

SONAE INDÚSTRIA, SGPS, SA

Registered Office: Lugar do Espido, Via Norte, Maia, Portugal

Registered at the Commercial Registry of Maia

Registry and tax identification No. 506 035 034

Share Capital: € 700 000 000

Publicly Traded Company

Corporate Governance Report

2009

24th February 2010

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CORPORATE GOVERNANCE REPORT

0. Compliance with CMVM Recommendations

Sonae Indústria is committed to developing and implementing good corporate governance practices going beyond mere compliance with regulatory obligations. Sonae Indústria firmly believes that good governance reduces risk and creates shareholder value. Good governance should include responsible management practices and a broad-based concern about environmental, social and ethical issues.

Sonae Indústria is subject to the Corporate Governance Code published by CMVM (the Portuguese Securities Market Commission) in September 2007, which is posted at <http://www.cvm.pt/NR/rdonlyres/11DE7CAE-FDB8-42D7-8A54-DB95FCB470D5/9127/PDFUnabridgedversionCorporateGovernanceRecomendat.pdf>.

Sonae Indústria has analysed all the recommendations included in this code and concluded that in some cases Sonae Indústria has not adopted some recommendations for the reasons which are described below.

	Recommendation	Degree of Compliance	Corporate Governance Report
I.	SHAREHOLDER'S GENERAL MEETING		
I.1.	BOARD OF THE SHAREHOLDER'S GENERAL MEETING		
I.1.1	The Chairman of the Board of the Shareholders' General Meeting shall be given adequate human and logistical resources, taking the financial position of the company into consideration.	comply	1.1
I.1.2	The remuneration of the Chairman of the Board of the Shareholders' General Meeting shall be disclosed in the annual corporate governance report.	comply	1.2.
I.2.	PARTICIPATION AT THE MEETING		
I.2.1	The requirement to deposit or block shares before the General Meeting, contained in the Articles of Association, shall not exceed 5 working days.	comply	1.3.
I.2.2	Should the General Meeting be suspended, the Company shall not require share blocking during the full period until the meeting is resumed, but shall apply the same period as for the first session.	comply	1.3.
I.3.	VOTING AND EXERCISING VOTING RIGHTS		
I.3.1	Companies should not impose any statutory restriction on postal voting.	comply	1.3.
I.3.2	The statutory advance deadline for receiving voting ballots by post shall not exceed 3 working days.	comply	1.3.
I.3.3	The Company's Articles of Association shall respect the one share-one vote principle.	comply	1.3.

	Recommendation	Degree of Compliance	Corporate Governance Report
I.4.	QUORUM AND RESOLUTIONS		
I.4.1	Companies shall not set a constitutive or deliberative quorum that exceeds the minimum required by Portuguese Company Law.	non-comply	Under Portuguese Company Law, at the first convening, there is no minimum quorum for a Shareholders' General Meeting, unless the agenda includes a deliberation that requires a qualified majority vote of two thirds. In this case, a quorum of one third of the voting power is required. For example, a qualified majority vote is required to alter company by-laws or approve mergers, de-mergers, transformations, or dissolutions. At a second convening there is no minimum quorum in either case. Sonae Indústria's Articles of Association require a quorum of over 50% of the voting power at the first convening, but there is no minimum quorum at a second convening. This requirement is aimed at increasing shareholder participation. As a second convening has no minimum quorum, there is little risk of deliberations being blocked or delayed due to low participation levels.
I.5.	ATTENDANCE LISTS, MINUTES AND INFORMATION ON RESOLUTIONS ADOPTED		
I.5.1	The minutes of the Shareholders' General Meetings shall be made available to shareholders on the Company's website within a 5 day period, irrespective of the fact that such information may not be legally classified as material information. The lists of attendees, agenda items and resolutions adopted shall be kept in a historic file on the Company's website covering meeting held for at least the previous 3 years.	non-comply	Sonae Indústria informed the market in 2009 regarding the content of the proposals presented and deliberations taken at Shareholders' General Meetings. In addition, as from 2010, Sonae Indústria will also disclose Extracts from the minutes of this meeting, or documents with corresponding content (including resolutions passed, the represented capital and the voting results) within a five day period after the Annual General Meeting has been held. This information will be kept on the company's website for no less than a 3 year period.
I.6.	MEASURES RELATING TO CHANGES IN CONTROL		
I.6.1	Measures aimed at preventing the success of takeover bids, shall respect the interests of the both the Company and its shareholders.	not applicable	
I.6.2	In accordance with the principle established in the previous sub-paragraph, any Company that has Articles of Association with clauses that restrict or limit the number of votes that may be held or exercised by a single shareholder, either individually or acting in concert with other shareholders, shall also require that, at least once every five years, the continuation of such clauses must be ratified at a Shareholders' General Meeting, at which the quorum shall not exceed the legal minimum and all votes cast shall count, without applying any restriction.	not applicable	

Recommendation		Degree of Compliance	Corporate Governance Report
I.6.3	Defensive measures should not be adopted that automatically lead to a serious erosion in the value of the Company's assets, when there has been a change in control or a change in the Company's management, as this prevents the free transmission of shares and the ability of shareholders to evaluate those responsible for managing the Company .	comply	1.3.
II. MANAGEMENT AND AUDIT BOARDS			
II.1. GENERAL POINTS			
II.1.1. STRUCTURE AND DUTIES			
II.1.1.1	The Board of Directors shall assess the model it has adopted in its corporate governance report, by identifying any restrictions that are holding back performance and proposing actions to be taken that are judged to be appropriate to resolve them.	comply	2.1.
II.1.1.2	Companies shall set up internal control systems in order to efficiently detect risks relating to the Company's activity, in order to protect its assets and keep its corporate governance transparent.	comply	2.2.
II.1.1.3	The Board of Directors and Statutory Audit Board shall establish internal regulations, which shall be disclosed on the Company's website.	comply	2.3.
II.1.2. INCOMPATIBILITY AND INDEPENDENCE			
II.1.2.1	The Board of Directors shall include a sufficient number of non-executive members to ensure that there is the capacity to effectively supervise, audit and assess the activity of the executive members.	comply	2.8.
II.1.2.2	Non-executive members shall include an adequate number of independent members, taking into account the size of the Company and its shareholder structure, but this shall never be less than one quarter of the total number of Board members.	comply	2.8.
II.1.3. ELIGIBILITY CRITERIA FOR APPOINTMENT			
II.1.3.1	Depending on the governance model adopted, the Chairman of the Statutory Audit Board, or of the Board Audit Committee or of the Financial Matters Committee shall be independent and possess the necessary skills to perform their duties.	comply	2.11.
II.1.4. POLICY ON THE REPORTING OF IRREGULARITIES			
II.1.4.1	The Company shall adopt a policy of reporting irregularities that allegedly occurred, which includes the following information: i) the means through which such irregularities may be reported internally, including the persons that are entitled to receive the reports; ii) how the report is to be handled, including confidential treatment, should this be requested by the reporter.	comply	2.14.
II.1.4.2	General guidelines from this policy should be disclosed in the Corporate Governance Report	comply	2.14.
II.1.5. REMUNERATION			
II.1.5.1	The remuneration of the members of the Board of Directors shall be structured to be aligned with the interests of the shareholders. In this sense: i) The remuneration of Directors carrying out executive duties should include a variable component based on performance linked to a performance assessment that shall be carried out periodically by the governance body or committee appointed for this purpose; ii) the variable component shall be consistent with the maximization of the long term performance of the Company, and shall be dependent on sustainability of the variables adopted to measure performance; iii) non-executive members of the Board of Directors shall only receive fixed remuneration, unless the legal requirements dictate otherwise.	comply	2.12.

Recommendation		Degree of Compliance	Corporate Governance Report
II.1.5.2	The Shareholders' Remuneration Committee and the Board of Directors shall present to the Shareholders' Annual General Meeting a statement of the remuneration policy applied to Statutory Governing Bodies (including the Board of Directors and Statutory Audit Board), as well as to other senior management who have regular access to privileged information and are involved in taking strategic decisions at the Company (Strategic Decision Makers - "Dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The information to shareholders shall include the criteria and main indicators proposed to be used in assessing of performance and determining the variable component, independently of whether this in the form of bonuses paid in shares, share options, annual bonuses or other awards.	comply	2.12.
II.1.5.3	At least one representative of the Shareholders' Remuneration Committee shall be present at the Shareholders' Annual General Meeting.	non-comply	The 2009 Shareholders' Annual General Meeting was held on 28th April. Neither of the two Shareholders' Remuneration Committee members was able to be present.
II.1.5.4	A proposal shall be submitted to the Shareholders' General Meeting to approve plans to grant shares and/or share options or award compensation based on variations in share prices, to members of the Statutory Governing Bodies.(including the Board of Directors and Statutory Audit Board), as well as to other senior management ("dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code. The proposal shall include all information necessary for an comprehensive assessment of the plan. The proposal shall be presented together with regulation that governs the plan or if this has not yet been prepared, the general conditions that will be applied. In the same way, the main characteristics of any retirement benefit plan that benefits the Statutory Governing Bodies.(including the Board of Directors and Statutory Audit Board), as well as other senior management ("dirigentes") as defined in Article 248º-B, Clause 3 of the Portuguese Securities Code, shall also be approved at a Shareholders' General Meeting.		not applicable
II.1.5.5	The remuneration of the members of the Statutory Governing Bodies (including the Board of Director and Statutory Audit Board) shall be individually and disclosed on an annual basis. Fixed and variable components must be disclosed separately, when applicable, as well as any other remuneration received from other companies within the same Group or from companies controlled by shareholders with qualifying share holdings.	comply	2.12.
II.2.	BOARD OF DIRECTORS		
II.2.1	Within the limits established by Portuguese Company Law for each management and audit governance structure, and unless the Company is restricted by its size, the Board of Directors shall delegate the day-to-day running of the Company and the powers and terms of the delegation should be set out in the Corporate Governance Report.	comply	2.1.2.
II.2.2	The Board of Directors shall ensure that the Company acts in accordance with its objectives, and should not delegate its own responsibilities, including: i) definition of the Company's strategy and general policies; ii) definition of the corporate structure of the Group; iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.	comply	2.1.2.

Recommendation		Degree of Compliance	Corporate Governance Report
II.2.3	Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall set up efficient mechanisms to co-ordinate the work of the non-executive members, to ensure that they may take decisions in an independent and informed manner, and shall also explain these mechanisms to the shareholders in the Corporate Governance Report.		not applicable
II.2.4	The Annual Management Report shall include a description of the activity carried out by the non-executive Board Members and shall, in particular, report any restrictions that they encountered.	comply	2.8.
II.2.5.	The governing body responsible for management (Board of Directors) should promote the rotation of the Board member responsible for financial matters (CFO) at least at the end of every two mandates.	comply	The current CFO has not yet served two Board mandates in this position. However, Sonae Indústria does not agree with this recommendation, which to our knowledge does not exist in any other Corporate Governance Code or Best Practice Guidelines issued by institutional investors. We believe that there is no benefit to shareholders and the Company in rotating a competent and successful CFO.
II.3.	CHIEF EXECUTIVE OFFICER (CEO), EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS		
II.3.1	When Directors, who carry out executive duties are requested by other Board Members to supply information, they shall provide answers in a timely manner with information that adequately responds to the request made.	comply	2.7.
II.3.2	The Chairman of the Executive Committee shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the Board of the Directors and, when applicable, to the Chairman of the Statutory Audit Board or the Audit Committee.	comply	2.7.
II.3.3	The Chairman of the Executive Board of Directors shall send the notices convening meetings and minutes of the respective meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee.		not applicable
II.4.	GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND AUDIT		
II.4.1	In addition to fulfilling its supervisory and verification roles, the General and Supervisory Board shall fulfil a role of advisor, as well as monitor and continually assess the management of the Company by the Executive Board of Directors. Amongst the other matters on which the General and Supervisory Board should opine are the following: i) definition of the strategy and general policies of the Company; ii) the corporate structure of the Group; and iii) decisions that are considered to be strategic due to the amounts, risks and special circumstances involved.		not applicable
II.4.2	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall be disclosed on the Company's website together with the financial statements.	comply	2.1.3.
II.4.3	The annual reports on the activity of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Statutory Audit Board shall include a description of the supervisory and verification work completed and shall, in particular, report any restrictions that they encountered.	comply	2.1.3.

