Portugal

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1. GENERAL DESCRIPTION OF THE CAPITAL MARKETS

1.1 Number of companies listed

There are 51 listed companies currently on the Lisbon stock exchange, named (although not officially) Eurolist by New York Stock Exchange (NYSE) Euronext Lisbon (Eurolist), the official quotation market managed by Euronext Lisbon (*Sociedade Gestora de Mercados Regulamentados*, S.A.). Additionally, there are 17 listed companies on the Portuguese multilateral trading facility (MTF) EasyNext Lisbon.

Sacyr Vallehermoso, S.A. and Banif – SGPS, S.A. were delisted in 2012.

1.2 Total volume and market value

In 2012, 26,456,206,786 shares were traded in the Euronext Lisbon regulated markets and in the EasyNext Lisbon MTF, corresponding to a market value of EUR 20.2 billion and, additionally, an amount of EUR 580 million of value traded on bond trading, with EUR 89.5 billion of market capitalisation.

1.3 Regulated markets and multilateral trading systems

The regulated markets are: (i) the official quotation market, Eurolist, on which most significant Portuguese equity securities are listed; (ii) the derivatives market (*Mercado de Futuros e Opções*), which is the market for equities futures and options (both of these markets are managed by Euronext Lisbon); and (iii) the special market for public debt (*Mercado Especial de Dívida Pública*), managed by MTS Portugal – *Sociedade Gestora do Mercado Especial de Dívida Pública, SGMR, S.A*. The treasury bonds (*Obrigações do Tesouro*) are admitted to trading on the platforms MTS, BrokerTec and eSpeed, whereas its placement in the primary market is ensured by a group of financial institutions with the status of Primary Dealers (OEVT) or Other Auction Participants (OMP), having OEVT the obligation of promoting the liquidity of the secondary market.

The multilateral trading systems are: (i) the non-quotation market for shares and the structured securities (warrants and bonds) market (jointly named as EasyNext Lisbon) managed by Euronext Lisbon; (ii) the PEX market managed by OPEX – *Sociedade Gestora de Mercado de Valores Mobiliários Não Regulamentado, S.A*. and (iii) the Alternext Multilateral Trading Facility, managed by Euronext Lisbon.

1.4 Securities clearing house

Transactions in securities traded on Eurolist are cleared by LCH Clearnet and settled by Interbolsa's Settlement System. LCH Clearnet interposes itself between the buyer and seller in a covered transaction and becomes a transaction counterparty in order to eliminate counterparty risk.

1.5 Issue activity

According to the Fact Book Euronext 2012, one company, Banif – *Banco International do Funchal, S.A.* was admitted to trading on Eurolist, whilst in 2011 no company was admitted. There are still no data available for 2013.

1.6 Takeover activity

According to the Portuguese Securities Market Commission (CMVM) annual report for 2012, three mandatory takeovers were launched in 2012: on Fisipe – *Fibras Sintéticas de Portugal, S.A.*, on Cimpor – *Cimentos de Portugal, SGPS, S.A.* and on Brisa – *Auto Estradas de Portugal, S.A.*

1.6 Hostile takeover attempts

In 2012 there were two voluntary takeover attempts, both on debt securities.

2. REGULATORY STRUCTURE

2.1 General

The Portuguese securities market is mainly governed by the Portuguese Securities Code (CVM), by orders issued by the Ministry of Finance, regulations issued by the CMVM and technical regulations issued by Euronext Lisbon. European Union (EU) law, including regulations in respect of offerings, prospectuses and, more generally, securities markets also applies.

2.2 Regulation of the offering of new securities

The offer of new securities in Portugal is made either through public offers or private placements.

2.2.1 Public offering

An offer of securities shall be deemed to be a public offer in Portugal whenever any of the following events occurs:

- the offer is, totally or partially, addressed to undetermined persons resident or entities established in Portugal;
- the offer is addressed to all the shareholders of a Portuguese listed company, even if the share capital is represented by nominative shares;
- the offer is, partially or totally, preceded or executed with prospecting or marketing activities in Portugal; or
- the offer is addressed to, at least 150, non-qualified investors located and/or resident in Portugal.

An offer falling under the category of a public offer can only be validly and legally addressed to investors resident and/or located in Portugal when: (i) an offer prospectus is approved by (in the case of a distribution offer) or

the offer is registered with (in the case of a tender offer) the CMVM; or (ii) an offer prospectus (in the case of both a distribution offer and a tender offer for securities admitted to trading in a regulated market in Portugal) has been approved by another EU Member State regulatory authority, a recognition procedure is commenced with the CMVM and the offer prospectus is passported into Portugal.

In the case of a tender offer, the offeror has to register the tender offer with the CMVM. Following the registration of the offer, the offeror has to disclose: (i) an announcement launching the offer; and (ii) the offer prospectus duly approved by the CMVM.

Rules established on the CVM regarding public offers are also applicable to mutual funds (OIC) and real estate (FII) investment funds. However, with regards to OIC, after the first 6 months of activity the participation units must be dispersed by a minimum number of 100 unitholders, in case of Undertakings for Collective Investments in Transferable Securities (OICVM), and 30 unitholders, in case of Alternative Investment Funds (OIA). The mandatory dispersion must comply with the rules applicable to public offerings.

In 2012, there was an increase in the number of offerings, largely justified by a surge in corporate debt issuance.

2.2.2 Private offering

Where there is no advertisement, prospecting or marketing activities in Portugal in relation to an offer and the offer is exclusively addressed to qualified investors and/or 149 or less non-qualified investors resident and/or located in Portugal, the offer should qualify as a private placement.

The following entities are considered as qualified investors: (i) credit institutions; (ii) investment companies; (iii) insurance companies; (iv) collective investment institutions and their respective managing companies; (v) pension funds and their respective managing companies; (vi) other authorised or regulated financial institutions, such as securitisation companies or funds; (vii) financial institutions of states outside the EU performing activities similar to those indicated in (i) to (vi) above; (viii) entities negotiating financial instruments on commodities; (ix) national and regional governments, central banks and public agencies managing state debt, such as the European Central Bank, European Investment Bank, International Monetary Fund and World Bank; and (x) persons who render investment services or carry out investment activities, which consist exclusively in dealing on own account in futures or spot markets, the latter for the sole purpose of hedging positions on derivatives markets, or deal or make prices on behalf of other members of said markets and which are guaranteed by a clearing member of the same markets, where responsibility for ensuring the performance of contracts is assumed by one of said members; (xi) legal persons whose dimension, according to their last individual annual accounts, meets two of the following criteria (1) equity of EUR 2 milion (2) total assets of EUR 20 million (3) net turnover of EUR 40 million; and (xii) people who have been given this treatment,

in accordance with the procedure set out in article 317-B of the CVM, and that fulfil at least two of the following criteria: (a) have, in the past, made significant market transactions over securities with a frequency of at least 10 operations per quarter in the past year, (b) have a portfolio of securities in an amount of more than EUR 500,000, and/or (c) have performed any activity, at least during one year, in the financial sector, in a position that demands knowledge of investment in securities.

