# CORPORATE GOVERNANCE REPORT 2009

MARTIFER SGPS, S.A.

INDEX

## Chapter 0. STATEMENT OF COMPLIANCE

### 0.1. Indication of the location where the public may find the texts of Corporate Governance Codes to which the issuer is subject to or those which the issuer voluntarily abides by

This Report, according to the CMVM's Informative Note issued on February 18th 2010, was made in accordance with CMVM's Corporate Governance Code, CMVM's Regulation number 1/2007 (as modified by CMVM Regulation number 5/2008). The regulation is available for consultation on CMVM's website at the following address: www.cmvm.pt.

### 0.2. Detailed description of the recommendations contained in the CMVM Corporate Governance Code and the Statement of Compliance

| CMVM Recommendations in force in 2009 | Degree of Compliance | Location |
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| **I. GENERAL MEETING OF SHAREHOLDERS** | | |
| **I.1 General Meeting Board** | | |
| I.1.1 The Chairman of the General Meeting Board shall have the necessary and adequate human resources and logistic support, taking the financial position of the company into consideration. | Adopted | Point 2.2. |
| I.1.2 The remuneration of the Chairman of the General Meeting Board shall be disclosed in the annual report on corporate governance. | Adopted | Point 2.2. |
| **I.2 Participation at the Meeting** | | |
| I.2.1 The obligation to deposit or block shares prior the General Meeting, contained in the articles of association, shall not exceed five working days. | Adopted | Point 2.2. |
| I.2.2 If a General Meeting is suspended, the company shall not oblige shareholders to block shares during that period until the meeting is resumed and shall then follow the standard requirement of the first session. | Adopted | Point 2.2. |
| **I.3 Voting and Exercising Voting Rights** | | |
| I.3.1 Companies shall not impose any statutory restriction on postal voting. | Adopted | Point 2.2. |
| I.3.2 The statutory time limit set for receiving votes prior to meetings shall not exceed 3 working days. | Adopted | Point 2.2. |
| I.3.3 The company's articles of association shall indicate that one share is entitled to one vote. | Adopted | Point 2.2. |
| **I.4 Quorum and Decisions** | | |
| I.4.1 Companies shall not set a constitutive or deliberating quorum greater than what is prescribed by Law. | Adopted | Point 2.2. |
| **I.5 Attendees List Minutes and Information on Decisions made** | | |
| I.5.1 The minutes of the General Meetings shall be made available to shareholders on the company's website within five days, even if such information may not be legally classified as material information. The list of attendees, agenda items of the minutes and decisions made during such meetings shall be kept on file on the company's website for a three year period. | Not Adopted | Point 0.3. |
| **I.6 Measures on Corporate Control** | | |
| I.6.1 Measures adopted to prevent successful takeover bids, shall respect the interest of the company and its shareholders. | Adopted | Chapter 13 |

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| I.6.2 In observance to the principle of the previous sub-paragraph, the company's articles of association that restrict/limit the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Meeting, (5 year intervals, at least) on whether that statutory provision is to prevail – without a need of quorum greater than the legal quorum – and that all the votes cast shall count in this decision without the limitation. | Not Applicable | |
| I.6.3. In cases such as change of control or changes to the composition of the Board of Directors, defensive measures should not be adopted if they have the effect of causing serious erosion in the company's assets, and further disturb the free transmission of shares and voluntary assessment of the performance of the Board of Directors by the shareholders. | Adopted | Chapter 13 |
| **2. Management and Supervisory Bodies** | | |
| **2.1 General Points** | | |
| **2.1.1 Structure and Duties** | | |
| 2.1.1.1 The Board of Directors shall assess the model adopted in its governance report and identify possible constraints on its functioning and shall recommend measures to overcome them. | Adopted | Point 1.1. |
| 2.1.1.2 Companies shall set up internal control systems in order to efficiently detect any risk to the company's activity by protecting its assets and keeping its corporate governance transparent. | Adopted | Chapter 4 |
| 2.1.1.3 The Management and Supervisory Bodies shall establish internal regulations and shall have these disclosed on its website | Adopted | Point 2.4.<br>Point 2.5.<br>Point 2.6. |
| **2.1.2 Governance Incompatibility and Independence** | | |
| 2.1.2.1 The Board of Directors shall include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity. | Adopted | Point 2.4. (table I) and Annex IV |
| 2.1.2.2 Non-executive members must include an adequate number of independent members. The size of the company and its shareholder structure must be taken into account, and under no circumstance shall there be fewer than a fourth of the total number of Directors. | Adopted | Point 2.4. |
| **2.1.3 Eligibility Criteria and Appointment** | | |
| 2.1.3.1 Depending on the applicable model, the Chairman of the Audit Board, the Audit Committee or the Financial Matters Committees shall be independent and have the appropriate competences for the job. | Adopted | Point 2.6. |
| **2.1.4 Policy on the Reporting of Irregularities** | | |
| 2.1.4.1 The company shall adopt a policy for reporting alleged irregularities occurring within the company. Such reports should contain the following information: i) the means by 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 it be required by the reporter. | Adopted | Chapter 9 |
| 2.1.4.2 The general guidelines on this policy should be disclosed in the corporate governance report. | Adopted | Chapter 9 |

| 2.1.5 Remuneration | | |
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| 2.1.5.1 The remuneration of the members of the Board of Directors shall be aligned with the interests of the shareholders. In this context:<br><br>i) The remuneration of Directors carrying out executive duties should be based on performance and a performance assessment shall be carried out periodically by the competent body or committee;<br><br>ii) the level of remuneration shall be consistent with the maximization of the long term performance of the company, and shall be dependent on sustainability of the levels of the adopted performance;<br><br>iii) when the remuneration of non-executive members of the Board of Directors is not legally imposed, it should consist exclusively of a fixed amount. | Adopted | Point 2.8 and Chapter 17 |
| 2.1.5.2 The Remuneration Committee and the Board of Directors shall submit a statement on the remuneration policy to be presented at the Annual Shareholders General Meeting on the Management and Supervisory bodies and other directors as provided for in Article 248/3/b of the Securities Code.<br><br>The shareholders shall be informed on the proposed criteria and main factors to be used in the assessment of the performance for determining the level (share bonuses; option on share acquisition, annual bonuses or other awards). | Adopted | Annex III and V |
| 2.1.5.3 At least one of the Remuneration Committee's representatives shall be present at the Annual Shareholders' General Meeting. | Adopted | Point 2.2. and 2.8., |
| 2.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's general conditions. The main characteristics of the retirement benefit plans for members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting. | Not adopted | Point 0.3. |
| 2.1.5.5 The remuneration of the members of the Management and Supervisory Boards shall be individually and annually disclosed and, information on fixed and variable remuneration must be discriminated as well as any other remuneration received from other companies within the group or companies controlled by shareholders of qualifying holdings. | Adopted | Point 2.4 |
| **2.2 Board of Directors** | | |
| 2.2.1 Within the limits established by Law for each Management and Supervisory structure, and unless the company is of a reduced size, the Board of Directors shall delegate the day-to-day running and the delegated duties should be identified in the Annual Report on Corporate Governance. | Adopted | Point 2.5. |
| 2.2.2 The Board of Directors shall ensure that the company acts in accordance with its goals, and should not delegate its duties, namely in what concerns:<br><br>i) definition of the company's strategy and general policies;<br>ii) definition of the corporate structure of the group;<br>iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved. | Adopted | Point 2.5. |
| 2.2.3 Should the Chairman of the Board of Directors carry out executive duties, the Board of Directors shall set up efficient mechanisms for coordinating non-executive members works that can ensure that these may decide upon, in an independent and informed manner, and furthermore shall explain these mechanisms to the shareholders in the corporate governance report. | Adopted | Point 2.5 |

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| 2.2.4 The annual management report shall include a description of the activity carried out by the non-executive Board Members and shall mention any restraints encountered. | Adopted | Annex IV |
| 2.2.5 The management body should promote member replacement for financial matters at least after a 2 year mandate. | Adopted | Point 2.4. |
| **2.3 Chief Executive Officer (CEO), Executive Committee and Executive Board of Directors** | | |
| 2.3.1 When Directors that carry out executive duties are requested by other Board Members to supply information, the former shall do so in a timely manner and the information supplied must adequately suffice the request made. | Adopted | Annex IV |
| 2.3.2 The Chairman of the Executive Committee shall send the convening notices and minutes of the meetings to the Chair of the Board of the Directors and, when applicable, to the Chair of the Supervisory Board or the Auditing Committee. | Adopted | Point 2.5. |
| 2.3.3 The Chairman of the Executive Board of Directors shall send the invitations and minutes of the meetings to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee. | Not applicable | |
| **2.4 General and Supervisory Board, Financial Matters Committee, Audit Committee and Audit Board** | | |
| 2.4.1 In addition to its supervisory duties, the General and Supervisory Board shall advise, follow-up and carry out on an on-going basis, the assessment on the management of the company by the Executive Board of Directors. Besides other subject matters, the General and Supervisory Board shall decide on:<br>i) definition of the strategy and general policies of the company;<br>ii) the corporate structure of the group; and<br>iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved. | Not applicable | |
| 2.4.2 The annual reports and financial information on the activity carried out by the General and Supervisory Committee, the Financial Matters Committee, the Audit Committee and the Audit Board shall be disclosed on the company's website together with the financial statements. | Adopted | Point 2.6. |
| 2.4.3 The annual reports on the activity carried out by the General and Supervisory Board, the Financial Committee, the Audit Committee and the Audit Board shall include a description on the supervisory activity and shall mention any restraints that they may have come up against. | Adopted | Point 2.6. |
| 2.4.4 The Financial Committee, the Audit Committee and the Audit Board (depending on the applicable model) shall represent the company for all purposes at the external auditor, and shall propose the services supplier, the respective remuneration, ensure that adequate conditions for the supply of these services are in place within the company, as well as being the liaison officer between the company and the first recipient of the reports. | Adopted | Point 2.6. |
| 2.4.5 According to the applicable model, the Financial Committee, Audit Committee and the Audit Board, shall assess the external auditor on an annual basis and advise the General Meeting that he/she be discharged whenever justifiable grounds are present. | Adopted | Point 2.6. |

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| 2.5 Special Committees | | |
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| 2.5.1 Unless the company is of a reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to:<br>i) ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as its own overall performance and further yet, the performance of all existing Committees;<br>ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvement. | Not Adopted | Point 0.3., point 2.8., point 3.1. and point 3.2. |
| 2.5.2 Members of the Remuneration Committee or equivalent shall be independent from the Members of the Board of Directors. | Adopted | Point 2.8. |
| 2.5.3 All the Committees must keep minutes of their meetings. | Adopted | Point 2.5., point 2.8., point 3.1., and point 3.2. |
| **3 Disclosure and Audits** | | |
| **3.1 General Disclosure Duties** | | |
| 3.1.1 Companies shall maintain permanent contact with the market, respect the principle of equality of shareholders and prevent imbalance in access to information by investors. In order to achieve this, the company shall create an Investor Relation Office. | Adopted | Chapter 6 |
| 3.1.2 The following information that is made available on the company's Internet website, shall be disclosed in the English language:<br>a) The company, public company status, headquarters and remaining data provided for in Article 171 of the Commercial Companies Code;<br>b) Articles of Association;<br>c) Credentials of the members of the Board of Directors and the Market Liaison Officer;<br>d) Investor Relation Office – its functions and access tools;<br>e) Accounts Reporting documents;<br>f) Half-Yearly Calendar on Company Events;<br>g) Proposals sent through for discussion and voting during the General Meeting;<br>h) Notices convening meetings. | Adopted | Point 0.3. |

**0.3. When the structure or the corporate governance practices deviate from the CMVM's Recommendations or from other Corporate Governance Codes that the company is subject to or has voluntarily adopted the company shall explain which parts of each code have not been complied with and the reasons for that divergence.**

***Recommendation I.5.1: The minutes of the 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 list of attendees, agenda items of the minutes and resolutions passed during such meetings shall be kept on file on the company's website for a 3 year period***.

The historical list of attendances, agenda items, decisions taken and percentage of votes cast in general meetings since the Company has acquired the status of a public company , is archived on the Company´s website. The Company will send records of the General Meeting and will make available the attendance lists to those who wish to consult these records. It must be highlighted that, since the Company only acquired public company status in 2007, and the first and second general meeting occurred in 2008 and 2009, only the minutes of these two annual General Meetings are available on the Company's website.

***Recommendation 2.1.5.4: A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's general conditions. The main characteristics of the retirement benefit plans for members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting.***

In 2009, it was not submitted, to the General Meeting, a proposal on the approval of plans for the allocation of shares and/or options for share purchase or further yet on the variations in share prices. In 2008, *the* "assessment of the programme of stock options for employees and members of the Board of Directors of companies in the Martifer Group and the general conditions of the respective regulation" was submitted to the General Meeting. We have opted to consider this recommendation as not complied because the aforementioned Plan was not subject to approval, but simply putted into consideration.

***Recommendation 2.5.1: Unless the company is of a reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Committees, shall set up the necessary Committees in order to:***

***i) ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as its own overall performance and further yet, the performance of all existing Committees;***

***ii) study the adopted governance system and verify its efficiency and propose to the competent bodies, measures to be carried out with a view to its improvement.***

Taking into account the established in Annex to Regulation No 1/2007, the CMVM considered as not adopted the recommendations that are not entirely followed. With regard to Recommendation 2.5.1, the Company fails only the requirement of its sub-point i) because it was not yet set up a Committee in order to "ensure a competent and independent evaluation of the performance of Executive Directors and the assessment of their overall performance, as well as of other existing committees."

It is a priority of the Board to create the conditions to ensure a competent and independent evaluation of the performance of Non-Executive and Executive Directors, without prejudice of the assessment of the Remuneration and other Committees.

# CHAPTER I. STRUCTURE OF CORPORATE GOVERNANCE

## 1.1. GOVERNANCE MODEL, EVOLUTION

The corporate governance structure at Martifer is based on a Board of Directors, which has delegated day-to-day management of the Company to an Executive Committee, monitored by the Supervisory Board and the Statutory Auditor, both elected by shareholders at the General Meeting. The structure is completed with the Remuneration Committee, elected by the shareholders at the General Meeting which is responsible for setting the remuneration of members of the corporate bodies of the Company and defining the general guidelines to be observed in the fixing this remuneration.

In March 2008 the Company adopted the current corporate organisational structure, making it more dynamic, controlled and value creating, with:

- the separation of roles between an executive management body and a delegating one, with the inclusion of non-executive and independent board members;
- the establishment of an Executive Committee (a body to whom the Board of Directors delegated the day to day management of the Company, according to approved limits) and of a Board of Directors (controller of the day to day management of the Company);
- The nomination of an independent Remuneration Committee, to present, among others, proposals relating to the remuneration policy (in a broad sense) for the individual Executive Directors and of the Board of Directors, in addition to the other responsibilities allocated to it.

All the corporate bodies were nominated to a four year term 2008-2011.

Following the first General Meeting of the Company as a public company, nine months after the Company was listed on the regulated market, the shareholders adopted the Classic Model.

The model adopted by Martifer's shareholders was object of internal reflection, being this model considered the most appropriate and which ensures the continuity of the organisational evolution of the Company, but also its identification with stakeholders. From the initial model when it was listed on the regulated market, known as the normal classical model (Board of Directors, Sole Inspector) it evolved into the model which remains in force today, composed by a Board of Directors, a Supervisory Board (collegiate supervisory body) and the retaining of a Statutory Auditor, a model known as the Classic Model or Reinforced Latin model.

### THE NEW CORPORATE GOVERNANCE MODEL

Martifer's new corporate governance model was communicated to the market on October, 2009.

The main changes focused on reducing the number of members of the Board of Directors from nine to seven, two of them executives (Mr. Jorge Alberto Marques Martins and Mr. Mário Jorge Henriques Couto) and two independents non-executives, as well as on the separation between Chairman and Chief Executive Officer (CEO), respectively, Mr. Carlos Manuel Marques Martins and Mr. Jorge Alberto Marques Martins.

These changes also strength the empowerment of the Group's Business Areas, giving more independence and decision-making, allowing Martifer to positioned itself as a Holding Company, not (yet) in a full financial perspective, but pointing to a Financial Holding in the medium term.

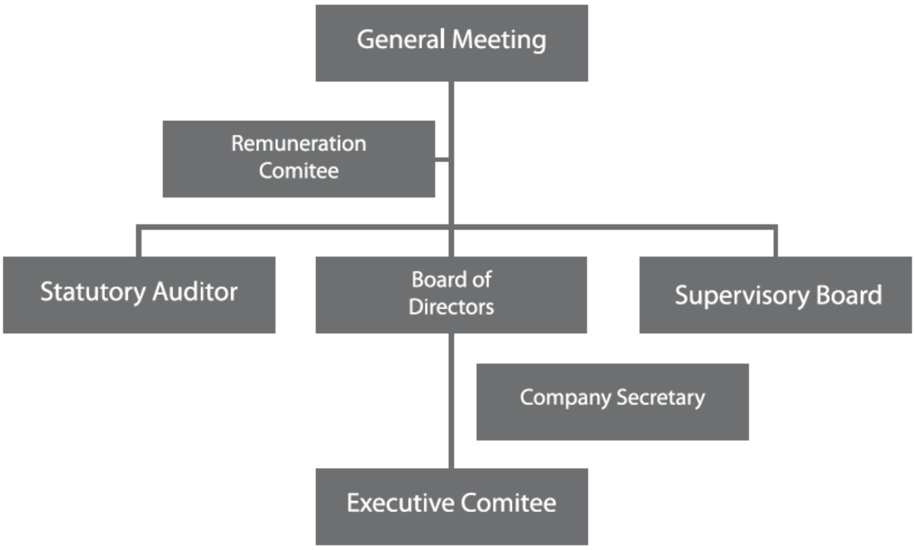
To Martifer SGPS, S.A. are reserved the guidance tasks, through the establishment of guidelines, support to business areas, regulating by setting Group rules and policies and also monitoring their activities, through verification of the compliance and its performance evaluation, taking into consideration the business plans, the approved budgets and annual results presented.

The Board of Directors of the Company supported by the Corporate Governance Committee has followed the best practices and started various initiatives of analysis and reflection aiming to promote the adoption of improvements in the Company's corporate governance, responding to the new demands of the market, investors and stakeholders, promoting social responsibility and ethics, and promoting value creation in a sustainable way.

No constraints to the implementation of the adopted governance model were faced, and this model was applied following core principles of the Group, namely trust, honesty and competence. This model is not static and future improvements will be discussed in the appropriate committees. If changes to the model are deemed relevant, they will be proposed to shareholders.

