Audit and Finance Committee to review issues related to Internal and External Auditing;
- Analysis of services rendered other than audit services in compliance with Recommendation IV.2 of the CMVM Corporate Governance Code of 2013 and applicable legislation.

In assessing the criteria that backed the contracting of additional services from the External Auditor, the Supervisory Board verified the presence of the following safeguards:

- that the contracting of additional services did not affect the independence of the External Auditor;
- that the additional services, duly falling within the defined framework, were not prohibited services pursuant to article 77(8) of Law 140/2015;
- that any additional services were provided with high quality, autonomy and also independent from those carried out in the context of the audit process;
- that the necessary factors guaranteeing independence and impartiality are met;
- that the quality system used by PricewaterhouseCoopers (internal control), in accordance with the information it provides, monitors the potential risks of loss of independence or possible conflicts of interest with Sonae Capital and ensures the quality of the services rendered, in compliance with the rules of ethics and independence;

- that as of 1 January 2016, the services provided comply with the terms established by Law No. 140/2015 of 7 September, which approves the new Statute of the Order of Statutory Auditors.

38. Other functions of the Supervisory body

In addition to the duties described in the previous point, the Supervisory Board is responsible for, among others:

- Supervise the Company's management;
- Ensure compliance with the law, the company's memorandum of association and the internally adopted policies;
- Check the consistency of books, accounting records and supporting documents;
- Verify, when it deems appropriate and in the manner deemed adequate, the size of cash in hand and stocks of any kind of the assets or securities belonging to the company or received by it in guarantee, deposit or for other reasons;
- Check the accuracy of the accounting documents;
- Verify whether the report on the corporate governance structure and practices disclosed includes the elements referred to in article 245-A of the Securities Code;
- Verify that the accounting policies and valuation criteria adopted by the company lead to a correct valuation of assets and results;
- Annually prepare a report on its supervisory action and give an opinion on the report and accounts and proposals submitted by the Management;
- Convene the Shareholders' General Meeting, when the chairman of the respective board does not do it, and should do so;
- Monitor the effectiveness of the risk management system, the internal control system and the internal audit system, if such exist;
- Supervise the independence of the internal auditor, particularly as regards the limitations of its organisational independence and verification of the existence of resources in the internal audit activity;
- Receive reports of irregularities, presented by shareholders, employees of the Company or others;
- Contract the provision of expert services to assist one or more of its members in the performance of their duties. The hiring and remuneration of experts shall take into account the importance of the matters entrusted to them and the economic

situation of the company;

- Propose to the Shareholders' General Meeting the appointment of the Statutory Auditor;
- Supervise the process of preparation and disclosure of financial information;
- Supervise the audit of the company's accounting and financial statements;
- Supervise the independence of the Statutory Auditor, particularly regarding the provision of additional services;
- Ensure that, within the company, adequate conditions are provided so that the Statutory Auditor may carry out its duties, be an active liaising partner in the company, and receive the respective reports;
- Issue a specific and substantiated opinion supporting the decision not to rotate the External Auditor, considering the External Auditor's independence in that circumstance and the advantages and costs of its replacement;
- The supervisory body is additionally bound to comply with the duties and role established in Law No. 148/2015 of 9 September, which approved the Legal Scheme of Audit Supervision, implementing the transposition of Directive 2014/56/EU of the European Parliament and the Council of 16 April 2014 amending Directive 2006/43/EC on annual and consolidated accounts and implementing Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements for statutory audits in public interest entities, in particular those arising from Article 3 of the preambular decree and Art. 24 of the Legal Regime of Audit Supervision;
- Comply with the other duties contained in the law or the memorandum of association.

For the performance of the duties mentioned above, the Supervisory Board:

- Establishes its annual business plan, at the first meeting of each financial year;
- Obtains from Management, namely through the Board Audit and Finance Committee, the information necessary for the exercise of its activity, in particular the operational and financial evolution of the company, changes in the composition of its portfolio, the terms of the operations performed, content of the decisions taken;
- Approves and monitors the internal and external audit activity plans throughout the financial year and transmits its recommendations to the Board of Directors;
- Monitors the internal risk management system by preparing an annual assessment report and recommendations addressed to Management;

- Receives from the Board of Directors, at least two days before the date of its meeting, the consolidated and individual financial statements and the respective reports, analysing in particular the main changes, the relevant transactions and the corresponding accounting procedures, and receives from the Statutory Auditor its audit certification of the accounting documents, and issues its assessments and decisions;
- Records in writing the reports of irregularities addressed to it, initiating, as appropriate, the necessary measures with the Management, internal and/or external audit and draws up its report thereon;
- Notifies the Management of the checks, inspections and procedures it has carried out and of the results thereof;
- Attends the Shareholders' General Meetings;
- Develops the other duties of surveillance that are imposed by law.

In support of the activity of the Supervisory Board, the Company provides the human and technical resources necessary for the organisation of meetings, preparation of agendas, minutes and supporting documentation and their timely distribution. In addition, these meetings are attended by the internal liaisons considered relevant to the issues under discussion, for presentation and explanation of the issues raised by the Supervisory Board. The items on the agenda of these meetings on matters related to Auditing are discussed, at the discretion of the Supervisory Board, without the presence of employees of the Company.

The Supervisory Board represents the Company with the External Auditor and proposes to the Shareholders' General Meeting its appointment, as well as its dismissal, also evaluating the activity performed by the Auditor, ensuring that the appropriate conditions exist within the company for the performance of its services. The Supervisory Board is the company's liaison and first recipient of the respective reports.

The Supervisory Board annually prepares a report on its supervisory action for the year, including an annual assessment of the Statutory Auditor, and it issues an opinion on the management report, the consolidated and individual financial statements and corporate governance report presented by the Board of Directors, in order to comply with the legal deadlines for disclosure at the date established for the Annual General Meeting. The annual report on its audit activity is included in the reports and accounts made available on the Company's website (www.sonaecapital.pt).

The Statutory Auditor is the supervisory body responsible for the legal certification of the Company's financial information. Its fundamental duties are:

- Check the consistency of all the books, accounting records and supporting documents;

- Whenever it deems convenient and through such means as it deems appropriate, verify the extent of cash and amounts of any type, of assets or securities belonging to the Company or received by the Company as collateral, deposit or for any other purpose;
- Check the accuracy of the financial statements and express its opinion on them in the Legal Certification of Accounts and in the Audit Report;
- Verify that the accounting policies and valuation criteria adopted by the Company result in the correct valuation of the assets and results;
- Perform any necessary examinations and tests for the audit and legal certification of accounts and perform all procedures stipulated by law;
- Verify the enforcement of remuneration policies and systems and the effectiveness and functioning of the internal control mechanisms, reporting any deficiencies to the Supervisory Board, under the terms of and within the scope and limits of its legal and procedural powers;
- Verify whether the corporate governance report includes the elements referred to in article 245-A of the Securities Code;

IV. STATUTORY AUDITOR

39. Identification of the Statutory Audit Firm and the statutory auditor that represents it

The Statutory Auditor of the Company for the 2015-2017 period is Pricewaterhouse-Coopers & Associados, SROC, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia.

40. Length of Time in Role

The Statutory Auditor is in its third term of office, which, unlike the two previous two terms, will last for 3 years. It was re-elected for the present term on proposal of the Supervisory Board, at the Shareholders' General Meeting of 31 March 2015. The Company has the same statutory auditor since 2011 in almost all the companies in which it has interests.

41. Other services rendered to the Company

The Statutory Auditor also provides the Company with Audit services as described in the points below.

V. EXTERNAL AUDITOR ¹

42. Identification

The External Auditor of the Company, designated for the terms of Article 8 of the Portuguese Securities Code, is PricewaterhouseCoopers & Associados, SROC, registered under no. 9077 at the Portuguese Securities Market Commission, represented by the statutory auditor Hermínio António Paulos Afonso or by António Joaquim Brochado Correia.

In 2016, the representative of the Company's Statutory Audit Firm was Hermínio António Paulos Afonso.

43. Length of Time in Role

The External Auditor was elected at the Shareholders' General Meeting on proposal of the Supervisory Board for the first time in 2011, for the 2011-2012 biennium and it is in its third term. The partner that represents it has been working with the Company since that same date.

44. Policy and frequency of rotation of the External Auditor and the respective Statutory Auditor partner representing it

The External Auditor and the Statutory Auditor partner representing it in the performance of these duties are in the third term of office, and the Company is therefore complying with the recommendations currently in force. The frequency of rotation of the External Auditor and the Statutory Auditor partner representing it will be assessed according to the best practices in matters of corporate governance, where applicable.

45. Assessment of the External Auditor

In accordance with the Company's governance model, the election or dismissal of the Statutory Auditor is decided by the Shareholders' General Meeting, upon proposal of the Supervisory Board.

In addition, the Supervisory Board supervises the performance of the External Auditor and the work throughout each year, considers and approves additional work by the auditor and annually conducts an overall assessment of the auditor, which includes an assessment of the auditor's independence.

(1) Appointed "Auditor" in accordance with Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014

46. Additional Work

Tax consultancy services and other services were provided by technicians other than those involved in the audit process in order to ensure the independence of the External Auditor. The Board Audit and Finance Committee and the Supervisory Board analysed the scope of the other services and approved them, considering that they did not jeopardise the independence of the Auditors.

The services provided by the External Auditor, other than audit services, were previously approved by the Supervisory Board according to the recommended principles. The percentage of such services in the total amount of services provided by PricewaterhouseCoopers & Associados, SROC (PwC) to the Company amounts to 14.1% and is not estimated to represent 30% of the total average of fees received in the last three financial years, by reference to the period established in Article 77(1) of Law No. 140/2015 of 7 September. Considering the amounts involved, within the recommended limits, and the fact that the services are provided by a totally different team from the entity providing audit services, the External Auditor's independence and impartiality are assured.

The External Auditor reported to the Supervisory Board of the Company all the different audit services provided to the Company, without prejudice to the fact that such services are subject to the prior approval of the latter through the annual communication referred to in article 24(6)(b) of Law No. 148/2015 of 9 September.

Within the scope of its work, the External Auditor verified the application of the remuneration policies and systems, as well as the effectiveness and functioning of the internal control mechanisms. It did not identify any material deficiencies that should be reported to the Company's Supervisory Board.

47. Annual remuneration

The total remuneration paid to the Company's External Auditor in 2016 was 207,182€ corresponding to the following services:

Services	Total 2016	%	Sonae Capital SGPS	%	Other Group entities	%
Statutory Auditor ¹	178,002	85,9	35,707	100,0	142,295	83,0
Other Services ²	29,180	14,1	0	0,0	29,180	17,0
Total	207,182	100	35,707	100	171,475	100

¹ Fees agreed for the year.
² Amounts invoiced.

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applying to changes to the Articles of Association

The amendments to the Articles of Association follow the terms of the Companies Code, requiring a two-thirds majority of the votes cast for approval of such resolution.

For the Shareholders' General Meeting to decide on the first call, the Articles of Association require that a minimum of 50% of the issued share capital be in attendance or represented at the General Meeting.

II. REPORTING IRREGULARITIES (WHISTLEBLOWING)

49. Means of and Policy for Reporting Irregularities

Irregularities are defined, within the scope of the Policy and Procedures for Reporting Irregularities in the Company, as facts that violate or seriously jeopardise:

- The compliance with legal, regulatory and deontological principles by the members of the governing bodies and employees of Sonae Capital or of companies controlled by it, in the exercise of their professional positions;
- The assets of the Company and of its controlled companies, as well as the assets of the Company's customers, shareholders, suppliers and business partners, or of any company controlled by it;
- Good management practices and the image or reputation of the Company or any company controlled by it.

The fundamental features of the policy for reporting irregularities currently in force in the Company are:

- Establishment of procedures for reporting irregularities, namely the provision of a mailbox with exclusive access for the Chairman of the Supervisory Board, along with the receipt by post, that guarantee all employees, shareholders or stakeholders that the report, communication or complaint of irregularities arrives inviolably to the addressee. Although there is a need for the explicit and unequivocal identification of the complainant, this identity must be kept confidential and only known by the Chairman of the Supervisory Board, whenever this is requested in the report or complaint.

- After communicating or becoming aware of a potential irregularity, ensure a rigorous and impartial investigation process, through the access of the Supervisory Board to all relevant documentation that should be made available by the Company for the investigation of irregularities and to prevent access to the investigation procedure by any and all persons who, although indirectly, may have a conflict of interests with the outcome of the investigation process.
- The handling of irregularities, namely the prompt and effective handling of such communications, the implementation of corrective measures, when necessary, and informing the complainant of the outcome of the procedure.
- The communication by the Supervisory Board to the governing bodies of the Company or of companies it controls, whenever necessary, with a view to adopting the measures deemed necessary to remedy the investigated irregularities.
- Prevent the existence of reprisals that may arise from the report made, provided that it is proved that there is no bad faith or participation in any irregularity by the complainant.

According to best corporate governance practices, the Company's Reporting of Irregularities Policy, the main characteristics of which are described above, is available for consultation on the Company's website (www.sonaecapital.pt) and it covers the entire perimeter of the Sonae Capital Group.

The Supervisory Board did not receive in 2016, through the means defined for this purpose, any reports on matters under the scope of this policy.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, bodies or committees responsible for the internal audit and/or implementation of internal control systems

Risk Management is one of the core components of the Sonae Capital Group's culture and a pillar of Corporate Governance, being present in all management processes. It is a responsibility of all Group employees, at different levels of the organisation.

Sonae Capital attaches primary importance to the implementation of internal control and risk management principles appropriate to the Group's activities. Visibility vis-à-vis the market, the exposure and diversification of business risks and the increasing speed of information transmission make it fundamental to adopt these principles, following a philosophy of value creation, ethical affirmation and social responsibility.

Risk Management is developed with the objective of creating shareholder value through (i) managing and controlling the opportunities and threats that may affect the objectives of Sonae Capital's portfolio and companies, (ii) preventing the occurrence of errors and irregularities and minimizing their consequences; and (iii) maximizing the

organization's performance and the reliability of its information, in an ongoing business perspective. It stands out as one of the components of the sustainable development of companies, since, when embodied in coordinated plans and systems of management and control, it contributes to a continuous development of the business through greater knowledge of the uncertainties and threats and more effective management and control of the risks that can affect organisations.

Risk Management is inherent in all management processes and is assumed as a responsibility for all managers and employees of the Group. These are a fundamental element of a conservative risk management culture that is intended to be transversal to all activities and hierarchical levels of the company.

The Risk Management role is to support companies in achieving their business objectives through a systematic and structured approach in identifying and managing risks and opportunities, promoting and supporting the integration of Risk Management into the planning and control of the respective companies.

The Internal Audit role is to identify and evaluate the effectiveness and efficiency of the management and control of the risks of business processes and information systems, reporting functionally to the Supervisory Board.

It should be noted that the risks concerning the reliability and integrity of accounting and financial information are also evaluated and reported by the External Auditor activity.

51. Explanation, possibly by inclusion of an organisational chart, of the hierarchical and/or functional dependency relationships with other bodies or committees of the Company

Bodies and committees responsible for risk management and internal control

- Board of Directors
- Executive Committee
- Board Audit and Finance Committee
- External Audit
- Internal Audit
- Risk Management
- Corporate Centre

The Board of Directors is the maximum body responsible for the risk management process. The Board of Directors is responsible for defining and approving the Group's risk management policies.