An offer qualifying as a private placement would not be subject to: (i) registration with; or (ii) prospectus approval by the CMVM.

2.3 Differences between local and foreign companies

There is no need for a foreign company offering securities to be locally registered or licensed, or to have a local presence in Portugal.

A prospectus specifically prepared for an offer in Portugal or prepared for a pan-European offer and passported into Portugal should be disclosed, if a public offer is envisaged to be launched in Portugal.

2.4 Admission to trading on a regulated market

An issuer seeking the listing of its securities in Eurolist must comply with the prerequisites set out in section 8.1.

A prospectus is required for admission to trading on Eurolist.

2.5 Financial promotion

Advertising and prospecting with the purpose of entering into financial intermediation agreements or gathering information on current or potential clients may only be carried out by:

- an authorised financial intermediary; or
- a tied agent representing the financial intermediary.

2.6 Rule books

The rules regarding prospectuses and listing are set out in the CVM, Directive 2003/71/EC and Regulation 809/2004/EC of the Commission, of 29 April, as amended, which implements the former Directive.

3. REGISTRATION OF THE ISSUER AND SECURITIES

3.1 Registration requirements

There are no specific requirements in respect of the registration of the issuer, either local or foreign, other than the commercial registration applicable to all Portuguese companies.

The registration of a branch in Portugal requires the delivery of certain documents to the commercial registry authorities if a place of business is established in Portugal.

The issuance of book entry form and titled securities is mandatorily registered with the issuer.

Titled securities may be deposited with a financial intermediary within, or outside, the centralised system. Alternatively, titled securities may be kept by their respective holders. In any case, titled securities of listed companies

must be deposited with a financial intermediary within the centralised system.

Book entry form securities may be registered under: (i) an account with the financial intermediary, in the centralised system; (ii) an account with a single financial intermediary appointed by the issuer; or (iii) an account with the issuer or with a financial intermediary representing the issuer. Book entry form securities admitted to trading on regulated markets are mandatorily integrated in the centralised system.

3.2 Other requirements

Not applicable.

3.3 Nature of securities

Pursuant to the CVM, the capacity to issue securities and the representation form of the securities are governed by the issuer's personal law and types of securities are extensively (although not exhaustively) listed in the CVM and include:

(a) shares;
(b) bonds;
(c) equity instruments;
(d) units in undertakings for collective investments;
(e) warrants;
(f) rights detached from the securities described in (a) to (d); and
(g) other documents representing fungible legal positions provided they may be traded on the market.

Securities may be titled or in book entry form if they are, respectively, registered in an account or represented by certificates. Furthermore, securities are nominative or in bearer form, respectively, if the issuer has the ability to know its holders or not.

4. SUPERVISORY AUTHORITIES

4.1 Conduct: prudential, cooperation, self-regulation of stock exchange

The professional exercise of any financial intermediation activity depends on: (i) authorisation to be granted by the competent authority (eg, the Bank of Portugal (BP) for credit institutions); and (ii) pre-registration with the CMVM.

The CMVM has the power to supervise the Portuguese securities market.

The regulatory duties of the CMVM relate mainly to the development of the broad principles set out in the CVM by means of issuing: (i) regulations; (ii) instructions, which aim to regulate proceedings of an internal nature; (iii) general recommendations; and (iv) official legal opinions.

The CMVM also has powers to investigate infractions to the securities market's rules and apply sanctions.

The CMVM's supervisory duties also include prudential supervision aiming, in general, to: (i) preserve the solvency and liquidity of the institution, as well as to prevent risks; (ii) to prevent systemic risk; and (iii)

to oversee the ethical standards of the members of the management bodies and holders of qualifying shareholdings.

Banking and insurance sectors are additionally supervised and regulated by, respectively:

- the BP; and
- the Portuguese Insurance Institute (ISP).

The BP is represented with voting rights at the Board of Supervisors of the European Banking Authority, which purpose is ensuring an adequate supervision of the EU's financial system.

In the context of its attributions, Euronext Lisbon also has supervisory powers, being responsible for defining the operating rules of its markets and adopting any action deemed necessary to defend the integrity, proper functioning, safety and market transparency.

4.2 New listing measures in connection with the credit crisis

The CMVM has issued Regulation No. 1/2009 establishing a particular information regime for complex financial products in order to allow the public to acknowledge the real features of such products, which has since been revised by Regulation No. 2/2012; and Regulation No. 4/2013 setting out recommendations on corporate governance, aiming to improve the levels of transparency of the securities market.

5. OFFERING DOCUMENTATION

5.1 Nature and statutory requirements of the offering document or disclosure document

As a general rule, public offers must be preceded by the disclosure of a prospectus.

Any prospectus must contain complete, true, up-to-date, clear, objective and lawful information, allowing the addressees to make an informed assessment about the offer, and must comply with information requirements contained in Directive 2003/71/EC and Regulation No. 809/2004, as amended.

5.2 Exemptions

Certain types of public offers do not require a prospectus, notably:

- offers of securities, as a result of a merger, to at least 150 shareholders who are not qualified investors;
- payment of dividends in the form of shares of the same class as those that granted the right to dividend; and
- offers of securities to members of the management bodies or employees, to the extent that the offeror (i) has its registered office in the EU; or (ii) if the registered office is located outside the EU, its securities are listed on a regulated market, and that there is a document containing information on the securities being offered.

5.3 Due diligence

Although Portuguese law does not expressly govern the exercise of due

diligence, it is common that the financial intermediary, assisted by its legal advisors, exercises due diligence and issues a report, which is usually made available to the issuer and its advisors in the offer.