Recommendation		Degree of Compliance	Corporate Governance Report
II.4.4	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted) shall represent the Company, for all purposes, in the relationship with the external auditor. This shall include proposing who will provide this service, their respective remuneration, and ensuring that the Company provides adequate conditions to allow them to deliver their service, as well as acting as the point of contact with the Company and being the first recipient of their reports.	comply	2.11.4.
II.4.5	The Financial Matters Committee, the Audit Committee or the Statutory Audit Board (depending on the governance model adopted), shall assess the external auditor on an annual basis and propose to the Shareholders' General Meeting that the external auditor should be discharged, should justifiable grounds exist.	comply	2.11.4.
II.5. SPECIAL COMMITTEES			
II.5.1	Unless the Company is restricted by its size, the Board of Directors and the General and Supervisory Committee, depending on the governance model adopted, shall set up the necessary Committees in order to: i) ensure that a robust and independent assessment of the performance of the Executive Directors is carried out, as well as of its own overall performance and including the performance of all existing Committees; ii) consider the governance system adopted and assess its efficiency and propose to the respective bodies, measures to be implemented to achieve improvements.	comply	2.13.
II.5.2	Members of the Shareholders' Remuneration Committee or alike, shall be independent from the Members of the Board of Directors.	comply	2.12.
II.5.3	All Committees shall draw up minutes of the meetings they hold.	comply	2.14.
III. INFORMATION AND AUDITING			
III.1. GENERAL DISCLOSURE REQUIREMENTS			
III.1.2	Companies shall ensure that permanent contact is maintained with the market, upholding the principle of equal treatment for all shareholders and avoiding any asymmetry in the access to information by investors. To achieve this, the Company shall set up an Investor Relations Office.	comply	3.12.
III.1.3	The following information disclosed on the Company's Internet website, shall be available in English: a) The Company, its listed company status, the registered office and the remaining information set out in Article 171 of Portuguese Company Law; b) Articles of Association; c) Identification of the members of the Statutory Governing Bodies and of the Representative for Relations with the Market; d) Investor Relations Office – its functions and contact details; e) Financial Statements; f) Half-Yearly Calendar of Company Events; g) Proposals presented to Shareholders' General Meetings; h) Notices convening Shareholders' General Meetings.	comply	3.12.

In addition to this code, Sonae Indústria follows its own code of conduct which is posted in its site www.sonaeindustria.com.

1. Shareholders' General Meeting

1.1. Shareholders' General Meeting: composition and duration of the mandate

The Board of the Shareholders' General Meeting was elected at the Shareholders' Annual General Meeting of Sonae Indústria held on 28th April 2009, for the mandate (2009-2011) and is composed of:

- João Augusto Esmeriz Vieira de Castro (Chairman)
- António Agostinho Cardoso da Conceição Guedes (Secretary)

The company provides human resources and logistical support to Board Members at the Shareholders' General Meeting which is appropriate for their requirements through the legal department of the company, which collaborates in the preparation of general meetings. This department is tasked with ensuring the publication of the invitations, receiving and controlling all communications addressed to shareholders at General Meetings as well as working closely to ensure the logistical aspects of the meeting.

1.2. Remuneration of the Board of the Shareholders' General Meeting

The remuneration of members of the company's Board of the Shareholders' General Meeting consists of a fixed fee, determined considering the company situation and market practices.

The remuneration of the Chairman of the Board of the Shareholders' General Meeting in 2009 amounted to 5,000 Euros.

1.3. Voting Rights and Shareholder Representations

Under the terms of Sonae Indústria's Articles of Association, the Shareholders' General Meeting is composed only of shareholders with voting rights and holding shares or subscription bonds who, until five business days before the meeting taking place, provide evidence of their ownership, according to the terms established by company law. The Chairman of the Board of the Shareholders' General Meeting agrees to participate in the Shareholders' General Meeting of shareholders whose evidence is received by the company by fax or e-mail on the last day of that period.

Sonae Indústria's Articles of Association do not have rules on share blocking in the event of suspension of the general meeting. The Chairman of the Shareholders' General Meeting considers that, if the suspension period for the Shareholders' General Meeting does not exceed 5 working days, the share blocking required for the first session will be maintained because it is impossible to meet again before the time required for the first session. In the event of the suspension period exceeding 5 working days, the Chairman of the Shareholders' General Meeting will only require the shares blocking prior to that ordinarily required for the first session.

Individual shareholders may be represented at Shareholders' General Meetings as long as they have notified the Chairman of the Shareholders' General Meeting in writing, identifying the representative and his or her residence and date of the meeting. Corporate shareholders may be represented by a person duly appointed for that purpose by letter, the authenticity of which is scrutinised by the Chairman of the Shareholders' General Meeting.

Each share corresponds to one vote.

Under Sonae Indústria's Articles of Association, Shareholders' General Meetings can convene at the first session, as long as shareholders representing over fifty percent of the Company's share capital are present or represented.

All decisions at Shareholders' General Meetings are taken by simple majority except in those situations in which a higher percentage is required by law.

While Sonae Indústria is regarded as a listed and "publicly traded company", shareholders are allowed to vote by post in relation to all items on the agenda of the Shareholders' General Meeting, following the rules for the exercise of voting by mail. Sonae Indústria's Articles of Association establish that votes can only be considered when sent to the headquarters of the Company by registered post with notification of receipt addressed to the Chairman of the Shareholders' General Meeting. These votes should be received at least three days before the date of the Meeting and are subject to the normal rules regarding evidence of share ownership. Postal votes are considered negative votes in relation to any proposals presented after the date on which they were issued. A standard form for postal voting is available from Sonae Indústria's corporate website www.sonaeindustria.com and its head offices.

Sonae Indústria does not have any process for electronic voting.

Proposals to be submitted by the Board of Directors to the Shareholders' General Meeting are made available to shareholders as required by law (one month or fifteen days notice ahead of the meeting, depending on whether there is a proposal to alter the Company's Articles of Association) at the Company's registered office, together with all relevant reports, documents and other legally mandatory information.

In 2009, Sonae Indústria informed the market in relation to the content of the proposals presented and deliberations taken at Shareholders' General Meetings. In addition as from 2010, Sonae Indústria will also disclose Extracts from the minutes of this meeting, or documents with corresponding content (including resolutions passed, the represented capital and the voting results) within a five day period after the Annual General Meeting has been held. This information will be maintained on the company's website for no less than a 3 year period.

At the Shareholders' General Meetings held on the 28th April 2009, none of the Shareholders' Remuneration Committee members could be present.

As stated in the Sonae Indústria Articles of Association, the Shareholders' General Meeting is responsible for fixing the remuneration of members of the governing bodies or electing a committee for this purpose. The Sonae Indústria Shareholders' Annual General Meeting in 2009 elected the Shareholders' Remuneration Committee for the current mandate (described in section 2.12. of this report).

Since one of the objectives of the Annual General Meeting held in 2009 was to elect the Governing Bodies for the current mandate, the Shareholder Efanor Investimentos, SGPS, SA submitted to the shareholders a proposal on the remuneration policy for members of the governing bodies to be applied by the elected Shareholders' Remuneration Committee. This proposal was approved by majority vote of those shareholders present.

Regarding the performance of members of the Board of Directors, all Annual General meetings include by law, a point on the agenda regarding the general assessment of the administration and supervision of the company where if they so wish, shareholders discuss the performance of members of the administration.

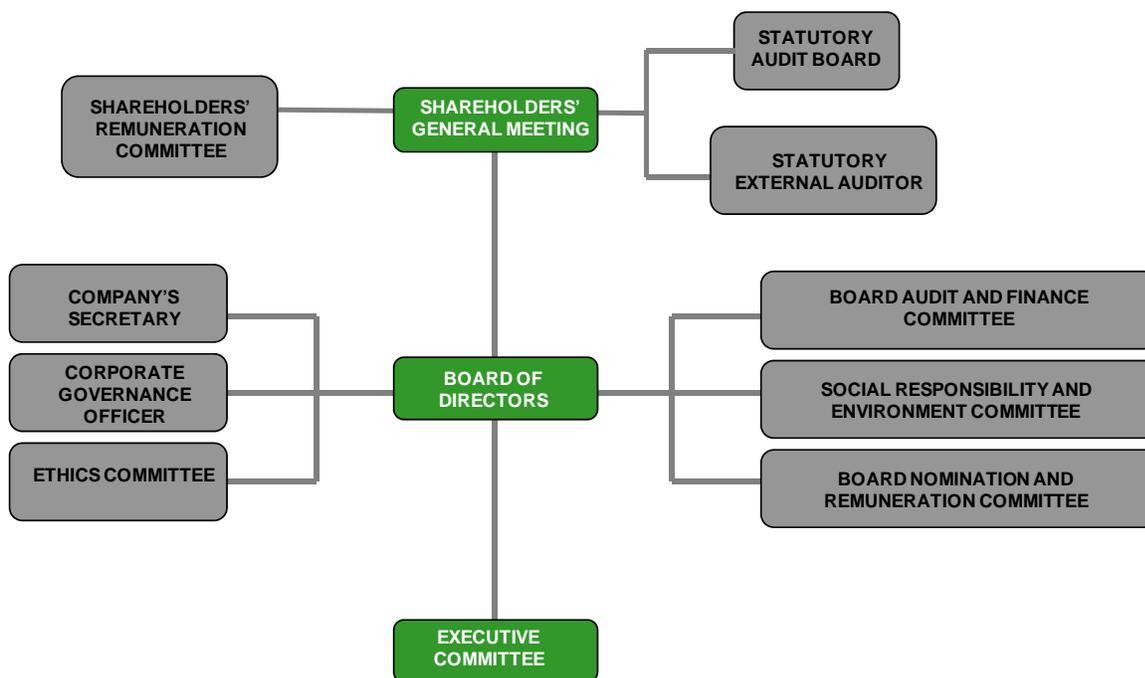
Sonae Indústria has no plans to distribute shares and / or options to acquire shares and has no system of retirement benefits.

The Company has not adopted any measures that would hinder the success of a public tender offer for the purchase of the Company's shares nor the company's Articles of Association which limits the number of votes that may be held or exercised by a sole shareholder. Additionally, it has not entered into any relevant kind of agreement that would be subject to change or termination in the event of transfer of control resulting from a public tender offer. Furthermore, it does not envisage defensive measures that instigate immediate, serious asset erosion in the company and further disturb the free transmission of shares and voluntary assessment of the performance of the Board of Directors by the shareholders.

No agreements exist relating to compensation or payments made to directors or other employees because of contract termination due to a change in company control.

2. Corporate Governing and Auditing Bodies

SECTION I – General Issues



2.1. Corporate Governing Bodies

The Sonae Indústria Articles of Association define a corporate governance model of the company known as the “Reinforced Latin Model”, which implies that the company has a Board of Directors, Statutory Audit Board and Statutory External Auditor.

The Corporate Governance Officer examines annually the advantages and possible disadvantages of adopting this model and reports his conclusions to the Board of Directors.

The Board of Directors believes that the model favours the interests of the company and its shareholders, is effective and has not faced any constraints to its operation.

2.1.1 Board of Directors

Based on the Articles of Association, the Board of Directors may be composed of an even or odd number of members, ranging from a minimum of three to maximum of thirteen, elected at a Shareholders' General Meeting.

Sonae Indústria's Board of Directors is currently composed of 8 members who were elected at the 2009 Shareholder's Annual General meeting for the mandate 2009-2011.

The Board of Directors of Sonae Indústria is composed of:

- Belmiro Mendes de Azevedo - Chairman (Non Executive)
- Álvaro Cuervo García (Non Executive and Independent)
- Duarte Paulo Teixeira de Azevedo (Non Executive)
- Per Otto Knuts (Non Executive and Independent)
- Knut Thomas Alarik Nystén (Non Executive and Independent)
- Carlos Francisco de Miranda Guedes Bianchi de Aguiar (Executive)
- Rui Manuel Gonçalves Correia (Executive)
- Christophe Chambonnet (Executive)

The Chairman of the Board of Directors, who is elected by the Board, has a casting vote. As the Board of Directors is composed of an even number of members, in order to comply with Article 395º Point 4 of Portuguese Company Law, the Board of Directors conferred a casting vote to Paulo Azevedo, in the event of the absence or incapacity of the Chairman.

As stipulated by the Company's Articles of Association, Sonae Indústria's Board of Directors meets once a quarter and additionally whenever the Chairman or two of its members call a meeting. All decisions taken are recorded in the respective minutes. According to the Articles of Association, when a Board member misses two meetings without justification, which is accepted by the Board of Directors, this will be considered a definitive absence.

Six Board meetings were held in 2009. The Board of Directors can only deliberate if the majority of its members are present or represented by proxy, and decisions are taken by a majority of the votes of the Board members present or represented and of those who vote by post.

According to Corporate Governance best practices, the Board undertook a formal self-assessment in 2005 with the help of an external consultant, having repeated such assessment in 2008. This assessment was designed to review how the Board and the Board Committees function, to evaluate Corporate Governance at Board level and to propose measures for further improvements. The main measures identified in the 2005 self-assessment have already been implemented whereas those identified in 2008 are being implemented. Through this process each director has the opportunity to assess his / her colleagues, express his / her views on a number of items related to their performance, having the opportunity to comment the analysis performed. This entire process is conducted with the assistance of an external consultant.