# CHAPTER 2. CORPORATE BODIES

## 2.1. ORGANIC CORPORATE STRUCTURE




## 2.2. GENERAL MEETING

**Composition, Structure, Organisation and Workings**

The General Meeting is the deliberating body which expresses the will of the Company. The Company's General Meeting is made up of shareholders, owners of shares who, from at least the fifth day prior to the date scheduled for the holding of the Meeting, have registered in their name in a securities account with a financial intermediary (should they be book entry shares) or who have registered in their name, in the register of the Company, or deposited with the latter or with a legally authorised entity thereto (should these be certified securities) shares of the Company.

According to the previous Company's Articles of Association, each one hundred shares corresponded to one vote. However, at the Annual General Meeting, in April 15th 2009, it was decided to amend the Company's Articles of Association to match one vote for each share (article 16, number 1 of the Company' s Articles of Association, available on the company website, http://www.martifer.pt/). The Company has, therefore, adopted the Recommendation 1.3.3 of the CMVM's Corporate Governance Code.

It is the responsibility of the shareholders participating in the General Meeting of the company to elect and dismiss the Chairman, Vice-Chairman and Secretary of the General Meeting, the members of the Management and Supervisory bodies, the Statutory Auditor and the members of the Remuneration Committee, and also, in general, to proceed with the general assessment and supervision of the Board of Directors, to approve the management report and financial statements, to approve the proposal for the distribution of the year-end results, to approve amendments to the Company's Articles of Association, to authorise the Board of Directors to acquire and transfer of own shares, among others.

Shareholders who are legal entities shall be represented by a single person appointed for this purpose by the respective Board of Directors or Executive Board. The Company makes available to the Shareholders, on the respective website www.martifer.pt, a proxy letter for the General Meeting.

Instruments of voluntary representation of shareholders in General Meetings shall be delivered and addressed to the Chairman of the General Meeting, at the registered corporate headquarters, at least three days prior to the date of the General Meeting, and will specify the meeting to which they refer and indicate the date, the time and the place where the same will take place and the respective agenda, thus, granting unequivocally a proxy to the representative and identifying him/her adequately.

The General Meeting can deliberate, at first call, in accordance with the terms of article 383 of the Portuguese Companies Code, regardless of the number of shareholders present or represented, except for the following decisions, for which it is required that at least one third of the share capital be present: amendments to the Company's articles of association, demerger, merger, transformation or dissolution of the Company.  At the second call, the General Meeting can convene to deliberate independently of the number of shareholders present or represented, except for decisions which respect the dismissal of the Board of Directors or its respective members without just cause, in which case the decision must be made by a majority qualified by two thirds of the votes counted at the General Meeting.

The Company, that already adopted the principle of admissibility of postal voting of the shareholders at the General Meeting, limited to amendments to the Articles of Association of the Company and the election of members of the corporate bodies, approved an amendment to article 17 of the Articles of Association at its General Meeting on April 15th 2009. Therefore, postal voting became possible in relation to all matters subject to the approval of shareholders, disappearing all statutory restriction to postal voting and the company was able to adopt Recommendation 1.3.1 of the CMVM's Corporate Governance Code.

The Company has not made provision, in its Articles of Association, for the possibility of postal voting by electronic means. It should be noted that, to date, the Company has had no request or show of interest on the part of the shareholders or investors to make this option available, thus the Company believes that through postal voting, according to the Articles of association, it is providing total access to all shareholders to participate in decisions submitted for deliberation.

The Articles of Association's rules, on exercising the right to vote by mail, are basically the following:

- Shareholders may vote by mail;
- Votes by mail will only be considered valid if they have been received at the corporate head quarters at least three days prior to the date of the General Meeting, by registered letter, with acknowledgement of receipt, addressed to the Chairman of the General Meeting, and without prejudice of the fact that it is mandatory to prove within due time the shareholder's capacity to vote.

Therefore as to ensure the confidentiality of the vote until the moment of voting, the declaration of the vote stated in the previous point shall be enclosed in a sealed envelope, on which the expression "statement of vote" must be written. The envelope containing the voting declaration should be enclosed in another envelope and accompanied by a letter from the shareholder addressed to the Chairman of the General Meeting, sent by registered mail, expressing therein the shareholder's unequivocal wish to vote by mail. The aforementioned letter should be signed by the holder of the shares or his legal representative should he/she be a natural person accompanied by a copy of their identity document, or in the case of a legal entity, accompanied by proof of underwriter's powers to act.

The statement of vote by mail shall only be admitted when signed by the holder of the shares or his/her legal representative and accompanied by a certified copy of the shareholder's identification document in the case of a natural person, or in the case of a legal entity, the signature on the statement must be certified by a notary public and the underwriter's powers to act confirmed. Only the statements of vote that indicate expressly and unequivocally the following shall be considered valid:

- The indication of the meeting and the item or items on the agenda to which it refers;
- The specific proposal at which it is aimed, indicating the petitioner or the petitioners;
- The precise and unconditional statement of the vote for every proposal, as well as if such meaning will remain, should the proposal be changed by its petitioner.

Notwithstanding the above, a shareholder who sends a statement of vote regarding a certain proposal is entitled to state that he/she votes against all further proposals regarding the same item in the agenda, with no further explanations. In accordance with the terms stated in article 17, number 8 of the Articles of Association, votes by mail shall be deemed as negative votes regarding proposals submitted after the issue of the votes. It is understood that shareholders who send their statement of vote by mail are deemed to abstain when voting proposals that are not the object of such statements.

All these rules and procedures governing voting right exercise by mail are equally described in the call notice of the General Meeting.

It falls to the Chairman of the General Meeting to verify the compliance with the statements of vote by mail, non-compliant statements are deemed as not cast. To ensure and facilitate the exercise of voting by mail, the Company has made available a voting ballot on its website, www.martifer.pt, for this purpose.

Among the amendments to the company's Articles of Association approved in the last General Meeting, according to article 15, number 3, it became possible to make General Meetings by electronic means, once verified and ensured the security of the communication means and the authenticity of the statements.

In the event of the suspension of the General Meeting, and taking into consideration that no other obligation is stated in the Company's Articles of Association, and considering the understanding shown by the Chairman of the General Meeting, the Company considers the understanding stated in Recommendation 1.2.2 of the Corporate Governance Code of the CMVM to have been adopted, and in the event of suspension of a General Meeting, it is not necessary to block shares for the whole period until the meeting is resumed, and it is sufficient to do so with the normal period demanded at the first session.

The rules governing the amendment of the Company's Articles of Association (concerning the constitution *quorum* of the General Meeting) shall apply the provisions of article 383 of the Portuguese Companies Code (particularly for the General Meeting to vote, on first call, on the amendment of the Company's Articles of Association and on other matters for which the law requires a qualified majority) requiring the presence or representation of shareholders holding at least shares corresponding to one third of the capital.

Regarding the deliberative *quorum,* article 18 of the Articles of Association and article 386, number 2, of Portuguese Companies Code apply (on the decisions concerning amendments of the Articles of Association) requiring two thirds of votes, either in the first or second call.

The composition of the Board of the General Meeting for the 2008-2011 term is:

Chairman of the General Meeting: António Carreto Lages
Vice-Chairman of the General Meeting: Francisco Artur dos Prazeres Ferreira da Silva
Secretary of the General Meeting: Ana Maria Tavares Mendes

The remuneration of the Board members of the General Meeting is a fixed amount paid annually. In 2009 the Chairman of Board of the General Meeting received remuneration of 1,200 euro.

The means available to the Chairman of the General Meeting are suitable for its requirements, namely he will be supported by the Company Secretary, one legal advisor from the Company's Legal Department, an external law firm, as well as the services of a technical advisor.

Since the first General Meeting as a listed public company, the historical list of attendance, agenda items, decisions taken and percentage of votes cast are maintained on the Company´s website www.martifer.pt.

Shareholders may also access, on the Company´s website, the minutes of General Meetings, which are available within five days after the date they occur.

In the 2009 General Meeting, attended a Member of the Remuneration Committee, Mr. Julio Manuel Santos Martins, and it was appraise, for consultation purposes, the statements from the Remuneration Committee and from the Board of Directors on the remuneration policies of the management and audit bodies, and other senior executives discharging management responsibilities as defined in article 248-B, number 3 of the Securities Code.

## 2.3. ORGANIZATIONAL STRUCTURE OF MARTIFER SGPS, SA

Martifer SGPS, SA, the holding company of Martifer Group, is responsible for setting policies and strategic direction of the Group.

The business areas of Martifer Group act independently, as mentioned in Point 1.1., with dedicated management teams following the strategic guidelines determined at holding company level, based on annual budgets and business plans approved by the Board of Directors of Martifer.

To ensure operational efficiency, there is, supporting the holding's activities, a Group's support services centre, providing mainly administrative services to the business areas.


## 2.4. BOARD OF DIRECTORS

**Composition, Structure, Organisation, Responsibilities and Workings**

The Board of Directors of Martifer is made up of a minimum of five and a maximum of nine members, who are elected by the shareholders at the General Meeting, in accordance with the Articles of Association, by majority of the votes cast at the Meeting. Similarly, in accordance with the Articles of Association, a minimum of shareholders representing at least 10% of the share capital who have voted against a successful proposal in the election of Board members may select a member to the management body. The term for which members to the Board of Directors are nominated is four years; there is no restriction as to their re-election.

Substitution of a Director occurs according to the terms of the Portuguese Companies Code, as there are no rules in the Articles of Association regarding this matter. It can occur in one of the following ways: if no substitute Directors exist, the Board of Directors can choose to elect a Director, who must be submitted for ratification at the following General Meeting; in the case that the election by the Board of Directors is not done within a period of 60 days, the Supervisory Board elects a replacement Director, who must also be submitted for ratification at the following General Meeting; otherwise, a new Director will be elected by the General Meeting.

On December 31st 2009, the composition of the Board of Directors was the following:

**Table 1. Composition of the Board of Directors on December 31st 2009**

| | Executive Committee | Non-Executive Independent Board Members | Non-Executive Non-Independent Board Members | Number of shares held on 31/12/09 | Start of Mandate | End of Mandate |
|---|---|---|---|---|---|---|
| Carlos Manuel Marques Martins (1) (Chairman) | | | | 70,030 | 2008 | 2011 |
| Jorge Alberto Marques Martins (2) (Vice-Chairman and CEO) | yes | | | 131,760 | 2008 | 2011 |
| Mário Jorge Henriques Couto (CFO) (3) | yes | | | 0 | 2009 | 2011 |
| Eduardo Jorge de Almeida Rocha | | | yes | 20,000 | 2008 | 2011 |
| Jorge Paulo Sacadura Almeida Coelho (4) | | | yes | 0 | 2009 | 20011 |
| Luis António de Castro de Valadares Tavares | | yes | | 0 | 2008 | 2011 |
| Jorge Bento Ribeiro Barbosa Farinha | | yes | | 0 | 2008 | 2011 |

(1) The Board Member Carlos Manuel Marques Martins (Chairman) ceased to exercise executive functions in October 22nd2009;

(2) The Board Member Jorge Alberto Marques Martins was appointed CEO in October 22nd 2009;

(3) The Board Member Mário Jorge Henriques Couto was co-opted by the Board of Directors of the company on May 19th 2009, after the resignation from the Board of Board Member Pedro Álvaro de Brito Gomes Doutel;

(4) On February 19th, 2009, the Board of Directors of the company decided the co-optation, ratified at the General Meeting of April 15th 2009, the Board Member Jorge Paulo Sacadura Almeida Coelho, to fill the place left vacant after the resignation of the Board Member António Jorge Campos de Almeida.

The Board of Directors is currently made up of seven members, being the Chairman Mr. Carlos Manuel Marques Martins, the Vice-Chairman Mr. Jorge Alberto Marques Martins and the following remaining members Mr. Mário Jorge Henriques Couto (CFO), co-opted on May 19th 2009, after the resignation of Board Member Pedro Álvaro de Brito Gomes Doutel, Mr. Jorge Paulo Sacadura Almeida Coelho, co-opted after the resignation of Mr. António Jorge Campos de Almeida, in February 19th 2009 (the co-optation was ratified at the General Meeting of April 15th 2009), Mr. Eduardo Jorge de Almeida Rocha, Mr. Jorge Bento Ribeiro Barbosa Farinha and Mr. Luís Valadares Tavares.

In order to determine the independence of Directors, there are criteria for the verification of qualification settled out in article 414 of the Portuguese Companies Code. Recommendation 2.1.2.2 determines that amongst the Non-Executive Directors there should be an adequate number of Independent Directors, taking into account the size of the company and its shareholder's structure which in any case should not be inferior than a fourth of the total number of

Directors. Given the reduction in the number of Board Members from 9 to 7 members, in 2009, this recommendation shall be considered adopted, since there are two independent members, identified in Table I above. These members, can be considered as "not associated with any group of with special interests in the company and in any circumstance in a position that could impair the capacity to analyze and decide with exemption, namely due to the fact that a) hold or act on behalf of holders of more than 2% of the share capital and b) have been re-elected to the Board for more than two terms, continuous or intermittent".

The Board of Directors is the body which carries out the will of the Company, being bound to due diligence when carrying out all acts and operations included in its corporate objective, taking into consideration the interests of the company, its shareholders and employees (article 64 of the Portuguese Companies Code). The maximisation of the performance of the Board of Directors in accordance with the interests of the Company has been extended with the new company's corporate governance model, considering that the day to day management of the Company was delegated to an Executive Committee reduced to two members ensuring even more the supervision, monitoring and effective evaluation of the day to day management of the Company by the non-executive Board Members.

Chairman has the casting vote in decisions of the Board of Directors. The Chairman of the Board of Directors is chosen by his peers according with the terms of the Articles of Association and the Regulation of the Board of Directors. A copy of the Regulation of the Board of Directors can be found on the Company's website, www.martifer.pt.

The Board of Directors has full powers of management and representation of the Company and, in general, to perform all the legal acts or transactions, except those that are the exclusive responsibility of the General Meeting. The Board of Directors is specifically responsible, among others, for decision making:

- the approval of the business plans and budgets of the Company;
- to receive rent or lease, to rent or lease, to enter in financial leasing, to acquire, sell and encumber fixed or movable assets, including shares or bonds;
- to decide that the Company should provide technical and financial assistance to affiliated companies;
- to decide the company's association with other persons or entities pursuant to article three of the Articles of Association;
- to purchase or sale any establishment premises by way of transfer;
- to obtain loans and guarantees on national and international financial markets;
- to finance or give guarantees to affiliated companies, in which the company has interests that justify such operations;
- to designate any natural or legal person as a Member of the Corporate Bodies in other companies;
- to decide apply available funds of the company according to the its interest and convenience;
- to nominate proxies to perform certain acts, defining the extent of the powers inherent in their mandates;
- to incorporate or purchase stakes in other companies and Complementary Grouping of Enterprises or other form of association.

The Board of Directors represents the company in and out of court, actively and passively, and proposes to take legal proceedings, confess and settle or to withdrawal of proceedings or claims, engage in arbitration, and for that purpose may delegate powers to one proxy.

The Board of Directors meets regularly, once every quarter, and in addition whenever the Chairman or two other Directors convene it, and may deliberate with the presence or representation of the majority of its members. In 2009 the Board of Directors met 12 times.

In compliance with Law 28/2009 of June16th, we inform that the remuneration of the members of the Company's Board of Directors was the following:

**Table 2. Remuneration of the members of the Company's Board of Directors in 2009**

| Board Member | Executive Committee | Fixed Remuneration | Variable Remuneration | Stock Options | Attendance Fee | Total (€) |
|---|---|---|---|---|---|---|
| Carlos Manuel Marques Martins | Yes (until October 2009) (1) | € 365,400.00 | 0 | 51,853 options, i.e. €40,000.00 | 0 | 405,400.00 |
| Jorge Alberto Marques Martins | Yes | € 365,400.00 | 0 | 51,853 options, i.e. €40,000.00 | 0 | 405,400.00 |
| Mário Jorge Henriques Couto (2) | Yes | € 113,200.00 (8) | 0 | 6,481 options, i.e. €5,000.00 | 0 | 118,200.00 |
| Eduardo Jorge de Almeida Rocha | No | 0 | 0 | 0 | 0 | 0 |
| Jorge Paulo Sacadura Almeida Coelho (3) | No | 0 | 0 | 0 | 0 | 0 |
| Jorge Bento Ribeiro Barbosa Farinha | No | 0 | 0 | 0 | € 25,000,00 | 25,000.00 |
| Luís António de Castro de Valadares Tavares | No | 0 | 0 | 0 | € 25,000.00 | 25,000.00 |
| António Manuel Serrano Pontes (4) | Yes (until October 2009) | € 205,800.00 (9) | € 12,000.00 (9) | 23,334 options, i.e. €18,000.00 | 0 | 235,800.00 |
| José Manuel de Almeida Rodrigues (5) | Yes (until October 2009) | € 175,840.00 (10) | € 12,000.00 (10) | 23,334 options, i.e. €18,000.00 | 0 | 205,840.00 |
| Pedro Álvaro de Brito Gomes Doutel (6) | Yes (until May 2009) | € 71,324.15 | 0 | 0 | 0 | 71,324.15 |
| António Jorge Campos de Almeida (7) | No | 0 | 0 | 0 | 0 | 0 |

(1) The Board Member Carlos Manuel Marques Martins (Chairman) ceased to exercise executive functions in October 22nd, 2009;
(2) The Board Member Mário Jorge Henriques Couto was co-opted by the Board of Directors of the company on May 19th 2009, after the resignation from the Board of Board Member Pedro Álvaro de Brito Gomes Doutel;
(3) On February 19th, 2009, the Board of Directors of the company decided the co-optation, ratified at the General Meeting of April 15th 2009, the Board Member Jorge Paulo Sacadura Almeida Coelho, to fill the place left vacant after the resignation of the Board Member António Jorge Campos de Almeida;
(4) The Board Member António Manuel Serrano Pontes resigned on October 22nd 2009;
(5) The Board Member José Manuel de Almeida Rodrigues resigned on October 22nd 2009;
(6) The Board Member Álvaro Pedro de Brito Gomes Doutel resigned on May 18th 2009;
(7) The Board Member António Jorge Campos de Almeida resigned on January 15th 2009;
(8) Includes remuneration earned in Martifer Renewables S.A.;
(9) Includes remuneration earned in Martifer Energia Equipamentos para a Energia S.A.;
(10) Includes remuneration earned in Martifer Construções Metalomecânicas S.A.

The values expressed in the table represent the total sums paid in the year 2009 to the members of the Board, as remuneration.

In 2009, the remuneration paid to Board Members with non-executive functions was 50,000.00 euro, with no variable remuneration. For executive Board Members, the total amount received as remuneration was 1,296,964.15 euro.

As variable remuneration, the total amount received was 145,000.00 euro, 121,000.00 euro in stock options.