It is the responsibility of the Executive Committee to permanently assess the risks of the Group, approve the action measures/plans, models and mechanisms for the evaluation, control and mitigation of these risks.

The Board Audit and Finance Committee informs the Board of Directors on the adequacy of the internal information provided by the Executive Committee and of the internal control systems and principles, and on the compliance with the Corporate Governance best practices.

Moreover, the Board Audit and Finance Committee supports the Supervisory Board in appointing the External Auditor as well as defining the scope and remuneration of its work and it reports to the Board of Directors on the quality and independence of the Internal Auditor and should be consulted by management on the appointment of the Internal Audit manager.

External Audit evaluates and reports the risks of reliability and integrity of accounting and financial information, thus validating the internal control system established for this purpose by Sonae Capital.

Internal Audit, acting as an independent internal advisory body, identifies and evaluates the effectiveness and efficiency of risk management and control of business processes and information systems, as well as the risks of non-compliance with laws, contracts, policies and procedures of the companies. Its activity is reported to and monitored by the Board Audit and Finance Committee, and is also reported to the Supervisory Board.

Regarding the interrelationship between the two Audit bodies, the Board Audit and Finance Committee reviews the scope of Internal Audit work and its relations with the scope of the External Auditor's work and analyses with this and with the Internal Audit manager the reports on the review of the annual financial information and on the review of internal control, reporting its findings to the Board of Directors. These reports are issued for the Supervisory Board and for the Board Audit and Finance Committee at the same time.

In turn, Risk Management promotes the performance of procedures and the internal dissemination of best practices, and is responsible for coordinating the entire risk management process of the Sonae Capital Group, collaborating with the risk managers of each business unit in the activities arising from the risk management process, and continuously ensuring the efficiency and effectiveness of the process.

52. Existence of other functional areas with risk control powers

Risk Management, integrated in the Corporate Centre, reports to the Executive Committee. It promotes, coordinates, facilitates and supports the development of Risk Management processes, promoting the inclusion of the risk dimension in strategic and operational decisions. This role and the Internal Audit role are coordinated by managers at the Corporate Centre level of Sonae Capital and their activities are reported and monitored by the Board Audit and Finance Committee of their Board of Directors.

Similar to that which occurs with the Internal Audit and Risk Management roles, the financial and legal risk management role is also coordinated by two managers, at the Corporate Centre level of Sonae Capital and its activities are reported and monitored in the Board Audit and Finance Committee, and also reported to the Supervisory Board.

There are Risk Management Pivots at each business segment level, coordinated by the Group's Risk Management function, which works with the owners of each risk in order to ensure the implementation of the determined action plans, and the permanent update of the risk matrix of each segment.

53. Identification and description of the main types of risks (economic, financial and legal) to which the Company is exposed in the performance of its business activity

53.1 Cross-Cutting Risks

Contextual Risks: The activity developed by the Sonae Capital Group is shaped by the macroeconomic situation and by the profiles of the business segments where it operates. Considering that a large part of the activity of its subsidiaries is currently developed in Portugal, Sonae Capital is exposed to the situation of the Portuguese economy, which is, in turn, greatly shaped by the evolution of the situation in the Euro Zone.

In May 2011, Portugal formalised a memorandum of understanding with the Troika relative to the Programme for Economic and Financial Stabilisation, which provided 78 billion € in funding to Portugal, disbursed over a period of up to three years and subject to the implementation of a set of budgetary and structural measures. With the end of the Stabilization Programme in May 2014, and despite the adjustments implemented, doubts remain about the evolution of the Portuguese economy.

In view of the foregoing, Sonae Capital's activity, business, operating results, financial position, future prospects or ability to achieve its objectives may be potentially adversely affected by a negative development of the economic situation in Portugal or the Euro Zone.

The Sonae Capital Group has several initiatives in order to mitigate this risk, whether through the internationalisation of business or through strict control of costs, or by presenting innovative and differentiating solutions according to the profile of the markets where it operates.

Financial Risks: Sonae Capital is exposed to a diversified set of risks of a financial nature, namely interest rate, foreign exchange risk (transaction and currency translation risks), liquidity and fluctuations in the capital and debt markets, credit (especially relevant in economic recession) and exposure to commodity prices.

Sonae Capital's financial risk management policy aims to minimise the potential adverse effects of financial market volatility and, to this end, a coherent set of systems and processes are implemented at Sonae Capital enabling the timely identification, monitoring and management by the Corporate Finance function.

The current state of the financial markets has led liquidity risk, credit risk, and capital market and debt fluctuations to take centre stage in corporate priorities for the potential impact on business continuity and development. In fact, the business development of some Sonae Capital subsidiaries may require the reinforcement of Sonae Capital's investment in these subsidiaries, or Sonae Capital may wish to expand its business through organic growth or any acquisitions and business continuity requires the maintenance of liquidity reserves appropriate to the business requirements of the companies. The reinforcement of investment and maintenance of liquidity reserves may be done by means of equity or funds from third parties. Sonae Capital cannot ensure that such funds, if necessary, are obtained under the intended conditions, which may lead to changes or deferrals in the business development objectives or plans, restricting the success of the defined strategic objectives.

In this context, the aforementioned financial risk management systems and processes, centralised in the Company's corporate centre, are established in order to mitigate these risks by ensuring liquidity management through:

- (i) short, medium and long-term financial planning based on predictive cash flow models;
- (ii) cashbook and working capital control instruments;
- (iii) strict customer credit management, and monitoring of risk developments;
- (iv) diversification of funding sources and counterparties;
- (v) adjustment of the debt maturity profile to the profile of cash flow generation and investment plans;
- (vi) maintenance of an adequate level of liquidity by contracting with known banks cash support lines.

Sonae Capital does not contract derivatives or other financial instruments, except those strictly related to the hedging of risks arising from its operational activities and its financing. The risk management policy of the Company and the Group prevents the use of financial derivative instruments for purposes other than the strict hedging of these risks.

Legal Risks: Sonae Capital and its subsidiaries are subject to extensive and often complex regulations as a result of their activities and compliance requires investment in terms of time and other resources. It has legal and tax advice for this purpose. In fact, Sonae Capital and its businesses have a permanent legal and tax function dedicated to the activity, which works in conjunction with other corporate and sovereign functions so as to ensure, in a preventive manner, the protection of Sonae Capital's interests in strict respect for the fulfilment of its legal duties as well as the enforcement of good practices.

Legal and tax advice is also supported, nationally and internationally, by external professionals selected from reputable firms and according to high standards of competence, ethics and experience. However, Sonae Capital and its subsidiaries may be affected by legal and tax changes in Portugal, the European Union and other countries where it operates. Sonae Capital does not control these changes, or changes in the interpretation of laws by any authority. Any changes in legislation in Portugal, in the European Union or in the countries where Sonae Capital carries out its activities may affect the conduct of the business of Sonae Capital or its subsidiaries and, consequently, hinder or impede the achievement of the strategic objectives.

Information Systems Risk: Sonae Capital's information systems are characterised by being comprehensive, multifaceted and distributed. In terms of information security, several actions have been developed to mitigate the risk of compromising the confidentiality, availability and integrity of business data, namely off-site backups, implementation of high availability systems, network infrastructure redundancy, verification and control of the quality of flows between applications, access and profile management and reinforcement of data network perimeter protection mechanisms. On a recurrent basis, the Internal Audit function performs audits in various domains: applications, servers and networks, with the objective of identifying and correcting potential vulnerabilities that may have a negative impact on the business as well as ensuring the protection of the confidentiality, availability and integrity of the information.

Following the audit of the management and governance processes in the information systems, based on the Cobit V5 framework, an Information Security project started in 2016 with a view to addressing the recommendations of the audit evaluation as well as outlining strategies and intervention plans to protect Sonae Capital's information and information systems. This project will culminate in the development of an Information Security Management System founded on policies, standards and procedures, based on information security risk management and supported by specific processes with unequivocally identified and qualified managers.

People Risks: Sonae Capital's ability to successfully implement the defined strategies depends on its ability to recruit and retain the most qualified and competent employees for each role. Although Sonae Capital's human resources policy is geared towards achieving these objectives, it is not possible to guarantee that in the future there may be no limitations in this area.

Insurable Risks: As regards the transfer of insurable risks (technical and operational), the Group's companies contract cover pursuing an objective of rationalisation by the

correct adjustment of the financial structure to the values of the risk capital, based on the permanent changes in the businesses encompassed. Moreover, this architecture was improved by the optimisation of the insurance programme in terms of coverage and retention, consistent with each business, internally ensuring effective insurance management.

53.2 Company Risks

Sonae Capital, as the shareholdings management company (SGPS), directly and indirectly develops management activities over its subsidiaries, and therefore, the fulfilment of the obligations taken on depends on the cash flows generated by its subsidiaries. Sonae Capital therefore depends on the distribution of dividends by its subsidiaries, the payment of interest, the repayment of loans granted and other cash flows generated by those companies. The ability of the invested companies to make available/repay funds to Sonae Capital will depend in part on their ability to generate positive cash flows from their operational activities, as well as on the statutory, legal and fiscal framework applicable to the distribution of dividends and other forms of payment/return of funds to its shareholders.

53.3 Subsidiary Risks

Sonae Capital's portfolio includes a diversified business portfolio, therefore some of the main risks its subsidiaries are exposed to may be sectoral. The main risks are identified below.

53.3.1 Resorts

- a. The activities developed by Resorts are subject to economic cycles and depend on the growth of tourism and real estate in Portugal. Thus, the tourism operations of this business depend on tourism demand, which is associated with the evolution of both the national and international economy. Any negative economic developments in Portugal or in the main tourist countries for the Portuguese market may have a negative impact on the performance of this activity, due to a reduction in the number of tourists.

- b. The success of the sale of tourism developments depends on the real estate market in Portugal and the main countries of origin of foreign investors, at the time of its placing on the market (since a significant part of tourism is promoted in the foreign market), and also on the stability of government incentives to direct foreign investment. The new rules for granting residency visas to foreigners wishing to invest in Portugal, under Investment Residency Permits (ARI), also known as 'golden visas', have caused a slowdown in the dynamics of this market segment. Thus, an environment that is less favourable than expected might impact on the business, namely on sales prices and market placement deadlines.
- c. The activity developed by the Resorts, as an operator of the tourism sector is subject to the supervision of the Directorate General of Tourism and the compliance with specific legislation on this field. A different scenario than expected may jeopardise current expectations about the business, namely, sale prices and deadlines for placing on the market, with a potentially negative impact on the financial situation of this business.
- d. The activities of Atlantic Ferries and Tróia Marina are subject to the terms and deadlines mentioned in the concession contracts entered into: (i) Atlantic Ferries entered into an agreement with APSS (Associação dos Portos de Setúbal e Sesimbra) in 2005 for a public service concession for the inland waterway transport of passengers, light and heavy goods vehicles between Setúbal and the Peninsula of Tróia. The concession is for 15 years which can be extended for successive periods of 5 years, if both parties agree to do so; (ii) Tróia Marina also signed a concession contract with APSS in 2001 for the commercial operation of Tróia Marina, for a period of 50 years. Any breach of contractual obligations may entail significant risks to the activity and impact on the results of these companies.
- e. On the Tróia Peninsula, the tourism real estate promotion activity may be affected by possible competition from other developments, especially from the Alentejo coast, Algarve and southern Spain. However, Sonae Capital considers that the Troia Resort project is being developed in an area where existing biodiversity and heritage are considered to be differentiating factors of the project which can be capitalised on in new tourism services and products with a positive impact on its development.
- f. This business may still be subject to seasonality, whereby abnormally adverse weather conditions during those periods may adversely affect the level of business activity and operating results.

53.3.2 Hospitality

- a. This business activity depends on tourism demand, which is associated with the evolution of both the national and international economy. Any negative economic developments in Portugal or in the main tourist countries for the Portuguese market may have a negative impact on the performance of this activity due to a reduction in the number of tourists.
- b. This activity is also subject to demand fluctuations related to natural disasters, as well as to social or political factors that may have an impact on the flow of tourists and, consequently, on occupancy rates.
- c. The hospitality activity is subject to the supervision of the Directorate General of Tourism and the compliance with specific legislation for this field.
- d. The hospitality activity may depend on the competitive intensity – regional and global – of the tourist destination where it is located. Competition between tourist destinations is increasingly aggressive as a result of the growth in demand, the massification of air transport and the emergence of new destinations. However, in addition to its location, Sonae Capital believes that the brand's reputation and the quality of its businesses, particularly in relation to the complementary activities offered (catering, golf and other leisure activities), are important competitive advantages in this sector.
- e. The possibility of public health risks in the development of catering activities that jeopardise the health of customers in the respective facilities may imply that the companies of this segment are held accountable in this field, which may have an adverse effect on results, the financial situation and reputation. The business uses a system to control food quality and safety of the processes and products, thus seeking to mitigate possible risks to the catering business and others arising from situations that could pose risks to public health. Accordingly, we also stress the implementation and consolidation of a food safety audit plan aimed at the kitchens and outlets included in the hotel units, as well as all catering stations operated, highlighting and reporting the main findings to the company and giving guidance on corrective action. This audit plan aims to systematically check compliance with legal norms and internal rules on food safety. The hospitality activity uses tools such as HACCP (Hazard Analysis and Critical Control Points) defined in the Codex Alimentarius – Annex to CAC/RCP 1-1969, Rev. 4 (2003), complying with the requirements specified therein, as well as with current legislation, in particular with Regulation (EC) No. 853/2004 of the European Parliament and the Council of 29 April 2004, on the hygiene of foodstuffs.

53.3.3 Fitness

The most relevant risks in the leisure sector, namely in the Fitness segment, where the Sonae Capital Group operates through Solinca Health & Fitness (health clubs), are as follows:

- a. The health clubs activity may be impacted by economic developments, notably by a decrease in consumer confidence and a consequent impact on household disposable income.
- b. The entry of new competitors, opportunities for consolidation in the market, repositioning of current competitors or the actions they can take to conquer new markets or increase market share (price wars, promotional activity, introduction of new concepts, innovations) may jeopardise the intended market share and business strategy. The response to increased competition may lead to reduced prices or to the implementation of promotional discounts, which may have an impact on the company's results.

In order to minimise this risk, Solinca Health & Fitness carries out constant benchmarking of its competitors' actions and invests in new formats and products/services, or in the improvement of existing ones, in order to offer its customers an innovative proposal.

- c. Making services, equipment and infrastructures available that do not comply with quality levels and the changing needs demanded by customers may expose the company to complaints, hinder customer attraction and loyalty as well as negatively impact on its image and reputation.

Consumers frequently change their preferences and expectations, which requires continuous adaptation and optimisation of the product offer and business concepts. The difficulty or inability to foresee, understand and/or satisfy the frequent variations of the needs and expectations of customers can be reflected in difficulties concerning their loyalty in the medium term.

To anticipate market and consumer trends, Solinca Health & Fitness regularly reviews customer behaviour, satisfaction and loyalty by conducting monthly surveys (Net Promoter Score). The introduction of new concepts, products and/or services is always tested on pilots before being generalised to all clubs. In addition, Solinca Health & Fitness allocates a significant portion of its annual budget to the renewal of equipment and facilities in order to ensure attractiveness and keep up with the challenges imposed by the market.

- d. Solinca Health & Fitness may be held liable in the event of accidents or unforeseen circumstances due to inappropriate physical activity that affect the life, health or physical integrity of people, which may have an adverse effect on its reputation and consequently on its results.