To improve the operational efficiency of the Board of Directors and meet best practice in Corporate Governance, the Board of Directors appointed 3 Board Committees and the role of the Board and Corporate Governance Officer and one Ethics Committee. These committees are described under the chapter 2.14 of this report.

2.1.2 Executive Committee

The Executive Committee is appointed by the Board of Directors and is composed of 3 members.

EXECUTIVE COMMITTEE

Carlos Bianchi de Aguiar

President of the Executive Committee and CEO

Rui Correia

CFO

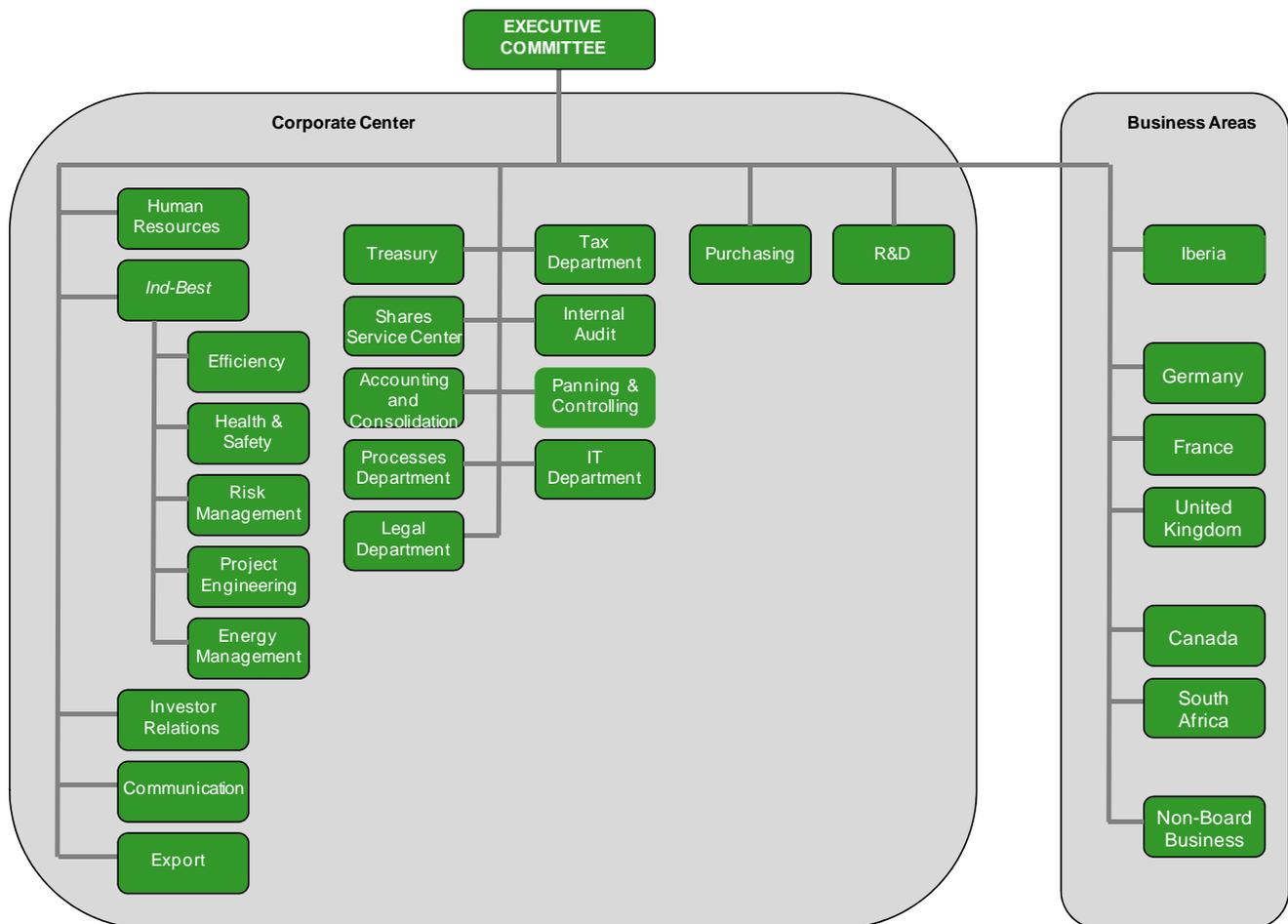
Christophe Chambonnet

The Board of Directors has delegated powers to the Executive Committee to manage day-to-day operations of the Company except:

- a) appointing the Chairman of the Board;
- b) co-opting a substitute for a member of the Board;
- c) convening Shareholders' General Meetings;
- d) approving the Annual Report and Accounts;
- e) granting any pledge, guarantee or charge over the Company's assets;
- f) deciding to change the Company's headquarters or to approve any share capital increases;
- g) deciding on mergers, de-mergers and modifications to the corporate structure of the Company;
- h) approving the Company's Business Plan and Annual Budget;
- i) deciding key features of personnel policies including stock incentive plans and variable remuneration plans applicable to Executives and Senior Managers (Management Levels G4 and above), in areas that do not require resolutions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings, together with decisions on individual compensation for Executives of Management Levels G3 and above, which competence is delegated to the Board Nomination and Remuneration Committee and, when these Executives are Officers of the Company, also require decisions from the Shareholders' Remuneration Committee or deliberations at Shareholders' General Meetings;
- j) defining or changing major accounting policies of any company included in the consolidation perimeter of Sonae Indústria Group;
- k) approving quarterly and half-yearly reports and accounts;
- l) selling, acquiring directly or by long-term lease or transacting in any other way, investments classified as tangible fixed assets where the individual transaction value is in excess of 5,000,000 Euros;
- m) purchasing or subscribing new shares in the share capital of any subsidiary company where the accumulated amount exceeds 20,000,000 Euros in any financial year;
- n) investing in any other company or in other financial assets when the accumulated value is in excess of 10,000,000 Euros in any financial year;

- o) making any other financial investment which exceeds the accumulated amount of 10,000,000 Euros in any financial year, unless in the ordinary course of business, namely in short term investments of available cash
- p) disposing of assets or other divestments, if such a transaction has a significant effect on the operating results of the Company (defined as equal or greater than 5%) or affects the jobs of more than 100 employees;
- q) defining Sonae Indústria and Sonae Indústria Group strategy and general policies;
- r) defining the corporate structure of Sonae Indústria Group.

The areas that report to the Executive Committee are divided as follows:



The Executive Committee normally meets at least once every month and additionally whenever the President of the Executive Committee or a majority of its members call a meeting in writing, at least 3 days before the appointed date. Meetings can only take place if at least two of the members are present (either physically or by videoconference). The President of the Executive Committee presides the meeting.

Decisions made by the Executive Committee are taken by a qualified majority of two votes in favour. In the absence of this qualified majority, the Executive Committee must submit the matter under consideration to the Board of Directors for deliberation.

2.1.3 Statutory Audit Board

In accordance with the company's Articles of Association, the Statutory Audit Board may be composed of an even or odd number of members, with a minimum of three and a maximum of five with one or two substitutes appointed, depending on the number of members being either three or more, respectively.

The Statutory Audit Board was elected at the 2009 Shareholders' General Meeting for the current mandate (2009-2011) and has the following composition:

- Manuel Heleno Sismeiro (Chairman)
- Armando Luís Vieira de Magalhães (Member)
- Jorge Manuel Felizes Morgado (Member)
- Óscar José Alçada da Quinta (Substitute - Member)

The Statutory Audit Board report is available on the company website together with other accountability documents. This report includes a description of the Statutory Audit Board's activity, which did not mention any constraints identified.

2.1.4 Statutory External Auditor

PriceWaterHouseCoopers & Associados, SROC, Lda. represented by António Joaquim Brochado Correia or José Pereira Alves was elected as the Company's Statutory External Auditor.

2.1.5 Company Secretary

The Company secretary and his/her substitute are appointed by the Board of Directors and have a 3-year mandate in accordance with that practiced at other corporate governing bodies. This year they were designated for the new mandate (2009-2011). The Company secretary shall perform those duties established by law.

The Company secretary and her substitute are:

Permanent: Júlia Maria Moreira da Silva Santos
Substitute: Patrícia Isabel Chemega dos Santos

2.2. Internal Control and Risk Management

2.2.1 Internal Control

Sonae Indústria is based on integrity and ethical values that emanate from the top down with the example then being set by management. The commitment to competence is well illustrated through the fact that compensation is tied to appropriate performance.

The different governing bodies have been born from a management philosophy and operating style based on a strong organizational structure with adequate assignment of authority and responsibilities. Sound Human Resource policies and procedures together with a very recent Code of Conduct are enshrined in the framework.

Sonae Indústria faces a variety of risks from external and internal sources which must be assessed and we have instilled in our company a culture of prevention and early detection. As you will see subsequently, an Enterprise-Wide Risk Management Framework was developed and is continually updated.

Policies and procedures have been developed that help ensure management directives are carried out. Sonae Indústria has a dedicated team in Business Process & Organization which through working with local operations and central departments, acts as a Centre of Excellence in accomplishing key objectives such as: prioritising, developing and implementing processes (including control activities); maintaining a Process Library (knowledge and documentation); establishing process best practices; and, evaluating process performance. Sonae Indústria has a huge range of activities in place as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Pertinent information is identified, captured and communicated within a form and timeframe which enables people to fulfill their responsibilities. Sonae Indústria has a strong Planning and Management Control department which supported by robust information systems, produces reports containing operational, financial and compliance-related information. The centralised accounting back-office (Shared Service Center) helps to guarantee alignment and effectiveness in procedures and controls.

Internal control systems are monitored. Ongoing monitoring activities exist, namely regular management and supervisory activities. Separate evaluations are followed whose scope and frequency depends primarily on an assessment of the risks and effectiveness of ongoing monitoring procedures. For instance, the Internal Audit department has elaborated an annual plan to monitor compliance with procedures and policies.

Internal control deficiencies are reported upstream, with serious matters reported to top management and the Board. Monthly reports are sent to the executive committee and quarterly meetings are scheduled with the audit committee, BAFC.

Sonae Indústria has a reasonable level of confidence in the internal control framework which is currently in place. Communication of the Vision, Values and Principles throughout the organisation has reinforced the tone in terms of ethical behaviour. The implementation of the Code of Conduct, the Whistleblower tool and the Ethics Committee, enhance the control culture of the organisation.

2.2.2 Risk Management

Risk Management is a key concern within the Sonae Indústria culture and is present in all management processes, forming part of the delegated responsibility of managers and employees at all levels within the Sonae Indústria Group.

Risk Management comprises the process of identifying potential risks, analysing their possible impact on the organisation's strategic goals and seeking ways to minimise the probability of their materialisation, in order to determine the best procedures to manage exposure to them.

A global approach is in place to assure a suitable and balanced coverage of the operational risk through its transfer to our reinsurance panel. Property damage and business interruption risks are covered by a global policy, developed and implemented locally. Sonae Indústria adopts this global policy as a support to its processes of risk management and is committed to improving plant protection and prevention levels to reinforce this partnership.

2.2.2.1 Risk Management Organisation

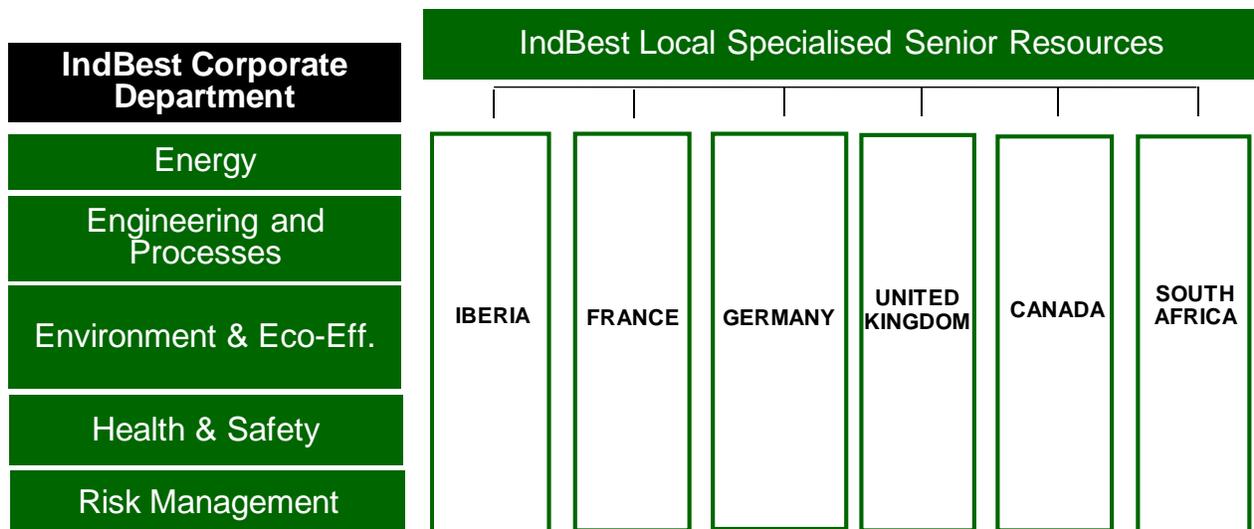
The production of wood-based panels is an industrial activity with a significant operational risk arising from fire and explosion. Consequently, the operational risk management is active in the implementation of standards and the choice of systems that are capable of reducing industrial unit risks.