Decisions are taken by a majority of votes. In case of a tie, the acting Chairman, or his substitute, has the casting vote. In October 2009, the Chairman of the Board of Directors failed to carry out executive functions increasing the necessary adequate and efficient mechanisms to coordinate the work of the Non-Executive Directors to ensure independent and informed decisions. Non-Executive Directors have access to a summary of the acts of day to day management, in the terms of the Regulation of the Executive Committee (number 1 of Article 4) and also have the possibility of attending Executive Committee meetings which precede the regular Board of Director meetings.

The Board of Directors is authorised in accordance with the Articles of Association in force, after favourable opinion of the Supervisory Board, and pursuant to other applicable provisions, to increase the share capital in cash, one or more times, up to the maximum limit of one hundred and twenty-five million euro (number 8 of article 4 ). If a Director resigns before the completion of the term there are no provisions for compensatory indemnity.

## 2.5. EXECUTIVE COMMITTEE
## (Composition, Structure, Organisation and Workings)

The Executive Committee of Martifer was set up, in accordance with number 2 of article 9 of the Articles of Association, by decision of the Board of Directors, on April 17th 2008.

In terms of the Articles of Association and the Regulation of the Board of Directors, certain duties known as “day to day management” have been delegated to the Executive Committee, whose members were nominated amongst the members of the Board of Directors, and in that delegation certain limits have been set.

The decisions of the Executive Committee are taken by majority vote, with the Chairman having the casting vote in the event of a tie.

The replacement of an Executive Director, as established in the Regulation, is through the appointment of a new member by the Board of Directors.

In 2009 the number of Executive Board Members of the company was reduced. According to the new Corporate Model adopted, on October 22nd, the Board of Directors amended the Regulation of the Board of Directors to establish the composition between two and five members, chosen by the Board of Directors, from its members.

Currently, for the four year mandate of 2008-2011, the **Executive Committee** is composed by:

| Executive Committee | Department |
|---|---|
| Jorge Alberto Marques Martins (CEO) | Human Resources<br>Communication and Marketing<br>Legal Services<br>Rent-a-car/Travel Agency<br>Purchasing<br>Quality, Safety and Environment |
| Mário Jorge Henriques Couto (CFO) | Planning and Controlling<br>Financial Management<br>Tax<br>Information Systems<br>Internal Audit<br>Investor Relations<br>Accounting<br>Consolidation and Reporting |

Other duties may be delegated on the Executive Committee by the Board of Directors, without prejudice to matters on which delegation is prohibited by law.

Executive Directors play an active role in day to day management of Martifer. The Board considered the redistribution of departments and responsibilities to existing members, according to the previous table, given their profile and the individual expertise.

It was delegated to the Executive Committee of Martifer the day to day management of the company, including all the powers necessary or convenient for attaining its object and development the activities of the company, within the scope of its responsibilities with defined limits, namely:

a) to subscribe, acquire and sell shares in any companies;
b) acquisition and sale of goods and property
c) invest or commit to invest, with the exception of new business areas;
d) acquire or sell own shares within the authorization and limits set out in a deliberation of the Company's General Meeting;
e) making investments and cancelling investments foreseen in the annual budget, or if they are not in the budget, where the value is less than five million euro;
f) procurement of services;
g) employment of workers, setting levels, categories, remuneration and other benefits or supplements;
h) disciplinary power and sanctions;
i) issuing binding instructions to companies of Martifer Group with full control according with the Portuguese Companies Code;
j) pparticipation in Complementary Grouping of Enterprises and at European Economic Interest Groups, as well as consortium and association participation, incorporation or participation in any other form of temporary or permanent association between companies and / or private or public entities, where the value is lower than a hundred million euro.
k) appointment of representatives at general meetings of Martifer subsidiaries and the determination of the vote at such meetings;
l) representation of the company in court or out, actively and passively, including taking legal proceedings, defense and appeals in any judicial or arbitration, including confess, withdrawal or settle in legal proceedings and engage in arbitration;

m) to nominate proxies to perform certain acts, defining the extent of the powers inherent in their mandates;

The Board of Directors of Martifer SGPS, SA, public company, decided however, that in addition to the matters which by law are unable to be delegated, in accordance with the terms of article 407, number 4 and number 8, of the Portuguese Companies Code, decisions on the following matters will not be delegated:

a) approval of business plans and budgets of companies in the Martifer Group;
b) investment or commitments to invest in new business areas;
c) investments or removal of investments not stated in the annual budget of the companies of the Martifer Group, if the amounts involved are equal or above five million euro;
d) the creation of any onus or expenses on shares of Group companies;
e) the participation in Complementary Grouping of Enterprises and in European Economic Interest Groups, and signing consortium and participation contracts, creating or participating in any other form of temporary or permanent association between companies and/or entities with private or public rights, when the same has the objective of participation in projects which imply a volume of business higher than one hundred million euro;
f) the nomination of any natural persons or entities, to hold executive positions in other companies;
g) the creation of the Executive Committee as well as defining matters to delegate to the same.

The Board of Directors ensured that the delegation of powers made to the Executive Committee reserves the responsibilities to: i) define the Company's strategy and general policies; ii) define the corporate structure of the Group; iii) make decisions that are considered to be strategic due to the amounts, risk and particular characteristics involved, being that in these matters, they are covered by the Regulation of the Board of Directors and the Regulation of the Executive Committee, that can be found on the Company's website.

The aforementioned delegation of powers will stop by resolution of the Board of Directors or automatically with the end of the mandate of the Board of Directors which delegated the powers. The Executive Committee is able to delegate to one of more of its members some of the powers which have been delegated to it.

The meetings of the Executive Committee are called by its Chairman, either at his own initiative or at the request of any two of its members, whenever required by the interests of the Company and at least once a month. It may make decisions if the majority of its members are present, with representation being allowed by another member of the Executive Committee. However, none of its members may represent more than two of the other members. Decisions are made by majority vote, with the acting Chairman having the casting vote, and voting by mail is permitted.

At each meeting of the Board of Directors, or whenever necessary, the Executive Committee should summarily inform the other members of the Board of Directors of the most relevant facts concerning the responsibilities which have been delegated to it. In 2009 the Executive Committee met twenty two times. The Committee draws up the minutes of its meetings.

The Regulation of the Executive Committee can be found on the Company's website, www.martifer.pt.

Non-Executive Directors can participate, without voting rights, in the Executive Committee meetings immediately prior to a regular Board of Directors meeting for the purpose of following the preparation of its agenda.

The Chairman of the Executive Committee, through the Company Secretary, refers to Non-Executive Directors the agenda and the minutes of the Executive Committee meetings, when approved and signed by all Executive Directors, in accordance with Recommendation 2.3.2.

The Chairman of the Board of Directors is informed in advance of meetings and agenda to be discussed, bearing right to attend meetings of the Executive Committee, without voting rights. Therefore coordination of the Non-Executive Directors work is ensured not only providing information in a current and accurate for Non-Executive Board Members and by the way they participated in the meetings.

Whenever requested by other Corporate Bodies' members they have access to the information in a timely manner and the information supplied adequately suffice the request made, in accordance with Recommendation 2.3.1.

## 2.6. SUPERVISORY BOARD
## (Composition, Structure, Organisation and Workings)

As the corporate governance model adopted by the Company is the Reinforced Latin Model (Board of Directors + Supervisory Board + Statutory Auditor, which is not a member of the Supervisory Board), there is a functional separation between the Supervisory Board and the Statutory Auditor – the former performs a supervision that can be understood as political, leaving the Statutory Auditor with the role of revising and certifying accounts.

The Company's Supervisory Board is made up of three permanent members and an alternate member, elected by the General Meeting, for a maximum period of four years and can be re-elected in accordance with the law. The Supervisory Board is composed by a majority of independent members and all of them are subject to legal requirements and regulations concerning incompatibility, independence and specialisation.

The current members of the Supervisory Board, for the term 2008-2011, are Mr. Manuel Simões de Carvalho e Silva (Chairman), Mr. Carlos Alberto da Silva e Cunha and Mr. Carlos Alberto de Oliveira e Sousa with Mr. João Carlos Tavares Ferreira de Carreto Lages as alternate. Members of the Supervisory Board can only be elected by the General Meeting and, should a vacant position exist, it shall be filled by the alternate member. In case there is another vacancy to fill, then a new member must be elected by the General Meeting.

Because it is a collegiate body, the assessment of independence is applicable to all of its members, in accordance with paragraph 6 of article 414 of the Portuguese Companies Code. Independence concept is set out under paragraph 5 of article 414 and incompatibility concept is set out under article 1 of 414-A, both of the Portuguese companies code, which considers independent a person "not associated with any group with special interests in the company and in any circumstance in a position that could impair the capacity to analyse and decide with exemption, namely due to the fact that a) hold or act on behalf of holders of more than 2% of the share capital and b) have been elected to the Board for more than two terms, whether continuously or not." The three members of the Supervisory Board of the Company respect the incompatibility and independence rules identified above.

We consider that all members have suitable skills for their respective areas. Mr. Carlos Alberto da Silva e Cunha is a Chartered Certified Accountant, and Mr. Carlos Alberto de Oliveira e Sousa has a degree in Accounting and Auditing. The Chairman of the Supervisory Board, Mr. Manuel Simões Carvalho e Silva, is a Law graduate and a member of the Lawyers Bar *(Ordem dos Advogados)*, and a practising lawyer, with special competence in the area of corporate and commercial law, bringing to this body operational knowledge in the Company's business areas. The Chairman is properly supported by the other members of the Supervisory Board, so we consider the Corporate Governance Code Recommendation is fully complied.

The Supervisory Board, in conjunction with the Statutory Auditor, is responsible for the supervision of the Company. The Supervisory Board is subject to the duties and responsibilities foreseen in the applicable law and in accordance with the Articles of Association.

In addition to other responsibilities attributed to it by law and by the Articles of Association, the Supervisory Board has the following specific functions:

- to verify, whenever deemed convenient and at least once a month, the financial statements of the Company;
- to monitor the Company's operation and compliance with applicable laws, Articles of Association and regulations;
- to participate in the meetings of the Board of Directors whenever deemed convenient;
- to request the convening of General Meetings whenever deemed convenient;
- to examine the periodic situations presented by the Board of Directors during its management;
- to issue an opinion regarding the budget, the balance sheet, the inventory and the annual financial statements;
- to call the Board of Directors' attention to any subject that should be considered and to advice on matters submitted to it by that body.

While carrying out its responsibilities and fulfilling its duties, the Supervisory Board proposes to the General Meeting the nominees for the permanent and alternate Statutory Auditor of the Company, supervises his/her independence, specifically concerning the provision of additional services, the scope of the respective services and the statutory auditing of Company's financial statements.

It shall also represent the Company, for all intends and purposes, vis-à-vis the External Auditor, being specifically responsible for proposing the provider of such services, and the respective remuneration, ensuring that suitable conditions for the provision of services exist within the Company, annually assess the activity, as well as being the Company's interlocutor and primary addressee of the respective reports along with the Board of Directors.

The Supervisory Board meets at least quarterly and the Chairman is responsible for convening the meeting. They also meet whenever the Chairman or any of the members so request. Decisions are made by majority vote. In addition to the duties established by law, members of the Supervisory Board should, in particular:

- Perform conscientious and impartial supervision;
- Keep confidentiality about the facts and information which they have knowledge of as a result of their duties;
- Make the Board of Directors aware of the verifications, audits and diligences they have performed and the respective results.

The Supervisory Board has approved a Working Regulation, a copy of which has been made available on the Company's website, www.martifer.pt, (Investor Relations – Corporate Governance). The annual report on the activities undertaken by the Supervisory Board is subject to disclosure in the Company's web site, together with the financial statements.

As previously stated, the Supervisory Board meets with the External Auditor, not only in his name but also of behalf of the Company in accordance with its responsibilities. However, the Supervisory Board did not propose the provider of External Auditing services, given that this happened prior to its existence, as a consequence of having acquired the public company status and having adopted a new corporate model. The services of the External Auditor have been assessed independently and continuously by the Supervisory Board, who provides an annual opinion on the activity carried out by the External Auditor throughout the year and mentioning the facts that could impair the continuity of the External Auditor's functions. The Supervisory Board is, together with the Board of Directors, the first addressee for reports submitted by the External Auditor.

In 2009, the Supervisory Board met seven times. After each meeting the respective minutes are elaborated.

The remuneration of the Supervisory Board is a fixed amount, determined by the Company's Remuneration Committee. The amount paid in 2009 to each of the members of the Supervisory Board was 4,800 euro, with a total of 14,400 euro.

## 2.7. STATUTORY AUDITOR

**(Composition, Structure, Organisation and Working)**

The General Meeting, when appointing the Statutory Auditor or a statutory auditing firm to audit the Company's financial statements, takes into consideration the execution of the following duties:

- To confirm the regularity of the accounting records and supporting documentation;
- To verify, when deemed convenient and using an appropriate methodology, the extension of available funds and any inventories of goods or assets belonging to the Company, or received by the Company as a guarantee, deposit or other title;
- To verify the accuracy of the financial statements;
- To verify whether the accounting policies and the valuation criteria adopted by the Company adequately reflect the Company's assets and results.

These roles are similar to those attributed to the Supervisory Board, thus placing emphasis on the clear separation of the financial supervision conducted by the Statutory Auditor and the political assessment performed by the Supervisory Board. It is also responsibility of the Statutory Auditor, to oversee the activity of the Board of Directors. Within this scope, he is responsible for communicating to the Chairman of the Board of Directors the irregularities and difficulties that could impair the achievement of the Company's object and requesting the convening of a Board of Directors meeting or, a General Meeting, if that communication is ignored or the adopted measures are deemed as inadequate to protect the Company's interest.

The Statutory Auditors, both permanent and alternate, were elected in the General Meeting on March 28th 2008, for the 4 year period 2008-2011. On this date Mr. Américo Agostinho Martins Pereira was named as Statutory Auditor (permanent) and Mr. Joselito Pedro Quaresma Almeida was named as substitute Statutory Auditor.

The Statutory Auditor is elected by the General Meeting. If the position is vacant, the vacancy can only be occupied by the substitute Statutory Auditor. If a replacement of the Statutory Auditor is needed and the substitute is unable to occupy that office, then a new Statutory Auditor must be elected by the General Meeting. The total paid to the Statutory Auditor in 2009 was 316,680 euro.

## 2.8. Remuneration Committee

**(Composition, Structure, Organisation and Workings)**

The constitution of the Remuneration Committee, which corresponds to an important Corporate Governance recommendation, occurred before the Company's acquisition of the public company status. This Committee is specially focused on elaborating primary strategies and determining the remuneration policy for the corporate bodies of the Company, following up on the execution of this policy and ensuring its alignment with the interests of the Company.

The remuneration policy for corporate bodies of the Company is the responsibility of the Remuneration Committee.

This policy is revised annually and submitted for approval at the Annual General Meeting, where at least one representative of the aforementioned Remuneration Committee shall be present.

The composition of the Remuneration Committee, for the 2008-2011 term, is Mr. António Manuel Queirós Vasconcelos da Mota, as Chairman, Mrs. Maria Manuela Queirós Vasconcelos Mota dos Santos and Mr. Júlio Manuel Santos Martins.

The Remuneration Committee has as its primary responsibilities:

- to define the remuneration policy for the corporate bodies, specifically executive members of the Board of Directors, namely, setting criteria to determine the variable component in remuneration;
- to determine the various components of fixed and variable remunerations, namely eventual benefits and complements;
- to determine the value of the annual remuneration to be paid to members of the corporate bodies of Martifer SGPS, S.A.;
- to assess the performance of the Board of Directors and of the Executive Committee members to be able to determine variable remuneration;
- to assess the performance of non-executive members of the Board of Directors;
- to submit for consultation to the Annual General Meeting, a description of the Company's remuneration policy.

No member of this Committee is a member of the Board of Directors of the Company; similarly no spouses, relatives or even distant relations (up to and including third degree relatives) are members of that Board, thus complying with the Recommendation 2.5.2 of the Corporate Governance Code.

We consider that all the members of the Remunerations Committee because of their professional qualification and positions that have held are able to fully perform their duties.

It is the Remunerations Committee's practice to be represented at the annual General Meeting. In 2009, it was represented by Mr. Júlio Manuel Santos Martins.

At the last General Meeting it was presented the following statement, prepared by the Remunerations Committee.

**"STATEMENT ON THE REMUNERATION POLICY OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD TO BE SUBMITTED TO THE GENERAL MEETING ON 15 APRIL 2009.**

1. INTRODUCTION

As has been discussed in various forums, the possibilities of defining remunerations for the corporate bodies of the companies in one way by the meeting of the shareholders are rarely used, due to its impracticability and the undetermined debate, and in the other way, the shareholders at the general meeting delegate this duty to a specialised committee which will set remuneration, guided by criteria which the shareholders will be informed about at the general meeting, by their submission of a statement on the policy of remunerations to be followed by this committee.

This document will provide this knowledge to shareholders.

2. LEGAL REGIME

Any definition of remunerations cannot fail to take into consideration both the general legal regime and the specific regime chosen by the company's Articles of Association, when this is the case.

The legal regime for the board of directors is essentially established in article 399 of the Commercial Companies Code, essentially resulting in the following:

- The setting of remunerations is the responsibility of the shareholders general meeting or a committee nominated by it.
- Such setting of remunerations should take into consideration the duties performed and the economic situation of the company.
- The remuneration may be fixed or partially include a percentage of shares in the profit, but the maximum percentage for board members must be authorised by the company articles of association and cannot take into consideration the distribution of reserves or any part of company profit which by law may not be distributed by shareholders.

For the Supervisory Board and members of the Board of the General Meeting it is set by law that their remuneration should consist of a fixed amount which is determined equally by the shareholders general meeting or a committee nominated by it, taking into consideration the duties performed and the economic situation of the company.

On the other hand, the Company's Articles of Association, in its section 20, refer to the following;

- The remunerations of the members of Corporate Bodies will be fixed by a Remuneration Committee.
- The General Meeting that elects the corporate bodies will elect the Remuneration Committee.
- The remuneration of the Board of Directors may consist of a fixed part and a variable one, composed of a participation/equity not exceeding five percent of the annual profits, according to the law.

3. GENERAL PRINCIPLES

The general principles to be observed when setting the remuneration for the corporate bodies are on the one side essentially those which are the generic result of the law: the duties performed, the economic situation of the company and on the other the company interests in a long term perspective and the real growth of the company and the creation of value to the shareholders. If, to these, are added the general condition of the market for equivalent situations, we find that we have the three main general principles:

**a) Duties Performed**

Duties performed by each member of the corporate bodies have to be taken into account, not only in a formal manner but in the wider sense of activities performed and their associated responsibilities. Not all executive board members are in the same position, for example, very rarely do all members of the Supervisory Board have the same duties. The consideration of the duties should be done in its broadest sense and should consider various criteria such as responsibility, the time required or added value to the company resulting in a determined type of intervention or institutional representation. There are also duties performed in other controlled companies which cannot be excluded from this consideration, as this means on the one side there is an increase in terms of responsibility, and on the other in terms of the collective source of income.