5.4 Disclaimer/selling restrictions

In the case of private offers, disclaimers in respect of selling restrictions are commonly used in respect of:

- restrictions on the distribution of the offer prospectus and other offer materials;
- the addressees; and
- the absence of registration and approval of the prospectus by the CMVM.

5.5 Issuing of bonds

ISSUANCE OF BONDS IS SUBJECT TO THE RULES MENTIONED IN SECTIONS 5.1, 5.2 AND 8.2 IN RESPECT OF PUBLIC AND PRIVATE OFFERS, IN PARTICULAR IN RELATION TO THE PROSPECTUS OBLIGATION, ALTHOUGH THE LEVEL OF REQUIRED DISCLOSURE MAY VARY IN ACCORDANCE WITH REGULATION NO. 809/2004. 6. DISTRIBUTION SYSTEMS

The Portuguese Settlement System is managed by Interbolsa (*Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.*), a company that is wholly owned by Euronext Lisbon and which also manages *Central de Valores Mobiliários* (Central VM). The Central VM is the centralised system for the registration and control of securities, including custody of certificated securities and registration of book-entry securities, in which all securities admitted to trading on a Portuguese-regulated market, either in certificates or in book-entry form, must be deposited or registered. Any trading of securities listed on a Portuguese regulated market that takes place over the counter must be cleared through financial institutions and physically settled through the Central VM, where such securities are registered or deposited.

Under the procedures of the Portuguese Settlement System, physical settlement takes place at 11:00 am (CET) on the third business day after the trade date and is provisional until financial settlement, which takes place at the BP at 12:30 pm (CET) on the same day.

6.1 Normal structure of a distribution group

Securities offerings are traditionally distributed by banks. Such entities must be authorised to perform financial intermediation activities by the BP and be registered with the CMVM and fall under the joint supervision of both these entities.

6.2 Methods of distribution

The distribution of the securities may be made through the entering into

of a placement agreement with a financial intermediary or through the entering into of an underwriting agreement.

6.3 Underwriting

By entering into an underwriting agreement, the financial intermediary is obliged to acquire the securities that are the object of the public offer and, subsequently, place them, on its own account and risk.

The financial intermediary must transfer to the final acquirers all the patrimonial rights inherent to the securities issued after the date of the underwriting.

Pre-emption rights in the subscription or acquisition of the securities are not affected.

6.4 Fees and commission

The direct consideration for the rendering of financial intermediation services is not subject to particular restrictions, except those in connection with loyalty duties towards the client. Commissions and fees vary on the type of agreement and commitment taken by the financial intermediary.

Proper fees necessary to the rendering of the financial intermediation services are allowed if they do not damage the client's interests.

Inducement fees granted to third parties may only be charged if the client is informed and the quality of the service is improved.

6.5 Stabilisation

In general, transactions likely to produce stabilisation effects on the prices of a certain type of securities are prohibited, as per Regulation 2273/2003/EC. However, buy-back programmes and the stabilisation of financial instruments may be exempted, notably in the context of an initial public offer.

As an additional means of facilitating a public offer, a stabilisation agent, acting on behalf of the managers, may engage in transactions that stabilise, support, maintain or otherwise affect the price of the shares for a maximum period of 30 calendar days from the date the shares are admitted to listing on a regulated market. The stabilisation agent may over-allot the total number of shares comprised in a certain public offer or effect transactions with a view to supporting the market price of the shares at a level higher than that which might otherwise prevail in the open market.

6.6 Involvement of a distributor in the preparation of the offering document

The distributor may be a different entity from the financial intermediary who rendered the assistance services during the offer.

6.7 Timing of distribution process

The distribution of securities in the context of an offering generally occurs in the term defined by the financial intermediary but always in compliance with the nature of the offer (ie, public offer or private placement, see sections 2.2.1 and 2.2.2).

6.8 Rules on distribution to the public

The prospectus shall not be disclosed to the public until its approval by the CMVM.

The prospectus shall be disclosed:

- in the event of a distribution public offer preceded by a negotiation of rights, no later than the working day before the day on which the rights are detached; or
- in all other distribution public offers, no later than the commencement of the relevant public offer.

In the event of a public offer of a class of shares not yet admitted to trading on a regulated market and which is intended to be admitted to trading on a regulated market for the first time, the prospectus must be available at least six working days before the expiry of the offer period.

If the prospectus is made available in electronic form, a paper copy must be delivered to the investor, upon his request and free of charge, by the issuer, the offeror or the financial intermediaries placing the securities.

Again, distribution of securities must conform to the applicable rules depending on the type of the offer (ie, public offer or private placement, see sections 2.2.1 and 2.2.2).

7. PUBLICITY

All advertising materials related to public offers are subject to prior approval by the CMVM.

All marketing materials shall: (i) be comprehensive, true, current, clear, objective and lawful, even if the information is inserted in an advice, a recommendation, an advertisement or a rating notice; (ii) mention the existence or future availability of a prospectus and indicate the means to obtain it; and (iii) be consistent with the contents of the prospectus.

8. LISTING AND PROSPECTUS REQUIREMENTS

8.1 Special listing requirements, admission criteria

The issuer seeking listing of its securities must:

- be incorporated and functioning in accordance with the law under which it is governed;
- have been conducting business for at least three years;
- have published its annual financial statements for the prior three years; and
- prove that its financial and economic condition is compatible with the nature of the securities to be admitted and with the market to which listing is requested.

Only those shares in relation to which an adequate level of dispersion among the public can be verified and a minimum amount of EUR 1 million of market capitalisation is forecast (or, if such forecast is not possible, when the own funds of the company are at least equal to such an amount) shall be admitted to trading.

8.2 Preparation of the offering document, general contents

Any prospectus must include, among others, the following information:

- persons who are responsible for its contents;
- the purpose of the offer;
- about the issuer and its business;
- about the offeror and its business;
- corporate governance structure of the issuer;
- about the members of the corporate bodies of the issuer and the offeror; and
- about the financial intermediary.

The prospectus of a public distribution offer must include a summary that provides key information to investors concisely and in non-technical language. Key information is understood to be essential and appropriately structured information is to be provided to investors to enable them to (i) understand the nature and risks of the issuer, the guarantor and the securities of the offer; and (ii) decide whether to continue considering the offer, notwithstanding any decision to invest in the securities should be based on information from the prospectus as a whole. Such a prospectus may be a single document or composed of separate documents (ie, register document, information on the securities and summary).