Solinca Health & Fitness has several initiatives in place to mitigate this risk, namely the obligation of customers to carry out a medical evaluation questionnaire at the time of enrolment, offering an initial physical evaluation to all customers and encouraging its realisation, training in basic life support for all employees, as well as the existence of occupational accident, property damage and civil liability insurance.

- e. Legislative changes (e.g. tax, legal, labour, competition, etc.) may threaten the specific strategies defined by Solinca Health & Fitness in the development of its activities, involve contractual changes with the main stakeholders or dictate an increase in its costs.

53.3.4 Refrigeration and Air Conditioning

The activities related to Refrigeration and Air Conditioning have specific risks, mostly related to the competition of other companies operating in the same markets and the evolution of the economy. The most relevant risks are related to:

- a. The activity developed by the Group is shaped by the macroeconomic situation and by the profiles of the markets where it operates. The products developed by the Group have the nature of durable goods, mainly aimed at the real estate and food distribution sectors. The Group's operating activity, as a result, is cyclical and is positively correlated with the cycles of the economy in general and, in particular, with developments in those specific sectors. Accordingly, the Group's business and that of its invested companies may be adversely affected by periods of economic recession, in particular by the deterioration of private investment. The availability of credit in the economy is also relevant to the business, due to the potential impact it has on the real estate market. The Group, through its subsidiaries, is directly represented in Portugal, Brazil, Angola and Mozambique, where it produces and sells. These markets have different macroeconomic, political and social profiles and, as such, are experiencing different responses to the global economic and financial crisis. In fact, the pace at which the various markets will emerge from the current crisis is dependent on variables that the Group does not control. Likewise, the possible occurrence of political and/or social tensions in any of the markets may have a material impact that cannot be estimated on the Group's operations and financial situation.

The development of this segment considering the market framework in Portugal, is therefore based on the growth of the international component, via exports. The evolution of the world economy, the specific risks of the selected countries and the capacity to conquer new markets could, therefore, have an impact on the activity of this segment.

- b. The Group's business is geographically diversified, with subsidiaries located in three different continents, therefore there are transactions and balances in reais, kwanzas and meticals.

The consolidated statements of financial position and the income statement are thus exposed to the currency translation risk (risk relative to the value of capital invested in subsidiaries outside the euro area) and the subsidiaries are exposed to the currency translation risk (risk associated with commercial transactions carried out in a currency other than the euro). The transaction risk arises essentially when there is a currency risk related to cash flows denominated in a currency other than the functional currency of each of the subsidiaries. The cash flows of group companies are largely denominated in their respective local currencies. This is true regardless of the nature of the cash flows, i.e. operational or financial, and allows a considerable degree of natural hedging, reducing the Group's transaction risk. In line with this principle, the Group's subsidiaries only contract financial debt denominated in the respective local currency. The currency translation risk arises from the fact that, in the preparation of the consolidated financial statements of the Group, the financial statements of subsidiaries with a functional currency different from the reporting currency of the consolidated accounts (Euro) have to be converted into Euros. As exchange rates vary between accounting periods and since the value of the subsidiaries' assets and liabilities do not coincide, volatility is introduced in the consolidated accounts.

In order to minimise potentially adverse effects arising from the unpredictability of financial markets, the Group, besides having an exchange risk management policy and implementing control mechanisms for the identification and determination of exposure, sometimes uses derivative instruments to cover this risk.

53.3.5 Energy

The Energy production area focuses mainly on the development and management of cogeneration projects.

Cogeneration is a way of rationalizing energy consumption, since the production of electricity from the energy released during combustion is synonymous with a more efficient use of the fuel used – natural gas in the Sonae Capital projects. In a cogeneration plant there is a reduction in fuel consumption, compared to the production of the same quantities of thermal energy and electricity, separately.

Although this type of electricity generation is a more efficient and environmentally friendly alternative, it nevertheless carries with it certain specific risks that may have an impact on the companies' results. The most relevant risks are as follows:

- a. The Sonae Capital Group's cogeneration projects use natural gas as the primary fuel in the combined production of electricity and thermal energy, so the purchase price of this raw material has significant weight on the variable cost structure. Consequently, the volatility of the purchase price of natural gas, normally pegged to the price of oil in international markets and the euro/dollar exchange rate, could translate into a significant impact on the company's results and margin.

It should be noted, however, that the tariff for the sale of electricity by cogeneration units is regulated and also pegged to the evolution of the price of oil in the international markets and the euro/dollar exchange rate, which, by itself, allows exposure to this risk to be significantly reduced. In particular, the electricity sales tariff defined by Ordinance 58/2002, the remuneration scheme applicable to most cogeneration units, and the purchase price of natural gas are highly correlated, giving a considerable level of natural hedging as regards gross margin.

However, DL 23/2010 and Ordinance 140/2012 established a new remuneration scheme for cogeneration in Portugal, applicable to new cogeneration units, which entailed the loss of the natural hedging existing to then, since the elasticity of prices to unit variations of the indexing factors is now totally different. The natural gas purchase price has significantly higher sensitivity than the electricity sales tariff, which translates into an increased risk of exposure to the volatility of the natural gas purchase price. This fact will become increasingly relevant as cogeneration facilities move to this new remuneration scheme.

The Sonae Capital Group, in order to mitigate this risk, regularly monitors the development of the natural gas price as well as its future development tendency, assessing at all times the attractiveness of the hedging of this risk by fixing natural gas purchase price over a set period of time, whether with the supplier or through derivative financial instruments.

In addition, as regards the allocation of CO₂ emission allowances, the European greenhouse gas emissions allowance trading scheme (ETS) has introduced significant changes in the allocation rules for the period from 2013 onwards. The total quantity of allowances is determined at Community level and the allocation of allowances carried out by auction, with the free allocation still marginally permitted through compliance with benchmarks defined at Community level. The free allocation of allowances follows a downward trend year after year, with a view to its extinction in 2027. The cogeneration units covered by this scheme (rated terminal power above 20MW) will have increasing need to go to the market for CO₂ allowances and are exposed to fluctuations in their price.

- b. The reduction of thermal energy consumption and default by the host as regards defined contractual clauses, such as exclusivity, take-or-pay, among others, may impact on the revenue of the business, through the reduction of the electricity tariff premium or, ultimately, the loss of legal cogenerator status.
- c. The focus and concentration of the business in the cogeneration activity relative to alternative forms of energy could increase the company's risk to external factors and consumption profiles.

In order to minimise this risk, the Sonae Capital Group has established a growth plan for this business segment which provides for investment in renewable energy as well as the internationalisation of the business with a view to the technological and geographical diversification of its portfolio.

The following specific risks are identified regarding the production of energy from renewable energy sources:

- d. Electricity generation from renewable energy sources is regulated in terms of tariff, so any future tariff fluctuations may translate into significant impacts on the company's results and margin.
- e. The amount of energy produced is dependent on the availability of the resource, so lower availability than that initially estimated may impact on the turnover and profitability of the projects. Moreover, one of the greatest challenges in harnessing renewable resources relates to their intermittence, since climatic conditions (wind strength, solar radiation, etc.) are not always favourable when electricity is necessary due to the impossibility or high cost of storage.

In order to minimise this risk, the Sonae Capital Group promotes, under the technical due diligence procedure carried out for each of its projects, a thorough study of the resource in order to define different scenarios and the consequent evaluation of the economic feasibility of the projects.

The Energy production area encompasses the following risks of a more general nature, regardless of the primary energy source used:

- f. Energy generation under the special schemes in Portugal has the tariffs predefined by the Portuguese State, as a way of encouraging alternative forms of electricity production that are more efficient and environmentally clean. Consequently, the risks regarding the electricity sale price are currently reduced. Although electricity is sold at a price defined by the Portuguese State for a long period of time, the profitability of the operations depends on the stability in the short, medium and long term of regulatory policies and schemes that support the development of energy efficiency.

Any possible governmental changes to energy policy in the future may prove to be a risk to future projects and to the viability of developing the business in the long term.

- g. Energy production is subject to supervision by the Directorate-General for Energy and Geology (DGEG) and the Energy Services Regulator (ERSE), which are the entities responsible for regulating the electricity sector in Portugal. Production must also comply with specific legislation on the field. Any change to the broad legal framework applicable to the sector may entail significant risks for the activity of this segment.
- h. The occurrence of extraordinary situations, such as fires, adverse weather and/or accidents, may threaten the company's ability to maintain operations, provide essential services or cover operational costs.

In order to minimise this risk, the Sonae Capital Group conducts regular preventive and safety audits of the facilities and equipment and periodically reviews and adapts the insurance plans for property damage, operating losses and civil liability in force.

- i. The absence or inadequate maintenance of equipment, or the lack of control of the service levels of the suppliers (equipment, maintenance and spare parts) that do not ensure adequate functionality, safety and compliance can lead to inefficient processes or cause significant damage to equipment. Furthermore, not adequately using resources, at the lowest cost and the highest yield can impact on the profitability of each project and threaten its feasibility.
- j. The abovementioned growth plan implies additional investments, the conditions for which may be limited by the financial environment, the Group's current level of indebtedness and the evolution of its activity and its subsidiaries. Sonae Capital cannot ensure that such funds, if necessary, are obtained under the intended conditions, which may lead to changes or deferrals in the objectives or impair business growth capacity.

53.3.6 Other assets

The Sonae Capital Group has a diversified real estate portfolio, the strategic orientation for which is to sell, although subject to a price considered acceptable. However, even if current strategic orientation is to sell, Sonae Capital cannot guarantee the realisation of such or the period when that will occur, especially if no suitable acquisition proposals arise. This real estate portfolio (excluding real estate assets in Tróia) comprises a wide range of assets at different licensing and construction stages, including plots of land with and without construction permits, residential units, construction projects, offices, industrial buildings and commercial spaces, and with extensive geographical dispersion. At 31 December 2016, the date of the most recent valuation of the real estate assets of the Sonae Capital Group carried out by the reference entity Cushman & Wakefield, the valuation amount was 137.5M€. The capital employed in this asset block, at 31 December 2016, amounts to 107.4M€.

The loss of liquidity of portfolio assets and/or difficulties in placement of these assets on the market may affect the ability to grow of the business and the fulfilment of its strategic objectives.

Besides the Sonae Capital Group developing a wide range of activities in various sectors of activity, and therefore exposed to diversified economic cycles, such as Tourism Promotion, Hospitality, Fitness, Energy, Refrigeration and HVAC and the Real Estate and Financial Assets, several of these sectors are still very competitive, through the intervention of national and international companies, so the invested companies of Sonae Capital are exposed to heavy competition. The ability of Sonae Capital's subsidiaries to position themselves adequately in the sectors and markets in which they operate may have a significant impact on Sonae Capital's business or the results of its activities.

The Sonae Capital Group regularly monitors the behaviour of the markets in which it operates, seeking at all times to anticipate changes and/or new market trends, in order to offer its customers an innovative and differentiating proposal.

54. Description of the process of identification, evaluation, monitoring, control and risk management

As a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge, Risk Management is integrated throughout Sonae Capital's planning process, with the objective of identifying, evaluating and managing the opportunities and threats that the businesses of Sonae Capital face in pursuit of their value creation goals.

Sonae Capital's management and monitoring of its main risks is implemented through different approaches and agents, including:

Internal Control policies and procedures defined at the central level and at the level of the businesses, in order to guarantee:

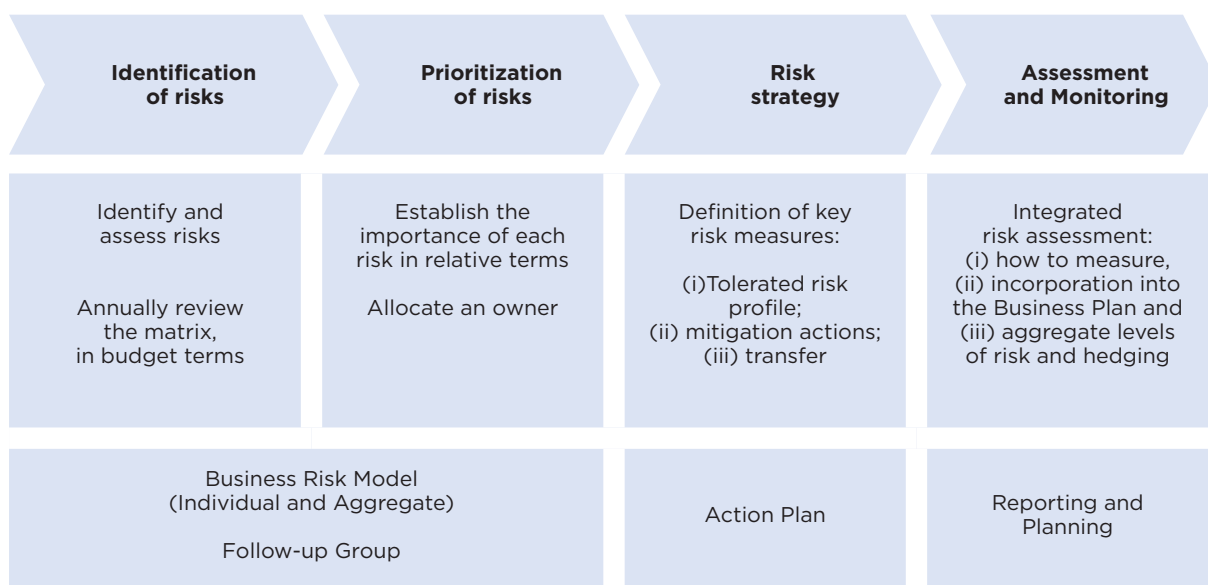
- Correct segregation of functions and duties;
- Definition of authority and responsibility;
- Safeguarding the Group's assets;
- Control, legality and consistency of operations;
- The performance of plans and policies defined by more senior management;
- The integrity and accuracy of accounting records;
- The effectiveness of management and quality of the information produced.

Regular audits are carried out by the Internal Audit team to ensure permanent compliance with established policies and procedures.

Risk Management Process supported by a uniform and systematic methodology, based on the international standard of Enterprise Risk Management – Integrated Framework of COSO (The Committee of Sponsoring Organizations of the Treadway Commission), which includes, in particular:

- Definition of the risk management approach (dictionary of risks, definition of a business risk matrix and a common language);
- Identification and systematisation of the risks that can affect the organisation and each segment, and the appointment of risk owners (employee responsible for monitoring their evolution);
- Assessment and attribution of the degree of criticality and priority of risks, depending on the impact on business objectives and probability of occurrence;
- Identification of the causes of risks and indicators to measure these risks;

- Assessment of risk management strategies (e.g. accept, prevent, mitigate, transfer);
- Development and implementation of risk management action plans and their integration into the planning and management processes of business units and functions;
- Monitoring and reporting on the progress of implementation of the action plan and the evolution of risks



This process comprises the following routines:

- (i) Strategic planning includes identifying and assessing the risks of the portfolio and of each existing business unit, as well as the development of new businesses and the most relevant projects, and the definition of strategies for managing those risks;
- (ii) On an operational level, the risks of managing the business objectives are identified and evaluated, and risk management actions are planned which are included and monitored within the business unit and functional unit plans;
- (iii) In the more cross-cutting risks, in particular in major organisational change projects, contingency plans and business continuity plans, structured risk management programmes are developed with the participation of those responsible for the units and functions involved;
- (iv) In relation to the safety risks of physical assets and persons (“technical-operational” risks), audits are carried out on the main units and preventive and corrective actions of the identified risks are implemented. The financial hedging of insurable risks is reassessed on a regular basis;
- (v) Financial risk management is carried out and monitored within the scope of the Company’s financial and business functions, centralised in the Corporate Centre the activity of which is reported, coordinated and monitored by the Sonae Finance Committee and the Board Audit and Finance Committee of the Board of Directors;
- (vi) Legal, tax and regulatory risk management is carried out and monitored within the scope of the legal and tax function of the Corporate Centre;
- (vii) Internal Audit develops annual work plans that include audits of critical business processes, compliance audits, financial audits and audits of information systems.