**b) Market Criteria**

The balance between supply and demand is unavoidable when setting any remuneration and the members of the corporate bodies are no exception. Only respect for market practices will allow professionals to remain at a level adjusted to the performance of the responsibilities assumed, and also guarantee not only the interests of the professional himself, but essentially those of the company and the creation of value for all its shareholders.

**c) The company's economic situation**

This criterion also has to be understood and interpreted carefully. The size of the company and the inevitable complexity of management associated with it is clearly one of the relevant aspects of the economic situation understood in its broader sense. The implications exist both in the need to remunerate a responsibility which is greater in a larger company with more complex business models, and in the capacity to suitably remunerate the management.

*4.* CONCRET OPTIONS

The concrete options for the remuneration policy which we submit to the companies' shareholders for consideration are the following:

1st Remuneration of Executive Members of the Board of Directors shall be made up of a fixed and a variable part.

2nd Remuneration for non-Executive Members of the Board of Directors, members of the Supervisory Board and members of the Board of the General Meeting shall only consist of a fixed part.

3rd The fixed part of the remuneration of members of the Board of Directors with executive duties shall be an amount payable fourteen times *per annum*.

4th Setting the monthly value of the fixed part of the remuneration of the members of the Board of Directors shall be done for all who are members of the Executive Committee.

5th Setting the predetermined value for each participant in the meetings of members of the Board of Directors will be done by those who have essentially non executive duties.

6th Fixed remuneration of members of the Supervisory Board shall be a set monthly value payable twelve times *per annum*.

7th Fixed remuneration of the members of the Board of the General Meeting will be a predetermined value for each meeting.

8th The process of attributing variable remuneration to executive members of the Board of Directors must follow the criteria proposed by the Remuneration Committee, considering the evaluation of performance, their rank and the value of the options based on the company's long-term performance criteria, the company's real growth and the performance's variables chosen, not exceeding a global value of five percent of annual profits, according to the law.

9th In setting all remunerations, including specifically the distribution of the global value of the variable remuneration of the Board of Directors, the general principles above shall be considered: duties performed, the company's situation and market criteria.

It is our understanding that these options should be maintained until the end of the current mandate of the corporate bodies.

The Remuneration Committee. "

### 2.9. COMPANY SECRETARY
### (Composition, Structure and Responsibilities)

The Company Secretary and an alternate secretary are nominated by the Board of Directors, with their position ending with the end of term of the Board which elected them. The Secretary is essentially responsible for performing all secretarial tasks at the meetings of the corporate bodies, certifying actions which they have done and the duties of the respective members, satisfying the requests of shareholders exercising their right to information and certifying copies of minutes and other Company documents.

For the term 2008-2011, the Secretary and the alternate Secretary are Mr. Paulo Lino Lopes Martins (Secretary) and Mr. António Miguel Matos Pinto (alternate Secretary).

The Secretary of the Company and the alternate Secretary have Law degrees and were renewed in their current roles by the current Board of Directors.

## CHAPTER 3. SPECIALISED COMMITTEES

### 3.1. CORPORATE GOVERNANCE COMMITTEE

Aware of the needs for continuous improvement of the corporate governance, the need to analyse and discuss the existing best practices, but also aware the legal requirements or applicable regulations, namely Recommendation 2.5.1. ii) of the Corporate Governance Code (Regulation nº 1/2007 which was repealed by the CMVM Regulation nº 1/2010), as part of the Board of Directors and in addition to the Executive Committee, a committee responsible for the assessment and development of the corporate governance model was created. This Committee is responsible for evaluating and developing the corporate governance model, reflecting upon about the adopted corporate governance model, determining its effectiveness and advising and proposing, to the competent corporate bodies, measures to improve the Company's corporate governance.

The composition of the Corporate Governance Committee is Mr. Jorge Bento Farinha (Independent Non-executive Board Member) as Chairman, and members Mr. Luis Valadares Tavares (Independent Non-executive Board Member) and Mr. Eduardo Jorge de Almeida Rocha (Non-executive Board Member).

The Corporate Governance Committee has responsibilities in advising and suggesting ways to improve the corporate governance model of Martifer Group, by:

- Verifying the compliance with the principles and practices which ensure and sustain a diligent, effective and balanced management and the promotion of ethical and responsible conduct, from the perspective of the shareholders and other stakeholders' interests;
- Proposing the elaboration, implementation and change of the rules of conduct, with the aim of imposing the observance of strict ethical and deontological principles while performing the duties attributed to the members of the corporate bodies, employees and external consultants of the Martifer Group;
- Proposing the definition of policies concerning social responsibility and environmental protection, in coordination with existing committees in the Martifer Group relevant to these matters;
- To observe compliance with the main guidelines of the Martifer Group's governance policy;

- To organise and issue an annual report for the Board of Directors, concerning the implemented governance structure, which should include an opinion on the efficiency of the structure and the performance of the corporate bodies and also proposals which may be appropriate for its improvement;
- When requested by the Board of Directors, or whenever it is deemed appropriate by this Committee, to propose measures to improve the current governance model and to facilitate the pursuit of the respective objectives;
- To inform the Board of Directors of any situations or occurrences that come to their attention that reflect non-compliance with the established rules and practices of governance or may prejudice the application of the respective main guidelines;
- To be aware of, and analyse the guidelines produced on corporate governance by national and international organisations, with the aim of eventually implementing them to improve the Martifer Group's model.

The year of 2009 marked the beginning of the full activity of the Corporate Governance Committee, with a program of works filling its annual agenda. Besides the informal meetings and participation in working groups, this committee met 3 times during 2009. The Committee draws up the minutes of its meetings, executed by the Company Secretary that manages these meetings.

The main subjects discussed by the Committee in 2009 were the following:

- Analysis of the Corporate Governance Report published by CMVM in December 2009, concerning 2008, and elaboration of a summary and comments for discussion at the Board of Directors;
- Analysis of the corporate governance model implemented by the company during 2009;
- Analysis and preparation of the comments to the CMVM Consultation Paper nº 2/2009 (Draft amendment to the CMVM Regulation No. 1/2007 and draft amendment to the Corporate Governance Code) that were then discussed by the Board of Directors and submitted to the CMVM;
- Assessment of the governance practices of the Board of Directors;
- Analysis of the draft of the 2009 Corporate Governance Report;
- Preparation of an action plan for 2010, to be submitted to the Board of Directors.

The Corporate Governance Committee is also responsible for the issuance of an annual report on the working of the corporate governance model of the Company, to be presented to the Board of Directors and to collaborate in the elaboration of an annual Corporate Governance report, concerning matters within its scope of responsibility.

It falls to the Corporate Governance Committee to exercise powers which, at each moment, are delegated to it in accordance with its Regulation, by decision of the Board of Directors, without prejudice to those matters which delegation is forbidden by law. The Corporate Governance Committee meets when convened by its chairman, by his initiative or by the request of any two of its members, whenever required by the interests of the Company, and at least once a year. It can only make decisions when a majority of members are present, and representation for another member is not allowed. Its decisions are made by majority vote, with the Chairman, or his substitute, having the casting vote.

The Corporate Governance Committee considered in its annual report of 2009 that the performance of the Executive Committee and of its Chairman was in accordance with the delegation of powers which have been conferred upon it, that it maintained an updated, timely and transparent record of its activity available to the Board of Directors, and also provided clarification and openness for meetings with the Non-Executive Directors outside normal meetings of the Board of Directors.

### 3.2. ETHICS AND CONDUCT COMMITTEE

The Ethics and Conduct Committee of Martifer - SGPS, SA, is made up of a minimum of three and a maximum of seven members, nominated by the Board of Directors, who chooses the Chairman.

Currently it is made up of Mr. Jorge Bento Farinha (Independent Board Member) as Chairman and members Mrs. Ana Maria Medeiros (Director of Human Resources, Martifer Group), Mr. Paulo Lino Lopes Martins (Company Secretary and Director of Legal Services of Martifer Solar) and Mrs. Paula Cristina Moreira Gandra (Director of Internal Audit, Martifer Group).

The mandate of the Ethics and Conduct Committee coincides with that of the Board of Directors which nominated it, being exercised in conditions of total impartiality, autonomy, independence and without any hierarchical bonds.

In the scope of its responsibility for the elaboration, implementation, monitoring and supervision of ethical and conduct rules, the Ethics and Conduct Committee is specifically responsible for:

a) Proposing to the Board of Directors measures and rules deemed as necessary for the development of an ethical environment and professional conduct within the Martifer Group, contribute to its dissemination to all hierarchical areas of the associated companies, whenever there is not a specific Committee for this area;
b) Improving and updating the Code of Ethics and Conduct for the Martifer Group, presenting to the Board of Directors proposals with this aim;
c) Promoting, guiding and controlling the effective compliance with the Code of Ethics and Conduct of the Martifer Group as well as the Codes of Ethics and Conduct and/or the Deontology of Professional Associations applicable to the companies of the Martifer Group or its employees;
d) Collaborating in the elaboration of the annual Corporate Governance Report, regarding areas within its responsibility, and elaborating an annual report about activities undertaken;
e) Building communication channels for those subject to the Code of Ethics and Conduct of the Martifer Group to effectively communicate potential irregularities relating to the Code of Ethics and Conduct in a suitable, immediate and confidential (when requested) manner, and protecting their professional integrity;
f) Defining a Policy for the Reporting of Irregularities occurring within the Martifer Group, where employees can communicate in a suitable, immediate and confidential (when requested) manner, and protecting their professional integrity, as well as establishing and disclosing the efficient channels for the communication of those irregularities,
g) Receiving the communications, either about the violation of the Code of Ethics and Conduct, or concerning the Policy for the Reporting of Irregularities, if these are not a exclusive competence of the Supervisory Board, analysing them and proposing measures to the Company's corporate bodies, to mitigate the reported situations;
h) Proposing to the Board of Directors of Martifer SGPS, S.A. the adoption of rules deemed as appropriate in the scope of the Code of Ethics and Conduct and the Policy for the Reporting of Irregularities, leading to the revision of the internal processes;
i) Developing a system of permanent vigilance, so as to supervise compliance with the Code of Ethics and Conduct and the Policy for the Reporting of Irregularities and protecting whistle blowers, obtaining the necessary information with the aim of providing recommendations arising from this act of supervision;
j) Analysing the situations raised by the Board of Directors, the Executive Committee, the Supervisory Board, and External Auditor or Internal Audit Office, in the scope of compliance with the Code of Ethics and Conduct or the Policy for the Reporting of Irregularities, and also to examine other matters which have been brought up by stakeholders, through the system for communication of irregularities;
k) Elaborating its internal working regulation.

The Ethics and Conduct Committee coordinates its activities with the Supervisory Board of the Company, taking into account the responsibilities of that Board, particularly under the Portuguese Companies Code.

This Committee meets regularly or whenever it is convened by its Chairman, with at least seven working days notice and including the agenda. The Ethics and Conduct Committee met 3 times in 2009. After each meeting the appointed secretary of the Committee draws up the respective minutes.

## CHAPTER 4. INTERNAL CONTROL SYSTEMS

One of the main concerns of the Group is to ensure the implementation of a sound Internal Control and Risk Management System appropriated to the activities of the associated companies. The Board of Directors is the responsible for determining and executing corporate strategic policies and considers that an effective risk management is in place.

### 4.1. Internal Control Systems

Martifer has in its organisational structure an Internal Audit department whose duties are to evaluate the efficiency and effectiveness of the internal control system and business processes at all levels of the Group, to verify, independently and systematically, if the Group's assets are correctly recorded and sufficiently protected against eventual risk and losses, examine and assess the control, the quality and enforcement of operational, accounting and financial controls, promoting efficient control at a reasonable cost, propose measures as considered appropriate to mitigate any deficiencies in the internal control system.

The internal audit annual plan defines the nature of the audits to be carried out so as to assess the quality of the control procedures that are in place to ensure the achievement the Internal Control System objectives, particularly those that ensure the efficiency of operation, the integrity of financial and operational reports and respect for laws and regulations. The deficiencies in Internal Control are reported to a superior, and the more serious matters are reported to the Board of Directors.

Martifer also has a Planning and Controlling department which, supported by the Company's information systems, produces and analyses management information and raises questions at the business areas.

The consolidated financial statements are prepared by the Consolidation and Reporting department of the Group, which ensures the consistency in the application of the accounting policies adopted. It should be stressed that the risks regarding the reliability and integrity in accounting and financial information are also assessed and reported by the External Auditor.

Martifer has a reasonable level of trust in the implemented internal control system. Other developments, through the implementation of the Code of Ethics and Conduct and the system for communicating irregularities, improve the environment control in the Group.

### 4.2. Risk Management Systems

Risk Management is one of the components of Martifer's culture, and is present in all management processes forming part of the responsibility of managers and employees at all levels within the organisation.

Risk Management includes the processes of identifying potential risks, analysing their potential impact on the strategic objectives and limiting the probability of them occurring by determining the best way to manage the exposure to these risks. All these risks are identified, assessed and monitored, with their management and/or mitigation being the responsibility of different structures in the Company.

Risk Management, in the Martifer Group, starts at the level of operational companies, with the identification, measurement and analysis of different risks to which they are subject, with particular emphasis on risks of an operational nature and market risks, seeking to estimate the probability of the occurrence of diverse factors which will determine their potential impact on the business of the Company or its activity.

The different people responsible for operations are similarly responsible for the conception and implementation of risk control mechanisms considered as the most suitable. The effectiveness of those controls are periodically assessed by the Holding company, through the Internal Audit department following an audit plan, which includes financial and information systems audits, audit to business processes and compliance with the approved control procedures. This audit plan is prepared and developed annually, based on a previous evaluation of the business risks.

The activity of the Strategic Planning and Controlling department promotes and supports the integration of risk management in the process of planning and controlling the management of the companies.

It is the objective of the Holding to obtain an integrated vision of the risks which the Group incurs in each of its different activities or business areas and to ensure the consistency of its risk profile which results in the Group's global strategy and, in particular, what is considered to be an acceptable risk level, given the structure of its capital.

Concerning the release of financial information, the Martifer Group promotes strict cooperation among all participants in the process, ensuring that the financial information is prepared in accordance with the legal requirements in force, obeying the best practices of transparency, relevance and reliability, subject to an effective verification, whether by internal analysis, by the supervisory bodies and the External Auditor, approval is made by the responsible corporate body and its disclosure complies with all the legal requirements and recommendations, namely those of CMVM.

Next we present a summary of the risks which the Group is subject to, so as to facilitate understanding of the risk management system.

### 4.3. MAIN RISK FACTORS

As an economic group with activities in various business areas and geographic dispersion, the Martifer Group finds itself exposed to several risks, with the main risk factors being the following:

<u>Financial Risks:</u>

a) Price Risk

The volatility of raw material prices constitutes a risk for the Group. The changes in the price of steel and aluminium could impact the operational activity of the M*etallic Construction* and E*nergy Systems* segments. The Group has mitigated this risk by including in its contracts with clients clauses that allow the pass through of the changes in price of these raw materials into the contact price and by negotiating fixed prices with its suppliers for large scale projects.

The Group owns a financial investment in shares of EDP – Energias de Portugal, S.A. (EDP) representing circa 0.5% of its share capital. Unfavourable changes in the stock price of EDP can have a significant impact on the income statement of the Group, if that change is objective evidence of impairment. The Group considers this investment to be strategic in nature, and as such has not hedged its exposure to the price risk.

b) Currency Risk

The exposure to currency risk of the Group results from the existence of foreign based subsidiaries in countries with a currency other than the Euro – namely Poland, Romania, Brazil, Australia, EUA and Angola –, of dealings between these subsidiaries and other Group companies and the existence of dealings with external parties carried out by the operational units in a currency other than the Euro, which is the reporting currency of the Group.

Operational units use their local currency in the day to day activity. Likewise, loans contracted by foreign based subsidiaries are denominated preferably in their local currency.

Certain operational activities of the Group are exposed to changes in foreign exchange rates vis-à-vis their local currency. The prices of steel and aluminium are generally expressed or indexed to the US Dollar, and foreign exchange rates changes could have an impact on the Group's income statement. In most cases, it is possible to transfer these impacts to the selling price. In situations where this is not possible, the Group seeks to hedge the risk by contracting foreign exchange derivative contracts in the operational subsidiary exposed to that risk.

c) Interest Rate Risk

The Group relies on external financing to fund its activity and is exposed to interest rate risk as a significant part of these borrowings are indexed to market interest rates.

In the more significant long term loans the Group relies on fixed interest rate loans or uses interest rate derivates to hedge exposure to interest rate risk on those loans. The outstanding amount, interest due dates and repayment schedules of the interest rate derivates are identical to loans they cover, and as such are considered perfect hedges.

d) Liquidity Risk

Liquidity risk reflects the prospect of the Group not satisfying its financial responsibilities with the available financial resources. The Group seeks to ensure that the structure of its funding matches the nature of its obligations. Investments in fixed assets, including financial investments, are funded by long term facilities (equity or long term loans), whilst short term obligations are funded through short term loans. Long term loans are usually arranged for period ranging from 5 to 7 years, mostly with a grace period of principal ranging from 1 to 2 years.

On the other hand, operational subsidiaries have on hand short term facilities for amounts that assure adequate liquidity.

e) Credit Risk

Worldwide economic environment and adversities facing national or local economies are factors that can influence the Group's clients default rate and therefore can produce a negative impact on the income statement of the Group.

Credit risk monitoring is made by the adequate assessment of risk before each client is accepted and by the establishment of conservative credit limits for each one. This policy aims to achieve that the amounts to be received are effectively collected within the periods negotiated without impacting the financial health of the Group.

Therefore, the Group uses credit rating agencies and has specific departments responsible for credit risk control, collections and management of processes in litigation, which contribute to the mitigation of credit risk and credit defaults.

Operational Risks:

a) Metallic construction

In the steel structures and constructions area, the global economic and financial crisis that has been faced may have a negative impact on the activity of this segment. However, the planned investment to be made by the government, as a way to overcome the current economic situation, should help to lighten the impact on operational activity. Additionally, the geographic diversification strategy of this segment, particularly in the higher growth markets, as the Angolan market, will contribute to mitigate the effects of the sluggish growth in the more mature markets.

Martifer's operating results depend partly upon the launching of public tenders for public works infrastructures (e.g. bridges, airports, rail stations). Within the context of public tenders, Martifer is subject to a complex regulation, particular to each country, namely with regard to the submission of bids and the compilation of complete administrative dossiers with respect to the specifications defined by the contracting entity, which can represent added costs for the Martifer Group. It should be stressed that, despite the aforementioned dependence on public tenders, Martifer has been able to attract business that is not subject to public tender, reducing the exposure to this risk.