In limited circumstances, the issuer may alternatively prepare a base prospectus, which will be subject to an addendum whenever updated information is available, and which must also include statements of responsibility issued by the persons who are responsible for its contents. The content of the base prospectus and the corresponding final terms and their disclosure shall comply with the provisions of Regulation No. 809/2004. The final conditions contain only information relating to the note on securities and shall not be used as an addendum to the base prospectus. If the final terms of the offer are not included in the base prospectus or in an addendum, terms shall be disclosed to investors as soon as practicable and if possible, before the start of the offering and communicated to the CMVM and to the competent authorities of host Member States if applicable.

8.3 Responsibility

The following persons or entities may be held responsible for the contents of the prospectus:

- the offeror;
- the members of the management board of the offeror;
- the issuer;
- the members of the management board of the issuer;
- the promoters, in the case of a subscription offer for the incorporation of a company;
- the members of the auditing corporate body, accounting firms, chartered accountants and any other individuals that have certified or, in any other way, verified the accounting documents on which the prospectus

is based;
- the financial intermediaries of the offer; and
- any other entities appointed in the prospectus as responsible for any information, forecast or study included in the prospectus.

8.4 Recognition of prospectuses by other exchanges

A prospectus approved by the competent authority of an EU Member State for a public distribution offer can be validly used in Portugal, so long as a passport procedure of such a prospectus is complied with. To that purpose, the CMVM must receive a prospectus approval certificate from the competent authority and a copy of the aforementioned approved prospectus and, in some circumstances, a translation into Portuguese of the summary.

A prospectus approved in another member state for a takeover offer to be made in relation to securities listed in a regulated market in Portugal can be recognised by the CMVM and used in Portugal if the prospectus is translated into Portuguese and the CMVM receives the relevant certificate from the authority of the other Member State.

CMVM may require that any supplementary information resulting from the specificities of the Portuguese regime concerning formalities relating to payment of the consideration, acceptance of the bid and the tax regime applicable thereto be added.

8.5 Supplementary prospectuses

If, between the moment of the approval of the prospectus and the term of the offer, or, when applicable, the date of admission to trading of securities, any inaccuracy in the prospectus is noticed, or any new fact occurs, or any fact not previously considered is acknowledged and is relevant to the assessment to be made by the addressees, an addendum or rectification to the prospectus must be filed with the CMVM for approval.

8.6 Mechanics of the review process

The application for the admission to trading on a regulated market is served to the regulated market operator of the market on which the securities will be traded and must include evidence that the prerequisites referred to in section 8.1 are met (or how and when they will be met) and may be requested by:
- the issuer;
- the holders of at least 10 per cent of the issued securities of the same category, if the issuer is already a listed company; and
- the Public Credit Management Institute, if it relates to bonds issued by the Portuguese state.

The regulated market operator shall decide on the admission to trading of the securities or its refusal up to 90 days after the submission of the application.

In any case, admission to trading shall be deemed refused if the approval decision is not notified within 90 days following the admission application.

8.7 Prospectus obligation, due diligence, exemption

In general, a prospectus is mandatory for the admission to trading of securities, in line with the general prospectus exemptions we have stated above, and is subject to the CMVM's approval.

Due diligence, although not legally regulated, is a common proceeding.

8.8 Appeal procedure in the event of a prospectus refusal

In the event that the CMVM refuses to approve the prospectus or register an offer, the issuer may bring the case before the Portuguese administrative courts, although there is no precedent of such an appeal procedure.

8.9 Authority of the Exchange

Eurolist is managed by Euronext Lisbon, which supervises and provides rules for the market agents of the Exchange. Euronext Lisbon holds an exchange licence granted by the CMVM and operates under its supervision.

8.10 Sponsor

Not applicable.

8.11 Special arrangements for smaller companies such as Alternext, AIM or SPACs

Euronext Lisbon operates Eurolist, the official quotation market, and the Euronext Lisbon Futures and Options Market, ie, the Lisbon market of the New York Stock Exchange (NYSE) Liffe.

Euronext Lisbon also operates a multilateral trading facility (MTF) – EasyNext Lisbon – that does not fall within the EU definition of 'regulated markets'.

NYSE Alternext is a pan-European market designed specifically for small and medium-sized companies which may benefit from a market with less stringent listing requirements and innovative operating rules which Portuguese companies may access. A local platform in Portugal was created in 2012.

8.12 Costs of various types

The costs of listing may vary considerably and, in general, include adviser fees (legal advisors, accountants and financial intermediary), marketing and distribution costs and fees related to the application with the CMVM and Euronext Lisbon.

9. ONGOING COMPLIANCE REQUIREMENTS

9.1 Disclosure and transparency rule

Information relating to financial instruments, organised forms of trading, financial intermediation activities, clearing and settling of transactions, public offers of securities and issuers must be comprehensive, true, up-to-date, clear, objective and lawful.

For each regulated market or multilateral trading system, the managing entity must disclose:

- information on the financial instruments admitted to trading or selected for trading, the transactions carried out and respective price;
- price, quantity, time and other details concerning each share transaction; and
- total amount of shares traded.

9.2 Information

Issuers must disclose: (i) annual (consolidated and individual, when required) management reports and accounting documents and accounts, including a report from an authorised auditor; (ii) annual report on corporate governance; (iii) each semester, management and financial information; (iv) in certain circumstances, quarterly management and financial information; and (v) any privileged information of a price sensitive nature.

9.3 Listing rules

Listing rules comprise, amongst others, the obligation to serve on the CMVM information on several company elements; such as the share capital composition, certain shareholders' agreements, acquisition of qualifying shareholding, the dividends paid to the shareholders and the composition of the corporate bodies.

In addition, listing rules also compel the issuer to publicly disclose its financial standards and information on the corporate governance practices it has adopted.

Finally, and in accordance with the Rule Book I issued by Euronext, when trading on the market, listed companies shall always: observe high standards of integrity, market conduct and fair dealing; act with due skill, care, and diligence; and refrain from any act or course of conduct which is likely to harm the market's reputation.

9.4 Obligations regarding proxy solicitation

Proxy solicitation is subject to the following rules:

- the proxy shall be granted only for a specified meeting, either on first or on second call;
- the proxy may be revoked, being automatically revoked with the presence of the represented person in the shareholders' meeting; and
- the request for representation must contain all the necessary elements for the exercise of the voting rights.