Actions implemented in 2016

In accordance with the methods defined and implemented in previous years, the risk management processes were integrated with the processes of business management planning and control, from the strategic reflection phase to the operational planning phase. The risk management actions are included in the activity and resource plans of the business units and functional units, and monitored throughout the year.

In 2016, the Enterprise Wide Risk Management activities focused mainly on monitoring progress in the implementation of action plans and assessing their impact on risk perceptions, following the annual cycle of Enterprise Wide Risk Management, which is based on the following activities:



	<i>Set-up/review of the risk management function</i>	Annual performance of risk management	Monitoring and follow-up	Review yearly
Board of Directors	<i>Review of the alignment of risk management with Sonae Capital's strategy</i> <i>Definition/updating of the governance structure</i>	Analysis of the impact of decisions on risk management	Monitoring of the significant risks and the general risk profile of Sonae Capital	Approval of new risk profiles (if applicable)
Executive Committee	Definition of periodic risk reporting mechanisms by business areas	Approval of the risk profile of Sonae Capital at the corporate level and level of each business	Definition and review of risk appetite defined at the corporate and business level Approval of the defined mitigation actions	Approval of new risk portfolios (if applicable)
Corporate Risk Manager	Internal disclosure/communication of Sonae Capital's risk management policies, procedures and milestones	Aggregation and hierarchy of risks to be handled Support to the Board of Directors for the standardisation and prioritization of the risks of the various businesses Sonae Capital risk profile proposal	Follow-up of the KRIs of Sonae Capital (corporate and business) Follow-up of Sonae Capital's mitigation actions (corporate and business)	Drawing up situation report of the KRIs and mitigation actions of the Group Presenting the situation to the Board of Directors
BU Risk Manager		Assessment of business risks and definition of risk profiles and files and response strategies	Update of KRIs Monthly reporting of KRIs and actions	Analysis of current risks and identification of new critical risks Updating risk files

Sonae Capital encourages the continuous training and adoption of the best international methodologies and practices in the Risk Management and Internal Audit areas. In this sense, the Group supports staff in attending a training and knowledge updating programme that includes the international professional certification in Internal Audit organised by the Institute of Internal Auditors – that of Certified Internal Auditor (CIA). The members of the Internal Audit team have obtained this professional certification.

External Audit evaluates and reports on the risks of reliability and integrity of accounting and financial information, thereby validating the internal control system established for this purpose by Sonae Capital, which embodies the clear separation between the preparer and its users and the implementation of various validation procedures throughout the process of preparation and disclosure of financial information.

The Board Audit and Finance Committee analyses the risks of the Company, the risk control models and mechanisms adopted and the mitigation measures taken by the Executive Committee. It evaluates their suitability and proposes to the Board of Directors any needs for change of the Company's risk management policy.

55. Main elements of the internal control and risk management systems implemented in the Company with regard to the financial disclosure process

The implementation of an effective internal control environment, particularly in the financial reporting process, is a commitment taken by the Board of Directors of Sonae Capital to identify and improve the most relevant processes for preparing and disclosing financial information, with a view to ensure transparency, consistency, simplicity, reliability and relevance. The internal control system is designed to ensure a reasonable guarantee with regard to the preparation of the financial statements, according to the accounting principles used, and the quality of the financial reporting.

The reliability of the financial information is ensured by the clear separation between preparers and its users and the implementation of various control procedures throughout the process of preparation and disclosure of the financial information.

The internal control system for accounting, preparation and disclosure of financial information includes the following key controls:

- The financial information disclosure process is formalised, the associated risks and controls are identified and the criteria for its preparation and disclosure are duly established and approved and are reviewed periodically;
- There are three main type of controls: high level controls (entity level controls), information system controls and procedural controls. These controls include a set of procedures related to the execution, supervision, monitoring and improvement of processes, with the objective of preparing the company's financial reports;
- The use of accounting principles, which are explained in the notes to the financial statements, is one of the key stepping stones to the control system;
- The plans, procedures and records of the Group companies allow for a reasonable assurance that transactions are only carried out with general or specific authorisation from management and that these transactions shall be recorded in order to enable financial statements compliance with the generally accepted accounting principles. This also ensures that the companies keep up-to-date records of the assets and that these records are checked against the existing assets. Appropriate steps shall be taken whenever discrepancies come to light;

- The financial information is examined by the business unit administrators and the representatives of the results centres on a systematic and regular basis, thus providing for a constant monitoring and budget control;
- During the process of preparing and reviewing the financial information, a schedule is first drawn up and shared with the different areas involved and all of the documents are carefully reviewed. This includes reviewing the principles used, checking the accuracy of the information generated and consistency with the principles and policies established and used in previous years;
- The Accounting, Supervision and Reporting central function is responsible for the accounting records and the preparation of the financial statements, ensuring the control over the recording of the business process transactions and the balances on assets, liabilities and equity accounts;
- The consolidated financial statements are prepared every quarter by the Accounting, Supervision and Reporting central function;
- The Management Report is prepared by the Corporate Management Planning and Control Department, with the additional contribution and review from the various support and business areas. The Statutory Auditor also reviews the content of this report and its compliance with the supporting financial information;
- The Corporate Governance Report is prepared jointly by the Legal Department and the Corporate Management Planning and Control Department;
- The Group's financial statements are prepared under the supervision of the Group's Executive Committee. The set of documents comprising the half-yearly and annual reports is sent to the Board of Directors of Sonae Capital for review and approval. Upon the approval, the set of documents on the annual financial statements is sent to the External Auditor, and the Statutory Audit Certificate and the External Audit Report are then issued;
- The Statutory Auditor carries out an annual audit on the individual and consolidated accounts. These audits are carried out in accordance with the Technical Standards and Auditing Guidelines of the Portuguese Institute of Statutory Auditors, with the objective of achieving an acceptable level of safety as to whether the financial statements are free of relevant material misstatement. This audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. The estimates and judgements made by the Board of Directors are also evaluated. The audit also includes evaluating the appropriateness of the accounting policies used, their consistent enforcement and disclosure;
- The process of preparing the individual and consolidated financial information and the Management Report is supervised by the Supervisory Board and the Audit and Finance Committee of the Board of Directors. Every quarter, these bodies meet and analyse the individual and consolidated financial statements and the Management Report. The Statutory Auditor submits directly to the Supervisory Board and the

Audit and Finance Committee a summary of the key findings from the annual audit on the financial information;

- All those involved in the financial analysis of the
- Company are part of the list of people with access to privileged information, and are particularly aware of their obligations, as well as of the penalties arising from the misuse of inside information;
- The internal rules applicable to the disclosure of financial information aim to ensure its timely disclosure and prevent asymmetric access to information by the market.
- The risk factors that could materially affect the accounting and financial reporting include the following:
 - Accounting estimates – The most significant accounting estimates are described in the notes to the financial statements. The estimates were based on the best information available while the financial statements were being prepared and on the best knowledge and experience of past and/or present events;
 - Balances and transactions with related parties – The most significant balances and transactions with related parties are disclosed in the notes to the consolidated financial statements. These are mainly associated with the operating activities of the Group as well as loan granting and receiving at market prices.

More specific information on how these and other risk factors were mitigated is available in the notes to the consolidated financial statements.

IV. VI. INVESTOR SUPPORT

56. Service responsible for investor support, composition, duties, information made available by this service and contact information

Sonae Capital, SGPS, SA, through its Investor Relations Office, is in constant contact with its shareholders and analysts, providing information that is always up-to-date. In addition, upon request, it provides timely clarification of the relevant facts about the Company's activities, which have made available to public in accordance with the law.

The aim of the Sonae Capital, SGPS, SA Investor Relations Office is to ensure adequate communication with shareholders, investors, analysts and financial markets, in particular with Euronext Lisbon and the Portuguese Securities Commission (CMVM).

When necessary, the Investor Relations Office provides all the information related to relevant events and answers questions from shareholders, investors, analysts and the general public about the financial indicators and information made available to public

on the different businesses, keeping a record of the requests received and the answers given.

In strict compliance with the law and the regulations, the Company promptly informs its shareholders and the capital market in general of all the relevant facts related to its activity, avoiding delays between their occurrence and their disclosure, so that informed judgements can be made regarding the progress of the Company's business.

This release is made public through publication on the Portuguese Securities Commission Information Disclosure System (www.cmvm.pt) and on the Company's website (www.sonaecapital.pt).

The Investor Relations Office can be contacted by telephone (+351 22 010 79 03), fax (+351 22 010 79 35), email (ir@sonaecapital.pt) or post (Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia). The Director of the Investor Relations Office is Nuno Parreiro, who can be contacted using the same above numbers and address.

57. Representative for Capital Market relations

The representative for Capital Market Relations is Anabela Nogueira Matos, who can be contacted by telephone (+351 22 010 79 25), fax (+351 22 010 79 35) or email (anm@sonaecapital.pt).

58. Information on proportions and the deadline for replying to information requests received during the year or pending from previous years.

In 2016, the Investor Relations Office received a normal number of requests for information, bearing in mind the importance of the Company in the capital market.

Sonae Capital, SGPS, SA, through its Investor Relations Office, is in constant contact with its shareholders and analysts, providing information that is always up-to-date. In addition, upon request, it provides clarification of the relevant facts about the Company's activities, which have made available to public in accordance with the law. All information requested by investors is analysed and answered in the shortest possible time, by email, post or telephone, whichever is most suitable.

V. WEBSITE

59. Address

Sonae Capital has a website where all the information about the Company is posted. The address is: <http://www.sonaecapital.pt>.

60. Place where the information under Art. 171 of the Portuguese Companies Code (CVM) can be found

Specific information is available at the following address:

- <http://www.sonaecapital.pt/pt/investidores/identificacao-da-sociedade>

61. Place where the Articles of Association and the rules of procedure of the company bodies and/or committees can be found

Specific information is available at the following addresses:

- <http://www.sonaecapital.pt/investidores/estatutos>
- <http://www.sonaecapital.pt/investidores/governo-da-sociedade/regulamentos>

62. Place where names, roles and contact information of the governing bodies, the market relations representative and the Investor Support Office are available

Specific information is available at the following addresses:

- <http://www.sonaecapital.pt/investidores/governo-da-sociedade/orgaos-sociais>
- <http://www.sonaecapital.pt/investidores/relacoes-com-o-mercado>
- <http://www.sonaecapital.pt/investidores/apoio-ao-investidor>

63. Place where the accounting documents and the calendar of company events are available

Specific information can be consulted at the following address:

- <http://www.sonaecapital.pt/pt/investidores/relatorios-e-contas>
- <http://www.sonaecapital.pt/investidores/calendario-de-eventos-societarios>

64. Place where the Shareholders' General Meeting notice and all related preparatory and subsequent information are disclosed

Specific information can be consulted at the following address:

- <http://www.sonaecapital.pt/pt/investidores/assembleias-gerais>

65. Place where the records of all the decisions made at Company General Meetings, the share capital represented and the voting results for the 3 previous years are available

Specific information can be consulted at the following address:

- <http://www.sonaecapital.pt/pt/investidores/assembleias-gerais>

D. REMUNERATION

I. DECISION-MAKING POWERS

66. The power for deciding on the remuneration of the governing bodies, the members of the executive committee and the Company managers

Based on the remuneration policy and other payments approved by the Shareholders' General Meeting, the Sonae Capital Remuneration Committee is responsible for approving remuneration and other payments to the Board of Directors, the Supervisory Board and the members of the Shareholders' General Meeting.

With regard to the remuneration of the Executive Directors, the Board Nomination and Remuneration Committee assists the Remuneration Committee, presenting its proposals before any decisions are made.

II. REMUNERATION COMMITTEE

67. Composition of the remuneration committee, including the identification of individuals or companies hired to provide support and a statement on the independence of each member and consultant

The Board of Directors appointed the Board Nomination and Remuneration Committee (BNRC) for the 2015-2017 term of office.

The BNRC is composed the Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo, Vice-Chairman, Álvaro Carmona e Costa Portela and the independent Non-Executive Director Francisco de La Fuente Sánchez.

The Board Nomination and Remuneration Committee, which is solely composed of non-executive directors, supports the Remuneration Committee in the performance of its duties.

The members of the Remuneration Committee are independent of the board of directors, as explained in the paragraph below.

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors and non-executive member of this body, is on the Remuneration Committee. He was elected to this position by the Shareholders' General Meeting. His participation in the Remuneration Committee corresponds to representation of the shareholder interest, acting in that capacity and not in his capacity as Chairman of the Board of Directors. To ensure these

duties are carried out independently, this member abstains from discussing or deciding on matters where conflict of interest exists or may exist.

68. Knowledge and experience of the members of the remuneration committee with regard to the remuneration policy

The professional experience and qualifications of the members of the Remuneration Committee are detailed in the curricula vitae included in the annex to this document and enable them to carry out their duties carefully and skilfully. They have the adequate skills to carry out their duties.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy for the management and supervisory bodies

69.1 Principles

The remuneration policy for the Company's statutory bodies is approved by the Shareholders' General Meeting.

The Shareholders' General Meeting held on 7 April 2016, consistently continuing with the policy previously followed, approved the Remuneration and Compensation Policy in force, in compliance with the provisions of article 2 of Law no. 28/2009 of 19 June.

The remuneration proposals for the members of the statutory bodies are decided based on:

- A general market comparison;
- The practices of comparable companies, including other Sonae Capital business units in comparable situations;
- The individual responsibility and performance assessment of each Executive Director;
- Granting of exclusively fixed remuneration to members of the Shareholders' General Meeting, members of the Supervisory Board and non-executive directors;

The remuneration policy for the members of the governing bodies and managers of Sonae Capital, SGPS, SA in force during the year under review is detailed in the corresponding annex to this report.

The remuneration policy is a formal instrument ensuring alignment between the management team and the interests of the shareholders, insofar as the set of remuneration

components is separate from the variable part, whose amount depends on the individual performance and the performance of Sonae Capital. This encourages a long-term interests-oriented company management and behaviours weighing the risks taken.

The structure of the remuneration policy includes control mechanisms, bearing in mind the connection to individual and collective performance, thus preventing excessive risk-taking behaviours. This objective is also reinforced by the fact that each Key Performance Indicator (KPI) is limited to a maximum value.

The remuneration policy for the Company's statutory bodies is approved by the Shareholders' General Meeting. The Remuneration Committee is responsible for preparing the remuneration policy proposal and approving the remuneration of the Board of Directors, including executive and non-executive members, and other Sonae Capital bodies. The members of the Remuneration Committee are elected by the Shareholders' General Meeting, which also sets the corresponding remuneration.

The Board Nomination and Remuneration Committee supports the Remuneration Committee in setting the remuneration for the Executive Directors, preparing remuneration proposals based on relevant information requested by the Remuneration Committee.