Associated with the construction is the risk of possible delays in the delivery of works, with the inherent contractual penalties.

b) Energy Systems

In the activity of building turnkey wind farms and solar parks, delays in obtaining the necessary permits on behalf of the final clients, or unexpected delays in the reception of equipments may delay the execution of the respective projects. Although this type of contract is not subject to penalties for late delivery, in some cases this may be a risk to the Group, due to difficulties in planning that can originate.

Additionally, the crisis in the financial markets could hamper the access to finance for developers which may lead to postponement of some projects. The diversification of the business and of portfolio of clients, within and outside the Group, will allow reducing the eventual impact.

c) Solar

The photovoltaic solar modules produced by the company will be sold with a "parts and workmanship system" guarantee of 5 years and a guarantee of performance of the photovoltaic modules of 25 years, bearing the risk of extensive warranty claims long after the sale of the equipments. Problems with product quality or performance may involve high costs. The performance of solar systems is also guaranteed in case of the modules that are purchased for the construction of solar parks. However, in this situation, the responsibility of the Group is reduced because there is right of return on the suppliers.

On the other hand, some equipment for the production of photovoltaic solar modules is customized for specific raw materials, so there is a risk of dependence on suppliers of key raw materials. The Group has been able to mitigate this risk by establishing long-term contracts for certain raw materials, through a careful selection of suppliers and seeking the diversification of suppliers for each raw material relevant to the production process.

d) RE Developer

i) Renewable energy industry

The renewable energy industry depends on the amount of energy generated by wind farms and their profitability, factors that depend on climatic conditions, which vary across the locations of the wind farms, the seasons and years. Because turbines will only operate when the wind speeds fall within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside or towards the lower end of these ranges, energy output at wind farms would decline.

The availability and the power curve of each turbine are contractually guaranteed with clauses that establish penalties to be paid by suppliers when the minimum availability is not met or the power curve is not reached.

This risk is also mitigated by the geographical diversification of wind farms, which enables to offset wind variations in each area and to keep the total energy generation relatively steady.

ii) Supply of equipment

Although the turnkey contracts for construction of the parks typically include warranties and penalties covering delivery deadlines, delays may result in less attractive tariffs and, consequently, in lower returns.

The vertical integration of certain activities within the Group and the use of a mix of suppliers with international reputation, with the REpower and Suzlon as most important suppliers, allow reducing the dependence on suppliers and having quality guarantee of equipment. Additionally, wind turbine performance risk is also reduced, by signing strict and thorough operation and maintenance contracts with suppliers, usually for a 5-year period. Finally, wind turbine performance risk is also mitigated with an adequate preventive and scheduled maintenance.

iii) Licensing

The solar parks and wind farms are subject to strict development, construction, licensing and operation of plants' regulations. If the relevant authorities in the jurisdictions in which the Group operates fail to continue to support, or reduce their support for the development of wind farms, such actions could have a significant adverse impact on business.

## CHAPTER 5. EXTERNAL AUDITING

The company's external auditor is Deloitte & Associados, SROC, SA (Deloitte), which have followed the company since it acquired the status of public company. Its continuity as external auditor was subject to assessment and discussion by the Supervisory Board, which concluded that there were no reasons that would cause the provision of their service to be interrupted or transferred to another company given the quality, professionalism and competence shown and verified by the responsible body, which in this case is the Supervisory Board.

During the 2009 business year, the annual remuneration paid to the auditors and other private or corporate bodies belonging to the same network by the company and / or other group companies was 766,187 euro (including expenses and fees paid by subsidiaries located abroad), such payment corresponding to the following services:

| | 2009 | % | 2008 | % |
|---|---|---|---|---|
| Statutory account review services | 538,888 | 70.3% | 417,648 | 43.8% |
| Other audit reliability services | 2,400 | 0.3% | 129,895 | 13.6% |
| Tax consulting services | 124,516 | 16.3% | 309,273 | 32.5% |
| Other non-statutory auditing services | 100,383 | 13.1% | 95,746 | 10.1% |
| **Total** | **766,187** | **100.0%** | **952,563** | **100.0%** |

The other non-statutory services and the tax consultancy services, provided in 2009, relates essentially with tax incentive project fees and support concerning the expatriation policy. All these services are completely separate from the work of the auditors and were provided by different technicians from those involved in the audit of the Group.

Additionally, any new service to be provided by the international audit firm Deloitte to the Martifer Group is subject to previous approval by the Board of Directors of Martifer, as well as by the Partner of Deloitte that is responsible for the audit work at the Martifer Group, in fulfilment of their quality control policy.

The Supervisory Board of Martifer, in the course of its supervision duty, has the responsibility over the assessment of the more significant aspects of the relationship with the External Auditor, namely in safeguarding the independence of that relationship. In 2009, the Supervisory Board performed this assessment and concluded that the work of the external auditor was conducted in accordance with applicable rules and regulations, having acted with technical competence, transparency and professionalism.

One of the duties and main concerns of the Board of Directors and management, in order to allow the creation of value and, essentially, protect the investments of investors, is the implementation of internal control procedures, appropriate to the activity being done. For this, it is supported by auditing areas, both the statutory audit of the financial statements and/or the work of the internal audit focussed in the business processes, especially where the risks is higher.

## CHAPTER 6. INVESTOR RELATIONS

### 6.1. General Duties of Information

Martifer favours permanent contact with the capital market, seeking to assure that information about the Group is available to the market in a continuous and consistent way, through the release of periodic financial information and through contact with institutional investors, namely by participating in *roadshows* and investor conferences, and through permanent contact with equity analysts.

Martifer, in the scope of releasing annual, half-yearly and quarterly results, organised conference calls with the participation of the Executive Committee, addressed to institutional investors and financial analysts.

Martifer also promoted, in a regular way, visits by investors and analysts to the industrial premises of the group, either individually or as part of Investor Day, which was held this year for the first time and which is intended to become an annual event.

Shareholders and investors, in general, can obtain all the relevant information about the Group on Martifer's website at www.martifer.pt, in particular on the Investor Relations page, where they can find, in addition to the mandatory information of a corporate and financial nature, information on the evolution of the share price. Shareholders and investors can also make use of the Investor Relations Office, which ensures permanent contact with the market.

In 2009, Martifer participated in more than 30 events, as *roadshows*, seminars, one-o-one meeting and conferences for institutional investors. In the last quarter 2009, Investor Relations department organized for the second time a road show in the United States. In Europe, throughout the year, were visited investors in several European cities (approximately 12) with the highlight for London, Paris, Madrid and Frankfurt.

At the end of 2009, Martifer had coverage from 8 equity analysts (BES Investimento, Caixa BI, BPI, Millennium BCP, Santander, Goldman Sachs, UBS and Banif).

**6.2. Investor Relations Office**

The Investor Relations Office's purpose is to ensure that all information regarding the Martifer Group is available to the market and to the investors in a continuous, accurate and balanced manner, in order to guarantee the accessibility of all relevant information which could impact the share price of Martifer's stocks.

The main functions of the Investor Relations Office include:

- Guarantee, to the authorities and to the market, the fulfilment of its legal and reporting obligations impending over Martifer SGPS, S.A., enhancing the availability of information classified as "privileged information" and the presentation of quarterly, half-yearly and annual reports of the Group's activities and results.
- Reply to investor's queries (private and institutional), queries from financial analysts and from other interested parties.
- Support and advise Martifer's Executive Committee in aspects related to Martifer as a listed entity. As an example, we highlight the monitoring of Martifer price in its multiple aspects, supporting the regular direct contacts of the Executive Committee with financial analysts and institutional investors (national and foreign), attending conferences and road shows and individual (one-on-one) meetings.

At an organisational level, the Investor Relations Office reports directly to the Executive Committee of the Board of Directors of Martifer SGPS.

Contact details for the Investor Relations Office are:

Sónia Baldeira
investor.relations@martifer.pt
Martifer SGPS, Apartado 17
3684-001 Oliveira de Frades, Portugal
Telephone: +351 232 767 702
Fax: +351 232 767 750

For purposes of the Securities Code, the Market Liaison Officer was, during the first half of 2009, Mr. Pedro Álvaro de Brito Gomes Doutel. In the second half of 2009, a new Market Liaison Officer was appointed, Mr. Mário Jorge Henriques Couto, who can be reached at the following contacts:

Mário Jorge Henriques Couto
investor.relations@martifer.pt
Martifer SGPS, Apartado 17
3684-101 Oliveira de Frades, Portugal
Telephone: +351 232 767 702
Fax: +351 232 767 750

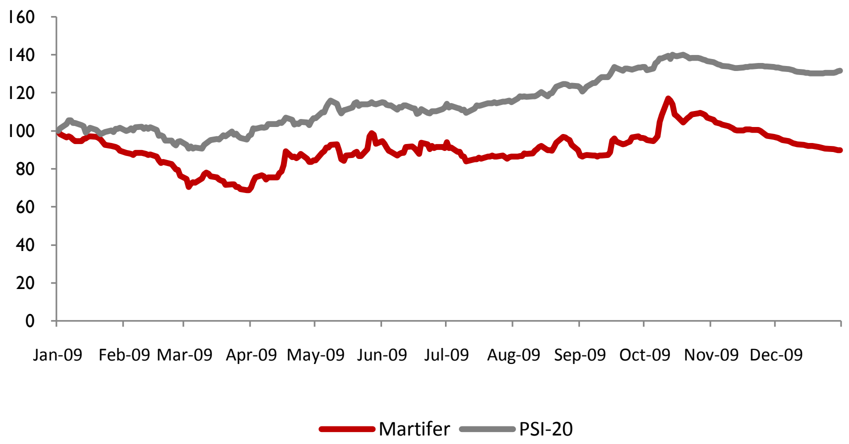
### 6.3. Company information on website

Martifer has made available a website (www.martifer.pt) with a wide range of information about the Group. The aim is to allow interested parties to gain a generalised knowledge of the Group, its business areas and information of an institutional and financial nature. This mean is also the main contact channel with the media and for the recruitment of employees.

On the page dedicated to Investor Relations, it is possible to consult the results presentations, the documents providing financial information, information on the General Meetings, including summons and supporting documentation, and information of an institutional nature, namely the Articles of Association and the identification of the corporate bodies. It is also possible to consult all the material information and other communications released by the company.

### 6.4. Evolution of Martifer's share price

**Share Price Performance vs. PSI20 Index in 2009**




The closing price on December 31 2009 was 3.37 euro, representing a YoY drop of 10.3%, comparing with the closing price on previous year that was 3.76 euro. In the same period, the PSI-20 benchmark index lost 31.6%. During 2009, the highest stock price of Martifer was 4.40 euro and the lowest was 2.58 euro.

The daily average trading volume in the period was of 96.000 shares. At the end of 2009, the market capitalization of Martifer was at 337 million euro.

### 6.5. Communications and Presentations of Results

Communications and Presentations of Results

| Date | Event | Session Change | | Change in the following 5 sessions | |
|---|---|---|---|---|---|
| | | Martifer Share | PSI-20 | Martifer Share | PSI-20 |
| 12-Mar-09 | Martifer informs Full Year 2008 Results Presentation | -0.7% | 1.0% | -5.2% | 3.3% |
| 18-Mar-09 | Martifer clarifies news about the Group's presence in Jordan | -0.7% | 1.2% | -4.7% | 1.9% |
| 15-Apr-09 | Martifer gives notice of Annual General Meeting | 1.0% | -0.4% | 9.2% | -0.3% |
| 30-Apr-09 | Martifer receives second tranche relating to the sale of stake in REpower | 1.2% | 1.3% | 7.9% | 7.4% |
| 28-May-09 | Martifer receives third tranche relating to the sale of stake in REpower | -0.8% | -0.7% | -8.7% | -0.8% |
| 28-May-09 | Martifer informs consolidated results of the 1st quarter 2009 | -0.8% | -0.7% | -8.7% | -0.8% |
| 05-Jun-09 | Martifer announces final payment for the sale of stake in Repower | -0.6% | -0.1% | 3.0% | 0.0% |
| 19-Jun-09 | Martifer Group and Hirschfeld Industries create joint venture to manufacture wind power components | 6.7% | 1.7% | -2.3% | -0.9% |
| 19-Jun-09 | Martifer reaches agreement to increase its stake in Ventinveste | 6.7% | 1.7% | -2.3% | -0.9% |
| 27-Aug-09 | Martifer informs consolidated results of the 1st half 2009 | -0.6% | -0.8% | -8.7% | -1.3% |
| 28-Aug-09 | Martifer informs 1st half 2009 Results Presentation | -2.8% | 0.2% | -5.7% | -0.5% |
| 14-Oct-09 | Martifer - Clarification about news today in DE | 0.3% | 0.0% | 8.0% | 3.6% |
| 22-Oct-09 | Martifer informs about change to the composition of the Board of Directors and Executive Committee | -0.9% | -0.7% | 0.7% | -0.6% |
| 23-Oct-09 | Martifer - SGPS, S.A. informs about Investor Day presentation | 1.1% | 0.1% | -1.7% | -1.2% |
| 19-Nov-09 | Martifer informs about the nine months of 2009 Results | 0.0% | 0.0% | -2.5% | 0.2% |
| 15-Dec-09 | Martifer informs that has guaranteed 217.8MW of wind projects in the first auction of Wind Energy in Brazil | -0.3% | -0.2% | -1.2% | -0.2% |

To the purpose of calculating the changes, the session of the date the information was made public was considered if the release was made before the opening of the session or during the session, and the session following the release date if the release happened after the session closed.

## CHAPTER 7. SHARE AND DIVIDEND POLICY

### 7.1. Capital Structure

The share capital of the Company is 50,000,000 euro (fifty million euro), represented by 100.000.000 (one hundred million) ordinary shares, fully paid, each with a par value of 0.50 euro (fifty euro cents), each in book entry form, and nominative. There are no limits to the trading of the Company's shares given that, in accordance with the Securities Code, shares traded on the market are freely traded. There are no shareholders with special rights.

On 31 December 2009 the total number of shares were listed on the regulated market Eurolist by Euronext Lisbon, corresponding to ISIN Code PTMFR0AM0003 , trading with the Mnemo Code MAR.

The Board of Directors is authorised by the terms of the article 4, number 8, of Articles of Association (www.martifer.pt), after favourable opinion of the Supervisory Board, and pursuant to other applicable provisions of the Articles of Association, to increase the share capital in cash, one or more times, up to the maximum limit of one hundred and twenty-five million euro.

### 7.2. Dividend Policy

The proposal for the distribution of dividends is a responsibility of Martifer's Board of Directors, observing the legislation in force and the Company's Articles of Association. The General Meeting is responsible for deciding by majority vote on the payment of dividends, if a proposal is presented by the Board of Directors.

In the last four years no dividends were paid. Martifer announced, at last October 23rd during the Investor Day, that intends go forward with a dividend distribution policy, considering a payout ratio of 40% adjusted of non- current events, with the begin in 2010.

The Board of Directors will decide in the next Annual General Meeting, that will happen on April 7th, 2010, the distribution of extraordinary dividends amounting 10 million euro, schedule to be paid in 2010.

## CHAPTER 8. QUALIFYING HOLDINGS

## (Calculated in accordance with article 20 of the Securities Code)

On 31 December 2009, in accordance with the information available to the Company, those with qualifying holdings of the Company's share capital were the following:

| Shareholders | nº of shares | % of Share Capital | % Voting Rights |
|---|---|---|---|
| **I'M – SGPS, SA** | 41,590,473 | 41.590473% | 41.590473% |
| Carlos Manuel Marques Martins* | 70,030 | 0.07003% | 0.07003% |
| Jorge Alberto Marques Martins* | 131,760 | 0.13176% | 0.13176% |
| **Total attributable to I'M – SGPS, SA** | **41,792,263** | **41.792263%** | **41.792263%** |
| **Mota-Engil – SGPS, SA** | 37,500,000 | 37.50% | 37.50% |
| Eduardo Jorge de Almeida Rocha ** | 20,000 | 0.02% | 0.02% |
| **Total attributable to FM – Sociedade de Controlo, SGPS, SA** | **37,520,000** | **37.520000%** | **37.520000%** |

* Holder of a position in the Corporate Bodies of I'M SGPS, SA;
** Holder of a position in the Corporate Bodies of Mota-Engil SGPS, SA.

## CHAPTER 9. WHISTLEBLOWING POLICY ON THE REPORTING OF IRREGULARITIES

Martifer has developed a set of internal procedures, with the aim of solidifying and strengthening an existing practice in the Martifer Group. In 2008, the communication of irregularities was subject to re-assessment and rewriting in order to create an uniform Group policy. The corporate whistle blowing policy of Martifer SGPS was used as a reference and its application was extended to the whole Martifer Group.

According to the new whistle blowing policy, in the terms of the Recommendation 2.1.4.1 of the Corporate Governance Code, it is the responsibility of the Ethics and Conduct Committee to receive and manage communications of irregularities, without prejudice of the responsibility of the Supervisory Board in this area. According to its regulation, it is the responsibility of the Supervisory Board to "receive communications of irregularities from shareholders, employees of the Company and others". As the Supervisory Board does not have a permanent presence at the Group's offices, gathering only once a month, it has been decided to give the Ethics and Conduct Committee, by delegation of the Board of Directors, a complementary role in the application of the procedures to follow the communications of irregularities originated internally, in order to ensure its swift resolution.

The existing mechanism allows the proper internal analysis and follow-up of the reported irregularities, ensuring, at the same time, the timely resolution of the communicated situations which are in the scope of the committee's responsibility.

The setting up of this channel of communication by Martifer Group aims essentially to ensure the existence of conditions to the employees, to freely communicate their concerns in this matter, to Ethics and Conduct Committee and also to allow an earlier detection of irregular situations that, if occur, could cause severe damages to the Group and its stakeholders.

The aforementioned Committee (see point 3.2) has as its main responsibilities in the area of reporting of irregularities:

- The creation of a policy for communicating irregularities;
- Establishing and disclosing efficient channels of communication to report concerns regarding any behaviour or decisions that are perceived to be unethical or in breach of the company's Code of Conduct;
- The creation of channels of communication to report irregularities occurring within the Martifer Group;
- Receiving communication of irregularities, in coordination with the Supervisory Board, as well as unethical behaviour or in breach of the company's Code of Conduct, which have been posted to "Comissão de Ética e Conduta do Grupo Martifer (Martifer SGPS, SA), Apartado 17, 3684-001 Oliveira de Frades" or emailed to comissaoeticaeconduta@martifer.com;
- Analysing the received communications and proposing to the Corporate Bodies, actions to be implemented in order to mitigate the reported issue;
- Developing a system of permanent vigilance, so as to supervise compliance with the Code of Ethics and Conduct and the policy for reporting irregularities and protecting whistle blowers, obtaining the necessary information with the aim of providing recommendations arising from this act of supervision;
- Analysing the situations raised by the Board of Directors, the Executive Committee, the Supervisory Board, and External Auditor or Internal Audit Office, in the scope of compliance with the Code of Ethics and Conduct or the policy for reporting irregularities, and also to examine other matters which have been brought up by stakeholders, through the system for communication of irregularities;

Communications and reports of irregularities occurring within the Martifer Group are received directly in a mailbox, whose access is limited and can only be accessed by the Chairman of the Ethics and Conduct Committee. Both anonymity and confidentiality of the person reporting is ensured whenever requested in the communication. This was considered the most appropriate and independent channel for receiving such communications, without prejudice to the same being received by mail. Communications of irregularities addressed directly to the Supervisory Board or that are within its responsibility are immediately communicated to the Ethics and Conduct Committee Chairman.