In the case of listed companies, the proxy letter shall also mention the voting rights attributable to the requestor, as well as the justification for the voting position.

The notice convening the shareholders' meeting shall mention the availability of a proxy form, indicating the means to request it, or include said form, which shall be submitted to the CMVM two days before being sent to the shareholders.

9.5 Continuing requirements of reporting and notification of substantial shareholdings or a substantial transaction

Any entity reaching or exceeding a holding of 10 per cent, 20 per cent, one-third, half, two-thirds and 90 per cent of the voting rights in the share capital of a listed company subject to Portuguese law or reducing its holding to a value lower than any of the above limits, should, within four trading days of the occurrence of said fact or the knowledge thereof, inform the CMVM and the relevant company.

Also, any entity reaching or exceeding a holding of: (i) 5 per cent, 15 per cent and 25 per cent of the voting rights in the share capital or reducing its holding to a value lower than any of the above limits with regard to a listed company, subject to Portuguese law, a company with its head offices in an EU Member State with securities exclusively admitted to trading in Portugal and a company with its head offices outside the EU with securities admitted to trading in Portugal and subject to the supervision of the CMVM; or (ii) 2 per cent and reducing its holding to a value lower than said percentage of the voting rights in the capital of a listed company subject to Portuguese law must inform the CMVM and the relevant company.

Issuers with securities admitted to trading on a regulated market must disclose information directly concerning them or their securities, which is of a precise nature and has not been made public and, if it were made public, would be likely to have a significant effect on the prices of such securities, their underlying instruments or related derivatives (including substantial transactions).

Shareholders' agreements that have as their purpose the acquisition, maintenance or reinforcement of a qualified holding in a listed company or securing or frustrating the success of a takeover must be disclosed to the CMVM.

9.6 Clearing

The organisation, functioning and operational proceedings relating to each settlement system are included in the incorporation agreement of the system and the rules approved by the managing entity, the latter being subject to registration with the CMVM.

9.7 Requirements for unlisted issuers

Unlisted issuers are subject to less stringent rules than listed companies, being, in any case, obliged to disclose certain financial and corporate information and to comply with certain proceedings in respect of incorporation, amendments to bylaws, mergers, demergers and winding-up.

9.8 Corporate governance

9.8.1 Law and/or code

The relevant provisions in relation to corporate governance are set forth in the Portuguese Companies Code, in the CVM and, in particular, in the CMVM's Regulation No. 4/2013, in the IPCG (Portuguese Institute for Corporate Governance) Corporate Governance Code (2012) and in the CMVM Corporate Governance Code (2013). Issuers may opt between the two abovementioned corporate governance codes, however, despite the

choice of the corporate governance code being made on a discretionary basis, Regulation No. 4/2013 requires that choosing a corporate governance code other than CMVM's must be properly justified in the respective corporate governance report issued yearly.

9.8.2 Management structure

A Portuguese company (*sociedade anónima*) can adopt one of the following corporate governance models:

- board of directors and audit board;
- board of directors (including an audit committee) and chartered accountant; or
- executive board of directors, supervisory board and chartered accountant.

9.8.3 Obligations to publish information on the Internet

Issuers must disclose on their website information in respect of: (i) the firm, the public company status, headquarters and other elements mentioned in article 171 of the Portuguese Companies Code; (ii) by-laws; (iii) identification of the persons exercising functions in governing bodies and of the representative for market relations; (iv) Investor Support Office or equivalent structure, functions and access tools; (v) accountability documents that must be accessible for at least five years; and (vi) biannual calendar of corporate events, at the beginning of each semester, including, among others, information on the general shareholders' meetings, disclosure of annual, semi-annual accounts and, if applicable, quarterly accounts.

9.8.4 Responsibility of inside/outside directors

Pursuant to the Corporate Governance Code of the CMVM, the board of directors of a listed company should include a number of non-executive members that ensure the efficient supervision, auditing and assessment of the executive members' activity.

The CMVM also recommends that the number of non-executive directors must include a suitable proportion of independent directors, taking into account the governance model adopted, the size of the company and its shareholding structure and the respective free float.

Directors, regardless of their nature (executive or non-executive), are jointly and severally liable, there being no differences between the liability regimes of executive and non-executive directors, although in the first case, due to the nature of their duties and their responsibilities concerning the company's day-to-day business, there is a higher risk of exposure.

9.8.5 Committees

The board of directors or the general and supervisory board, depending on the corporate governance model adopted, shall create committees to: (i) ensure a competent and independent assessment of the performance of the management bodies; (ii) reflect on the governance system structure and practices adopted, verify its effectiveness; and (iii) propose to the competent

bodies measures to be implemented with the objective of improving such corporate governance.

9.8.6 Obligation to ask for consent of a shareholders' meeting

The following matters, among others, are subject to approval by the shareholders' meeting:

- annual accounts;
- distribution of annual earnings;
- amendments to the by-laws;
- mergers and demergers; and
- appointment of corporate bodies.

9.8.7 Depth of information – proxy solicitation

Please see section 9.4.

9.8.8 Appointment/dismissal of directors

Directors may be appointed in the company's incorporation deed, through shareholders' resolution or, in particular circumstances, by the court.

In general terms, directors may be dismissed by the shareholders with or without legitimate cause. In this context, shareholders, the corporate body with legal competence for the appointment and dismissal of the members of the board of directors, may resolve on the election of a substitute director. However, in the case of inertia of the shareholders, when a director waives, is dismissed or for any other reason must be replaced before the end of the term for which he was appointed, such a director shall be replaced, if applicable and by default: (i) if there is a list of directors to serve as substitutes, by the substitute director previously appointed for such a purpose; (ii) if there is no list of directors to serve as substitutes, by cooptation of the remaining directors, subject to the shareholders' ratification; (iii) by appointment of the supervisory board or of the audit committee, also subject to the shareholders' ratification; or (iv) by an ad hoc appointment of a new director to be resolved by the shareholders.

In the case of inadequate performance, a director's dismissal shall not entitle the relevant director to receive compensation.

9.8.9 Income and options for directors

The CMVM recommends that the executive directors must maintain the holding of the shares that were allotted to them by virtue of variable remuneration schemes, up to an amount corresponding to double the respective director's annual total remuneration, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares.