In recognising this importance and the transversal nature of the function, Risk Management was integrated into the department responsible for the consolidation of best Industrial, Environmental, Energy and Health & Safety practices in the second quarter of 2009.

The Risk Management department was separated into two functions - Operational Risk Management and Insurance Management - in order to focus on developing and implementing measures to mitigate risks in industrial operations, and in developing skills to be more efficient and effective in using insurance policies underwritten by the Group.

The Risk Management Department consists of a central team of 2 full time members, one of which is responsible for Operational Risk Management and the other for Insurance Management. A formally coordinated network of Country Risk Officers exists in each of the countries where Sonae Indústria operates and at each of the sites there is a dedicated Plant Risk Officer.

The organisation of the IndBest (“Industrial Best Practices”) corporate department can be analysed in the chart below:



The Risk Management function is also related to the Corporate Planning and Management Control Department which is composed of 7 people, organised into three teams to better address the challenges and changes the businesses faces. These are the Corporate Reporting Team (which is also responsible for business analysis), the Investment Analysis and big projects Team and the Strategic Planning and Special Projects Team.

2.2.2.2 Process of Integrated Risk Management

At Sonae Indústria, Risk Management is based on a uniform and integrated methodology, denominated Enterprise-Wide Risk Management (“EWRM”).

In 2006, the systematisation process was consolidated, fully integrated and aligned with strategic business goals, aimed at prioritising relevant business risks and identifying procedures to mitigate their impact. The process covers the whole organisation, encompassing all countries and corporate functions.

The Risk model, which was built in 2004 and revised in 2006, aggregates the business risks into three categories (Business Division Risk, Business Process Risks and Risk Information for Decision Making) and contains the quantification of the relevance (impact on EBITDA and operating efficiency) as well as probability (frequency of the event or scenario occurring) of the critical risks for Sonae Indústria.

The Risk Model has been undergoing continuous updates and in 2008 a new risk was introduced, entitled *Community Concern*. This risk evaluates the influence – negative or positive - that Sonae Indústria could exert in the local community where its activities are developed.

In 2009 and in the context of the management of the Risk “Community Concern”, Sonae Indústria formally launched an environmental communication forum for the White River community in South Africa. This forum was set up under the project to expand production capacity in this industrial unit, which was completed in 2009. Community concerns focused mainly on issues related to dust and noise emissions, derived from the older parts of the industrial process. Consequently, an extensive investment plan to mitigate the problems observed will be implemented.

The management of financial risks, incorporated into the business process risks is carried out and monitored within the ambit of the finance function.

2.2.2.3 Operational Risk Management

Given the risk associated with industrial activity at Sonae Indústria and being a world leader in the wood-based panels sector, it would be unacceptable to fail to recover from a catastrophic event on a “world class” scale. Thus, protection of core assets as well as loss prevention are constant concerns for our Group and these were defined as priorities for 2009.

In 2009, the roll out of the Corporate Operational Risk Standards (CORS) was completed which became the working tool for Operational Risk Management.

This programme is the cornerstone of the property damage and loss prevention strategy in all plants.

2.2.2.4 Corporate Operational Risk Standards (CORS)

This project was developed to ensure standardisation of processes and procedures across all geographies in an effort to improve operational risk management by leaving little or no room for uncertainty.

The CORS were developed with reference to international standards such as NFPA¹ and/or FM² data sheets, considering the best practices of the wood industry and good fire protection engineering practices existing at Sonae Indústria.

All procedures were developed by a team with the Corporate Risk Management, Global Insurance Broker, Fronting Insurance Company and external consulting entity recognised by the entire insurance panel who guaranteed validation of the output.

Internal departments were also involved as active partners in the entire process to guarantee a wide scope of the project and to avoid transversal implications.

The Corporate Operational Risk Standards (CORS) are divided into three areas:

1. Management Programs and Procedures:

- Best Industry Practices in Loss Prevention involving the Human Element;
- Preparation for emergencies;
- Management of Programs (maintenance, equipment inspections, training, contractors, housekeeping).

2. Fire Protection Systems:

- Reference to international recognised standards, mainly NFPA;
- General requirements in fire detection and protection of industrial premises, fire water supply specifications and building materials characteristics;
- Integration of component for Surveillance practices (hardware).

3. Special Hazards:

- World class developed knowledge in fire detection and protection inherent to the wood based panels industry: wet and dry particle handling and transport, dryers, hot presses;
- Specific issues such as, thermal and hydraulic oil installations, electrical cabinets, and rooms, or transformers.

2.2.2.5 Inspections

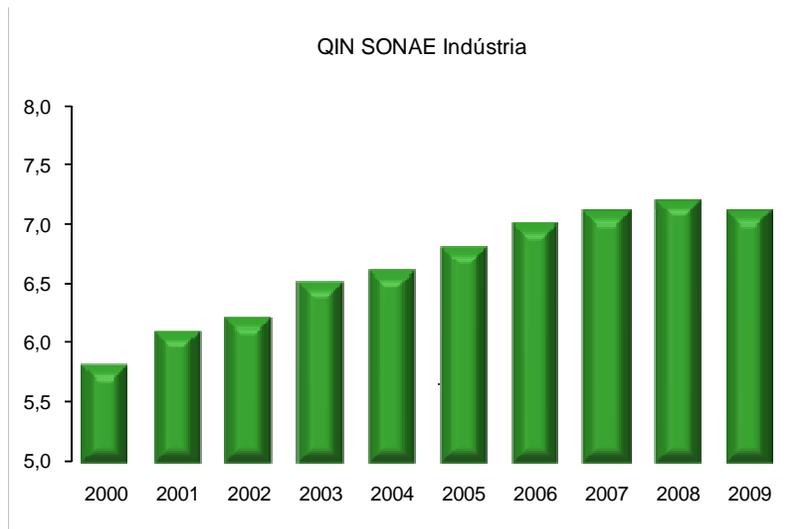
External Risk Inspections

Since 2009, the CORS have become the processes and procedures by which the audit risks are oriented to check the exposure of each plant. This permitted greater transparency and harmonisation in the audit process. The format of the external audits remains at all sites every two years. Subsequently, a report is issued with a set of recommendations for each of the plants visited and a rating of the risk quality (QIN – Quality Index Number) is allocated for each plant. Since 2000, the overall QIN of Sonae Indústria has improved from 5.8 in 2000 to 7.1 in 2009 (on a scale from 0 to 10).

In 2009, 9 external audits were completed. In this program, some industrial units were included that had previously not been audited.

¹ National Fire Protection Association

² Factory Mutual



Internal Risk Inspections

An internal visit is made to each plant every 18 months to review the status of the previous internal and external recommendations as well as compliance with Corporate Operational Risk Standards. In 2009, 4 internal surveys were carried out since the focus was given to the process of implementing the CORS. Two workshops were conducted to promote the importance of these standards.

2.2.2.6 Self Inspection Form

A Quarterly Control self-assessment procedure using a Self Inspection Form has been carried out by each plant since 2000.

With the implementation of CORS, a new software application including the necessary updates was launched in the first quarter of 2009.

This evaluates 70 items grouped into 5 categories (Assets, Management/Leadership, People, Process and Third Parties).

All non-conformities detected automatically generate a corrective action where the action to be taken to solve the non-conformity, as well as the duration and corresponding responsibilities are registered. An automatic quarterly follow-up of outstanding corrective actions also exists.

2.2.2.7 2004-2013 Risk Plan

Each individual plant plan (which is updated annually) defines a set of measures to be taken towards achieving full compliance with the Corporate Operational Risk Standards by 2013. The main objectives encompass:

- Improving Sonae Indústria's Installations Risk Standard with a view to increasing employee and asset safety, and avoiding eventual periods of business interruption;
- Obtaining a payback reflected in the insurance premium (demonstration of real and tangible commitment to loss prevention);

- Forming the basis for preparation of the annual budget for investment in Loss Prevention measures and establishing priorities based on the impact on Loss Prevention.

The 2004-2013 Risk Plan forms an integral part of the Industrial Master Plan of Sonae Indústria, which consists of the investment planning of each plant for the next 5 years.

2.2.2.8 Insurance Premium Distribution

Sonae Indústria's global insurance premium is charged to each plant with 50% being allocated according to insurance market prices and 50% being based on the plant's measured risk quality allocated (QIN). The former is calculated in line with "stand alone" local market insurance premium levels and the latter according to the QIN of each plant.

2.2.3 Responsibility of the corporate governing and auditing bodies in the Internal Control and Risk Management activities

It is the responsibility of the Board of Directors to create the necessary structures and services to ensure that the internal control and risk management system works properly.

For this purpose, specific departments for those areas were created - Internal Audit and Risk Management.

The main function of the Internal Audit department is to monitor compliance with procedures and policies defined and to report to the Board of Directors on any irregularities found. The Risk Management department must analyse the potential risks of the business and implement the standards as well as the systems that can reduce those risks.

The person responsible for the Internal Audit Department reports functionally and meets the Statutory Audit Board at least twice a year as well as the Board and Audit Finance Committee, whose chairman is an Independent Director. Both Governing Bodies can request information or clarifications whenever they wish.

Additionally, it is the BAFC's particular duty to manage the risk, internally control the business processes and businesses as well as analyse the results of the Internal and External Audit.

The competences of the Statutory Audit Boards include reviewing the effectiveness of the risk management system as well as that of the internal control and audit systems. This Governance Body has access to all the information and can liaise with the heads of the respective departments whenever it deems necessary.

The External Auditor reviews the implementation of policies and remuneration systems as well as the effectiveness and operation of the internal control mechanisms. In the event of finding any defect or irregularity, this will be reported to the Statutory Audit Board.

2.3. Regulations of the Governing Bodies

The Board of Directors, Executive Committee and Statutory Audit Board have regulations which can be found at the site www.sonaeindustria.com.

No definitive rules have been set for any inconsistencies or cumulative number of positions, applicable under law provisions.

SECTION III – Board of Directors

2.4. Identification of the main economic, financial and legal risks to which the company is exposed in its activity

The main financial risk that Sonae Indústria is exposed to is credit risk, which is the risk of a customer either paying late or failing to pay the acquired products due to lack of liquidity. To mitigate this risk, Sonae Indústria has credit management procedures and credit approval processes in place together with insurance policies wherever necessary.

The economical risks that Sonae Indústria is exposed to include Interest Rate Risk, Foreign Exchange Risk and Liquidity Risk.

Interest Rate Risk depends on the proportion of floating rate debt on Sonae Indústria's consolidated Balance Sheet and the consequent cash flows related to interest payments.

As a general rule, Sonae Indústria does not hedge its exposure to floating interest rates. This approach is based on the principle of the existence of a positive correlation between the interest rate levels and the "operating cash flow before net interest charges" which creates a natural hedge on the "operating cash flow after net interest charges" for Sonae Indústria.

Foreign Exchange Risk derives from being a diversified Group with subsidiaries spread throughout three different continents. Consolidated Balance Sheet and Profit and Loss are exposed to foreign exchange translation risk and Sonae Indústria subsidiaries are exposed to foreign exchange risk from both translation and transaction type. Whenever possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency.

Liquidity risk aims to ensure that the company can obtain the financing required to properly carry on its business activities on time, implement its strategy and meet its payment obligations when due, while avoiding the need for having to obtain funding under unfavourable terms.

For this purpose, Liquidity management at Sonae Indústria mainly comprises consistent financial planning, diversification of financing sources and diversification of debt maturities issued.

Regarding Legal Risks, the main risk of the Group's business relates to legislative changes that may occur at the level of the activity (environmental law and labour, among others) that can encumber the activity to such an extent that their profitability may be affected.

2.5. Powers of the Board of Directors

The Board of Directors is empowered to ensure the management of the Company in accordance with the objects established in the Company's Articles of Association and under the law.

Currently, the Board of Directors may deliberate on increases in the Company's share capital of up to two billion Euros, on one or more occasions, in accordance with the law.