Throughout 2009, no irregularities were communicated to the Ethics and Conduct Committee.

The company's whistle blowing policy is included in the company's website www.martifer.pt and may be accessed through the company's intranet.

## CHAPTER 10. SHARE PARTICIPATION SCHEMES FOR WORKERS

No schemes for the participation of workers in share capital of the Company exist.

## CHAPTER 11. SHARE AND STOCK OPTION PLANS

In 2008 the Board resolved to approve a Stock Options Plan.

A brief summary of the Martifer Stock Options Remuneration Plan, known by the abbreviation PROA, follows.

Given the fundamental role played by some key employees in the strong growth and development of the Martifer Group, as well as the effort and commitment by the same to this effect, the Company's Board of Directors considered that there were the conditions to put into practice a remuneration plan with long term incentives, by the attribution of stock options into shares of Martifer, which was also one of the reasons for the listing on Euronext Lisbon in June 2007, in accordance with the Prospectus.

After the conducting a study with the assistance of external entities, specifically concerning fiscal and accounting implications (Deloitte) and preparation of the regulation of the plan (PLMJ), the Company's Board of Directors resolved that the conditions had been met to present the Martifer Stock Options Remuneration Plan (PROA) to its Shareholders, which it did at the General Meeting on March 28th 2008.

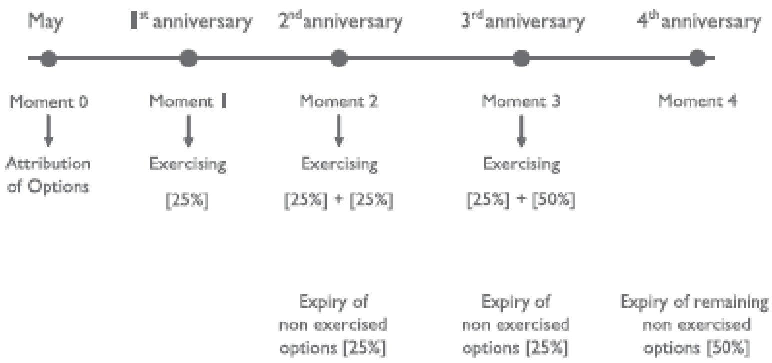
The objectives of the PROA are, among others:

- The retention of key employees of the various companies in the Group;
- To stimulate the creativity and productivity of employees, thereby promoting the results of the Company;
- To create favourable conditions to attract and recruit managers and other key employees;
- To align the interests of the employees with the interests of Martifer's shareholders and other stakeholders, rewarding their performance through the value creation for shareholders, reflected in the evolution of the share price of the Company on the Stock Market.

Description of the workings of the Plan:

- The PROA works by attributing as part of the variable remuneration (RV) of the beneficiary options to buy or subscribe the shares of Martifer. Thus, the PROA will depend on the performance evaluation system in force in the Group.
- The number of options each beneficiary receives in a given year will depend on the value of his/hers RV, which depends on his/hers performance evaluation, hierarchical position and the value of the options.

- The value of the options will be calculated by independent entities (investment banks).
- The option exercise price will be set by the volume weighted average price (VWAP) in the 3 months prior to the date of attribution.
- Each option will give the beneficiary the right to acquire or subscribe one Martifer share at a future date (scheme to be presented later) at the exercise price.
- The options attributed can be exercised at 4 moments, in accordance with the table below:




The options that can be exercised in each one of the moments 1, 2 and 3 and that are not exercised in the respective moment or in the following year will expire.

BENEFICIARIES

- The Board of Directors of the Company will approve the beneficiaries, upon selection by the Boards of each Group Company, under the guidance of the Martifer Group's Human Resources Department, and in accordance with the retribution policies in force at the time.
- The amount to be received by each beneficiary as options depends on the value of his/hers variable remuneration, which in turn depends on their performance evaluation, hierarchical positions and the value of the options.
- The higher the hierarchical position of the employee, the larger the component of options in relation to the total value of his/hers variable remuneration, according to the following levels:

| **Hierarchical Level** | **Percentage of Variable Remuneration (RV)** |
|---|---|
| Board Members of SGPS | Up to 100% of RV<br>(decided annually by the RC) |
| Board Members of Subsidiaries | 60% of RV |
| General Directors/Business Directors/Other Directors | 40% of RV |
| Other employees | 25% of RV |

* (RC) REMUNERATION COMMITTEE

OTHER CONSIDERATIONS:

The beneficiaries may not opt to receive the value of the RV (the part to be paid in options) in cash.

However, the Board of Directors has the power to substitute the value of the variable remuneration (RV) that would be paid in options with its equivalent cash amount, at the time of its attribution, i.e. not using of this mechanism in a given year.

The shares to be delivered to the beneficiaries at the moment the option is exercised will result from a Capital Increase. The Board of Directors can resolve to replace the Capital Increase with the delivery of own shares, specifically acquired for this reason or previously held by the Company.

At the time the option is exercised, the Board of Directors also has the power to deliver the equivalent value of the bonus (the difference between the exercising price and the market value) in cash or own shares (financial or physical liquidation). The market value corresponds to the largest value between the volume weighted average price of Martifer shares in the two week annual exercise period and the closing share price of the last day of this period.

The number of shares resulting from options attributed and not exercised, at any given time may not exceed 2% of Martifer's share capital. The Beneficiary may lose the right to non exercised options in the event of leaving the Group, unless there is a mutual agreement. In the occurrence of an Event of Anticipated Exercise*, all options attributed to the employees directly affected will immediately and automatically be considered exercisable.

* Event of Anticipated Exercise: the merger, demerger or change in shareholder control, direct or indirect, of Martifer as the result of a takeover bid and its successful conclusion, or the shares being delisted from the stock exchange or the alteration of shareholder control, direct or indirect, of any of the companies in the Group. In the event of an Event of Anticipated Exercise corresponding to a demerger of Martifer, the Board may opt to replace the immediate and automatic exercise of the options attributed to the beneficiaries who are still functionally connected to the Company resulting from the demerger, by the conversion of the respective options, which will correspond to the options representing the Company's share capital as a result of the division, in proportionate terms to the relationship between the share capital of Martifer and the share capital of the company created as a result of the demerger, or in other conditions which ensure the aforementioned beneficiaries keep a situation which is in substantial and economic terms no less than that which they had before. In the event that the Event of Anticipated Exercise corresponds to a spin-off (a demerger resulting in the distribution to shareholders of Martifer of shares of the company to be demerged), the options attributed to employees functionally connected to the aforementioned demerged company will only be considered immediately and automatically exercisable if this has been expressly resolved by the Board of Martifer.

The Board of Directors decided on November 19th 2009, for the first time, the attribution of variable remuneration through stock options of Martifer. The number of employees covered by the stock options plan amounted 47, to who were assigned 404,770 stock options, with a strike price of €3.84, and an option value of €0.7714, corresponding to a global premium of €312,251.89.

The value of the stock options was calculated by an independent party (BIG - Investment Bank) and the first date for the exercise of the stock options will happen on November 19th 2010.

## CHAPTER 12. TRANSACTIONS WITH CORPORATE BODIES AND RELATED PARTIES

In 2009, no significant transactions were made between the Company and members of its Administration and Supervisory Bodies or the holders of qualifying holdings. Concerning the associated and group companies of the Group, the transaction made with Martifer took place within the scope of their day to day business and under normal market conditions.

Information regarding the transactions with related parties is disclosed in detail in the Notes to the Consolidated Financial Statements.

## CHAPTER 13. MEASURES RELATING TO THE CONTROL OF THE COMPANY

The Company did not adopt, either through statutory resolutions or other measures adopted by the Company, measures or rules aimed at preventing the success of public takeover bids.

In the 2009, no defensive measures were adopted with the aim of causing a serious depletion of assets of the Company, either in the event of transfer of control of the Company or in the case of a change in the composition of its administrative body.

The Company is not party to any significant agreements which would change or cease in the event of change of control of the Company, nor did it sign agreements with members of the administrative bodies or directors which offered compensation in the event of resignation, unfair dismissal or a cessation of the working relationship following a change in the of control of the Company.

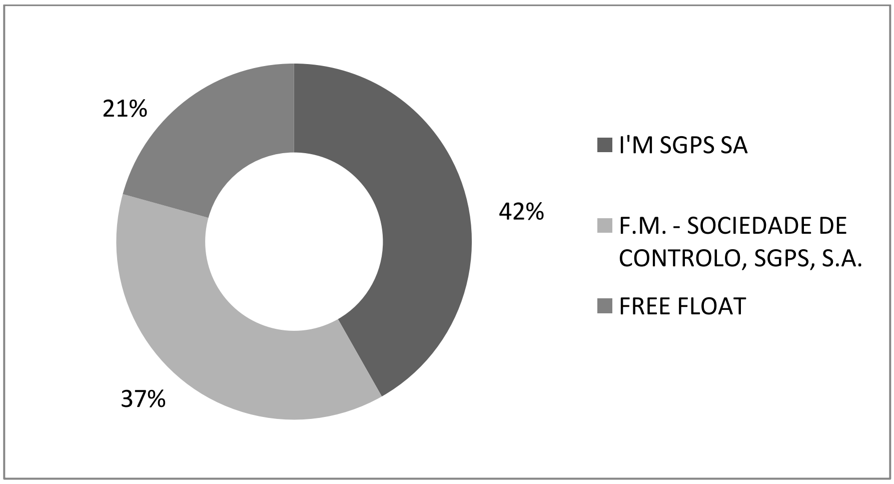
There is also no statutory rule which foresees the limitation of the number of votes which can be held or cast by any shareholder, either individually or as part of an agreement with other shareholders.

Consequently, the Company complied with the recommendation in point 1.6. of the Corporate Governance Code, as it did not adopt any measures to prevent the success of public takeover bids, even if a shareholders pact exists between the two reference shareholders of Martifer, of which a summary is available on the CMVM website, this pact, since 31 December 2008, can be terminated by either shareholder with 30 days notice.

There aren't any agreements between the Company and members of the corporate bodies or managers, as identified in article 248-B, number 3, of the Securities Code, that would result in compensation in the event of resignation, unfair dismissal or a cessation of the working relationship following a change of control of the Company.

## CHAPTER 14. SHAREHOLDER PARTICIPATION

On 31 December 2009, shareholders with qualified holdings in Martifer were I'M SGPS, SA and Mota-Engil SGPS, S.A.. Martifer's Board Members Mr. Carlos Manuel Marques Martins and Mr. Jorge Alberto Marques Martins are the sole shareholders of I´M SGPS, S.A. each holding shares representing 50% of its share capital. The voting rights of the company Mota-Engil, as well as those of the Board Member Mr. Eduardo Jorge de Almeida Rocha are retained in accordance with the terms of article 20 of the Securities Code, by the company FM – Sociedade de Controlo, SGPS, SA, with whom the shareholder has a Group arrangement. The two shareholders held, on December 31st 2009, 79.312% of the Company's voting rights, in accordance with the shareholders' pact in force.




## CHAPTER 15. SUSTAINABILITY AND SOCIAL RESPONSIBILITY

### 15.1. QUALITY, ENVIRONMENT AND SAFETY CONTROL SYSTEMS

It is an adopted policy of Martifer the commitment of Improving Client, Shareholder and Employee satisfaction, and the establishment of lasting relationships with its macro and micro surroundings. The aim is to stand out from its competitors in the use of technology and in social responsibility, resulting in favourable opinions and satisfaction of clients and the general public, leading to recommendations to our products and services. In short, Martifer "hopes" that the policy is understood by all employees as, "Do it well the first time, with a spirit of innovation, in safety and respecting the environment".

As such, the Martifer Group has always had a strategy aimed at client satisfaction and the full awareness that we can only satisfy the clients' demands with quality if we work with motivated employees.

Based on its policy, it is the Group belief that the implementation of integrated management systems is vital within the context of client, shareholder and employee satisfaction. The importance of the integration of the management systems in the Group is even more important today due to the strong growth which the Group has shown, and methodologies need to be defined that need to work independently of the people and thereby facilitate the integration of new employees.

The first certification of the Martifer Group was in 1997, with the certification of the quality management system of the company Martifer Construções Metalomecânicas, S.A., according to the reference standard ISO 9001. Today, the Group has more than 20 certificates in the areas of quality, safety and environment.

The implementation of the integrated management systems in the Martifer Group has resulted in the continuous recognition of best practices, recognised by an external entity, which also allows due recognition by our clients, the increase in the level of employee satisfaction and motivation, the increase in productivity, the reduction in costs due to errors, the reduction in the accident index, the reduction in costs inherent to the consumption of resources and the prevention and reduction of pollution.

In 2009, the Group Company Prio Advanced Fuels received a certification of the integrated management systems quality, safety and environment, according to the NP EN ISO 9001:2008, OHSAS 1801:2007 and NP EN ISO 1401:2004 respectively. Also Prio Agricultura was recognized by an external entity with the certification of its quality management system, according to NP EN ISO 9001:2008.

**15.2. SOCIAL RESPONSIBILITY**

The promotion of sustainability and the commitment to a harmonious environmental development is a matter which is transversal to Martifer Group. Organisations like Martifer no longer seek merely to be economically viable and generators of results for shareholders, but also as an organisation, to be socially beneficial and environmentally responsible. By following these principles, it is possible to trail a path which is advantageous to all, especially in places where the Company is active.

It is the commitment of the organisation to improve customer, shareholder and employee satisfaction and the establishment of sustainable relationships with its macro and micro surroundings with the aim of asserting itself through technological capacity, innovation and corporate ethics which distinguish it from many competitors, causing each client and the general public to recommend our products and services.

This year, for the second time, the Martifer Group will publish a sustainability and social responsibility report. This is a document in which the set of practices, indicators and initiatives which reflect the Company's sustainability record. With this document the Company aims to increase awareness and motivate interested parties to sustainable development issues and reflect the commitments to adjust the strategy and the activities of Martifer to these issues. More detailed information about this will be available in the aforementioned Martifer Sustainability Report 2009, to be published by the end of the first semester of 2010.

Highlights of social responsibility issues focused on during 2009 are: the reinforcement of support to local initiatives, as well as national ones, selecting as priority areas social solidarity and education; the reinforcement of communication support, both external and internal and also the continuing process of certification of new companies in the Group.

Concerning communication with interested parties, and aware that the way in which it communicates with its stakeholders is pivotal to its success, Martifer has prioritised permanent contact with the financial markets, seeking to guarantee permanent access to information in a continuous and consistent way through the release of periodic financial information on the Company's website and through the Investor Relations Office.

In the area of communication, the Group has also published the MNEWS magazine, a twice yearly publication which aims to communicate news to stakeholders as well as the Company's strategy in various business areas, and has the corporate TV channel since last year. Martifer TV is available on two channels, one internal aimed at employees and the other external, available in the reception areas of Group companies.

In the business activities, the Group continues its investments in renewable energy in a consolidated way, in energy system and in the development and promotion of energy production from a renewable source. The Group is also active in the area of energy certification and optimisation for buildings, so as to enable the reduction of consumption and the integration and dispersal of equipment which produces energy from renewable sources. The Group is present also in business to consumer markets for energy systems for power generation from renewable sources, as alternatives the dependence on fossil fuels.

## CHAPTER 16. RETIREMENT BENEFITS FOR BOARD MEMBERS

The Group has not assumed any responsibilities regarding pension or retirement benefits for members of the Administration and Supervisory bodies of the Company as described in article 248-B, number 3, of the Securities Code. However, the Company contracted with an insurance company ('Companhia de Seguros Global') a specific insurance policy, in effect a capitalization fund, aimed at providing a post–employment benefit to the employees of the Group.

This fund covers all employees with a permanent labour contract. Subject to a decision by the Board of Directors, a cash contribution equivalent to a monthly base salary by employee is realized annually to that insurance policy in the name of that employee. The right to receive such benefit occurs at the retirement date. At that time, each employee can choose the conversion of the benefit into a monthly pension, or into receiving 50% of the benefit amount and converting the remaining in a monthly pension.

## CHAPTER 17. REMUNERATION POLICY

The Remuneration of the members of the Board of Directors, the Executive Committee, and the Supervisory Board of the Company is set, in accordance with the Articles of Association, by the Remuneration Committee, which, in compliance with Recommendation 2.1.5.2, annually submits to the General Meeting a document containing the general guidelines to be observed when setting the fixed amounts to be paid to the members of the Corporate Bodies.

The Remuneration Committee was appointed at the Shareholders' General Meeting on March 28th 2008, and in accordance with the terms of the Recommendation of the CMVM, comprises three members, independent from the members of the management and supervisory bodies of the company.

Thus, and without prejudice to that which will be defined in the annual General Meeting of 2010, the current general guidelines to be observed by the Remuneration Committee are the following:

1st Remuneration of Executive Members of the Board of Directors shall be made up of a fixed and a variable part.

2nd Remuneration for non-Executive Members of the Board of Directors, members of the Supervisory Board and members of the Board of the General Meeting shall only consist of a fixed part.

3rd The fixed part of the remuneration of members of the Board of Directors with executive duties shall be an amount payable fourteen times *per annum*.

4th Setting the monthly value of the fixed part of the remuneration of the members of the Board of Directors shall be done for all who are members of the Executive Committee.

5th Setting the predetermined value for each participant in the meetings of members of the Board of Directors will be done for those who have consultative and supervisory duties.

6th Fixed remuneration of members of the Supervisory Board shall be a set monthly value payable twelve times *per annum*.

7th Fixed remuneration of the members of the Board of the General Meeting will be a predetermined value for each meeting.

8th The process of attributing variable remuneration to executive members of the Board of Directors must follow the criteria proposed by the Remuneration Committee, considering the evaluation of performance, their rank and the value of the options based on the company's long-term performance criteria, the company's real growth and the performance's variables chosen, not exceeding a global value of five percent of the consolidated annual profits calculated in IFRS format, and respecting the 5% of annual profits stated by law.

9th In setting all remunerations, including specifically the distribution of the global value of the variable remuneration of the Board of Directors, the general principles above shall be considered: duties performed, the company's situation and market criteria.

Various elements have been considered in the determination of the remuneration, including specifically, the policies followed in companies of comparables size and completion, as well as the need to adopt a model which stimulates performance and shareholder value.