9.8.10 Earnings guidance

The directors' remuneration shall be structured to avoid extreme risk taking and so that the current interests may be aligned with the long-term interests of the company.

Therefore, it is recommended by the CMVM that the remuneration of

executive members of the board shall be based on actual performance and discourage excessive risk-taking. The variable component of remuneration should be reasonable in relation to the fixed component of remuneration and maximum limits should be set for all components. A significant portion of the variable remuneration should be deferred for a period not less than three years, and the right to receive it should depend on the continued positive performance of the company during that period. Until the end of their term executive directors shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of total annual compensation, except those that must be sold in order to pay taxes on the gains of the same shares. When the variable remuneration includes stock options, the early exercise period shall be deferred for a period not less than three years. On the contrary, the CMVM recommends that the remuneration of non-executive board members must not include a variable component indexed to the assessment on the company's performance or to its value.

The Corporate Governance Code recommends that agreements for purposes of mitigating the variability of the remuneration shall not be entered into.

9.8.11 Management discussion and analysis

The directors must prepare an annual management report and accounts containing a true and fair exposure of the evolution of the business, the performance and the position of the company, as well as a description of the risks and uncertainties which the company is facing. The shareholders' meeting is responsible for the report's approval.

9.8.12 Directors' liability

The directors, being bound by duties of care and loyalty, shall consider, in addition to the company's best interest, the interests of employees and other entities with significant interests in the company.

Therefore, in the case of a breach of such duties, directors may be held liable before the company and, in certain circumstances, before the shareholders, the company's creditors and third parties for any damage caused in the course of their activities. The shareholders and the company's creditors may also exercise certain rights the company may have against its directors which have not been exercised by the company, by means of subrogation.

9.9 Sanctions and disputes

9.9.1 Disciplinary and administrative sanctions

The most relevant infractions are:

- the breach of information duties by entities subject to the CMVM's supervision;
- the breach of the obligation to constitute the required sinking funds and the failure to make the adequate contributions to them;
- the breach of rules concerning the disposal, listing, negotiation, trading

and registration of securities;
- the breach of rules concerning public offers' proceedings;
- the usurpation of powers of authorised clearing houses and the breach of rules regarding the intermediation activity; and
- the breach of the professional secrecy duty, the asset segregation obligation, the rules concerning the use of securities and the duty to defend the market and the failure to comply with lawful orders issued by the CMVM.

There is a distinction between: (i) very serious infractions, punishable with administrative fines between EUR 25,000 and EUR 5,000,000; (ii) serious infractions, punishable with administrative fines between EUR 12,500 and EUR 2,500,000; and (iii) less serious infractions, punishable with administrative fines between EUR 2,500 and EUR 500,000. In the event of negligence, the minimum and maximum amounts of the administrative fines are halved.

In addition to the administrative fines, the CMVM may also apply accessory penalties.

9.9.2 Civil actions

Any person who suffers damage by reason of a conduct undertaken in breach of the obligations provided in the CVM may file a legal suit in order to obtain damage compensation.

However, there are specific provisions in relation to civil liability actions in the CVM, such as those concerning: (i) the civil liability for the content of the prospectus; and (ii) the civil liability of the financial intermediaries.

10. INSIDER TRADING

Whoever holds privileged information (non-public information that, being accurate and with respect to any issuer, securities or other financial instruments, would be capable, if disclosed, of influencing in a sensitive manner their price in the market) as a result of: (i) its position as a member of a corporate or supervisory body of an issuer or as a shareholder; (ii) any work or services provided to an issuer or to another entity; (iii) its profession or public function; or (iv) having otherwise obtained the information illicitly; and discloses such information to someone outside the regular scope of their functions or, based on this information, trades or advises someone to trade in these securities or other financial instruments, or, directly or indirectly, orders their subscription, purchase, sale or exchange for their own account or for the account of another person, shall be punished by imprisonment for a maximum of five years or by a fine.

Any other person having become aware of inside information, and who discloses it, shall be punished by imprisonment for a maximum of four years or by a fine.

10.1 Market manipulation

Whoever discloses false, incomplete, exaggerated or biased information, carries out operations of a fictitious nature or executes other fraudulent

practices capable of altering artificially the regular functioning of the securities market or of other financial instruments (ie, acts that may change the conditions of price development, the regular conditions of offer or demand of securities or other financial instruments or the normal conditions of issue and acceptance of a public offering), shall be punished by imprisonment for a maximum of five years or by a fine.

10.2 Miscellaneous

Both crimes of inside information and market manipulation may be subject to supplementary penalties such as disqualification, for a maximum period of five years, from the practice as agent of the profession or activity connected with the crime and publication of the conviction, at the expense of the defendant, at appropriate locations and for the purpose of deterring further criminal activity and for the protection of the securities or other financial instruments market.

10.3 Criminal penalties

Insider trading, market manipulation and disobedience to legitimate orders issued by the CMVM are deemed as crimes.

Such crimes are only punishable when wilfully committed.

11. INVESTMENT FUNDS

11.1 Introduction to these two categories

Funds are generally divided into two main categories: OIC (tradable securities and other financial assets) and FII (real estate), each governed by its own statute and which may be incorporated: (i) as an autonomous estate operated by a managing entity; or (ii) as a separate legal entity (ie investment companies), self-managed or managed by a third party.

Following the implementation of Directive 2009/65/EC of the European Parliament and of the Council, OICs are divided into OICVM and OIA (as defined in 2.2.1), depending on whether the fund invests solely on liquid securities (OICVM) or in any securities or financial assets, with the exception of real estate (OIA).

Private equity funds, property estate management funds, securitisation funds and pension funds are special types of funds, also governed by separate statutes.

Only funds defined in the law or in a regulation adopted by the CMVM may be incorporated through the subscription by the public of participation units.

11.2 Investment companies, open-ended, close-ended

As mentioned above, OICs and FIIs can take the form of investment funds or investment companies, named *Sociedades de Investimento Mobiliário* for mutual funds (SIM) and *Sociedades de Investimento Imobiliário* for real estate funds (SIIMO).

SIMs may be incorporated with a share capital that is fixed (which participation units may not be redeemed during its duration, unless the

latter is extended) or variable (which participation units may be redeemed at all times) and suffixes 'SICAF' and 'SICAV', respectively, must be employed in the investment company's trade name. With regards to OIA, the investment companies should include the expression 'alternative investment' together with its type, ie, 'SICAV – i*nvestimento alternativo*' and 'SICAF – *investimento alternativo*'.