Guiding principles for the remuneration policy were established within the principles of corporate governance.

Characteristics of the remuneration policy:

- ***Competitiveness:***

The Policy is defined in comparison with the global market and the practices of comparable companies, according to information from the main studies carried out in Portugal and in European markets. *Mercer and Hay Group* market studies are presently used as reference.

Therefore, the remuneration parameters for the members of the governing bodies are set and periodically reviewed in accordance with the remuneration practices of comparable national and international companies, and the potential maximum amounts to be paid to the members of the governing bodies, both individual and aggregate, are in line with market practices. The members of the governing bodies are individually and positively differentiated, considering specific factors, such as the profile and CV of the member, the nature and description of the duties and powers of the governing body in question and of the actual member and the degree of direct correlation between individual performance and business performance, among others.

The average applicable to senior executives in Europe is used to determine global market values. For remuneration purposes the group of peer companies consists of the societies with securities admitted to trading on *Euronext Lisbon*.

- ***Performance driven:***

The Policy provides for the attribution of bonuses calculated according to the degree of success of the Company. The variable component of the remuneration is defined so as to link the bonuses to the degree of individual and collective performance. When predefined objectives are not achieved, measured using business and individual KPIs, the value of the short and medium term incentives will be partially or totally reduced.

- ***Alignment with the shareholder interests:***

Part of the Executive Directors variable bonus refers to a 4-year period, including the year to which it relates and the 3-year deferral period. The amount depends on the share performance and the extent to which the medium and long term objectives had been achieved during the deferral period. This ensures an alignment between the director, the interests of the shareholders and the medium-term performance, aimed at business sustainability.

- ***Transparency:***

All aspects of the remuneration structure are clear and openly disclosed, internally and externally, through publication of the documents on the Company's website. This communication process helps to promote equity and independence.

- ***Reasonableness:***

The policy aims at ensuring a balance between the interests of the Company, the market position, the expectations and motivation of the members of the governing bodies and the need to retain talent.

The Remuneration and Compensation Policy applicable to the governing bodies and Company managers follow EU guidelines, national legislation and the recommendations from the CMVM.

The Shareholders' General Meeting held on 7 April 2016, consistently continuing with the policy previously followed, approved the Remuneration and Compensation Policy in force, which is guided by the following general principles:

- Awarding no compensation to the directors or the members of the other governing bodies due to their term of office coming to an end, at its expiration or by early termination, whatever the reason, notwithstanding the Company's duty of compliance with the legal provisions in force concerning this matter;

- Establishing no benefit scheme, especially retirement benefit plans for the members of the management or supervisory bodies or other managers;
- Weighting the performance of duties in companies in a control or group relationship with the Company when implementing the remuneration policy,

69.2 Competitiveness of the remuneration policy:

The remuneration package for Executive Directors is defined in comparison with the market, based on market studies on remuneration packages for senior executives in Portugal and in Europe. The fixed remuneration for comparable market situations should then correspond to the average market value and the total remuneration should be close to the third quartile of the market.

Who are our comparable/peer companies?

- At Sonae Capital, the remuneration policy is defined in comparison with the global market and the practices of comparable companies, according to information from the main studies carried out in Portugal and in European markets. *Mercer and Hay Group* market studies are presently used as reference.
- The average applicable to senior executives in Europe is used to determine global market values. For remuneration purposes the group of peer companies consists of the societies from the PSI-20.

69.3 Control of the risks related to remunerations:

Sonae Capital reviews its remuneration policy annually as part of the risk management process, with a view to creating a remuneration policy that is fully compliant with the expected risk profile. In 2016 no problematic payment practices that may pose relevant risks to Sonae Capital were identified.

When designing the remuneration policy, the need to control behaviours involving excessive risk taking was taken into account, with a balanced relevance assigned to the variable component so as to associate the individual remuneration to collective performance.

Sonae Capital has internal control procedures for the remuneration policy, aimed at identifying potential risks posed by the remuneration policy itself.

On the one hand, the variable remuneration structure is designed so as to discourage risky behaviour, insofar as the remuneration is associated with performance assessment. Definition of objective KPIs enables this method to work as an efficient control mechanism.

On the other hand, Sonae Capital policy does not allow for agreements aimed at minimising the essence of the Medium-Term Variable Bonus to be concluded. This restriction includes transactions aimed at eliminating or minimising the risk of fluctuation in share prices.

69.4 Procedures for approval of the remuneration policy

The Board Nomination and Remuneration Committee brings its remuneration proposals for the directors before the Remuneration Committee for approval, in accordance with the internal procedure adopted.

70. Structure of Director Remuneration

70.1 Executive Directors

The fixed remuneration of the Executive Directors is established based on the level of responsibility of the Board of Directors and is reviewed annually.

According to Sonae Capital's remuneration policy, in addition to the fixed remuneration, the Executive Directors also benefit from an incentive plan, also called variable bonus.

The variable bonus is awarded in the first quarter of the year following the year to which it relates and depends on the previous year performance and aims to guide and compensate the board directors for achieving pre-defined objectives. This is divided into two parcels:

- a) Short Term Variable Bonus (STVB), paid in cash, through profit sharing or not, in the first half year following the year to which it relates. It may, however, at the discretion of the Remuneration Committee, be paid in shares within the same period, under the same terms and conditions as provided for the Medium-Term Variable Bonus;
- b) Medium Term Variable Bonus (MTVB), paid after an additional 3-year deferral period and in the year following this period.

The various components of the annual remuneration are clearly shown in the following table:

	Components	Description	Objective	Market position
Fixed	Basic salary	Annual salary (in Portugal the fixed annual salary is paid in 14 parts)	Adequacy to the status and responsibilities of the Director	Average
	Short term variable bonus (STVB)	Performance bonus paid in the first half of the following year, after the income for the year has been calculate	Designed to ensure competitiveness of the remuneration package and a link between the remuneration to the company objectives	Third quartile
Variable	Medium term variable bonus (MTVB)	Compensation deferred for 3 years; the amount established depends on the share performance		Third quartile

The variable bonus may be paid in cash, using any of the payment methods provided for by Law and in the Company's Articles of Association.

There is currently no plan assigning share acquisition options.

70.2 Non-executive Directors

The remuneration of Non-Executive Directors is established according to market data and the following principles: (1) attribution of a fixed remuneration (2) attribution of an annual responsibility allowance. No remuneration is paid in the form of a variable bonus.

71. Variable component of the remuneration for Executive Directors

The variable bonus is discretionary in nature and because its value depends on the achievement of objectives payment is not guaranteed. The variable bonus is calculated annually and the value of the predefined objective varies between 30% and 60% of the total annual remuneration (fixed remuneration and objective value of the variable bonus)

The variable component of the remuneration is calculated based on performance assessment of a set of performance indicators relating to the various businesses which are primarily economic and financial in nature – “Key Performance Indicators of Business Activity” (Business KPIs). The content of the performance indicators and their

specific weight in determining the effective remuneration provide for the alignment of the Executive Directors with the strategic objectives defined and the compliance with the legal regulations governing the company business.

The value of each bonus has a minimum limit of 0% and a maximum limit of 140% of the predefined target.

72. Deferral of payment of the variable component of the remuneration

Payment of at least 50% of the variable component of the remuneration for the year to which it relates is deferred for a period of 3 years, in a total of four years, as provided for in point 70.1 (Medium Term Variable Bonus).

73. Criteria for awarding and maintaining variable remuneration in shares

1. Characteristics of the Medium-Term Variable Bonus (MTVB)

The MTVB is one of the components of Sonae Capital's Remuneration Policy. This component differs from the others as it has a restricted and casuistic character, being subject to the eligibility rules set out for that purpose.

The MTVB allows the eligible persons to share with shareholders the value that is created as a result of their direct influence on the strategy definition and management of the underlying businesses, in the proper measurement of the annual assessment of their performance.

2. Background to MTVB

The MTVB constitutes a way of aligning the executive directors' interests with the company objectives, reinforcing their commitment and strengthening the perception of the importance of their performance for the success of Sonae Capital, reflected in the market capitalisation of the share.

3. Eligibility Criteria

The executive directors of the company and of its subsidiary companies are eligible to be awarded the MTVB. According to the remuneration policy approved by the Board of Directors, the MTVB plan may also apply to employees covered by that policy.

Participants	Reference value of the medium-term variable bonus (% of the total variable remuneration target)
Directors Company Executive Directors	At least 50%
Directors Executive Directors of Business Units	At least 50%
Employees	terms to be defined by the Board of Directors of each Company

4. Duration of the Plan

The MTVB is set out on a period of four years, including the year to which it relates and a three-year deferral period.

5. MTVB reference value

The MTVB is valued at the date of attribution using prices which represent the price of the share, in the Portuguese stock market, considering for this effect the most favourable of the following: closing share price of the first day of trading after the Shareholder's General Meeting or the average closing share price (regarding the thirty-day period of trading prior to the Shareholder's General Meeting).

Members entitled to MTVB have the right to acquire a number of shares corresponding to the division between the amount of MTVB granted and the price of the share at the date of attribution calculated under the terms of the previous paragraph. If, after the granting date and before its exercise, dividends are distributed, changes in the nominal value of shares or in the share capital of the company occur or any other change in equity with impact in the economic value of the attributed rights, the number of shares attributed will be adjusted to an equivalent figure considering the effect of the mentioned changes.

In line with the statement of a policy that strengthens the alignment of executive directors with the company's long term interests, the Shareholders' Remuneration Committee can, at its discretion, adjust the percentage discount granted to the executive directors for acquisition of shares, and determine that the executive director contributes to the acquisition of shares up to a percentage that cannot exceed 5% of its share price at the date of the share transmission. All other employees to whom that right is assigned may acquire the shares under the conditions established by the Board of Directors of each Company.

6. Delivery by the Company

When exercising the right to acquire shares, as granted under the scope of the MTVB, the Company retains the right to pay the equivalent value in cash at the vesting date rather than transfer actual shares.

7. Maturity of the MTVB

The acquisition right of the shares attributed by the MTVB become due at the end of the deferral period.

8. Conditions of Exercise of the Right

The right to exercise the acquisition right of shares granted under the plan expires if the contractual link between the member and the company ceases before the three-year period subsequent to its attribution, notwithstanding situations included in the following paragraphs.

The right will remain valid in case of permanent incapacity or death of the member, in which case the payment is made to the member or to his/her heirs on the vesting date.

In case of retirement of the member, the attributed right can be exercised in the respective vesting date. To ensure the effectiveness and transparency of the remuneration and compensation policy objectives, it was agreed that the executive directors of the company:

- shall not enter into any agreements, either with the Company, or with third parties, the effect of which is to mitigate the risk associated with the variability of the remuneration determined for them by the Company;
- must not sell, until the end of their term of office, the company shares acquired under the attribution of the variable remuneration up to the limit of twice the total annual remuneration value, with the exception of those that need to be sold in order to pay the taxes on the benefits from those shares.

74. Criteria for attribution of the variable remuneration in options

The Company did not establish any variable remuneration in options.

75. Main parameters and grounds for any annual bonus scheme and other non-pecuniary benefits

The main parameters and grounds for the variable remuneration system are described in the remuneration policy approved by the Shareholders' General Meeting of 7 April 2016, available at www.sonaecapital.pt.

76. Main characteristics of the supplementary pension or early retirement schemes for the directors and the date of their individual approval at the general meeting

The Company has no supplementary pension or early retirement schemes in place for Directors.

IV. REMUNERATION DISCLOSURE

77. Indication, on an aggregated and individual basis, of the annual amount of the remuneration received by the members of the Management Bodies from the Company, including fixed and variable remuneration and with a reference to the different components giving rise to the variable remuneration

During 2016, remuneration and other payments made to the members of the Board of Directors, were as follow

Name	Fixed Remuneration	Short Term Variable Remuneration	Deferred Performance Bonus	Total
Board of Directors in office				
Maria Cláudia Teixeira de Azevedo	143,533	58,800	97,354	299,687
Ivone Pinho Teixeira	139,040	41,702	105,915	286,657
Miguel Jorge Moreira da Cruz Gil Mata (1)	90,063	10,514	0	100,577
Executive Directors Subtotal	372,636	111,016	203,269	686,921
Duarte Paulo Teixeira de Azevedo	142,300	0	0	142,300
Álvaro Carmona e Costa Portela	72,300	0	0	72,300
Francisco de La Fuente Sánchez	44,800	0	0	44,800
Paulo José Jubilado Soares de Pinho	34,800	0	0	34,800
Non-executive Directors Subtotal	294,200	0	0	294,200
Total	666,836	111,016	203,269	981,121

(1) Member elected at the Shareholder's General Meeting on 7 April 2016 and remunerated from that date. The remuneration prior to that date was paid through controlled company Capwatt Brainpower SA, as shown in point 78.

78. Amounts paid in any form by other companies in a control or group relationship or that are subject to common control

The remuneration of Miguel Jorge Moreira da Cruz Gil Mata, director of Sonae Capital, attributed by the controlled and in a group relationship company, until 7 April 2016, is described in the following table:

Name	Fixed Remuneration	Short Term Variable Remuneration	Deferred Performance Bonus	Total
Miguel Jorge Moreira da Cruz Gil Mata	39,577	40,921	131,973	212,471

79. Remuneration paid in the form of profit-sharing and/or payment of bonuses and the reasons for granting those bonuses and/or profit-sharing

The variable bonus for the executive directors was attributed based on the performance assessment and the remuneration policy approved at the Shareholders' General Meeting on 7 April 2016, as detailed in point 71 above and shown in the remuneration table under point 77 above.

The bonus paid in the form of profit-sharing is contained in the Short-Term Variable Bonus listed in the table under point 77 above.

80. Compensations paid or due to former executive directors in respect of termination of office during the financial year

No compensation to former executive directors is due or was paid.

81. Indication, on an aggregated and individual basis, of the annual amount of the remuneration received by the members of the Company's Supervisory Bodies

In 2016, the members of the Supervisory Board of Sonae Capital, SGPS, SA received the following fixed remuneration (no other type of remuneration was received):

Name	Fixed Remuneration (Values in euros)
António Monteiro de Magalhães	9,200
Manuel Heleno Sismeiro	7,200
Carlos Manuel Pereira da Silva	7,200
Total	23,600

The remuneration received by the Statutory Auditor is detailed in point 47 above.

82. Indication of the remuneration of the Chairman of the Shareholders' General Meeting in the year under review

In 2016, the Chairman of the Board of the Shareholders' General Meeting received the amount of 5,000€ as fixed remuneration.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Contractual restrictions on compensation payable for removal without just cause of a director and its relationship with the variable component of the remuneration

In the event of removal without just cause of the members of the Board of Directors, the policy of the Group determines the payment of the compensation provided for by the law, without any additional compensation. A different value may be negotiated according in each situation if deemed more suitable by both parties.

84. Reference to the existence and description, with an indication of the amounts involved, agreements between the Company and the members of the Board of Directors and Managers, which provide for compensation in case of resignation, removal without just cause or termination of the employment relationship, following a change in the control of the Company

There are no individual agreements with directors defining the calculation method for any compensation in case of resignation, removal without just cause or termination of the employment relationship, following a change in the control of the Company.

VI. PLANS FOR ATTRIBUTION OF SHARES OR STOCK OPTIONS

85. Identification of the plan and of the addressees

The share attribution plan, with the conditions defined in point 73, includes the variable component of the remuneration and is addressed to the Executive Directors, as well as employees of Group companies, under terms to be defined by the Boards of Directors in question.