There is no policy or agreements in relation to eventual compensation to be paid to Martifer Board members in the event of destitution or the termination of the contract.

Concerning retribution made to the managers of Martifer – SGPS, SA as defined in article 248-B, number 3, of the Securities Code, it was recommended by the Board of Directors, in compliance with recommendation 2.1.5.2 that they be remunerated:

a) The policy adopted in the definition of the remuneration of Martifer's Managers is coincident with what is defined for all the Company's employees;
b) Therefore, the remuneration of the Managers and technical and administrative staff of the Company includes a fixed remuneration and an eventual performance premium, when applicable;
c) The quality/measurement of the performance is established according to criteria that were previously defined by the Board of Directors;

So, for the definition of any performance premium of Managers, the Manager's degree of responsibility, his ability to adapt to the Company and its procedures, but also the technical and/or economic and financial performance of the respective business area and the economic and financial performance of the Company will be taken into account.

**ANNEXES**

I – Composition of the Corporate Bodies

II – Participation of members of the Corporate Bodies in terms of line b) 1 of article 8 of the Regulation of the CVCM no 5/2008.

III – Statement on the remuneration policy of the managers (as defined in paragraph 3, section 248º-B of the Securities Code) that are not part of the management or supervisory bodies, in accordance with the recommendation 2.1.5.3 of the CMVM Corporate Governance Code.

IV – Evaluation of the adopted Corporate Governance Model and the activity of the non-executive members of the Board of Directors.

V – Declaration on the remuneration policy of the management and supervisory bodies to be submitted to the General Meeting of 7th April 2010 for approval.

# ANNEX I

## CHARACTERIZATION OF CORPORATE BODIES

## BOARD OF DIRECTORS

**Carlos Manuel Marques Martins** is the Chairman of the Management Board of Martifer since its incorporation in 2004 and one of the founding shareholders of Martifer Group in 1990, having started his professional activities in 1987 in the Company Carvalho & Nogueira, Lda, as Director of Production in the iron sector. He has a degree in Mechanical Engineering completed at FEUP (Faculdade de Engenharia, Universidade do Porto). He is the direct holder of 70,030 shares of Martifer.

**Jorge Alberto Marques Martins** is a Board Member of Martifer since its incorporation in 2004, CEO since October 2009, and one of the founding shareholders of Martifer Group in 1990, having started his professional activities in 1987 at SOCARPOR - Sociedade de Cargas Portuárias (Douro e Leixões), Lda as Adjunct to the Financial Director. He has a degree in Economics completed at FEP (Faculdade de Economia, Universidade do Porto) and a MBA completed at UCP (Universidade Católica Portuguesa). He is the direct holder of 131,760 shares of Martifer.

**Eduardo Jorge de Almeida Rocha** is a Board member of Martifer SGPS, SA since its incorporation in 2004. He is as a member of the Management Board in various companies of the MOTA-ENGIL Group since 2000. He has a degree in Economics (Faculdade de Economia, Universidade do Porto) and is Post-Graduated in International Finance by the same faculty. He is the direct holder of 20,000 shares of Martifer.

**Mário Jorge Henriques Couto** is the CFO of Martifer since May 2009 and a member of the Board of Directors in other Group companies. He has a degree in Economics (Faculdade de Economia, Universidade do Porto), and a MBA at Warwick Business School (2007-2008). He was CFO at MONTEADRIANO Group in Portugal and between 1998 and 2002 Managing Director at HERSO, in Argentina, and ICIL-ICAFAL, in Chile, both companies of the Mota-Engil Group. Between 1993 and 1998 he was Financial Director at ENGIL – Sociedade de Construção Civil, S.A. and in 1992 and 1993 Board Advisor at EURONORTE. He does not hold any shares of Martifer SGPS, SA.

**Jorge Paulo Sacadura Almeida Coelho** has a degree in Business Management and Organization at ISEG (Universidade Técnica de Lisboa). Between 2001 and 2006 he was a part-time parliamentarian and President of the Local Power and Land Territory Committee at the Assembly of the Republic. Between 2004 and 2008 he was a member of the State Council. Between 2001 and 2008 he was a Board member at Congetmark – Consultoria, Estudos e Management, a Visiting Professor and member of the Scientific Council at Instituto Superior de Comunicação Empresarial (ISCEM) and President of the Advisory Board at Escola de Estudos Avançados das Beiras. Presently, besides being Vice- President of the Management Board and CEO at Mota-Engil Group, he is a Board member of Martifer SGPS, S.A., member of the Advisory Board at Banco de Investimento Global (BIG) and President of the General Assembly of Sociedade das Águas da Cúria. He does not hold any shares of Martifer SGPS, SA.

**Jorge Bento Ribeiro Barbosa Farinha** is a Board member at Martifer SGPS, SA since 2008. In his academic work, he is a teacher since 1987, in the category of Assistant Professor at Faculdade de Economia, Universidade do Porto from 1989 and since 1991 he occupied several positions at EGP / University of Porto Business School (EGP - UPBS). He was also a teacher at Instituto de Estudos Superiores Empresariais (ISEE), Universidade do Porto (1999-2001), and Vice President of the Pedagogical Council at Faculdade de Economia do Porto (FEP, 2002-2006). In his extra-academic activities, he was a Financial Analyst of Capital Markets at Cisf- Companhia de Investimentos e Serviços Financeiros, S.A. (1987-1989), a Senior Analyst of the Mergers & Acquisitions Department at Banco Português de Investimento, S.A. (1990-1992 ), Sub-director of the Mergers & Acquisitions Department at Banco Português de Investimento, S.A. (1992-1993), partner of Cf&A Associados - Consultores de Gestão, Lda (1993-1994), partner of Futop – Consultores de Gestão, S.A. ( 1994-1995) and a non-executive Board member at Enotum.com (companies establishment helper in the area of telecommunications) (2000-2002). He has a degree in Economics (Faculdade de Economia, Universidade do Porto), a MBA at INSEAD (Institut Européen d'Administration des Affaires, Fontainebleau, France) and a PhD in Accounting and Finance by the University of Lancaster (Management School), UK. He is a non-executive and independent Board member and does not hold any shares of Martifer SGPS, SA.

**Luís António de Castro de Valadares Tavares** is a Board member at Martifer SGPS, SA since 2008. Since 1975, he is a Visiting Professor at Faculdade de Ciências Económicas e Empresariais, Universidade Católica Portuguesa. Since 1980 he is Professor of Systems Management at Instituto Superior Técnico, Universidade Técnica de Lisboa, and, from 2002, President of the Centre for Prospective - OPET. In the past, he was President of the National Institute of Administration (2003-2007), First Coordinator of the Master Degree in Operational Research and Systems Engineering (IST), Director and Founder of the Master Degree in Health Engineering at UCP, Director of the Distance Education in Management Program (Dislogo) at UCP, First Coordinator of the MBA at the Inter-University Institute of Macau, General Director of the Studies and Planning Office at the Ministry of Education, Manager of the Program for the

Development of Education in Portugal (PRODEP), Director of the World Bank's Program for Educational System Financing, Director of the Minerva Program (Informatics in Schools), Vice-President of the Committee for Education (OCDE), President of the Committee for Education (OCDE), President of the Education Committee of the European Communities (first Portuguese Presidency), First President of the Portuguese Association of Operational Research (APDIO), Vice-President of the Operational Research Societies Federation (IFORS), Visiting Professor at the following Universities: North Carolina (Raleigh, USA), Colorado (Denver, USA) , Columbia (NY, USA), Princeton (NY, USA), UCLA (Los Angeles, USA), Business School of the University of Newcastle (Newcastle, UK), Paris-Dauphine (Paris, France), Mohammed (Rabat, Morocco), Middle East Technical University (Ankara, Turkey), Technical of Poznan (Poznan, Poland), Technical of Helsinki (Helsinki, Finland); PUC (Rio de Janeiro, Brazil); Federal of Santa Catarina (Florianopolis). He has a degree in Civil Engineering completed at IST, a Masters Degree in Operations Research completed at the University of Lancaster (UK), a PhD degree in Science and Engineering completed at IST, and Aggregated in Operational Research at IST. He is a non-executive and independent Board member and does not have any shares of Martifer SGPS, SA.

**Carlos Manuel Marques Martins**

**a) Positions within the Martifer Group**

***Chairman of the Board of Directors:***

Martifer, SGPS, S.A.,
Prio, SGPS, S.A.
Prio Advanced Fuels, SGPS, S.A.
Prio Agricultura, S.A.,
Prio Advanced Fuels, S.A.,
Prio Biocombustiveis, S.A.,
Mondefin Combustiveis, S.A.,

**b) Positions outside the Group**

***Chairman of the Board of Directors:***

I'M - SGPS, S.A.,
I'M Mining, SGPS, S.A.
ESTIA – SGPS, S.A.
ESTIALIVING, S.A.

***Member of the Board of Directors:***

Finibanco – Holding, SGPS, S.A.

***Manager:***

Promoquatro – Investimentos Imobiliários, Lda.,
Promodoze – Investimentos Imobiliários, Lda,
Promoquinze – Investimentos Imobiliários, Lda.,

***Single Director:***

Black and Blue Investimentos, S.A.

**Jorge Alberto Marques Martins**

**a) Positions within the Martifer Group**

***Chairman of the Board of Directors:***

Martifer Metallic Constructions, SGPS, S.A.
Martifer – Inovação e Gestão, S.A.
Martifer – Solar, S.A.
Martifer Renewables SGPS, S.A.
Martifer Renewables, S.A.
Martifer Energy Systems SGPS, SA.
Gesto - Energia SA
SPEE 3 - Parque Eólico do Baião, SA.

***Member of the Board of Directors:***

Martifer, SGPS, S.A. (Vice-President and CEO)
SPEE II - Parque Eólico de Vila Franca de Xira SA
Repower Portugal – Sistemas Eólicos, S.A.
Prio SGPS, S.A.
Prio Advanced Fuels, SGPS, S.A.

***Single Director:***

Martifer Renewables II – Microprodução, S.A.

**b) Positions outside the Group**

***Member of the Management Board:***

I´M – SGPS, S.A.
Ferreiros & Almeida S.A.
ESTIA, SGPS, S.A.

***Manager:***

A Púcara, Lda.
Promoquatro – Investimentos imobiliários, Lda.
Promodoze – Investimentos imobiliários, Lda.
Promoquinze – Investimentos Imobiliários, Lda.

**Mário Jorge Henriques Couto**

**a) Positions within the Martifer Group**

***Member of the Board of Directors:***

Martifer SGPS, S.A. (CFO)
Martifer – Solar, S.A.
Martifer Renewables, SGPS, S.A.
Martifer Renewables, S.A.
Martifer Energy Systems, SGPS, S.A.
Martifer Inovação e Gestão, S.A.
Martifer Metallic Constructions, S.A.

**b) Positions outside the Group**

He does not take part on any company outside Martifer Group.

**Eduardo Jorge de Almeida Rocha**

**a) Positions within the Martifer Group**

***Member of the Board of Directors:***

Martifer SGPS, S.A.

**b) Positions outside the Group**

***Chairman of the Management Board:***

Viallis, SGPS, S.A.
Intercon, ACE

***Chairman of the Supervisory Board:***

Vortal – Comércio Electrónico, Consultadoria e Multimédia, SA, (representing Mota-Engil, SGPS, S.A.)

***Member of the Management Board:***

Mota-Engil, SGPS, S.A.
Algosi – Gestão de Participações Sociais, SGPS, S.A.

***Member of the High Council:***

Ascendi – Concessões de Transportes, SGPS, S.A.

***Executive Board Member:***

*Mota –Engil, SGPS, S.A.*

***Audit and Risk Committee:***

*Mota-Engil, SGPS, S.A.*

***Remuneration Committee:***

Mota-Engil, Tecnologias de Informação, S.A. (this Company closed in 15th October 2009)

***Founding Board:***

Fundação de Serralves (representing Mota-Engil, SGPS, S.A.)
Fundação Casa da Música (representing Mota-Engil, SGPS, S.A.)

***Member of the General Council:***

EGP-UPBS – University of Porto Business School

**Jorge Paulo Sacadura Almeida Coelho**

***a) Positions within the Martifer Group***

***Member of the Board of Directors:***

Martifer SGPS, S.A.

***b) Positions outside the Group***

***Chief of the Executive Office:***

Mota-Engil, SGPS, S.A.

***Member of the Advisory Board:***

Banco de Investimento Global, S.A.

***President of the General Meeting***

Sociedade das Águas da Cúria, S.A.

**Luís António de Castro de Valadares Tavares**

**a) Positions within the Martifer Group**

***Member of the Board of Directors:***

Martifer SGPS, S.A.

**b) Positions outside the Group**
He does not take part on any company outside Martifer Group.

**Jorge Bento Ribeiro Barbosa Farinha**

**a) Positions within the Martifer Group**

***Member of the Board of Directors:***

Martifer SGPS, S.A.

**b) Positions outside the Group:**

He does not take part on any company outside Martifer Group.

## BOARD OF THE GENERAL MEETING

### Chairman of the General Meeting

**José Carreto Lages** has a degree in Law at Faculdade de Direito, Universidade de Coimbra, practiced law from 1971 to 1996 and then, since 2002 (as partner at Carreto Lages & Associados, Sociedade de Advogados, RL), primarily practicing in areas of civil law, including property and estate law, contract law, family and succession law, corporate law and criminal law. Presently, he is also a teacher of Law at the Academy of Knowledge of Aveiro. He was a representative of the Attorney General in the districts of Castelo de Vide and Arganil between July 1968 and August 1971. He participated in conferences, taught Notary Law and was a Notary at the Notary Office of Oliveira de Frades between1971 and 1996 and at the 2nd Notary Office of Aveiro (between January 1996 and June 2002). From 1996 to 1999 he was an Inspector of the Notary Services. He was City Councilman in Oliveira de Frades in part of two terms. He does not have any shares of Martifer SGPS, SA.

### Vice- Chairman of the General Meeting

**Francisco Artur dos Prazeres Ferreira da Silva** has a degree in Law completed at Faculdade de Direito, Universidade de Coimbra and practices law in Oliveira de Frades. Always had an active role in his community and, between 1998 and 2001, was the Vice Mayor of the City Council of Oliveira de Frades. He performed duties in the Cultural and Recreation Association, the Music Band and the Sport Group, all in Oliveira de Frades. He does not have any shares of Martifer SGPS, SA.

### Secretary of the General Meeting

**Ana Maria Tavares Mendes** has a degree in Law and is Postgraduate in Medical Law both completed at Faculdade de Direito, Universidade de Coimbra. Currently, she is a Lawyer at Carreto Lages & Associados, Sociedade de Advogados, RL, were she had already worked between June 2005 and December 2007. Between October 2007 and January 2008 she was a Lawyer at the Polytechnic Institute of Leiria, and between July 2006 and July 2007, at the Center for Social Security of Aveiro. She does not have any shares of Martifer SGPS, SA.

## SUPERVISORY BOARD

### Chairman of the Supervisory Board

**Manuel Simões de Carvalho e Silva** has a degree in Law, completed at Faculdade de Direito, Universidade de Coimbra. He is a lawyer in the district of Aveiro and boundaries since October 1980 focusing on areas such as civil law, labor, commercial, corporate and criminal law. He is the Chairman of the Supervisory Board and does not have any shares of Martifer SGPS, SA.

**Carlos Alberto da Silva e Cunha** holds a Diploma in Advanced Studies (program of PhD degree on Management Sciences), completed at Vigo University, Spain. A Master degree in Accounting and Administration completed at the University of Minho and is Postgraduate in "The Impact of the Euro in Business" by the Institute for High Studies on Finances and Tax. He has a degree in Auditing and the course of Specialized High Studies in Auditing at Instituto Superior de Contabilidade e Administração do Porto. He also has a graduation completed in Accounting at Instituto Comercial do Porto. He is a registered Auditor in the official list since March 1990. Also performs duties as Assistant Professor, teaching at Escola de Economia e Gestão, Universidade do Minho as well at Universidade Lusíada, in Oporto.

In 2008 and 2009 was invited to teach in the Post-Graduation Course "Fraud Management " promoted by Faculdade de Economia, Universidade do Porto. He does not have any shares of Martifer SGPS, SA.

**Carlos Alberto de Oliveira e Sousa** has a degree in Accounting Audit, a Baccalaureate in Administration and did a course on Specialized High Studies in Auditing. He is a member of the Official Technical Chamber of Auditors (number 1858). Since very early he has performed administrative functions, predominantly in accounting and has also been in the head office of administrative services of a business company of distribution. Since 1989, he has worked on his own in the accounting and consulting business, was a Director of several financial companies, where he also had the responsibilities of management. From 1990 to 2000 he taught various courses related to his academic education in several educational establishments. He does not have any shares of Martifer SGPS, SA.

**João Carlos Tavares Ferreira de Carreto Lages** has a degree in Law completed at Universidade Católica Portuguesa, Centro Regional do Porto. Since 1995 he practices Law in Oliveira de Frades District, also advocating in several causes all over the country. He was a Member of the Management Board of APA, SA, Management of Aveiro´s Harbor, being responsible for the following Departments: Marketing and Public Relations, Safety and Environment, Human Resources and Pilots. In July 2002 he co-founded the Carreto Lages & Associados Law Office, located in Aveiro and Oliveira de Frades, acting as an associate Manager.

## STATUTORY AUDITOR

**Américo Agostinho Martins Pereira**, registered in the Order of Auditors under the number 877 and in CMVM under number 9153, he has a degree in Accounting Auditing with High Specialization in Auditing. Since 1994, he works on his own in the Auditor activity in exclusive. He does not have any shares of Martifer SGPS, SA.

**Joselito Pedro Almeida Quaresma** has a degree on Company Organization and Management. He has entered the Order of Auditors under the number 1248. He does not have any shares of Martifer SGPS, SA.

## REMUNERATION COMMITTEE

**António Manuel Queirós Vasconcelos da Mota** has a degree in Civil Engineering (Inland Communications) completed at Faculdade de Engenharia, Universidade do Porto. Currently performs duties as Chairman of the Board of Directors of Mota-Engil, SGPS, SA, a position he holds since 2000. He has already served as Chairman of the Board in other companies, in particular, Mota-Engil, Engenharia e Construção, SA (2003-2006), Mota-Engil Internacional, SA (2000-2003), Engil - Sociedade de Construção Civil, SA (2000-2003) and Mota & Companhia, SA (1995-2003), where he also held the position of Vice-Chairman (1987-1995). He started his professional life in 1977 as a trainee in Mota & Companhia, Lda, and between 1979 and 1981, he worked in several departments of the same company, where he also worked as General Director of Production (1981-1987).

**Maria Manuela Queirós Vasconcelos Mota dos Santos** has a degree in Economics from the Faculdade de Economia, Universidade do Porto. She has worked in several companies of Mota-Engil Group, being responsible for the Human Resources Department. Presently she is a member of the Board of Directors at Mota-Engil, SGPS, SA.