2.6. Appointment and replacement of members of the corporate governing and auditing bodies

Members of the Board of Directors are elected by the Shareholders' General Meeting. Groups of shareholders representing between 10% and 20% of the Company's share capital, may submit a stand-alone proposal to nominate a Director in advance of the Shareholders' General Meeting. Each shareholder cannot support more than one list of Directors and each list must identify at least two eligible people to fill each position on the Board. If lists are submitted by more than one group of shareholders, the voting will be based on these lists.

In the event of death, resignation or temporary or permanent inability of any of the Directors, the Board of Directors is responsible for his or her replacement. If the Director in question was nominated by minority shareholders, a new separate election must be held.

Members of the Statutory Audit Board are also elected by the Shareholders' General Meeting. Statutory Board members who are temporarily unable to exercise functions or whose functions have ceased are replaced by substitute members, who will subsequently continue functions until the first Shareholders Annual General Meeting. This meeting will then proceed to fill the respective vacancies.

In the absence of the alternate positions, vacancies are filled through a new election.

The Statutory External Auditor is elected by the Shareholders' General Meeting following a proposal from the Statutory Audit Board.

In the absence of the elected Statutory External Auditor, it is the responsibility of the Board of Shareholders' General Meeting to appoint his substitute, subject to ratification by the following Shareholders' General Meeting. In the absence of designation within 30 days, the company governing bodies shall notify the Association of External Auditors who is entitled to appoint the external auditor.

2.7. Board, Board Committees, Statutory Audit Board and Ethics Committee Meetings and attendance

Over the course of 2009, the number of meetings and attendance recorded for the Board of Directors, Board Committees, Statutory Audit Board and Ethics Committee were as follows:

Meetings and Attendance	Number of Meetings	Attendance
Board of Directors	6	96%
Executive Committee	12	97%
Board Audit and finance Committee	5	93%
Social Responsibility and Environment Committee	2	100%
Board Nomination and Remuneration Committee	2	100%
Statutory Audit Board	6	100%
Ethics Committee	4	100%

All Governing Bodies have minutes from all their meetings.

With the objective of maintaining the Board of Directors and the Statutory Audit Board permanently informed on decisions taken by the Executive Committee, minutes arising from the Executive Committee meetings are available to all Board and Statutory Audit Board Members.

Members of the Executive Committee provide all information required by other members of the governing bodies both on time and in sufficient detail.

2.8. Independence of the members of the Board of Directors

The Board of Directors of Sonae Indústria is currently composed of 8 members, 3 Executive and 5 Non-executive.

Of the Non-Executive Directors, 3 (three) are Independent in that they are not associated with any interests group within the company, they do not hold qualified shareholding nor do they act on behalf of shareholders with qualified shareholdings of 2% or more of the company's share capital. Additionally, they have not been re-elected for more than two mandates, in accordance with rules in paragraph 5 from article 414 of the Company Law.

All Independent Board Members comply with the applicable rules of conflicts and determined in art. 414-A paragraph 1 of the Company Law, with the exception of Per Knuts and Thomas Nystén who do not comply with this rule from c) of that law as they perform the same functions in the Supervisory Board of Glunz, AG, a company subsidiary of Sonae Indústria, which does not imply a loss of independence.

These independent Directors exercise an important influence over the decision-making process and development of company strategy and policy.

The Board of Directors evaluates the independence of the Non-executive Board Members, applying the legal rules established for other Governing Bodies.

Members of the Board, executive and non-executives are appointed by the Shareholders' Annual General Meeting with a proposal from a shareholder. Therefore, there is no interference in this process by the Executive Members.

In the event of absence of any Board Member, the Board of Directors may by law, make a co-option. This must be made by the Board of Directors, since this is a matter not delegated to the Executive Committee. It is the responsibility of the Shareholders' Remuneration Committee (which does not have any Executive Board Member) to submit a proposal for this co-option.

The Board of Directors includes a description of the Activities undertaken by the non-executive Board Members in its management Report.

2.9. Professional qualification of the members of the Board of Directors in the last 5 years and shares held, date of first appointment and termination date

Belmiro de Azevedo (Chairman Sonae Indústria): obtained a degree in Industrial Chemical Engineering at the University of Oporto, a PMD from Harvard Business School, participated in the Financial Management Programme from Stanford University and has occupied a diverse number of positions in the Efanor/Sonae Group from an early stage. Mr Belmiro de Azevedo is today Chairman of the Board of Sonae Group and Chairman of the Board and CEO of Sonae Capital, SGPS S.A., a member of the European Union Hong Kong Business Cooperation Committee, of the International Advisory Board of Allianz AG and of the Harvard Business School International Advisory Board. He has been decorated on a number of occasions, some of the most prominent being the "Encomienda de Numero de la Ordem del Mérito Civil" from His Majesty D.Juan Carlos, King of Spain, the "Order of the Cruzeiro do Sul" from the President of the Brazilian Federal Republic, the "Grã Cruz da Ordem do Infante D. Henrique" from the President of the Portuguese Republic, nomination as "Honorary Fellow" of the London Business School and member of the "Order of Outstanding Contributors to Sustainable Development" from the World Business Council for Sustainable Development.

Álvaro Cuervo Garcia (Independent): holds a post graduate degree in Statistics and Psychology and a PhD in Economics from the University of Madrid (Spain). Mr Cuervo is a professor of Business Economics and was Head of the Business department at the Complutense University in Madrid, Head of Business Economics at Valladolid and Oviedo University (Spain) and CIDE (Mexico) and visiting professor at New York University and California Berkeley University (USA). As a member of the Spanish government's consultative committee for privatizations and Chairman of the Economic and Business Scientific Association (Spain), he holds a number of other directorship roles.

Paulo Azevedo: holds a degree in Chemical Industrial Engineering from the Lausanne Polytechnic School (Switzerland) and a post-graduate degree in Business studies from the Oporto Institute of Business Studies. Having been CEO of Optimus – Telecomunicações S.A. between 1998 and 2000. Today Mr. Paulo de Azevedo is CEO of Sonae SGPS and holds a number of managerial and directorship roles in the Efanor/Sonae Group. Paulo Azevedo is Belmiro de Azevedo's son.

Per Knuts (Independent): holds a degree in Chemical Engineering from the Royal Institute of Technology (Sweden) and was Chairman for the Global Council of Stora Feldmuhle AG Companies and FPB Holding AG (Dusseldorf – Germany) between 1998 and 2004.

Thomas Nystén (Independent): obtained a Master of Arts degree (Political Economy) at the University of St Andrews (Scotland) in 1963 and completed an AMP at the

Harvard Business School in 1984. Previously held the positions of Executive Director of the Myllykoski Corporation in Helsinki and CEO of MD Lang Papier in Germany (1994-2004).

Carlos Bianchi de Aguiar (President of the Executive Committee and CEO Sonae Indústria): graduated with a degree in economics from the University of Oporto. Having worked for Sonae Indústria since 1986, he has occupied a number of managerial and directorship roles in various geographies, namely the UK ('90-'95), Spain ('96-'97) and Germany ('00-'01). He returned to Portugal in 2002 to become Group CFO and was appointed CEO in 2005.

Rui Correia (CFO): holds a degree in Economics from the University of Oporto and a post graduate degree in Business Management from the Oporto Institute of Business Studies. Having exercised functions in the Efanor/Sonae Group since 1994, he was head of the Finance Department of Sonae SGPS from 2000 and was appointed as Sonae Indústria CFO in 2005. Since 2001, he has also held a number of directorship roles in the Efanor/Sonae Group.

Christophe Chambonnet (COO France): obtained a degree in engineering from ISAB (France), a MS in Applied Economics and an MBA from the University of Purdue, USA. Between 1998 and 2000 he has occupied a number of managerial and directorship roles in the Marketing area, namely in companies based in USA, Canada, France and Belgium. Between 2000 and 2005 he was a Board member of Tafisa Canada, a subsidiary of Sonae Indústria. Between April 2005 and June 2006, he was vice president of Tembec Avebene SAS, a French company. As from July 2006, he was appointed COO of Isoroy SAS.

Sonae Indústria Directors have the following Sonae Indústria Shares attributed to them:

Number of Shares		Number of Shares	
Belmiro Mendes de Azevedo		(1) Efanor Investimentos, SGPS, SA	
Efanor Investimentos, SGPS, SA (1)	49.999.997	Sonae Indústria, SGPS, SA	44.780.000
(1 share is held by the spouse)		Pareuro, BV (2)	2.000.000
Sonae Indústria, SGPS, SA	1.010		
(held by the spouse)		(2) Pareuro, BV	
Carlos Bianchi de Aguiar		Sonae Indústria, SGPS, SA	27.118.645
Sonae Indústria, SGPS, SA	720		
Rui Manuel Gonçalves Correia		(3) Migracom, SGPS, SA	
Sonae Indústria, SGPS, SA	12.500	Sonae Indústria, SGPS, SA	90.000
		Imparfin, SGPS, SA (4)	150.000
Duarte Paulo Teixeira de Azevedo			
Efanor Investimentos, SGPS, SA (1)	1	(4) Imparfin, SPS, SA	
Migracom, SGPS, SA (3)	1.969.996	Sonae Indústria, SGPS, SA	278.324
Sonae Indústria, SGPS, SA	223		
(held by the menor descendent)			

During the past five years, Belmiro de Azevedo, Carlos Bianchi de Aguiar, Rui Correia, Christophe Chambonnet and Paulo Azevedo have also been Directors at various other Efanor Group companies.

Within the same period, the following Directors also held directorships at the following companies outside to the Efanor Group:

José Álvaro Cuervo García:

- BA Vidrio, S.A.

Per Otto Knuts:

- Stora Feldmühle AG
- FPB Holding AG

Knut Thomas Alarik Nystén:

- MD Lang Papier GmbH
- Myllykoski Corporation

All members of the Board of Directors were appointed with effect from 15th December 2005. This marked the registration date for the merger of the “old” Sonae Indústria – SGPS, SA, into Sonae 3P – Panels, Pulp and Paper, SA and the renaming of the latter to Sonae Indústria SGPS, SA, with the exception of Rui Manuel Gonçalves Correia, who was initially appointed to the Board of Sonae 3P on 22nd July 2002 and Christophe Chambonnet, who was co-opted by the Board of Directors in the meeting dated 20th December 2007. The Shareholders’ Annual General Meeting held in 2008 ratified this cooption.

The current mandate of the Board of Director will end in 2011.

2.10. Other positions held by Sonae Indústria Directors as of 31st December 2009

Members of the Board of Directors are currently also members of the Board and Statutory Audit Board of other companies, listed here.

In companies belonging to Efanor Group

Board of Directors Member:

Belmiro Mendes de Azevedo:

- BA – Business Angels SGPS, S.A. (Sole Director)
- Casa Agrícola de Ambrães, S.A. (Chairman)
- Efanor Investimentos, SGPS, S.A. (Chairman)
- SC – SGPS, S.A. (Chairman)
- Selfrio, SGPS, S.A. (Chairman)
- Sonae – SGPS, S.A. (Chairman)
- Sonae Capital, SGPS, S.A. (Chairman)
- Sonae Turismo – SGPS, S.A. (Chairman)
- Spred, SGPS, S.A. (Chairman)

José Alvaro Cuervo Garcia:

- Sonae – SGPS, S.A.

Duarte Paulo Teixeira de Azevedo:

- Azulino - Imobiliária, S.A.
- Bertimóvel – Sociedade Imobiliária, S.A.
- Canasta - Empreendimentos Imobiliários, S.A.
- Chão Verde - Sociedade de Gestão Imobiliária, S.A.
- Citorres - Sociedade Imobiliária, S.A.
- Contimobe - Imobiliária de Castelo de Paiva, S.A.
- Cumulativa - Sociedade Imobiliária, S.A.

- Difusão - Sociedade Imobiliária, S.A.
- Efanor Investimentos, SGPS, S.A.
- Fozimo - Sociedade Imobiliária, S.A.
- Fozmassimo – Sociedade Imobiliária, S.A.
- Igimo - Sociedade Imobiliária, S.A.
- Iginha – Sociedade Imobiliária, S.A.
- Imoconti - Sociedade Imobiliária, S.A.
- Imoestrutura - Sociedade Imobiliária, S.A.
- Imomuro - Sociedade Imobiliária, S.A.
- Imoresultado - Sociedade Imobiliária, S.A.
- Imosistema - Sociedade Imobiliária, S.A.
- MDS, SGPS, S.A. (Presidente)
- MJLF - Empreendimentos Imobiliários, S.A.
- Modelo Hiper Imobiliária, S.A.
- Predicomercial - Promoção Imobiliária, S.A.
- Selifa - Sociedade de Empreendimentos Imobiliários, S.A.
- Sempre à Mão – Sociedade Imobiliária, S.A.
- Sesagest - Projectos e Gestão Imobiliária, S.A.
- Socijofra – Sociedade Imobiliária, S.A.
- Sociloures - Sociedade Imobiliária, S.A.
- Sonae - SGPS, S.A. (President of Executive Committee)
- Sonae Center Serviços II, S.A.
- Sonae Investimentos – SGPS, S.A. (Chairman)
- Sonae MC - Modelo Continente, SGPS, S.A.
- Sonae Sierra, SGPS, S.A. (Chairman)
- Sonaecom, SGPS, S.A. (Chairman)
- Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A. (Chairman)
- Sonaerp - Retail Properties, S.A.
- Sondis Imobiliária, S.A.
- Sontária – Empreendimentos Imobiliários, S.A.
- Valor N, S.A.