Likewise, SIIMOs may be incorporated with fixed or variable capital, and shall adopt the suffixes SICAFI and SICAVI, respectively, in their trade names.

The minimum share capital for the incorporation of investment companies is EUR 300,000 for self-managed SIMs and EUR 375,000 for SIIMOs. Capital is represented by shares without nominal value.

As previously mentioned, these companies may be self managed or may designate a third party to perform the management. The relationship between the managing entity and the investment company must be regulated by an agreement. Self managed SIMs and SIIMOs are, where appropriate, subject to the rules applicable, respectively, to OIC and FII mutual funds.

OICVM may only be open-ended, while OIA may be open or close-ended. With regards to FII, these may be open-ended, close-ended, or of a mixed nature.

11.3 Licence requirements

The CMVM must grant prior authorisation for the incorporation of FIIs and OICs, as well as for SIMs and SIIMOs.

The application for the authorisation must be presented, amongst others, with the drafts of the management regulation, the simplified and complete prospectus and the agreements to be signed with the proposed custodian credit institution and marketing agents.

The incorporation of private equity funds and the commencement of activity of private equity investments and private equity companies whose capital is not subject to a public offer and whose capital holders are exclusively qualified investors or, irrespectively of its nature, when the minimum amount of the capital to be subscribed is equal or above EUR 500,000 by each investor, is subject to prior communication to the CMVM.

11.4 Continuing requirements

Amendments to the simplified prospectus, to the complete prospectus and to the management regulation are subject to prior notification to the CMVM.

Managing entities of mutual funds must prepare, disclose and send to the CMVM the annual and biannual accounting documents.

The CMVM must also be notified of information in respect of transactions involving the fund's assets.

11.5 Custodians

Custodians are notably subject to the following duties: (i) holding the assets in escrow; (ii) having custody or registering the assets, as applicable; (iii)

performing the operations related to the assets upon request by the managing entity; and (iv) supervising the participants and the managing entity.

11.6 Undertakings for collective investments in transferable securities (UCITS)

Please see sections 11.1 and 11.2.

11.7 Non-UCITS funds

Please see sections 11.1 and 11.2.

11.8 Hedge funds

Hedge funds are a special type of fund which have not yet been fully recognised and regulated by Portuguese law (as the Directive 2011/61/EU of the European Parliament and of the Council, of 8 June 2011 on alternative fund managers has not yet been transposed into Portuguese law).

OIAs may, however, be set up as hedge-fund like structures and their incorporation is, as mentioned, subject to the CMVM's approval.

11.9 Marketing and distribution requirements

Managing entities, custodians, authorised financial intermediaries and other entities expressly authorised by CMVM are allowed to market participation units in investment funds.

11.10 Manager

Domestic funds may be managed by SIMs, credit institutions or companies with their registered offices in other EU Member States, subject to supervision from the respective regulatory authorities and duly authorised to manage an OIC.

In addition, FIIs must be managed by companies specifically incorporated for such a purpose, while close-ended FIIs may also be managed by certain credit institutions.

Management fees due by the fund may be fixed or variable (based on the fund's performance).

Managing entities must make available to investors in an OIC its Key Investor Information (IFI), which shall contain the following information: (i) identification; (ii) brief description of the investment purposes and investment policy; (iii) past performance presentation; (iv) associated costs and burdens; and (v) the risk profile and return on investment.

Certain information and disclosure obligations (notably regarding IFI) are still subject to further regulation by the CMVM.

12. PUBLIC TAKEOVERS

12.1 Applicable laws and regulations or regulatory framework

Public takeovers are governed by the CVM.

12.2 Competent authorities

A takeover must be authorised and previously registered with the CMVM.

12.3 Dealing with disclosures and stake building

Anyone whose holding in a listed company exceeds, directly or indirectly, one-third (unless evidence is given that such a percentage does not give them control over the company, or that such an entity is involved with it in a group relationship) or half of the voting rights attributable to the share capital, has the obligation of launching a takeover for the totality of shares (and other securities issued by the company granting the right to their subscription or acquisition). The limit of one-third may be eliminated by the by-laws of listed companies that do not have shares or securities granting the right to their subscription or acquisition listed on a regulated market (see section 9.5).

The duty to launch a takeover shall be suspended if the person under such a duty undertakes in writing before the CMVM to cause such events to cease within the following 120 days.

12.4 Types of takeover bids

Takeovers may be voluntary or mandatory. Voluntary takeovers must be addressed to all the holders of securities that are the object of the offer.

Mandatory takeovers must occur in accordance with the circumstances described in section 12.3.

12.5 Procedural aspects

In voluntary takeovers, as soon as the decision to launch a takeover is made, the offeror must send the preliminary announcement to the CMVM, to the targeted company and to the operators of the regulated markets, immediately proceeding with the publication of the preliminary announcement. The publication obliges the offeror to: (i) launch the offer in terms no less favourable to the addressees than those contained in the preliminary announcement; (ii) apply for registration of the offer with the CMVM within the term of 20 days (extendable up to 60 days in takeover offers for exchange of securities); and (iii) inform the employees of the contents of the offer documents, as soon as these are made public.

In mandatory takeovers, the publication of the preliminary announcement of the offer must take place immediately after the fact that gives rise to such an obligation, and the registration must be applied for within 20 days.

Simultaneously with the launching of the takeover, the offeror must deposit the consideration in cash, or have a bank guarantee securing the amount of the consideration, or order the blockage of the securities that are the object of the consideration, as applicable.

The announcement of the launching of the offer shall be published simultaneously with the disclosure of the prospectus. The offer period may vary between two and 10 weeks and during this period the acceptance statement of the offer by the addressees is made through an order addressed to a financial intermediary. At the end of the offer period, the offer's results are immediately assessed and published by a financial intermediary that collects all the acceptance declarations, or in a special regulated market

session.

12.6 Nature and value of consideration offered

The consideration in voluntary takeovers may consist of:

- cash;
- securities already issued or to be issued; or
- a mixed nature.

If the consideration consists of cash, the offeror should deposit the total amount with a financial institution or present an appropriate bank guarantee, before the registration of the offer. If the consideration consists of securities, these should have appropriate liquidity and must be easy to evaluate.