86. Description of the plan

The attribution plan is described in points 71 to 73.

The remuneration and compensation policy for governing bodies, as well as the share attribution plan in force, were approved at the Annual General Meeting held on 7 April 2016, upon proposal from the Remuneration Committee, as laid down in Art. 2 of Law no. 29/2009 of June, and Recommendation II.3.4 CMVM (2013).

The remuneration policy approved upon the proposal from the Remuneration Committee established the principle of inalienability of the shares accessed by the executive directors of the company under the MTVB, in accordance with Recommendation III.6 CMVM (2013).

The decisions of the Annual General Meeting under review can be consulted at <http://www.sonaecapital.pt/investidores/assembleias-gerais>.

The ongoing MTVB plans for the executive members of the Board of Directors of Sonae Capital in 2016 can be summarised as follows:

Granting Year	Vesting Year	Number of participants ¹	# shares granted	Data atribuição		31.12.2016	
				Share Price	Value	Share Price	Value
2014	2017	2	210,386	0,461 €	97,058 €	0,748 €	157,369 €
2015	2018	2	287,391	0,392 €	112,571 €	0,748 €	214,968 €
2016	2019	3	312,053	0,573 €	178,650 €	0,748 €	233,416 €
Total			809,830		388,279 €		605,753 €

1. As at 31 December 2016

According to the remuneration policy approved, the Executive Directors must not sell, until the end of their term of office, the company shares acquired under the attribution of the variable remuneration up to the limit of twice the total annual remuneration value, with the exception of those that need to be sold in order to pay the taxes on the benefits from those shares.

87. Stock options rights granted to employees of the company

In 2016, the Company did not approve any stock option plan.

88. Mechanisms of control included in any employee share scheme where the voting rights are not exercised directly by the employees

There are no mechanisms of control for employees participating in the share capital Company.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related party (on this, see the concept arising from IAS 24)

The transactions between the Company and any related parties are governed by principles of thoroughness, transparency and strict compliance with the market competition rules. These transactions are subject to specific administrative procedures that arise from regulatory requirements, in particular those related to transfer price rules or the rules on voluntary adoption of internal checks and balances, particularly processes for reporting or formal validation, according to the value of the transaction in question.

In 2010, the Supervisory Board adopted the regulation on Company transactions with shareholders holding qualifying holdings (under the terms of art. 16 and 20 of the Portuguese Securities Code) and its related parties (definition in art. 20(1) of the Portuguese Securities Code), which establishes the relevant level of transactions carried out from which the Executive Committee must notify the Audit and Finance Committee and the Supervisory Board.

The adoption of this regulation implies that all transactions with related parties above 1 million euros are subject to half-yearly reporting to these two bodies by the Secretary of the Executive Committee. Transactions above 10 million euros must be formally submitted to the prior opinion of the Audit and Finance Committee, the Board of Directors and the Supervisory Board.

Under this regulation, in addition to the notification of the transaction, the Executive Committee shall also submit to the Audit and Finance Committee and the Supervisory Board the procedures established to ensure that the transaction is concluded under normal market conditions and does not entail any conflicts of interest.

After receiving all the relevant information, the Supervisory Board will issue its opinion on the transactions referred to it.

In 2016, the Supervisory Board received regular information on the transactions with related parties and detailed information was provided whenever warranted.

During the year, there was no need for prior approvals under the regulation in force.

90. Indication of the transactions subject to control in the year under review

As described in point 10, there were no significant business or other relationships between the holders of qualifying holdings and the company in 2016.

Business or transactions with holders of qualifying holdings or companies held by them that are not considered significant are part of normal activity of Sonae Capital's subsidiaries and are carried out under normal market conditions.

There were no business or transactions with any member of the board of directors or of the supervisory board in 2016.

The transactions with the Statutory Auditor related to various audit services were approved by the Supervisory Board and are detailed under point 47 of this report.

The transactions with companies in a control or group relationship were carried out under normal market conditions and are part of the Company's normal activity. The following types of transactions should be highlighted:

- Work carried out by the Refrigeration & HVAC business (Sistavac), mainly concerning the development and maintenance of the Sonae Group's chain of shops.
- Rent paid, by the Fitness segment (Solinca), for places held and/or operated by the Sonae Group, particularly by Sonae Sierra;
- Relationships associated with IT/IS services provided by Sonae Group companies, as the Sonae Capital Group has decided to outsource most of these services to specialist companies.

In addition to regular transactions, the following should also be pointed out:

- Acquisition in a regulated market and at market prices of six Shares of the WTC Closed-end Special Real Estate Investment Fund (WTC Fund), for the sum of 3,136.83€, which were acquired by Sonae Group companies;
- Sale in a regulated market and at market prices of 1,464 Shares of the Closed-end Real Estate Fund "Imosonae Dois", for the sum of 102,567.84€, which were acquired by Sonae Group companies.

The value of trading and the balances are disclosed in the notes to the consolidated financial statements, as stated in point 92.

91. Description of the procedures and criteria applicable to the intervention of the Supervisory Body for the purpose of conducting a prior assessment of the transactions to be concluded between the Company and holders of qualifying holding or entities with whom they are in a relationship, under the terms of Article 20 of the CVM

The procedures and criteria were already mentioned under point 87 above.

II. ELEMENTS RELATED TO BUSINESSES

92. Indication of the place where the information on related party business relationships is available on the accounting documents, according to IAS 24 or, alternatively, reproduction of the information

Relevant information on related party business relationships is available in note 45 of the Notes to the Consolidated Company accounts and in note 20 of the Notes to the Individual Company accounts, available on the Company's website www.sonaecapital.pt (investors tab, Annual Report and Accounts section).

PART II – ASSESSMENT OF CORPORATE GOVERNANCE

1. Identification of the Corporate Governance Code adopted

This Corporate Governance Report contains a description of the governance structure, policies and practices followed by the Company and meets the standards set out in article 245-A of the Portuguese Securities Code and the duties of information expressed in the Portuguese Securities Commission (CMVM) Regulation No. 4/2013 of 1 August. The report also discloses, in accordance with the comply or explain principle, the Company's compliance with the CMVM recommendations provided for in the Corporate Governance Code, issued by the CMVM in 2013.

This document should be read as an integral part of the Annual Management Report and Consolidated and Individual Financial Statements for 2016.

The Company met the duties of information required in article 3 of Law no. 28/2009 of 19 June, articles 447 and 448 of the Portuguese Companies Code, article 245-A of the Portuguese Securities Code and Regulation No. 5/2008 of the CMVM.

The Company adopted the Corporate Governance Code published by the CMVM in July 2013.

All the legal and regulatory rules referred to in this Report are available at www.cmvm.pt.

2. Analysis of the compliance with the Corporate Governance Code adopted

Sonae Capital has been promoting the implementation and adoption of the best corporate governance practices, basing its policy on high standards of ethics and social responsibility.

The Board of Directors aims to implement an integrated and effective Group management, which will create value for the Company, promoting and ensuring the legitimate interests of shareholders, employees and stakeholders, while encouraging transparency in the relationship with investors and the market.

To this end, we would point out that of the forty recommendations of the new CMVM Corporate Governance Code of 2013, the Company has fully adopted thirty-five, with five not being applicable for the reasons set out below, which constitutes fullest adoption of these recommendations.

Below is a list of the recommendations included in the CMVM Corporate Governance Code, under the terms and for the purpose of article 245-A(1) (o) of the Portuguese Securities Code:

I. VOTING AND CORPORATE CONTROL

1.1 Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically

RECOMMENDATION FULLY ADOPTED - POINT 12 OF THIS REPORT

The Company encourages its shareholders to take part in the General Meetings, namely attributing one vote to each share, not limiting the number of votes that can be held or cast by each shareholder and ensuring that the shareholders have the means required for postal or electronic voting.

In addition, the Company publishes in its website the date of the notice for each Shareholders' General Meeting, the standard documents designed to facilitate access to information, transmission of shareholders' communications to ensure their presence at the general meeting, and an email address for clarification of any doubts and receipt of all the notices of participation in the General Meeting.

1.2 Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.

RECOMMENDATION FULLY ADOPTED - POINTS 12, 13 AND 14 OF THIS REPORT

The Company's Articles of Association do not set a decision-making quorum higher than that provided for by law.

1.3 Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.

RECOMMENDATION FULLY ADOPTED - POINTS 12 AND 13 OF THIS REPORT

No mechanism of this kind has been introduced.

1.4 The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails - without super quorum requirements as to the one legally in force - and that in said resolution, all votes issued be counted, without applying said restriction.

RECOMMENDATION NOT APPLICABLE

The Articles of Association do not establish any limitation to the number of votes that can be cast by one shareholder.

1.5 Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.

RECOMMENDATION FULLY ADOPTED - POINTS 4 AND 84 OF THIS REPORT

The Company does not unilaterally adopt policies causing any of the restrictions listed in the recommendation. Contracts concluded by the Company reflect the protection of company interests, with a view to achieving long term business sustainability under the background of market conditions.

II. SUPERVISION, MANAGEMENT AND OVERSIGHT

II.1 SUPERVISION AND MANAGEMENT

II.1.1 Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.

RECOMMENDATION FULLY ADOPTED - POINTS 28 AND 29 OF THIS REPORT

The Board of Directors delegated day-to-day running of the Company to the Executive Committee.

II.1.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.

RECOMMENDATION FULLY ADOPTED - POINT 21 OF THIS REPORT

Non-delegated powers of the Board of Directors follow the rules of this recommendation.

II.1.3 The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.

RECOMMENDATION NOT APPLICABLE

The governance model adopted does not include a General and Supervisory Board.

II.1.4 Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to:

a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;

b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.

RECOMMENDATION FULLY ADOPTED - POINTS 27 AND 29 OF THIS REPORT

The Board of Directors has set up two specialized committees, made up of non-executive members, to ensure the quality of the work performed. The Audit and Finance Committee and the Board Nomination and Remuneration Committee are in operation.

II.1.5 The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.

RECOMMENDATION FULLY ADOPTED - POINTS 29 AND 51 OF THIS REPORT

The Board of Directors has set up internal risk control systems with the appropriate components.

II.1.6 The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.

RECOMMENDATION FULLY ADOPTED - POINTS 18 AND 29 OF THIS REPORT

The Board of Directors consists of a total of seven members, of whom four are non-executive directors.

II.1.7 Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to.

- a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years;***
- b. Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person;***
- c. Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member;***
- d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;***
- e. Being a qualifying shareholder or representative of a qualifying shareholder.***

RECOMMENDATION FULLY ADOPTED - POINT 18 OF THIS REPORT

The Board of Directors includes two independent, non-executive directors who meet the independence criteria in this recommendation.

II.1.8 When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.

RECOMMENDATION FULLY ADOPTED - POINT 29 OF THIS REPORT

Throughout the year, the Executive Committee discloses its decisions to the Board of Directors on a timely basis. The executive members provide clarifications, by their own initiative, as well in response to requests from non-executive members and other members of corporate bodies, so that the latter have the necessary information to fulfil their roles.

II.1.9 The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.

RECOMMENDATION FULLY ADOPTED - POINT 29 OF THIS REPORT

The Chairman of the Executive Committee has made available all information regarding the meetings held to the Chairman of the Board of Directors and to the Chairman of the Supervisory Board.

II.1.10 If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.

RECOMMENDATION NOT APPLICABLE

The Chairman of the Board of Directors does not have an executive role.

II.2 SUPERVISION

II.2.1 Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.

RECOMMENDATION FULLY ADOPTED - POINTS 32 AND ANNEX TO THIS REPORT

The Chairman of the Supervisory Board is independent, in accordance with the criteria provided for in art. 414(5) of the Portuguese Companies Code, and has the skills and experience required to carry out his duties.

II.2.2 The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.

RECOMMENDATION FULLY ADOPTED - POINT 38 OF THIS REPORT

The Supervisory Board interacts with the Statutory Auditor and the External Auditor so as to supervise their activity and independence, in the exercise of its functions, and as determined by the operating rules in this Board's Regulation, and receive their reports. Concurrent submission of the reports to the Board of Directors by the Statutory Auditor and External Auditor is not regarded by the Company as calling into question the compliance with this recommendation.

II.2.3 The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.

RECOMMENDATION FULLY ADOPTED - POINT 28 OF THIS REPORT AND ANNUAL REPORT AND OPINION OF THE SUPERVISORY BOARD

The Supervisory Board shall assess the External Auditor on an annual basis and include the assessment in its annual report and opinion, made available along with the other accounting documents at www.sonaecapital.pt (investors tab, Corporate Governance section, General Meetings).

II.2.4 The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.

RECOMMENDATION FULLY ADOPTED - POINT 38 OF THIS REPORT

The Board of Directors proactively implements the internal control and risk management system. The Supervisory Board shall assess the effectiveness of these systems and propose the optimisation measures it deems necessary and comments on those in its annual report and opinion.

II.2.5 The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.

RECOMMENDATION FULLY ADOPTED - POINTS 38 AND 51 OF THIS REPORT

The Supervisory Board shall establish with the Internal Audit the action plan to be developed, supervise its activity, receive regular activity reports, assess the results and findings, checks for the existence of any irregularities and provides the guidelines it deems appropriate.

II.3 REMUNERATION SETTING

II.3.1 All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.

RECOMMENDATION FULLY ADOPTED

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors and non-executive member of this body was elected to these positions at the Shareholders' General Meeting, upon proposal from the majority shareholder, Efanor Investimentos, SGPS, S.A. His participation in the Remuneration Committee corresponds to representation of the shareholder interest, acting in that capacity and not in his capacity as Chairman of the Board of Directors. The two additional members of the Remuneration Committee are independent.

To ensure these duties are carried out independently, this member abstains from discussing or deciding on matters where conflict of interest exists or may exist. The adoption of this procedure ensures the necessary conditions for independence of the actions of the members and the decisions taken by this body.

II.3.2 Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.

RECOMMENDATION FULLY ADOPTED - POINT 67 OF THIS REPORT

The Board Nomination and Remuneration Committee, which is solely composed of non-executive directors, supports the Remuneration Committee in the performance of its duties. These duties are supported by international consultants of recognised ability. Their independence is ensured by their independence from the Board of Directors, the Company and the Group and by their wide experience and recognition in the market.

11.3.3 A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following:

a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies ;

b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable;

c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.

*RECOMMENDATION FULLY ADOPTED: POINTS 69 AND 80 OF THIS REPORT,
AS WELL AS THE REMUNERATION POLICY APPROVED ON 7 APRIL 2016.*

The statement on the remuneration policy was delivered at the Annual General Meeting on 7 April 2016 and includes the information referred to in this recommendation. Payments for dismissal or termination of duties of directors are not enforceable, notwithstanding the applicable legal provisions.

The statement on the remuneration policy is available at <http://www.sonaecapital.pt>

11.3.4 Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.

RECOMMENDATION FULLY ADOPTED - POINTS 85 AND 86 OF THIS REPORT

The medium-term variable remuneration plan, including its implementation, was approved at the Annual General Meeting held on 7 April 2016 and is available at <http://www.sonaecapital.pt>

II.3.5 Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.

RECOMMENDATION NOT APPLICABLE

The remuneration policy approved does not establish any scheme of retirement benefits.

III. REMUNERATION

III.1 The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking.