Carlos Francisco de Miranda Guedes Bianchi de Aguiar:

- 173509 Canada, Inc. (Chairman)
- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Darbo, SAS
- Ecociclo – Energia e Ambiente, S.A.
- Euromegantic Ltée. (Chairman)
- Euroresinas - Industrias Quimicas, S.A.
- GHP GmbH
- Glunz AG (Chairman)
- Glunz Service GmbH
- Glunz UK Holdings, Ltd. (Chairman)
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS (Chairman)
- LaminatePark GmbH & Co. Kg (Chairman)
- Maiequipa – Gestão Florestal, S.A.
- Movelpartes – Componentes para a Indústria do Mobiliário, S.A.
- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.

- Rochester Real Estate, Ltd.
- SIND – Shared Services Centre, S.A.
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Société Industrielle et Financière Isoroy, SAS (Chairman)
- Somit - Imobiliária, S.A.
- Sonae – Indústria de Revestimentos, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Indústria UK (Chairman)
- Sonae Novobord (PTY) Ltd. (Chairman)
- Sonae Tafibra International, B.V.
- Sonae Tafibra UK, Ltd. (Chairman)
- Spanboard Products, Ltd. (Chairman)
- Tableros de Fibras, S.A. (Chairman)
- Tableros Tradema, SL
- Tafiber – Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd. (Chairman)
- Tafisa Brasil S.A. (Chairman)
- Tafisa Canada & Company Limited Partnership (Chairman)
- Tafisa France S.A. (Chairman)
- Tafisa UK, Ltd. (Chairman)
- Taiber – Tableros Aglomerados Ibéricos, SL
- Tarkett Agepan Laminate Flooring, SCS (Chairman)
- Tecnologias del Medio Ambiente, S.A.

Rui Manuel Gonçalves Correia:

- 173509 Canada, Inc.
- Agloma – Sociedade Industrial de Madeira Aglomerada, S.A.
- Agloma Investimentos, SGPS, S.A.
- Aserraderos de Cuellar, S.A.
- BHW Beeskow Holzwerkstoffe GmbH
- Ecociclo – Energia e Ambiente, S.A.
- Euromegantic Ltée.
- Euroresinas - Industrias Quimicas, S.A.
- GHP GmbH
- Glunz AG
- Glunz UK Holdings, Ltd.
- Imoplamac – Gestão de Imóveis, S.A.
- Isoroy SAS
- LaminatePark GmbH & Co. Kg
- Maiequipa – Gestão Florestal, S.A.
- Megantic, B.V.
- Movelpartes – Componentes para a Indústria do Mobiliário, S.A.
- Poliface North America Inc.
- Racionalización y Manufacturas Forestales, S.A.
- SCS, BV
- SIAF - Imobiliária, S.A.
- SIND – Shared Services Centre, SA
- Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Somit - Imobiliária, S.A.
- Sonae – Indústria de Revestimentos, S.A.
- Sonae Indústria – Produção e Comercialização de Derivados de Madeira, S.A.
- Sonae Novobord (PTY) Ltd.
- Tableros de Fibras, S.A.

- Tafiber, Tableros de Fibras Ibéricos, SL
- Tafibra South Africa (PTY) Ltd.
- Tafisa Brasil, SA
- Tafisa Canada & Company Limited Partnership
- Tafisa France S.A.
- Tafisa UK, Ltd.
- Taiber, Tableros Aglomerados Ibéricos, SL
- Tarkett Agepan Laminate Flooring, SCS
- Tecnologias del Medio Ambiente, S.A.

Christophe Chambonnet:

- 173509 Canada, Inc.
- Darbo, SAS (DG)
- Euromegantic Ltée
- Glunz AG
- Isoroy, SAS
- LaminatePark GmbH & Co. Kg
- Plysorol, SAS (Chairman)
- Société des Essences Fines Isoroy, SAS (Chairman)
- Société des Tranchage Isoroy, SAS (Chairman)
- Tafisa Canada & Company Limited Partnership
- Tafisa France, SAS
- Tarkett Agepan Laminate Flooring, SCS
- Tavapan, SA (Chairman)

Statutory Audit Board Member:

Per Otto Knuts:

- Glunz AG (Supervisory Board – “Aufsichtsrat”)

Knut Thomas Alarik Nystén:

- Glunz AG (Supervisory Board Chairman – “Aufsichtsrat”)

In companies not belonging to Efanor Group:

Board of Directors Member:

Belmiro Mendes de Azevedo:

- Praça Foz – Sociedade Imobiliária, S.A. (Chairman)
- Setimanale – SGPS, S.A. (Chairman)

Duarte Paulo Teixeira de Azevedo:

- Imparfin, SGPS, S.A.
- Migracom – SGPS, S.A. (Chairman)

José Álvaro Cuervo Garcia:

- ACS – Actividades de Construccion Y Servicios, S.A.
- Bolsas Y Mercados Españoles (BME)

SECTION III – Statutory Audit Board

2.11. Identification, Independence, mandate, qualifications and professional activities of the Statutory Audit Board members and evaluation of the external auditor

2.11.1. Identification, Independence and mandate of Statutory Audit Board members

The Statutory Audit Board is composed by:

- Manuel Heleno Sismeiro (Chairman)
- Armando Luís Vieira de Magalhães (Member)
- Jorge Manuel Felizes Morgado (Member)
- Óscar José Alçada da Quinta (Substitute - Member)

All members of the Statutory Audit Board comply with the rules of conflicts referred to in paragraph 1 of art. Article 414-A and the criteria of independence set out in paragraph 5 of art. 414, both of the Company Law.

To at all times ensure the independence of members of the Statutory Audit Board and Board of the Shareholders' General Meeting, both, prior to their appointment, issued statements attesting not to engage in any of the disqualifications provided in Article 414^o-A of the Company Law. Additionally, they stated that they are not in any situation that affects their independence in accordance with paragraph 5 of Article 414^o of the same law and committed themselves to immediately notify the company of anything that may lead to their loss of independence or to any incompatibility during their mandate. Furthermore, they were also requested to complete questionnaires designed in the same terms as those used by CMVM.

The current members of the Statutory Audit Board were elected at the Shareholders' Annual General Meeting held in April 2009 for the mandate (2009 – 2011).

2.11.2. Professional qualification of Statutory Audit Board members in the last 5 years and shares held

MANUEL HELENO SISMEIRO (Chairman of the Statutory Audit Board):

Degree in Finance, Technical University of Lisbon (Portugal), Accountant, ICL (Portugal). Currently he is a specialist consultant in the areas of internal audit and internal control and is Chairman of the Statutory Audit Board of OCP Portugal Produtos Farmacêuticos SA, Sonae Industria, SGPS, SA and Sonae Capital, SGPS, SA. Prior to this he was a partner at Coopers & Lybrand and Bernardes, Sismeiro & Associados and from 1998 to 2008 at PricewaterhouseCoopers - auditors and Statutory External Auditor and responsible for the Audit and official review in various activity sectors. He was also responsible for managing the office of those companies at Porto and Director of Audit Division in the period of 1998 – 2002 as well as member of the management group at PricewaterhouseCoopers.

ARMANDO LUÍS VIEIRA DE MAGALHÃES (Statutory Audit Board Member):

Bachelor of Accounting (former-ICP and current ESCAP), Degree in Economics (University of Porto), Executive-MBA European Management (IESF / IFG. Mr.

Magalhães performed various functions in a credit institution (1964-1989) and since 1989 has practiced as an external auditor, first on a stand-alone basis but subsequently as partner of Santos Carvalho & Associados, SROC.

JORGE MANUEL FELIZES MORGADO (Statutory Audit Board Member):

Management Degree (ISEG, Technical University of Lisbon), MBA in Finance-IEDE Madrid, MBA in Management and Information Systems (Catholic University), Official External Auditor. Mr. Morgado held various roles as auditor in Coopers & Lybrand (1980-1989), responsible for Management Control and Internal Audit of the Coelima Group (1989-1991) before becoming a partner of Deloitte (1991-2004). From 2004 he has been an Official Statutory Auditor and Partner of Econotopia-Consultoria e Gestão, SA.

ÓSCAR ALÇADA DA QUINTA (Statutory Audit Board Substitute-Member):

Degree in Economics (University of Porto). Mr. Quinta has held various functions in both the administrative and financial departments of different companies (1982-1986) and since 1986 has provided services within the external audit of the Official Statutory Auditors Association. Through this activity in 1990 he was included in the List of Official External Auditors, a function which he works on exclusivity, initially on a stand-alone basis but subsequently as partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC.

2.11.3. Other positions held by Sonae Indústria Statutory Audit Board members as of 31st December 2009

In companies belonging to Efanor Group

Manuel Heleno Sismeiro

Sonae Capital, SGPS, SA (Chairman of the Statutory Audit Board)

Armando Luís Vieira de Magalhães

Sonaecom - SGPS, S.A. (Supervisory Audit Board)
Sonae Capital, SGPS, SA (Supervisory Audit Board)

Jorge Manuel Felizes Morgado

Sonae, SGPS, SA (Supervisory Audit Board)
Sonae Capital, SGPS, SA (Supervisory Audit Board)
Sonae Sierra, SGPS, SA (Supervisory Audit Board)

Óscar Alçada da Quinta

Sonaecom - SGPS, S.A. (Statutory Audit Board)
Sonae Distribuição, SGPS, SA (Statutory Audit Board)

In other companies not belonging to Efanor Group

Manuel Heleno Sismeiro

OCP Portugal Produtos Farmacêuticos SA (Chairman of the Statutory Audit Board)
Segafredo Zanetti (Portugal) SA (Chairman of the Board of the Shareholders' General Meeting)

Óscar Alçada da Quinta

BA GLASS I – Serviços de Gestão e Investimentos, SA. (Statutory Audit Board)
Lisgráfica-Impressão e Artes Gráficas, SA (Statutory Audit Board)

Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC (Board of Directors)

Armando Luís Vieira de Magalhães

Futebol Clube do Porto - Futebol S.A.D (**Supervisory Audit Board**)

None of the Statutory Audit Board Member holds Sonae Indústria shares.

2.11.4. Election and Evaluation of the External Auditor

The Statutory Audit Board proposed the election of the Statutory External Auditor at the Shareholders' Annual General Meeting held in 2009, who is also the external auditor of the company. The proposed remuneration policy approved at the 2009 Shareholders' Annual General Meeting states that the Statutory External Auditor of the company should be paid according to the normal levels of fees for similar services by reference to market information, as negotiated annually under the supervision of the Statutory Audit Board and monitoring of the Board Audit and Finance Committee.

The Statutory Audit Board meets the Statutory External Auditor whenever it deems fit and monitors their activities and conclusions from their work through the final audit reports. This allows them to evaluate the work of the external auditor. The Statutory Audit Board may if there is just cause, propose to the Shareholders' Annual General Meeting the dismissal of the statutory external auditor since he is elected by the proposal of the Statutory Audit Board.

SECTION IV – Remuneration

2.12. Remuneration and Other Compensation of Board of Directors and Statutory Audit Board Members

Sonae Indústria's Shareholders' Remuneration Committee is appointed by the Shareholders' General Meeting for a three-year term and was elected at the Shareholders' Annual General Meeting held in April 2009 for the mandate 2009-2011. Currently this is composed of Efanor Investimentos - SGPS, SA, represented by José Manuel Neves Adelino and Imparfin - SGPS, SA, represented by Bruno Walter Lehmann and is therefore independent in relation to the Board of Directors.

At the Shareholders' Annual General Meeting held in 2009 and given that it was an election Meeting, the shareholder Efanor Investimentos, SGPS, SA, adopted a policy of compensation to be applied by the Shareholders' Remuneration Committee and to run until the end of the current mandate (2009-2011).

The remuneration and compensation policy of Sonae Indústria is based on the presumption that initiative, effort and commitment are the essential foundation stones for good performance. For these reasons, individual activity, performance and contributions to the company's success should be evaluated annually, which will thereby influence the attribution of variable remuneration and other compensations to each person.