**Júlio Manuel Santos Martins** has a PhD in Accounting and Finance completed at Manchester Business School, a Masters degree in Industrial Economics and a degree in Economics completed at Faculdade de Economia, Universidade do Porto. Presently he performs duties as General Manager at I'M SGPS, SA. Previously, he worked as Chief Operations Officer and Board member at Ilídio Pinho Foundation and Ilídio Pinho Group (from April 2006 to February 2008). He has also performed duties as Board member at the IP Holding, SGPS, SA (from October 1994 to February 2000), member of the Executive Board and Administration and Finances Director at Colep - Companhia Portuguesa de Embalagens, SA (from February 1993 to September 1994), Financial Director of Neorelva – Embalagens Metálicas, SA (from October 1989 to January 1993) and Financial Analyst at Banco Português do Atlântico (February to September 1989). He is an Assistant Professor at Faculdade de Economia do Porto since July 2006. In November 2007 he was invited to teach on the Masters degree of Accounting and Business Management. He has also been teaching and training in other schools, including Universidade Fernando Pessoa and Instituto Superior de Administração e Gestão, both located in Oporto. He was a speaker at several conferences and member of the Jury of PhD and Masters theses. He published, jointly with F. Chittenden, in 2003, "Valuing intangible assets", at The Royal Institute of Chartered Surveyors. He is a member of EAA - European Accounting Association and GRUDIS - Portuguese Network for Research in Accountings.

# ANEX II

**EQUITY INTEREST OF THE CORPORATE BODIES' MEMBERS** (CMVM REGULATION N. 5/2008, section 8.°, 1., b)

| | Corporate Body | Number of Shares on 31/12/2009 |
|---|---|---|
| Carlos Manuel Marques Martins | Board of Directors | 70,030 |
| Jorge Alberto Marques Martins | Board of Directors | 131,760 |
| I'M – SGPS, S.A. * | Board of Directors | 41,590,473 |
| Eduardo Jorge de Almeida Rocha | Board of Directors | 20,000 |
| Mário Jorge Henriques Couto | Board of Directors | 0 |
| Jorge Paulo Sacadura Almeida Coelho | Board of Directors | 0 |
| MOTA-ENGIL, SGPS, S.A. ** | Board of Directors | 37,500,000 |
| Luís Valadares Tavares | Board of Directors | 0 |
| Jorge Bento Ribeiro Barbosa Farinha | Board of Directors | 0 |
| Manuel Simões de Carvalho e Silva | Supervisory Board | 0 |
| Carlos Alberto da Silva e Cunha | Supervisory Board | 0 |
| Carlos Alberto de Oliveira e Sousa | Supervisory Board | 0 |
| Américo Agostinho Martins Pereira | Statutory Auditor | 0 |
| José Carreto Lages | Chairman of the General Meeting | 0 |

* The Board Members Carlos Manuel Marques Martins and Jorge Alberto Marques Martins are the only shareholders of I'M – SGPS, S.A., of which Board of Directors they are also Chairman and Member, respectively.

** The Board Members Jorge Paulo Sacadura Almeida Coelho and Eduardo Jorge de Almeida Rocha are Board Members of the Board of Directors at MOTA-ENGIL, SGPS, S.A.

# ANNEX III

## STATEMENT ON THE REMUNERATION POLICY OF THE MANAGERS (AS DEFINED IN PARAGRAPH 3, SECTION 248º-B OF THE SECURITIES CODE) THAT ARE NOT PART OF THE MANAGEMENT OR SUPERVISORY BODIES, IN ACCORDANCE WITH THE RECOMMENDATION 2.I.5.3 OF THE CMVM CORPORATE GOVERNANCE CODE

1. Given the strict delimitation of jurisdiction of the Remuneration Committee for the definition of the remuneration policy, exclusively for Corporate Bodies, the Board of Directors is responsible for the definition of the general policy regarding remunerations and incentives for the Managers and all technical and administrative staff of the Company.

2. Aiming to clarify and legitimize the decision of the Managers' remuneration (as defined in article 248.-B, number 3, of the Securities Code) that are not a part of the Company's Management or Supervisory bodies, the Board of Directors submits to the annual General Meeting for approval a document containing the guidelines it has observed in the definition of such remuneration.

3. Accordingly, the Board of Directors presents the following statement on the policy of definition of remuneration of the Company's Managers:

    a) The adopted policy regarding the definition of the remuneration of Martifer's Managers is coincident with what is defined for all Company's employees;

    b) Therefore, the remuneration of Managers and technical and administrative staff of the Company includes a fixed remuneration and an eventual performance premium, when applicable;

    c) The quality/measurement of the performance is established according to criteria previously defined by the Board of Directors;

So, for the definition of any performance premium of Managers, the Manager's degree of responsibility, his ability to adapt to the Company and its procedures, but also the technical and/or economic and financial performance of the respective business area and the economic and financial performance of the Company will be taken into account.

**The Board of Directors**

Carlos Manuel Marques Martins
(*Chairman of the Board of Directors*)

Jorge Alberto Marques Martins
(*Vice-Chairman of The Board of Directors*)

Mário Jorge Henriques Couto
*(Member of the Board of Directors)*

Eduardo Jorge de Almeida Rocha
(*Member of the Board of Directors*)

Jorge Paulo Sacadura Almeida Coelho
*(Member of the Board of Directors)*

Jorge Bento Ribeiro Barbosa Farinha
*(Member of the Board of Directors)*

Luís Valadares Tavares
*(Member of the Board of Directors)*

# ANNEX IV

## EVALUATION OF THE ADOPTED GOVERNANCE MODEL AND THE ACTIVITY OF THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

The Corporate Governance Committee, jointly with the Board of Directors of Martifer SGPS, now that has passed the first fiscal year with the new Corporate Governance model, sought to reflect an improved approach to the corporate governance. As a result of the perception produced by the changes in the Board of Directors, it was taken into consideration the convenience and opportunity of restructuring the initial model, adapting and adjusting it to the present state of development and strategy of Martifer Group.

One of the first results of that discussion is reflected in the Corporate Governance Report, with particular emphasis on explaining the adoption and non adoption of specific recommendations of the Corporate Governance Code of Listed Companies "comply or explain", giving us that the vision of the Board of Directors shall be in accordance to the perception of the shareholders over the Company. As stated previously, all improvement opportunities identified in the first year of governance were introduced in 2009.

In light of the possible Company's Management and Supervisory structure established under article 278º of the CSC, it was unanimously considered that the corporate structure adopted by Martifer SGPS is the most appropriate. Regarding control of the Board of Directors actions, one notices a double degree of control, with the existence of a collegiate body (Supervisory Board) and a Statutory Auditor. The Executive Board, which ensures the day-to-day management of the Company, has seen its number of members reduced from five to two. This sets a new-level on the control of the Executive Board, considering that the Board of Directors has now two independent members and three non-executives, enhancing in quality and efficiency the skills of the Board of Directors. The reduction of the number of Executive Board members was manifestly adequate, not only due to the benefits of a short administrative structure, common in Holding Companies, but also by allowing it to be more controlling and overseeing of the risks in the Holding and also in the business areas controlled by it. The permanent support of the Executive Board to the members of the Board and Managing Directors of the business areas has led to an enhancement of the information management and decision making. The choice of a model where the Board of Directors delegate powers to an Executive Board took into consideration the needs felt by business areas, in one hand, and, on the other, the need of immediate attention raised by these in their integration and strategic consolidation, only possible and efficient in a reduced collegiate body. Considering this, to the non-executive Board members is set the challenge of not only exercise "supervision" of their executive peers' activity, but primarily to provide guidance. Additionally to these important duties of non-executive Board members, other assignments are attributed to them in exclusive, namely on more important matters (over which responsibilities cannot be delegated into the Executive Committee), in which the decision is reserved to the Board of Directors, clearly identified in the Corporate Governance Report, and also to be part in specialized Committees as were the Corporate Governance Committee and the Ethics Committee.
As previously mentioned, the Company's Board of Directors today has two Executive members, Mr. Jorge Alberto Marques Martins and Mr. Mário Jorge Henriques Couto, and five non-Executive members, Mr. Carlos Manuel Marques Martins, Mr. Eduardo Jorge de Almeida Rocha, Mr. Jorge Paulo Sacadura Almeida Coelho, Mr. Jorge Bento Ribeiro Barbosa Farinha and Mr. Luís António de Castro de Valadares Tavares. In 2009 the non-Executive members of the Company's Board of Directors participated in all Board meetings, received all preparatory documentation for these meetings and, throughout the year, additional information concerning the activity of the Executive Committee. Also, when requested to the Executive Committee, the non-Executive members received complete, current and true information on the Company's Executive management. The non-Executive members were informed of all the Executive Committee's agendas as well as all the deliberations taken throughout the year fully documented, thus assuring the supervision and control of the Executive management.
This made possible the goal to monitor the Company's regular operations, internationalization projects, and the implementation of improved governance measures in Martifer Group.

The individual activities taken by the non Executive members of the Management Board in 2009 as previously mentioned was boosted by the direct government of the Internal Committees of the Board of Directors: The Corporate Governance Committee presided by Mr. Jorge Bento Ribeiro Barbosa Farinha, who brilliantly promoted and directed his duties, accordingly to the applicable regulations. In this particular Committee are also members two other non-Executive Board members, Mr. Eduardo Rocha and Mr. Luís Valadares Tavares, who with their significant experience and knowledge honoured the works of this Committee. Mr. Jorge Farinha is also President of the Ethics Committee, leading all its activities since 2009. Besides extraordinary meetings held between the Executive Committee and the non-Executive members of the Board, every convened meeting of the Board of Directors was an important instrument to compile, gather information and evaluate the performance of the Executive Committee regarding its duties.

Finally, relating to the composition of the Corporate Bodies, one of the main rights of shareholders concerning the compliance with Corporate Governance Recommendations is the option to appoint a suitable number of independent Directors in the Board of directors, as all other result from legal provisions. Given that this was previously clarified in the Corporate Governance Report, in addition it is important to say that extensive promotion of the Recommendations was made, creating in 2009 conditions for the appointment of non-executive Directors and, amongst those, an adequate number of independent directors. Summarizing, the Board concludes that the Corporate Governance model in force functions in an effective and unencumbered way, without affecting the interests of shareholders, workers, members of corporate bodies and thus no motives arise for other options, without prejudice of the content of the Corporate Governance Report. It is so considered that there is no motive for the proposal to shareholders of changes to the Company's organization.

**The Board of Directors**

Carlos Manuel Marques Martins
(Chairman of the Board of Directors)

Jorge Alberto Marques Martins
(*Vice-President of the Board of Directors and CEO*)

Eduardo Jorge de Almeida Rocha
(*Member of the Board of Directors*)

Mário Jorge Henriques Couto
(*Member of the Board of Directors and CFO*)

Jorge Paulo Sacadura Almeida Coelho
(*Member of the Board of Directors*)

Luís A. de C. Valadares Tavares
(*Member of the Board of Directors*)

Jorge Bento Ribeiro Barbosa Farinha
*(Member of the Board of Directors)*

# ANNEX V

## STATEMENT ON THE REMUNERATION POLICY OF THE MANAGEMENT AND SUPERVISORY BODIES TO BE SUBMITTED TO THE GENERAL MEETING ON 7 APRIL 2010 TO APPROVAL

I. INTRODUCTION

In use of a legal right conferred by Article 399º of the Portuguese companies code (CSC), the Bylaws of Martifer SGPS, in its article 20, delegate to a Remuneration Committee the powers to decide on the remunerations of the Management and Supervisory Bodies of the Company.

Therefore, and in compliance with article 2 of Law 28/2009, of 19 June, this Committee hereby submits for approval of the General Meeting of Shareholders of Martifer SGPS, S.A. of 7 April 2010 its declaration on the policy of remunerations of the Management and Supervisory Board.

This statement seeks to follow closely the applicable provisions of the CSC and the Corporate Government Code of Comissão Mercado dos Valores Mobiliários ("CMVM").

It is also relevant to point out that the present statement, more than mandatory by law, intends to be an important instrument of good Corporate Governance, aiming the proper information of the shareholders, the protection of their interests and the transparency of Corporate Governance in matters of remuneration of Corporate Bodies.

II. REGULATORY REGIME

In the definition of the remuneration policy to be established by the Remunerations Committee, were first taken into account the legal provisions of CSC, namely in its article 399º; the Law 28/2009, 19 June, concerning the regime of approval and disclosure of remunerations policy of the Management and Supervisory Bodies in Listed Companies, as well the Corporate Governance Code of CMVM.

In second place, it has also been taken into consideration, for the definition of the remuneration policy, the special regime established in the Company's Bylaws.

III. GENERAL PRINCIPLES

The Remunerations Committee pursues, in its remunerations policy, to promote the convergence of the interests of Directors, other Corporate Bodies and Managers with the interests of the Company, namely shareholder value creation and real growth of the Company, privileging here a long term perspective.

Pursuing this aspiration, and accordingly to the policy adopted in previous years, the Committee structured the integrant components of the income of the Board of Directors in order to reward their performance, discouraging however excessive risks-taking. This way, it is intended to promote a high-level sustained growth.

Finally, it is relevant to say that is determinant in this Committee's mission the economic position of the Company as well the general market practices for similar situations.

Specifying the general policy herein stated, we hereby present to the shareholders the principals informants observed by this Committee in the definition of the remunerations:

a) Duties Performed

In the decision of the remuneration of each member of the Board of Directors, shall be taken into account, for each single member, the complexity of his duties, the responsibilities that are, in fact, attributed to him, the time dedicated and the added value the result of his work brings to the Company.

In that extent, one cannot fail to differentiate the remuneration between the Executive Board members and the non-Executive Board members, as well as the remuneration amongst each of the cited group.

There are also duties performed in other controlled companies which cannot be excluded from this consideration, as this means, on one side, there is an increase in terms of responsibility and, on the other, in terms of the collective source of income.

b) Interests alignment between the Management and Supervisory Bodies and the Company – Performance evaluation.

In order to grant an efficient alignment of interests of the Management and Supervisory Bodies with the ones of the Company, this Committee shall not fail to pursue a policy that rewards the Board Directors by the performance of the Company in a long term perspective and in the creation of value for the shareholder.

c) Economic position of the Company

This criterion has to be understood and interpreted carefully. The size of the Company and the inevitable complexity of management associated to it is clearly one of the relevant aspects to determine the economic situation of the Company and of remuneration, understood in its broader sense. To a higher level of complexity, corresponds a higher remuneration, but it has to be adjusted accordingly to other criteria informants of the economic situation of the Company (of financial nature, human resources nature, etc).

c) Market Criteria

The balance between supply and demand is unavoidable when setting any remuneration and the situation regarding members of the Corporate Bodies is no exception. Only by taking into account market practices will allow the Company to maintain professionals guided to perform at an adequate level of complexity and responsibility, It is important that the remuneration is aligned with market practices and that it is stimulant, allowing it to become an instrument to help achieve a single and collective high level of performance, thus ensuring not only the individual interest, but mostly the interests of the Company and of the shareholders.

*4.* CONCRETE OPTIONS

Based on the above mentioned principles, this Committee disclosure the relevant information regarding the concrete options of the remunerations policy, which hereby are submitted to the Company's shareholders appreciation:

1st Remuneration of Executive members of the Board of Directors, as well of non-Executive and non independent members, shall be made up of a fixed and a variable part;

2nd Remuneration for non-Executive independent members of the Board of Directors, members of the Supervisory Board and members of the Board of the General Meeting shall only consist of a fixed part.

3rd The fixed part of the remuneration of the Executive members of the Board of Directors, as well the non-Executive Members non independent, shall consist in a monthly amount payable fourteen times *per annum*.

4th The determination of the monthly value for the fixed part of the remuneration of the Board members shall be set to every Executive Member and for those who, although not Executive, aren't considered to be independent.

5th A fixed remuneration, for each participation in the meetings of the Board of Directors, shall be set for the non-Executive and independent Board members.

6th Fixed remuneration of members of the Supervisory Board shall be set in a monthly value payable twelve times *per annum*.

7th Fixed remuneration of the members of the Board of the General Meeting will be a predetermined value for each meeting.

8th The process of attribution of variable remuneration to Executive members of the Board of Directors must follow the criteria proposed by the Remunerations Committee, namely their hierarchal stand, evaluation of performance and real growth of the Company, seeking to promote in those the convergence of the interests of the Management Body with the Company, with emphasis on the long-term performance. Thus, will be considered decisive for the evaluation and measurement of the VR:

- The contribution of the Executive Board for the results obtained;
- The profitability of business in the perspective of the shareholder;
- The evolution of the stock quotes;
- The degree of achievement of the projects integrated in and measured by the Balenced Scorecard of the Company.

9th The Company's Board of Directors submitted a proposal of Stock Options Remuneration Plan (PROA) for appreciation to its Shareholders in the General Meeting of 28 March 2008.

The objectives of the PROA are, among others, the retention of key employees of the various companies in the Group; the stimulation of the creativity and productivity of employees, thereby promoting the results of the Company; the creation favourable conditions to attract and recruit of managers and other key employees; the alignment of interests of the employees with the interests of Martifer's shareholders and other stakeholders, rewarding their performance through the value creation for shareholders, reflected in the evolution of the share price of the Company on the Stock Market.

The PROA works by attributing as part of the variable remuneration (RV) of the beneficiary options to buy or subscribe to shares of Martifer. Thus, the PROA will depend on the performance evaluation system in force in the Group. The number of options each beneficiary receives in a given year will depend on the value of his/hers RV, which depends on his/hers performance evaluation, hierarchical position and the value of the options. The value of the options will be calculated by independent entities (Investment Banks).

Each option will give the beneficiary the right to acquire or subscribe one Martifer share at a future date at the exercise price. The options may be exercised in 4 different moments, once annually. The shares to be delivered to the beneficiaries at the moment the option is exercised will result from a capital increase. The number of shares resulting from options attributed and not exercised, at any given time, may not exceed 2% of Martifer's share capital. The Beneficiary may lose the right to non exercised options in the event of leaving the Group, unless there is a mutual agreement.

10th Notwithstanding the policies above mentioned of protection of the shareholders and Company's interests on the long term, the Committee, in search of the best practices of Corporate Governance regarding remuneration policies of the Corporate Bodies, is presently studying the possibility of adoption of politics that, shown to be feasible and balanced to all actors, foresee the possibility of the variable remuneration to be payable, in part or totally, only after clearance of the fiscal accounts of all the mandate and, on the other hand, that allows a limitation to the variable remuneration in case the results show a relevant deterioration of the company's Performance in the last cleared fiscal year or when it is expected in the designated year.

It is our understanding that, in light of what is said in the above 10, these options should be maintained until the next General Meeting.

The Remuneration Committee