RECOMMENDATION FULLY ADOPTED - POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016

The remuneration of the members of the Board of Directors carrying out executive duties shall be based on the performance of the directors, measured against predetermined criteria and designed so as to align their performance with the Company's sustainability and the stability of the interest of the shareholders, discouraging excessive risk taking.

III.2 The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.

RECOMMENDATION FULLY ADOPTED - POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016

The remuneration of the non-executive members of the Board of Directors consists solely of a fixed value and is not linked to the Company performance or its value.

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

*RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT
AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016*

The remuneration policy includes an explicit relationship between the fixed and variable components that is suitable to the profile of the Company and the Group, and the maximum limits established match the practices of comparable companies. The policy is therefore accepted and annually approved by the Shareholders' General Meeting.

III.4 A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.

RECOMMENDATION FULLY ADOPTED – POINTS 71, 72 AND 86 OF THIS REPORT

In accordance with the remuneration policy approved at the Annual General Meeting held on 7 April 2016, proposed by the Remuneration Committee, a part of no less than fifty per cent of the variable remuneration shall be deferred for a period of three years and its value shall be dependent upon the Company's performance during the said period, as it is pegged to the share price.

III.5 Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.

RECOMMENDATION FULLY ADOPTED – POINT 73 OF THIS REPORT AND REMUNERATION POLICY

The remuneration policy approved, upon proposal from the Remuneration Committee, at the Shareholders' General Meeting on 7 April 2016 adopted the principle set out in this recommendation.

III.6 Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.

RECOMMENDATION FULLY ADOPTED - POINT 73 OF THIS REPORT AND REMUNERATION POLICY

The remuneration policy approved at the Shareholders' General Meeting on 7 April 2016 adopted the principle set out in this recommendation.

III.7 When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.

RECOMMENDATION NOT APPLICABLE

The remuneration policy approved does not include the attribution of stock options.

III.8 When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.

RECOMMENDATION FULLY ADOPTED - POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016

The Company policy fully complies with this recommendation.

IV. AUDITING

IV.1 The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.

RECOMMENDATION FULLY ADOPTED - POINT 46 OF THIS REPORT

The Statutory Auditor shall comment on its activities in its annual audit report, which is subject to the evaluation of the Shareholders' Annual General Meeting and made available at www.sonaecapital.pt

IV.2 The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered to the company.

RECOMMENDATION FULLY ADOPTED - POINTS 46 AND 47 OF THIS REPORT

The services provided by the External Auditor, other than audit services, were previously approved by the Supervisory Board, thus fully complying with the CMVM recommendation. The percentage of these services over the total services provided by PricewaterhouseCoopers & Associados, SROC (PwC) to the Company is 14.1%.

IV.3 Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement;

RECOMMENDATION FULLY ADOPTED - POINT 44 OF THIS REPORT

The External Auditor and the Statutory Auditor partner representing it in the performance of its duties are still on the third term of office.

V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

V.1 The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.

RECOMMENDATION FULLY ADOPTED - POINTS 10, 89 AND 90 OF THIS REPORT

The transactions between the Company and any related parties are governed by principles of thoroughness, transparency and strict compliance with the market competition rules. These transactions are subject to specific administrative procedures that arise from regulatory requirements, in particular those related to transfer price rules or the rules on voluntary adoption of internal checks and balances, particularly processes for reporting or formal validation, according to the value of the transaction in question.

V.2 The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20/1 of the Portuguese Securities Code - thus significant relevant business is dependent upon prior opinion of that body.

RECOMMENDATION FULLY ADOPTED - POINT 38 OF THIS REPORT

The Company has approved and enforced a formal internal procedure aimed at receiving the opinion of the Supervisory Board and the Audit and Finance Committee before the Executive Committee concludes any transaction with holders of qualifying holdings or with entities with whom they are in a relationship provided for in art. 20 of the Portuguese Securities Code, when such transactions involve an interest greater than ten million euros. All the transactions concluded with the said entities that exceed one million euros are also subject to half-yearly reporting to these two bodies.

VI. INFORMATION

VI.1 Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.

RECOMMENDATION FULLY ADOPTED

All the recommended information is available in Portuguese and in English on the Company's website - www.sonaecapital.pt.

VI.2 Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.

RECOMMENDATION FULLY ADOPTED - POINT 56 OF THIS REPORT

The Company has an Investor Support Office which provides regular and relevant information to the investors and the financial community, keeping a record of the relevant communication to enhance the quality of its performance.

3. Other information

There are no recommendations requiring subsequent reasoning for non-compliance or non-enforcement.

Maia, 23 February 2017

The Board of Directors

Duarte Paulo Teixeira de Azevedo
Chairman of the Board of Directors

Maria Cláudia Teixeira de Azevedo
CEO

Álvaro Carmona e Costa Portela
Member of the Board of Directors

Ivone Pinho Teixeira
CFO

Francisco de La Fuente Sánchez
Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata
Member of the Board of Directors

Paulo José Jubilado Soares de Pinho
Member of the Board of Directors

ANNEX TO THE CORPORATE GOVERNANCE REPORT

CURRICULA VITAE OF THE MEMBERS OF THE GOVERNING BODIES AND REMUNERATION POLICY

Duarte Paulo Teixeira de Azevedo

Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.

Age: 51

Nationality: Portuguese

Academic Career:

Bachelor's Degree in Chemical Engineering from École Polytechnique Fédérale de Lausanne (1986)

MBA - Porto Business School (1989)

Positions held in the group companies:

Positions held in other companies:

Chairman of the Board of Directors of Sonae MC - Modelo Continente, SGPS, S.A.

Chairman of the Board of Directors of Sonae - Specialized Retail, SGPS, S.A.

Chairman of the Board of Directors of Sonae Center II, S.A.

Chairman of the Board of Directors of Sonae Indústria, SGPS, S.A.

Chairman of the Board of Directors of Sonae Arauco, SA

Chairman of the Board of Directors of Sonae Sierra, SA

Chairman of the Board of Directors and Co-CEO of Sonae, SGPS, S.A.

Chairman of the Board of Directors of Migracom, SGPS, S.A.

Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.

Member of the Board of Directors of Imparfin - Investimentos e Participações Financeiras, S.A.

Main professional activities over the last five years:

2009-2015 - Chairman of the Board of Trustees of the University of Porto

2012-2015 - Member of the Board of COTEC Portugal

Since 2008 - Member of ERT - European Round Table of Industrialists

Since 2013 - Member of the International Advisory Board of Allianz, SE

Since 2015 - Member of the Consejo Iberoamericano para la Productividad y la Competitividad (Ibero-American Council for Productivity and Competitiveness)

Álvaro Carmona e Costa Portela

Vice-chairman of the Board of Directors of Sonae Capital, SGPS, S.A.

Age: 65

Nationality: Portuguese

Academic Career:

Bachelor's Degree in Mechanical Engineering - FEUP (1974)

Master of Business Management - MBA (Universidade Nova de Lisboa - 1983)

AMP / ISMP - Harvard Business School (1997)

Positions held in the group companies:

Member of the Board of Directors of Capwatt, SGPS, S.A.

Member of the Board of Directors of SC, SGPS, S.A.

Member of the Board of Directors of Sistavac, SGPS, S.A.

Member of the Board of Directors of SC Hospitality, SGPS, S.A.

Positions held in other companies:

Non-executive Director of Casa Agrícola HMR, S.A.

Non-executive Director of COPAM - Companhia Portuguesa de Amidos, S.A.

Non-executive Director of SPDI - SECURE PROPERTY Development & Investment, PLC

Director of the Victor e Graça Carmona e Costa Foundation

Manager of Portela & Portela, Lda.

Member of the Investment Committee of the ECE European Prime Shopping Centre Fund, Luxembourg

Director of the Belmiro de Azevedo Foundation

Main professional activities over the last five years:

2010-2015 - Non-executive Director of Sonae SGPS, S.A.

2010-2014 - Chairman (until 2012) and Member of the Board of Representatives of the Faculty of Economics, University of Porto

2010-2012 - Trustee of the Urban Land Institute (USA)

2010-2012 - Director of Sonae RP

2010-2014 - Non-executive Chairman of the Board of Directors of MAF Properties, Dubai, UAE

2011-2013 - Member of the Investment Advisory Committee of PanEuropean Property Limited Partnership

Francisco de La Fuente Sánchez

Non-executive Director of Sonae Capital, SGPS, S.A.

Age: 75

Nationality: Portuguese

Academic Career:

Bachelor's Degree in Electrical Engineering – Instituto Superior Técnico (1965)

Positions held in the group companies:

Positions held in other companies:

Chair of the Board of the General Meeting of APEDS – Portuguese Association of Engineers for Social Development

Chair of the Board of the General Meeting of AAAIST – Association of Alumni of Instituto Superior Técnico

Honorary Chairman of Hidroeléctrica del Cantábrico, S.A.

Member of the Remuneration Committee of Sonae SGPS, S.A. and of Sonaecom, SGPS, S.A.

Member of the Board of Trustees of the Luso-Brazilian Foundation

Member of the Ibero-America Forum

Member of the Board of Trustees of the Luso-Spanish Foundation

Member of the Board of Trustees of the Hidroeléctrica del Cantábrico Foundation

Main professional activities over the last five years:

2012-2016 – Chairman of the Board of AAAIST

2010-2015 – Chair of the Board of the General Meeting of Iberwind – Desenvolvimento e Projectos, S.A.

2007-2013 – Chairman of the General Board of PROFORUM

2007-2013 – Chairman of the National Council of the Engineers Association College of Electrical Engineering

2007-2012 – Guest member of the National Water Board

2007-2012 – Vice-chairman and Non-executive Chairman of the Board of Directors of EFACEC Capital

2005-2012 – Member of Advisory Board of the Forum for Competitiveness

2009-2016 – Co-opted member of the Instituto Superior Técnico School Board

Since 2005 – Member of the Board of Trustees of the Hidroeléctrica del Cantábrico Foundation

Since 2004 – Member of the Board of Trustees of the Luso-Brazilian Foundation

Since 2003 – Member of the Ibero-America Forum

Since 2002 – Member of the Board of Trustees of the Luso-Spanish Foundation

Paulo José Jubilado Soares de Pinho

Non-executive Director of Sonae Capital, SGPS, S.A.

Age: 54

Nationality: Portuguese

Academic Career:

Bachelor's Degree in Economic – Faculty of Economics, Universidade Nova de Lisboa (1985)

MBA – Master of Business Administration – Faculty of Economics, Universidade Nova de Lisboa (1989)

Doctorate in Banking and Finance – City University Business School, London (1994)

Negotiation Analysis – Amsterdam Institute of Finance (2005)

Advanced Course – European Venture Capital and Private Equity Association (2006)

Valuation Guidelines Masterclass – European Venture Capital and Private Equity Association (2007)

Private Equity and Venture Capital Programme – Harvard Business School (2007)

Positions held in the group companies:

Positions held in other companies:

Chairman of the General Council of the PME-IAPMAI Venture Capital Syndication Fund

Chairman of the Supervisory Board of Novabase, SA

Member of the Board of Directors of Change Partners, SCR, S.A.

Managing Partner of Finpreneur, Ltda.

Academic director of the Lisbon MBA (MIT – Católica – Nova)

Main professional activities over the last five years:

Member of Strategic Advisory Board of the Fast Change Venture Capital Fund

Member of the Board of Directors of Biotecnol, S.A.

Director (representative in Portugal) of Venture Valuation, Switzerland

Senior Consultant at New Next Moves Consultants, Portugal

Associate Professor at the Faculty of Economics, Universidade Nova de Lisboa

Guest Lecturer at Cass Business School, London

Guest Lecturer at the University of Luxembourg

Maria Cláudia Teixeira de Azevedo

Director and Chairman of the Executive Committee of Sonae Capital, SGPS, S.A.

Age: 47

Nationality: Portuguese

Academic Career:

Bachelor's Degree in Management from Universidade Católica do Porto and MBA from INSEAD

Positions held in the group companies:

Chairman of the Board of Directors of Troiaresort, SGPS, S.A.
Chairman of the Board of Directors of Capwatt, SGPS, S.A.
Chairman of the Board of Directors of SC, SGPS, S.A.
Chairman of the Board of Directors of SC Hospitality, SGPS, S.A.
Member of the Board of Directors of Sistavac, SGPS, S.A.

Positions held in other companies:

Chairman of the Board of Directors of Bright Development Studio, S.A.
Chairman of the Board of Directors of Digitmarket – Sistemas de Informação, S.A.
Chairman of the Board of Directors of Efanor – Serviços de Apoio à Gestão, S.A.
Chairman of the Board of Directors of GRUPO S 21 SEC GÉSTION, S.A.
Chairman of the Board of Directors of S21SEC PORTUGAL – CYBERSECURITY SERVICES, S.A.
Chairman of the Board of Directors of Linhacom, SGPS, S.A.
Chairman of the Board of Directors of PCJ – Público, Comunicação e Jornalismo, S.A.
Chairman of the Board of Directors of Saphety Level – Trusted Services, S.A.
Chairman of the Board of Directors of Sonaecom – Ciber Security and Intelligence Services, SGPS, S.A.
Chairman of the Board of Directors of TLANTIC PORTUGAL – Sistemas de Informação, S.A.
Chairman of the Board of Directors of WeDo Consulting, Sistemas de Informação, S.A.
Chairman of the Board of Directors of WeDo Technologies Americas, INC.
Member of the Board of Directors of Armilar Venture Partners – Sociedade de Capital de Risco, S.A.
Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Member of the Board of Directors of Imparfin, SGPS, S.A.
Member of the Board of Directors of Praesidium Services Limited
Member of the Board of Directors of Público – Comunicação Social, S.A.
Member of the Board of Directors of Sonaecom, SGPS, S.A.
Member of the Board of Directors of Sonaecom – Serviços Partilhados, S.A.
Member of the Board of Directors of Sonae Investment Management – Software and Technology, SGPS, S.A.
Member of the Board of Directors of WeDo Technologies (UK) Limited
Member of the Board of Directors of WeDo Technologies Australia PTY, Limited
Member of the Board of Directors of ZOPT, SGPS, S.A.
Member of the Board of Directors of NOS – SGPS, S.A.
Member of the Board of Trustees of the Belmiro de Azevedo Foundation
Sole Administrator of Sekiwi, SGPS, SA
Director of WeDo Technologies Egypt
Director of Sonaecom – Sistemas de Información Espana, S.L.
Manager of WeDo Technologies Mexico, S. De R.L. de C.V.
General Manager at Saphety – Transacciones Electronicas, S.A.S

Main professional activities over the last five years:

Executive Director of Sonaecom, SGPS, S.A.

Executive Director of Zon Optimus, SGPS, S.A.

Member of the Board of Directors in the following companies:

Sonae Investment Management – Software and Technology, SGPS, S.A. (previously called

Sonaecom Sistemas de Informação, SGPS, S.A.)

Sonae Matrix Multimédia

WeDo Consulting, Sistemas de Informação, S.A.

Efanor Investimentos, SGPS, S.A.

ZOPT, SGPS, S.A.

Ivone Pinho Teixeira

Executive Director and CFO of Sonae Capital, SGPS, S.A.

Age: 44

Nationality: Portuguese

Academic Career:

Licenciatura em Economia – Faculdade de Economia do Porto (1995)

Pós-Graduação em Análise Crédito – Instituto Superior de Gestão Bancária (1996)

Pós Graduação em Fiscalidade Internacional – Universidade Católica (2004)

Positions held in the group companies:

Chairman of the Board of Directors of Acrobatic Title, S.A.