In relation to Directors' remuneration and other compensation, the approved policy establishes the following:

Executive Directors

Remuneration and compensation of the Executive Directors (ED) includes:

- (i) a fixed component, which includes an Annual Salary paid in reference to one year period (salaries are paid 12 months), an Annual Responsibility Allowance and a package of benefits linked to market practices;
- (ii) a variable “Annual Performance Bonus”, which is paid during the first quarter of the following year, and;
- (iii) a discretionary variable third component, attributable on the first quarter of the following year, as a deferred performance bonus under the Medium Term Incentive Plan, which vests on the second anniversary of the attribution date.

Individual compensation packages will be defined as a function of the level of responsibility of each ED and will be reviewed annually. Each ED is attributed a Sonae Indústria Management Level named “Grupo Funcional” (“GF” or “G”). Sonae Indústria’s EDs are normally “Senior Executive” (G2) with the level attributed to the CEO being “Group Senior Executive” (G1). Sonae Indústria Management Levels are applied in a similar way across the whole Efanor Group and are related to Hay’s international model for the classification of corporate functions, thereby facilitating market comparisons, as well as helping to promote internal equity. The compensation packages to be awarded to EDs will be benchmarked using market surveys of the compensation of Portuguese and European top executives, with the aim of setting fixed remuneration close to the median and total compensation close to the third quartile in comparable circumstances;

The purpose of the Annual Performance Bonus is to reward the achievement of several objectives annually defined, related to “Key Performance Indicators of Business Activity” (Business KPIs) and “Personal Key Performance Indicators” (Personal KPIs).

The Bonus target to be attributed is based on a percentage of the fixed component, which will vary between 40% and 60%. Business KPIs, which include economic and financial indicators, will be based on approved budgets; individual performance of the business unit and group performance will account for 70% of the Annual Performance Bonus and constitute objective indicators. The remaining 30% will derive from Personal KPIs, based on subjective indicators and amounts paid will be based on the real performance achieved and may vary between 0% and 140% of the target bonus attributed;

The Medium-term Incentive Plan will be aimed at enhancing ED’s loyalty, aligning them with shareholders and increasing their awareness of their importance on the overall success of our organisation. Currently, the objective values are defined as a percentage of the Annual Performance Bonus. For the Executive Directors, such amounts represent between 50% and 100% of the target Annual Performance Bonus. Amounts attributed derive from one or more KPIs, aligned with value creation to shareholders and are similar for all EDs.

Non-Executive Directors

Remuneration of Non-Executive Directors (NEDs) is based on market comparables and is structured as follows:

- (i) A fixed remuneration (of which approx. 15% depends on attendance at meetings);
- (ii) An Annual Responsibility Allowance. No other variable remuneration of any kind is payable to NEDs. The Fixed Remuneration is increased by up to 6% for NEDs serving as Chairmanship of any Board Committee.

Moreover, the medium-term incentive referred above for the ED which is payable on the second anniversary date following its attribution, is subject to the continuity of functions of the ED at the payment date. In this way, it depends on the sustainability of the company management in the long term.

2009	Total Fixed Annual Remuneration		Total Short Term Performance Bonus		Total Deferred Medium Term Performance Bonus		Total 2009	
	2008	2009	2008 (a)	2009 (b)	2008 (c)	2009 (d)	2008	2009
	Belmiro de Azevedo (Chairman)	184.000	181.900					184.000
Paulo Azevedo	30.100	28.000					30.100	28.000
Álvaro Cuervo	31.500	28.567					31.500	28.567
Per Knuts	41.600	40.033					41.600	40.033
Thomas Nysten	40.400	38.100					40.400	38.100
Carlos Bianchi Aguiar (CEO)	256.600	241.900	43.200	110.000		58.700	299.800	410.600
José A. Comesaña	254.100						254.100	
Rui Correia	229.600	214.900	58.900	111.500		26.200	288.500	352.600
Louis Brassard	175.244	56.330	41.623	26.199		7.583	216.867	90.112
Christophe Chambonnet	216.000	212.200	60.900	82.100		23.100	276.900	317.400
Total of Board of Directors	1.459.144	1.041.930	204.623	329.799		115.583	1.663.767	1.487.312

(a) relative to 2008, achievement approved in 2009

(b) relative to 2009, achievement approved in 2010

(c) relative to 2008 and to be paid in 2011

(d) relative to 2009 and to be paid in 2012

Regarding the Statutory Audit Board, the remuneration policy adopted provides that the remuneration consists of a fixed fee, determined taking into account the situation of the company as well as market practices and includes an annual liability allowance. The annual remuneration the Chairman of the Statutory Audit Board in 2009 was 7,708 Euros and that of the remaining 2 members, 7,900 Euros each.

Given that Sonae Indústria does not have “*dirigentes*” within the meaning of paragraph 3 of Article 248-B of the Securities Code, its Board of Directors has not submitted any remuneration policy to the Shareholders’ Annual General Meeting. Sonae Industria did not established, any contractual limitation for compensation to pay for dismissal of administrators without just cause, except those resulting from the law.

No special agreements exist regarding compensation or payments to be made to either Company Directors or employees in the event of termination of service resulting from a tender offer.

The company does not have plans for the allotment of shares and/or options for share purchases.

2.13. Policy of Communication Irregularities

During 2008 and with the formalisation of the Code of Conduct of Sonae Indústria, the procedure for reporting irregularities was defined. This is available on our website www.sonaeindustria.com.

Employees and service providers may, on a confidential basis, report concerns about any behaviour or decision that in its opinion, does not respect the ethics and Code of Conduct.

The possible case of irregularity should be sent via e-mail or post to one of the following addresses:

E-mail: corporate.governance.officer@sonaeindustria.com

Post: Sonae Industria SGPS, S.A.
Corporate Governance Officer

Lugar do Espido, Via Norte
Apartado 1096
4470-177 Maia Codex
Portugal

A meeting to clarify the alleged irregularity can then be arranged with the Corporate Governance Officer, when required

Each irregularity report will be received by the Corporate Governance Officer, who is responsible for initiating and supervising the investigation into all reports.

Once the research is concluded and if the irregularity reported corresponds to wrongful conduct, the Ethics Committee shall notify the situation to the superior of the employee or the Service Provider's Company in order to apply corrective actions and / or initiate disciplinary proceedings.

As the Company wishes to encourage good faith reporting of any alleged irregularity while avoiding damage to the reputation of innocent persons initially indicated as allegedly suspected of wrongful misconduct, anonymous reports are not accepted.

The investigation will be conducted in a confidential manner and the Company ensures that there will be no discriminatory or retaliatory action against any employee or service provider who reports an alleged irregularity in good faith based on his/her personal knowledge. If any employee or service provider believes that he or she has been retaliated against for reporting or participating in an investigation, he/she should immediately report such perceived retaliation to the Corporate Governance Officer.

The company provides a means by which to report irregularities on its internet.

The company maintains a record of all complaints and cases investigated as well as their findings which will be available for consultation by the governing bodies and external auditor.

The **Code of Conduct** of Sonae Indústria contains a set of standards based on our shared values that govern the activities of Sonae Indústria. It applies to everyone employed by the Group, including members of the statutory governing bodies of Sonae Indústria SGPS and Group companies, managing directors, senior executives, employees and people whose status is equivalent to that of employees, such as temporary staff and service providers. The Code sets out guidance on those matters of business ethics to be complied with by all Employees and service providers when carrying out their professional duties.

Sonae Indústria adheres to and actively promotes the highest ethical standards of professional conduct at all levels of the Group. Commitment to standards of conduct must emanate from the top. Therefore, Sonae Indústria's top managers are expected to set an example for the rest of the organisation through their actions, by actively leading the adoption and by monitoring the enforcement of these standards.

It is particularly important that a commitment to these standards of conduct is accepted by all Employees and service providers at all Group companies, wherever they operate. Country operations are also required to adopt appropriate principles and actions to deal with specific ethical issues that may arise in their own countries.

The code of conduct of Sonae Indústria was defined in such a way that clearly explains the conduct to be followed with all stakeholders, as well as to connect it with the company's values. The code of conduct is structured in the following way:

Relations with Employees and service providers

- Knowledge sharing and personal development
- Innovation and initiative
- Respect, accountability and cooperation
- Confidentiality and responsibility
- Sustainability
- Conflict of interest
- Health and safety
- Social Conscience
- Communication
- Compliance

Relations with Shareholders and Other investors

- Creation of value
- Transparency
- Compliance

Relations with Governments and Communities

- Ethical Behaviour
- Social Conscience
- Tax Statement
- Environmental Awareness

Relations with Business Partners

- Integrity
- Ethical behaviour
- Transparency

Relations with Competitors

- Ethical behaviour
- Confidentiality

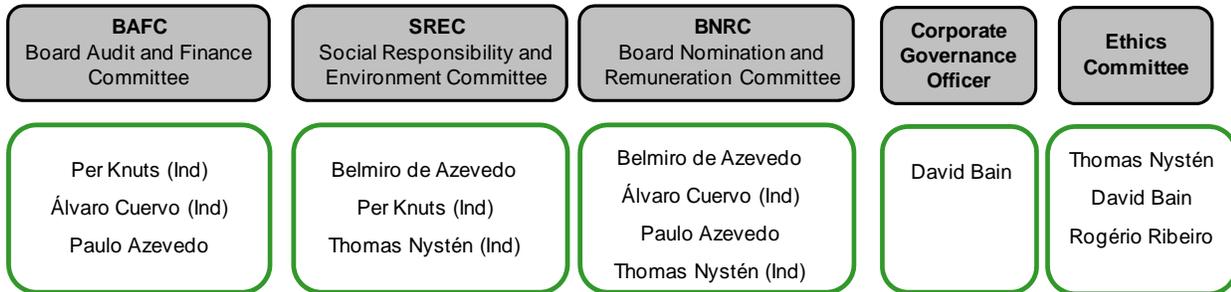
The complete code of conduct can be found at the company site <http://www.sonaeindustria.com/page.php?ctx=2,0,110>.

SECÇÃO V – Special Committees

2.14. Committees with special competences

To improve the operational efficiency of the Board of Directors and meet best practice in Corporate Governance, the Board of Directors appointed 3 Board Committees with special competencies, a Corporate Governance Officer and an Ethics Committee:

SPECIAL COMMITTEES



2.14.1. Board Audit and Finance Committee (“BAFC”)

The BAFC is composed of the following Non-Executive Directors:

- Per Knuts (Chairman; Independent)
- Álvaro Cuervo García (Independent)
- Paulo Azevedo

The BAFC normally meets at least 5 times yearly and is responsible for:

- reviewing the financial statements and earnings announcements to be disclosed to the market and to report its findings to the Board;
- analysing risk management, internally control, businesses and processes;
- reviewing the results of internal and external audits;
- following the trends in the main financial ratios and changes in formal and informal ratings of the Company, including reports from rating agencies;
- analysing and advising on any changes in accounting policies and practices;
- reviewing compliance with accounting standards;
- verifying compliance with legal and statutory obligations, in particular within the financial domain.

Over the course of 2009, the BAFC held 5 meetings with the respective minutes having been drafted.

Responsibilities attributed to BAFC as a specialised committee of the Board of Directors, are developed in terms of company management and do not override the functions of the Statutory Audit Board, as a supervisory Board. The BAFC is a Committee within the Board of Directors and according to its empowerment, is responsible for an in-depth analysis of the financial statements, risk management processes and the performance of the key financial ratios. Among other areas, it issues recommendations for final deliberation at the Board of Directors council, thereby improving its operational functioning.

2.14.2. Social Responsibility and Environment Committee (“SREC”)

The SREC is composed of the following Non-executive Members:

- Belmiro de Azevedo (Chairman)
- Per Knuts (Independent)
- Thomas Nystén (Independent)

The SREC met twice in 2009, which have been registered in minutes, with its main function being to analyse corporate governance and the impact of the economic, environmental and social dimensions of sustainability, on the management of the Company's businesses.

2.14.3. Board Nomination and Remuneration Committee (“BNRC”)

The BNRC is composed of the following Non-Executive Members:

- Belmiro de Azevedo (Chairman)
- Álvaro Cuervo García (Independent)
- Paulo Azevedo
- Thomas Nystén (Independent)

Committee meetings are normally held at least twice a year. The BNRC's main functions are to review and submit proposals and recommendations on behalf of the Board to the Shareholders' Remuneration Committee in relation to the remuneration and other compensations of Board members. Additionally, it analyses and approves proposals and recommendations on behalf of the Board in relation to the remuneration and other compensations for other senior executives of the Sonae Indústria Group, depending on the activity performed by them.

BNRC is also responsible for finding potential candidates with a profile to be a Board Member both for the company itself and for its affiliated companies.