The consideration for a mandatory takeover must be the higher of the following two prices:

- the highest price paid by the offeror or companies connected to the offeror for the acquisition of securities of the same class, in the six months immediately prior to the date of publication of the preliminary announcement of the offer; or
- the average price of these securities in a regulated market during the same period.

The offeror may review the consideration as to its nature and amount up to five days before expiry of the takeover period but such a reviewed offer cannot contain conditions making it less favourable than the original offer and its consideration must be at least 2 per cent higher than the preceding offer as to its amount.

12.7 Timetable and variations

The period between the preliminary announcement and the acceptance of the offer by the addressees can vary between six to 22 weeks, including: (i) the application for registration of the offer; (ii) the approval of the prospectus, registration or its refusal; and (iii) the offer period (also including a possible offer suspension, each for a period of 10 days).

12.8 Strategy

The strategy will mostly depend on whether the takeover is 'hostile' or 'friendly'.

12.9 Irrevocable

A takeover may only be revoked in the case of an increase in the risks of an offer due to an unforeseen and substantial change of circumstances, which is known by the addressees and upon which the decision to launch the offer is based. In this case, the offeror may, within a reasonable period and subject to the CMVM's authorisation, modify or revoke the offer.

12.10 Share dealings, buying shares

From the publication of the preliminary announcement until the assessment of the offer's result, the offeror and related entities cannot trade outside

regulated markets any securities of the class of those which are the object of the offer or those which comprise the consideration, except if authorised by the CMVM with a previous opinion from the target company, and shall inform the CMVM daily of the transactions relating to the securities issued by the target company or the class of those which comprise the consideration.

12.11 First announcement

Please see section 12.3.

12.12 Drafting of offer documents

The prospectus of a takeover shall, inter alia, contain information on:

- the consideration offered, its justification and method of payment;
- the minimum and maximum amounts of securities that the offeror intends to acquire;
- the percentage of voting rights that may be exercised by the offeror in the target company;
- the percentage of voting rights that may be exercised by the target company in the offeror company;
- related parties to the offeror or the offeree;
- the securities of the same class as those that are the object of the offer, which have been acquired in the previous six months by the issuer or by a related entity;
- the offeror' s intentions with regard to the business of the offeree;
- implications for the financial condition of the offeror;
- the shareholders' agreements entered into by the offeror or by a related entity, with significant influence on the offeree;
- the agreements entered into between the offeror or a related entity and the members of the corporate bodies of the offeree;
- the compensation proposed in the event of a removal of rights;
- the domestic legislation that shall apply to agreements entered into by the offeror and holders of securities in the offeree company; and
- any charges to be borne by the addressees of the takeover.

12.13 Further announcements

The CMVM's decisions on approval of prospectuses and registration of takeovers shall be disclosed through its information disclosure system. Moreover, the modification and the review of the consideration shall be disclosed immediately by the same means used to disclose the prospectus.

12.14 Responsibility

Please see section 8.3.

12.15 Despatch

Please see section 12.5 on procedural aspects.

12.16 Due diligence in advance of a takeover bid

Portuguese law does not govern the exercise of due diligence, therefore it is a matter subject to discussion between the offeree and the offeror.

12.17 Conditions to the offer

The offer may only be subject to conditions that correspond to a legitimate interest of the offeror and do not affect the market's normal course; never to conditions whose verification depends only on the offeror (*potestativas*).

12.18 Financing

The offeror has to provide evidence that it has sufficient financing guarantees for the payment of the consideration under the offer (see section 12.6).

12.19 For cash/for shares/mixed

An offer may consist of a takeover proposing the purchase of the target company's securities, their exchange for existing or new securities, or a payment in securities and cash.

12.20 Inducement

Please see section 6.4.

12.21 Defence mechanisms

From the moment the target company has knowledge of the launch of the offer until the completion of the process, the management body of the target company may not perform acts that materially affect the net equity of the target company and which may significantly affect the purposes disclosed by the offeror.

The defence mechanisms are generally limited to the issue by the target company of a reasoned opinion on: (i) the type and amount of the consideration offered; (ii) the offeror' s strategic plans for the offeree; and (iii) the effects of the takeover on the interests of the offeree.

12.22 Nature of listed securities

Securities which may be the object of a takeover are composed by shares and by all other securities which may grant the right to subscribe or purchase shares of the offeree.

12.23 Squeeze-out

The offeror who acquires 90 per cent of the voting rights of a company subject to a takeover offer may acquire the remaining shares within three months after the assessment of the offer's result.

If the squeeze-out procedure is not initiated in a timely manner, the holders of the remaining shares can give rise to a compulsory sale.

12.24 Schemes of arrangement

Not applicable.

12.25 Foreign investments

Foreign investment operations do not need to be registered with, or authorised by, the Portuguese central or local authorities.

Banks must report to the BP any transactions with foreign entities made on their own account or on behalf of their clients. However, when providing information on behalf of their clients, banks may benefit from an exemption threshold up to the amount of EUR 50,000 in relation to payments made within the European Union, if they previously inform the Bank of Portugal of their intention to benefit from the exemption. In these cases, banks must provide the Bank of Portugal with a list of all the clients who performed transactions with foreign entities, during the relevant year (irrespective of the amounts involved), as well as the global amount of payments and receipts in relation to each client.

In addition, direct declarants (all economic agents) performing transactions with foreign entities without involving a resident bank, must inform the Bank of Portugal of the following: (i) opening and termination of foreign bank accounts or settlement of current account with non-resident entities; and (ii) transactions with foreign entities without involving a resident bank, starting from an amount of EUR 100,000 on a given year.

General direct declarants (economic agents), as designated by the Bank of Portugal, must inform this entity of all operations performed with non-resident entities, including those intermediated by resident banks.

However, persons travelling into, or from Portugal, coming from, or into, a non-EU country carrying net moneys in an amount equal to or in excess of EUR 10,000 must report that fact to the Portuguese custom authorities. For these purposes the following assets are, amongst others, deemed as net moneys: (i) payment means in bearer form, including monetary instruments, travellers' cheque and negotiable securities, such as cheques, promissory notes and other payment orders; (ii) cash; (iii) bank notes or hard money with legal tender in the respective issuing states; and (iv) bank notes or hard money without legal tender (although still in the period of time in which such bank notes or hard money are accepted for exchange).