Member of the Board of Directors of Aqualuz Tróia – Exploração Hoteleira e Imobiliária, S.A.

Chairman of the Board of Directors of UP Invest, SGPS, S.A.

Member of the Board of Directors of Atlantic Ferries – Tráfego Local, Fluvial e Marítimo, S.A.

Member of the Board of Directors of Bloco Q – Sociedade Imobiliária, S.A.

Member of the Board of Directors of Capwatt, SGPS, S.A.

Member of the Board of Directors of Capwatt ACE, S.A.

Member of the Board of Directors of Capwatt – Brainpower, S.A.

Member of the Board of Directors of Capwatt Colombo – Heat Power, S.A.

Member of the Board of Directors of Capwatt Engenho Novo – Heat Power, S.A.

Member of the Board of Directors the Complementary Grouping of Companies Capwatt Hectare – Heat Power, ACE

Member of the Board of Directors of Capwatt II – Heat Power, S.A.

Member of the Board of Directors of Capwatt III – Heat Power, S.A.

Member of the Board of Directors of Capwatt Maia – Heat Power, S.A.

Member of the Board of Directors of Capwatt Martim Longo – Solar Power, S.A.

Member of the Board of Directors of Capwatt Vale do Caima – Heat Power, S.A.

Member of the Board of Directors of Capwatt Vale do Tejo – Heat Power, S.A.

Member of the Board of Directors of Casa da Ribeira – Sociedade Imobiliária, S.A.

Member of the Board of Directors of Centro Residencial da Maia – Urbanismo, S.A.

Member of the Board of Directors of Cinclus – Imobiliária, S.A.

Member of the Board of Directors of Contacto Concessões, SGPS, S.A.

Member of the Board of Directors of Country Club da Maia – Imobiliária, S.A.

Member of the Board of Directors of Empreendimentos Imobiliários Quinta da Azenha, S.A.

Member of the Board of Directors of Golf Time – Golfe e Investimentos Turísticos, S.A.

Member of the Board of Directors of Imobeauty, S.A.

Member of the Board of Directors of Imoclub – Serviços Imobiliários, S.A.

Member of the Board of Directors of Imodivor – Sociedade Imobiliária, S.A.

Member of the Board of Directors of Imohotel – Empreendimentos Turísticos, S.A.

Member of the Board of Directors of Imopenínsula – Imobiliária, S.A.

Member of the Board of Directors of Imoponte – Sociedade Imobiliária, S.A.

Member of the Board of Directors of Imoresort – Sociedade Imobiliária, S.A.

Member of the Board of Directors of Imosedas – Imobiliária e Serviços, S.A.

Member of the Board of Directors of Implantação – Imobiliária, S.A.

Member of the Board of Directors of Inparvi, SGPS, S.A.

Member of the Board of Directors of Marina de Tróia, S.A.

Member of the Board of Directors of Marmagno – Exploração Hoteleira e Imobiliária, S.A.

Member of the Board of Directors of Marvero – Exploração Hoteleira e Imobiliária, S.A.

Member of the Board of Directors of Porto Palácio Hotel – Exploração Hoteleira, S.A.

Member of the Board of Directors of Porturbe – Edifícios e Urbanizações, S.A.

Member of the Board of Directors of Praedium – Serviços, S.A.
 Member of the Board of Directors of Praedium II – Imobiliária, S.A.
 Member of the Board of Directors of Prédios Privados – Imobiliária, S.A.
 Member of the Board of Directors of Predisedas – Predial das Sedas, S.A.
 Member of the Board of Directors of Promessa – Sociedade Imobiliária, S.A.
 Member of the Board of Directors of QCE – Desenvolvimento e Fabrico de Equipamentos, S.A.
 Member of the Board of Directors of SC – Engenharia e Promoção Imobiliária, SGPS, S.A.
 Member of the Board of Directors of SC, SGPS, S.A.
 Member of the Board of Directors of SC – Sociedade de Consultadoria, S.A.
 Member of the Board of Directors of SC Assets, SGPS, S.A.
 Member of the Board of Directors of SC Finance, BV
 Member of the Board of Directors of SC Hospitality, SGPS, S.A.
 Member of the Board of Directors of S.I.I. – Soberana – Investimentos Imobiliários, S.A.
 Member of the Board of Directors of Sistavac, S.A.
 Member of the Board of Directors of Sistavac, SGPS, S.A.
 Member of the Board of Directors of Sete e Meio Herdades – Investimentos Agrícolas e Turismo, S.A.
 Member of the Board of Directors of Soira – Sociedade Imobiliária de Ramalde, S.A.
 Member of the Board of Directors of Solinca – Health and Fitness, S.A.
 Member of the Board of Directors of Soltróia – Sociedade Imobiliária de Urbanização e Turismo de Tróia, S.A.
 Member of the Board of Directors of Sopair, S.A.
 Member of the Board of Directors of Sotáqua – Sociedade de Empreendimentos Turísticos de Quarteira, S.A.
 Member of the Board of Directors of Spinveste – Gestão Imobiliária, SGII, S.A.
 Member of the Board of Directors of Spinveste – Promoção Imobiliária, S.A.
 Member of the Board of Directors of Spred, SGPS, S.A.
 Member of the Board of Directors of The Artist Porto Hotel & Bistro – Actividades Hoteleiras, S.A.
 Member of the Board of Directors of The House Ribeira – Exploração Hoteleira, S.A.
 Member of the Board of Directors of Tróia Market – Supermercados, S.A.
 Member of the Board of Directors of Troiaresort – Investimentos Turísticos, S.A.
 Member of the Board of Directors of Troiaresort, SGPS, S.A.
 Member of the Board of Directors of Tulipamar – Exploração Hoteleira e Imobiliária, S.A.
 Member of the Board of Directors of Urbisedas – Imobiliária das Sedas, S.A.
 Member of the Board of Directors of Vistas do Freixo – Empreendimentos Turísticos, S.A.
 Member of Management at Carvemagere, Manutenção e Energias Renováveis, Lda
 Member of Management at Companhia Térmica Tagol, Unipessoal, Lda.
 Member of Management at C.T.E. – Central Termoeléctrica do Estuário, Unipessoal, Lda.
 Member of Management at Enerlousado – Recursos Energéticos, Unipessoal, Lda.
 Member of Management at Ronfegen – Recursos Energéticos, Unipessoal, Lda.
 Member of Management at SC For – Serviços de Formação e Desenvolvimento de Recursos Humanos, Unipessoal, Lda.

Main professional activities over the last five years:

Since 2012 – Chief Financial Officer, Sonae Capital Group
 2007-2012 – Director of Corporate Finance, Sonae Capital Group

Miguel Jorge Moreira da Cruz Gil Mata

Member of the Board of Directors and the Executive Committee of Sonae Capital, SGPS, S.A.

Age: 43

Nationality: Portuguese

Academic Career:

Bachelor's Degree in Mechanical Engineering – Faculty of Engineering, University of Porto (1998)

Postgraduate Degree in Industrial Maintenance – Faculty of Engineering, University of Porto (1999)

MBA – School of Management, University of Porto (2003)

Positions held in the group companies:

Chairman of the Board of Directors of the Complementary Grouping of Companies Atelgen, Produção de Energia, ACE

Chairman of the Board of Directors of the Complementary Grouping of Companies Capwatt Hectare – Heat Power, ACE

Chairman of the Board of Directors of the Complementary Grouping of Companies Companhia Térmica do Serrado, ACE

Chairman of the Board of Directors of the Complementary Grouping of Companies Soternix – Produção de Energia, ACE

Member of the Board of Directors of Capwatt, SGPS, S.A

Member of the Board of Directors of Capwatt ACE, S.A.

Member of the Board of Directors of Capwatt – Brainpower, S.A.

Member of the Board of Directors of Capwatt Colombo – Heat Power, S.A.

Member of the Board of Directors of Capwatt Engenho Novo – Heat Power, S.A.

Member of the Board of Directors of Capwatt II – Heat Power, S.A.

Member of the Board of Directors of Capwatt III – Heat Power, S.A.

Member of the Board of Directors of Capwatt Maia – Heat Power, S.A.

Member of the Board of Directors of Capwatt Martim Longo – Solar Power, S.A.

Member of the Board of Directors of Capwatt Vale do Caima – Heat Power, S.A.

Member of the Board of Directors of Capwatt Vale do Tejo – Heat Power, S.A.

Member of the Board of Directors of the Complementary Grouping of Companies Feneralt – Produção de Energia, ACE

Member of the Board of Directors of QCE – Desenvolvimento e Fabrico de Equipamentos, S.A.

Member of the Board of Directors of SC SGPS, S.A.

Member of the Board of Directors of Sistavac, S.A.

Member of the Board of Directors of Sistavac, SGPS, S.A.

Member of the Board of Directors of Spred, SGPS, S.A.

Member of the Board of Directors of Suncoutim – Solar Energy, S.A.

Member of Management at C.T.E. – Central Termoeléctrica do Estuário, Unipessoal, Lda.

Member of Management at Carvemagere, Manutenção e Energias Renováveis, Lda.

Member of Management at Companhia Térmica, Tagol Unipessoal, Lda.

Member of Management at Enerlousado – Recursos Energéticos, Unipessoal, Lda.

Member of Management at Ronfegen – Recursos Energéticos, Unipessoal, Lda.

Member of Management at SC For – Serviços de Formação e Desenvolvimento de Recursos Humanos, Unipessoal, Lda.

Positions held in other companies:

Chairman of the Executive Committee of APGEI - Portuguese Association of Industrial Engineering and Management
Chairman of the Executive Committee of COGEN Portugal - Portuguese Association of Co-generation and Energy Efficiency
Member of the Board of IPES - Portuguese Solar Energy Society
Member of Management at Vantipal, Lda.

Main professional activities over the last five years:

Chief Operating Officer at CapWatt (Since 2008)
Chief Operating Officer at Sonae Indústria de Revestimentos (2012 - 2014)
Chief Operating Officer at Euroresinas (2012 - 2014)
Chief Operating Officer at Impaper (2012 - 2014)

António Monteiro de Magalhães

Chairman of the Supervisory Board of Sonae Capital, SGPS, S.A.

Academic Career:

Bachelor's Degree in Economics - Faculty of Economics, University of Porto (1969)

Positions held in the group companies:

Positions held in other companies:

Partner and Director of António Magalhães & Carlos Santos - Statutory Audit Firm (Since its setup in 1989)

Member of the Supervisory Board of the following companies:

Montepio Holding, SGPS, S.A.

Montepio Investimento, S.A.

Cin - Corporação Industrial do Norte, S.A.

Main professional activities over the last five years:

Chairman of the Supreme Council of the Statutory Auditors Association in 2012/2014 and 2015/2017

Chairman of the Board of the General Meeting of the Statutory Auditors Association in 2009/2011

Manuel Heleno Sismeiro

Member of the Supervisory Board of Sonae Capital, SGPS, S.A.

Academic Career:

Contabilista, ICL, Lisboa (1964)

Licenciatura em Finanças, ISCEF, Lisboa (1971)

Positions held in the group companies:***Positions held in other companies:***

Chairman of the Supervisory Board of the following companies:

Sonae Indústria, SGPS, S.A.

OCP Portugal - Produtos Farmacêuticos, S.A.

Member of the Supervisory Board of Sonae, SGPS, S.A.

Chairman of the General Meeting of Segafredo Zanetti (Portugal) - Comercialização e Distribuição de Café, S.A.

Main professional activities over the last five years:

Since 2008 - Special consultant in internal audit and internal control areas

Carlos Manuel Pereira da Silva

Member of the Supervisory Board of Sonae Capital, SGPS, S.A.

Academic Career:

Bachelor's Degree in Economics - Faculty of Economics, University of Porto (1978)

Positions held in the group companies:***Positions held in other companies:******Main professional activities over the last five years:***

Since 2010 - Statutory Auditor and partner at Armando Magalhães, Carlos Silva & Associados, SROC, Lda.

ANNEX TO THE STATEMENT FROM THE REMUNERATION COMMITTEE ON THE REMUNERATION POLICY FOR THE GOVERNING BODIES AND COMPANY MANAGERS

REGULATION ON THE CRITERIA FOR AWARDING AND MAINTAINING VARIABLE REMUNERATION IN SHARES

1. Background to the Medium-Term Variable Bonus (MTVB)

The MTVB is an integral part of the annual variable bonus and constitutes a way of aligning the executive directors' interests with the company objectives, reinforcing their commitment and strengthening the perception of the importance of their performance for the success of Sonae Capital, reflected in the market capitalisation of the share.

2. Eligibility Criteria

The variable annual bonus attributed to the executive directors of the company and its affiliates, and to the employees with responsibilities in a strategic context, is subject to deferral. Level of deferral of the variable annual bonus:

Participants	Reference value of the medium term variable bonus (% of the total variable remuneration target)
Directors Company Executive Directors	At least 50%
Directors Executive Directors of Business Units	At least 50%
Employees	Terms to be defined by the Board of Directors of each Company

3. Duration of the plan

The MTVB is set out on a period of four years, including the year to which it relates and a three-year deferral period.

4. Maturity of the MTVB

The acquisition right of the shares attributed by the MTVB become due at the end of the deferral period.

5. MTVB reference value

The MTVB is valued at the date of attribution using prices which represent the price of the share, in the Portuguese stock market, considering for this effect the most favourable of the following: closing share price of the first day of trading after the Shareholder's General Meeting or the average closing share price (regarding the thirty-day period of trading prior to the Shareholder's General Meeting).

Members entitled to MTVB have the right to acquire a number of shares corresponding to the division between the amount of MTVB granted and the price of the share at the date of attribution calculated under the terms of the previous paragraph. If, after the granting date and before its exercise, dividends are distributed, changes in the nominal value of shares or in the share capital of the company occur or any other change in equity with impact in the economic value of the attributed rights, the number of shares attributed will be adjusted to an equivalent figure considering the effect of the mentioned changes.

In line with the statement of a policy that strengthens the alignment of executive directors with the company's long term interests, the Shareholders' Remuneration Committee can, at its discretion, adjust the percentage discount granted to the executive directors for acquisition of shares, and determine that the executive director contributes to the acquisition of shares up to a percentage that cannot exceed 5% of its share price at the date of the share transmission. All other employees to whom that right is assigned may acquire the shares under the conditions established by the Board of Directors of each Company.

6. Delivery by the Company

When exercising the right to acquire shares, as granted under the scope of the MTVB, the Company retains the right to pay the equivalent value in cash at the vesting date rather than transfer actual shares.

7. Conditions of exercise of the right

The right to exercise the acquisition right of shares granted under the plan expires if the contractual link between the member and the company ceases before the three-year period subsequent to its attribution, notwithstanding situations included in the following paragraphs.

The right will remain valid in case of permanent incapacity or death of the member, in which case the payment is made to the member or to his/her heirs on the vesting date.

In case of retirement of the member, the attributed right can be exercised in the respective vesting date. To ensure the effectiveness and transparency of the remuneration and compensation policy objectives, it was agreed that the executive directors of the company:

- shall not enter into any agreements, either with the Company, or with third parties, the effect of which is to mitigate the risk associated with the variability of the remuneration determined for them by the Company;
- must not sell, until the end of their term of office, the company shares acquired under the attribution of the variable remuneration up to the limit of twice the total annual remuneration value, with the exception of those that need to be sold in order to pay the taxes on the benefits from those shares.

SONAE CAPITAL