The BNRC liaises with the Sonae Indústria Shareholders' Remuneration Committee (“Comissão de Vencimentos”) since this is the only means through which to guarantee that the Shareholders' Remuneration Committee has the necessary knowledge on the performance of every director throughout the year. This is particularly important in the case of the Executive Directors, given that the Shareholders' Remuneration Committee does not closely shadow the performance of every Director and therefore does not have the necessary knowledge that enables them to perform their functions in the best way.

The BNRC may also be assisted by external entities provided absolute confidentiality is ensured in relation to the information obtained arising from that cooperation.

Over the course of 2009, the BNRC met on two occasions with the respective minutes having been drafted.

2.14.4. Board and Corporate Governance Officer

The Board and Corporate Governance Officer (“BCGO”) is David Graham Shenton Bain, who reports to the Board of Sonae Indústria as a whole, through the Chairman.

Principal duties of the BCGO encompass:

- supporting the Board in defining its role, objectives and operating procedures in order to optimise Board performance;
- taking a leading role in organising Board evaluations and assessments;
- maintaining under close review all legislative, regulatory and corporate governance developments;
- supporting and challenging the Board to achieve the highest standards in corporate governance;

- supporting the Board in ensuring that the concept of stakeholders and the need to protect minority interests are in the Board's mind when important business decisions are being taken.

The BCGO also acts as the secretary of the BAFC and BNRC and member of the Ethics Committee.

2.14.5. Ethics Committee

An Ethics Committee was created in 2008 to guarantee that the highest standards of business practices are upheld in the Sonae Indústria Group and to monitor the implementation of the new code of conduct. This Committee is also responsible for updating the Code whenever necessary.

The Ethics Committee is chaired by an Independent Non-Executive Board Member elected by the Board of Directors while the Corporate Governance Officer and Internal Auditor are the other Committee members. The Ethics Committee reports at least once a year to the Board of Directors and when appropriate, also to the Statutory Audit Board of the related country, on issues related to corporate governance and business ethics.

The current members of the Ethics Committee are:

- Thomas Nystén (Chairman)
- David Bain (Board and Corporate Governance Officer)
- Rogério Ribeiro (Internal Auditor)

A detailed description of the policy of communication irregularities is in the chapter 2.13 of this report.

3. Information

3.1. Capital Structure

Sonae Indústria's share capital amounts to 700 million Euros and is represented by 140 million ordinary nominal shares with a nominal value of 5 Euros per share. All shares are listed on Euronext Lisbon. No limitations or restrictions are in place regarding the transfer of control or sale of shares.

3.2. Qualified Shareholding under Article 20 of the Portuguese Securities Code

Shareholder	Number of shares	% Share Capital	% Voting Rights
Efanor Investimentos, SGPS, S.A			
Directly	44.780.000	31,9857%	31,9857%
By Pareuro, BV (controlled by Efanor)	27.118.645	19,3705%	19,3705%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor)	1.010	0,0007%	0,0007%
By Nuno Miguel Teixeira de Azevedo (Director of Efanor and held by descendent)	711	0,0005%	0,0005%
By Duarte Paulo Teixeira de Azevedo (Director of Efanor and held by descendent)	223	0,0002%	0,0002%
By Migracom, SGPS, SA (company controlled by Efanor's Director, Paulo Azevedo)	90.000	0,0643%	0,0643%
By Linhacom, SGPS, SA (company controlled by Efanor's Director, Cláudia Azevedo)	23.186	0,0166%	0,0166%
	72.013.775	51,4384%	51,4384%

3.3. Identification of the shareholders that detain special rights and a description of those rights

There are no Shareholders with special rights.

3.4. Possible restrictions on share-transfer i.e. consent clauses for their disposal or restrictions on share-ownership

There are no restrictions to the transfer of company shares.

3.5. Shareholder agreements which the company may be aware of and which may restrict the transfer of securities or voting rights

The company is unaware of the existence of a shareholders' agreement and which may restrict the transfer of securities or voting rights.

3.6. Rules applicable to the amendment of the Articles of Association

The rules applicable to amendments of the Articles of Association are established by law. It is the task of the Shareholders' General Meeting to decide on the amendment of the Articles of Association. However, the Board of Directors can decide to change the registered office within the national territory, as well as deliberate on increases in the Company's share capital by new cash entries up to two billion Euros, on one or more occasions.

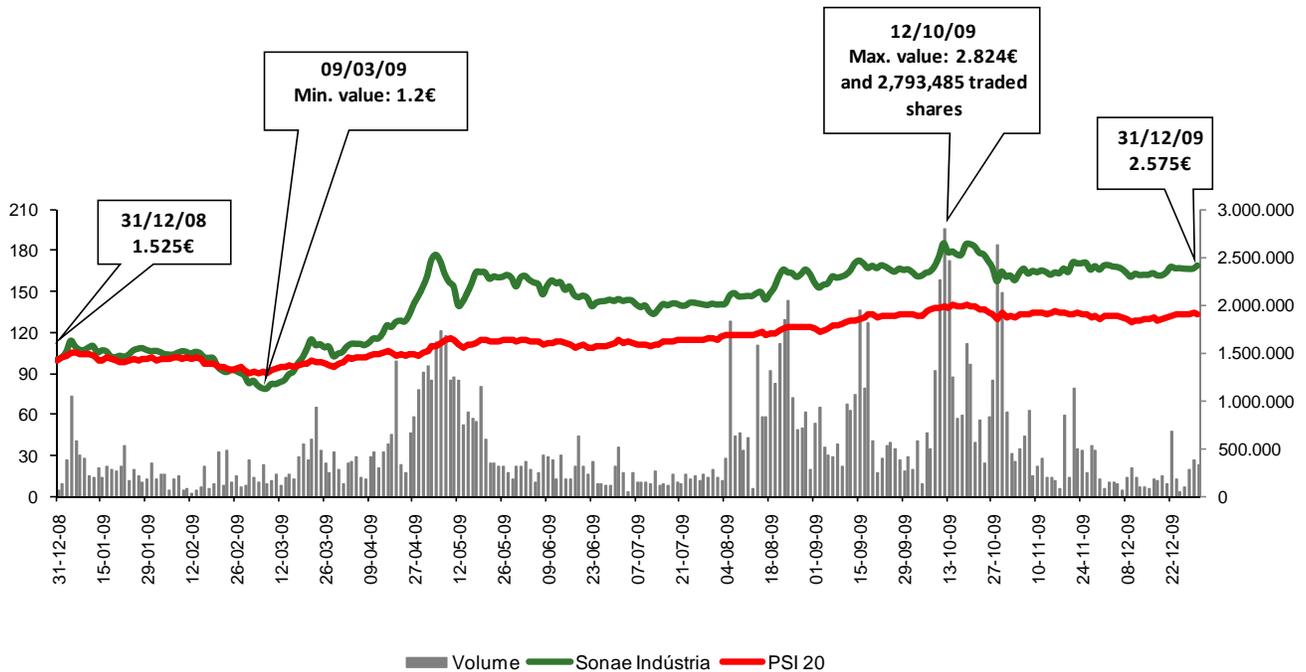
3.7. Control mechanisms for a possible employee-shareholder system in as much as the voting rights are not directly exercised by them

Control mechanisms for a possible employee-shareholder system, in as much as the voting rights are not directly exercised by them, are not planned.

3.8. Share Price performance in 2009

The share price performance of Sonae Indústria is particularly affected by crises and the recovery in economic activity, as the company operates in a highly cyclical sector, dependent on the construction industry and exposed to those economies most affected by the real estate crisis: Spain and North America.

2008 was marked by a global drop in equity markets resulting from the deepening crisis of confidence prevailing within capital markets due to problems related to subprime mortgages. During this year Sonae Indústria's share price declined from 6.65€ at the end of 2007 to 1.53€ at the end of 2008.



Over the course of 2009, Sonae Indústria's share price recovered part of the sharp decline faced in 2008, appreciating 67% from 1.53€ at the end of 2008 to 2.58€ at the end of 2009. The minimum of the year was reached on 9th March 2009 (1.20 Euros) and the highest value on 12th October 2009 (2.824 Euros).

Stock Market Indicators	2006	2007	2008	2009
Share Capital	700.000.000	700.000.000	700.000.000	700.000.000
Total number of shares	140.000.000	140.000.000	140.000.000	140.000.000
Net Results	32.311.969	78.612.713	-108.447.796	-58.782.190
Nets Results per share	0,23	0,56	-0,77	-0,42
Dividends per share*	0	0,28	0	0
Maximum Value	8,13	10,95	6,65	2,82
Minimum Value	5,43	6,65	1,51	1,20
Average Value	7,03	8,99	3,32	2,16
Share Price (31/12)	7,50	6,65	1,53	2,58
Market Capitalization (31/12)	1.050.000.000	931.000.000	213.500.000	360.500.000
Average daily transactions**	392.605	552.018	908.119	513.226

* distributed in the following year

** Average number of shares traded per day

In terms of liquidity, the share has an average turnover of 513,226 shares daily and the highest value of 2,793,485 shares was reached on 12th October 2009.

MAIN EVENTS IN 2009

- **16/01/2009:** Spanboard Products Limited (Sonae Indústria subsidiary) enter into negotiations with works council regarding the future of the operations at its plant in Northern Ireland.
- **02/02/2009:** Information on opening negotiations for the reorganisation of the subsidiary, Isoroy, SAS
- **19/02/2009:** FY08 consolidated results announced
- **06/05/2009:** 1Q09 consolidated results announced
- **30/07/2009:** 1H09 consolidated results announced
- **26/08/2009:** Sale of affiliated Tafisa Brasil
- **16/09/2009:** Sale of affiliated Ecociclo II - Energias, SA
- **05/11/2009:** 9M09 consolidated results announced

3.9. Dividend policy

Every year, the actual pay-out ratio is proposed by the Board of Directors, considering the target pay-out ratio of 50% and the existing investment opportunities. In relation to 2008, the Board of Directors proposed to the Shareholders' General Meeting not to distribute dividends and to instead opt to strengthen its balance sheet following the significant deterioration in shareholders' funds arising from 2008 losses.

3.10. Share and Share Options Schemes

Sonae Indústria does not currently award any remuneration or other compensation involving or linked to shares or share options.

3.11. Transactions with Related Parties

Sonae Indústria did not carry out any transactions with members of the Board of Directors nor with the Statutory Audit Board members.

All transactions with holding or other related companies represent normal operational activity and were made under "open market" conditions and at prices that comply with transfer pricing regulations.

The Statutory Audit Board of the company intends to establish over the course of the current year, the procedures and criteria for its intervention in the evaluation of business between the company and qualifying shareholders.

3.12. Investor Relations

Sonae Indústria has its own Investor Relations' Department, responsible for managing the relationship between the Company and shareholders, investors, analysts and market authorities including the CMVM (the Portuguese Securities Exchange Regulator).

Each quarter, the Investor Relations' Department is responsible for coordinating the preparation of an earnings announcement to be issued to the market and provides statements whenever necessary to disclose or clarify any relevant fact or event that could affect the share price. The Investor Relations' Department is available at all times to respond to any general questions posed by the market. The Company is available to meet with investors, either in roadshows or in one-to-one meetings upon request, or by participating at conferences.

Sonae Indústria's Investor Relations Department may be contacted by email at investor.relations@sonaeindustria.com or by telephone: 00 351 22 010 0638. The Investor Relations director is Patrícia Vieira Pinto.

In addition, Sonae Indústria has an institutional website (www.sonaeindustria.com) that posts all earnings announcements, statements, reports and accounts together with any other public documents, press releases or general news items on a wide range of themes relating to the Company and Group.

Sonae Indústria's legal representative relations with equity market ("Representante para as Relações com o Mercado de capitais") is Rui Correia, who can be contacted via the Investor Relations Department or alternatively, directly by email: rmcorreia@sonaeindustria.com.

The Company's website contains wide-ranging information in English, including the company's name, the quality of publicly traded company, headquarters and other elements mentioned in Article 171 of the Companies Code. Further information relates to the Articles of Association, the identity of the governing bodies and representative relations with the equity market, Investor Relations Department, their duties and ways of access as well as documents of accountability. A corporate events calendar is also provided together with proposals for discussion and vote at the Shareholders' Annual General Meeting and notice to convene the same meeting.

3.13. Remuneration of the Statutory External Auditors

In 2009, the statutory external auditor PriceWaterhouseCoopers invoiced Sonae Indústria and its affiliated companies a total amount of 881,619 Euros. Of this total, 74% related to the audit and legal certification of the accounts and 15% to other reliability services while 11% related to services other than legal certification of the accounts.

To safeguard external auditor independence, Sonae Indústria requires that all services except Audit are provided by different teams from those involved in the audit process.

PriceWaterhouseCoopers has been the statutory external auditor of the company since the Shareholders' Annual General Meeting of 2006 and is in its second three year term. As such, Sonae Indústria has not taken any decision as yet regarding its rotation.