



**INAPA – INVESTIMENTOS, PARTICIPAÇÕES E GESTÃO, SA**  
(public company)

Headquarters: Rua do Salitre, 142, Parish of São Mamede, Lisbon  
Equity Capital: € 150 000 000  
NIPC: 500 137 994  
Registration No. 36 338 – Lisbon Commercial Registry Office

**REPORT ON CORPORATE GOVERNANCE**

**Declaration of compliance with the recommendations on corporate governance issued by CMVM**

Chapter “0” appended to point B of the annex to CMVM Regulation No. 7 / 2001, pursuant to CMVM Regulation No. 11 / 2003, stipulates that “clear indication of CMVM recommendations on corporate governance adopted and not adopted by companies” must be given.

Therefore, and in full compliance with the said provisions, we hereby announce, in the order set down by CMVM, the recommendations in question, with express reference to whether they have been adopted by us or not, with any specific details deemed necessary for the presentation of a true reflection of reality, which is our express aim.

**Disclosure of Information – investor support office**

Inapa has fully adopted this recommendation. Its investor support office possesses the characteristics and carries out the functions described in point 1.8 of this Report.

**Exercise of voting rights and representation of shareholders**

As stated in point 2 of the present Report, any shareholder wishing to take part in the work of the general meetings must have their shares registered in their name or deposited with a credit institution or in the safes of the company within not less than 15 days in advance of the said meeting.

Thus, in providing for the depositing of shares within a period of time greater than the 5 working days stipulated in CMVM’s recommendations on corporate governance, the by-laws of this company do not comply with the said recommendation on this particular point.

The steps taken by the company to encourage the participation of its shareholders in the general meetings are described in point 2 of this Report. It should be stressed that the level of participation is high, with efforts made in relation to this issue giving rise to an average participation rate of 2/3 of the share capital of the company.

### Company Rules

The adoption of CMVM's recommendation relating to the creation of an internal control system is described in point 1.3 of this Report.

The company has not adopted any measures that violate its own interests or those of its shareholders with the intent of impeding the success of takeover bids, such as clauses that have the effect of provoking the immediate erosion of its assets, in case of transfer of control or a change in the composition of its administration.

Apart from the negligible limitation on voting rights arising from the counting of one vote for every hundred shares, the company by-laws also provide for a limitation which affects the voting rights of shareholders or groups of shareholders allied to each other, when they exceed 15% of all votes corresponding to the share capital.

The scope of such limitations is better explained in point 3.3 of this Report, but it is nevertheless clear that, in any case, such limitations do not provide a mechanism that is likely to impede the success of a takeover bid, disrespecting the interests of the company and/or its shareholders.

The company thus believes that it fully complies with CMVM's recommendation on corporate governance with regard to this issue.

### Board of Directors

As described in points 1.1 and 4 of this Report, the board of directors is composed of several members who provide, in the terms therein described, effective guidance in relation to the governance of the company and its leaders, and meet at sufficiently regular intervals.

The board includes several members not associated with specific groups of interests.

Given the specific nature of the Inapa Group and the functions entrusted, in concrete, to the board of this company, the setting up of an executive committee was deemed necessary, and the functions referred to in point 1.1 of this Report were entrusted to it.

The company thus considers that it complies with CMVM's recommendations on corporate governance with regard to this issue.

As the company considers that the CMVM recommendation relating to the annual disclosure, in individual terms, of the remuneration of members of the board of directors is not particularly relevant to an analysis of the levels of

remuneration of the board, the recommendation on this issue was not adopted. In effect, the remuneration of non-executive members of the board is nominal, and the amount of the remuneration of the four executive directors of the company is patently reasonable, given the size of the company and, above all, of the group which it controls.

Also as regards the composition of the Remuneration Committee, CMVM's recommendation is not entirely adopted. In effect, as stated in point 1.9 of this Report, the Remuneration Committee includes one member, from the three of which it is composed, who is not independent of the board of directors. The company has long considered that the presence of a non-independent member of the board does not affect the independence of this committee, since it represents a minority, and offers the advantage of furnishing more precise and up-to-date information on the level of responsibilities and nature of the functions which, year after year, are carried out by each member of the board.

Point 1.6 of this Report provides complete information on CMVM's recommendation relating to eventual employee stock ownership plans or stock option plans for members of the board and/or employees.

## **1. Disclosure of information**

### **1.1. Corporate bodies and definition of competencies in the company's decision-making framework**

Inapa – Investimentos, Participações e Gestão, SA is a company listed on the Lisbon Stock Exchange (Euronext Lisbon), and its shares were also listed on the Private Exchange – Pex, in 2003.

Since it commenced business in the paper sector, the company has centred its activities in the area of paper distribution.

Its corporate bodies are as follows:

- The General Meeting, comprising all shareholders holding voting rights, responsible for electing the members of the corporate bodies, evaluating the administration and control of the company, approving the annual report and accounts and making decisions regarding any eventual amendments to the company by-laws;
- The Board of Directors, comprising an uneven number of members, from five to fifteen, generally responsible for exercising the broadest range of managerial powers, representing the company in and out of court, as well as carrying out all acts aimed at the fulfilment of the company's object.
- The Supervisory Board, composed of three members and one or two reserve members, as resolved by the General Meeting. By law, one of the actual members and one reserve member must be statutory auditors and registered with the respective Order.

This body is responsible for supervising all company business.

Inapa is represented, through the companies in which it holds a participating interest, in 9 European countries, forming the Group which is currently one of the five biggest European distributors of the sector.

The management model adopted by Inapa for the Group that it controls takes into account the specific needs of the business and the market in which it operates.

Apart from the essential centralisation of control over management and the definition of global strategic guidelines, Inapa gives local companies the independence necessary to ensure an efficient adaptation to the characteristics of the markets in which they operate. The maxim “Think global, Act local” perfectly reflects the management model adapted.

The Board of Directors is currently composed of 9 members, of which four carry out executive functions.

This body is responsible, within the model of management adopted, for setting large strategic guidelines for the Group and ensuring the supervision of the management of the companies that it controls.

The Board of Directors of Inapa is assisted in its functions by a set of services, based in Lisbon but supporting the group as a whole, in areas such as financial management, auditing and supervision of management, accounting, legal and fiscal assessment, investor relations and institutional communication.

In order to provide support for and optimise operational management and to maximise synergy, an executive Committee was formed, composed of 5 members and including executive directors of the company and the highest representatives of the chief business units (Germany, France and the Iberian Peninsula).

This Committee is responsible in particular for keeping abreast of the strategies defined for the Group, the definition of annual plans and the respective adjustments, as well as operational cooperation between the companies.

This structure has allowed the Group to adapt to and constantly anticipate the behaviour of the markets and to extend the best solutions developed as regards best practice to all its companies, and has been exceptionally useful as regards optimising synergy and in the reorganisation of the different local operations.

At an operational level in the true sense of the term, business is carried out by companies on a national level, structured around four hubs:

- Germany;
- France, which directs operations in Switzerland, Belgium, Luxemburg and Italy;
- Portugal and Spain;
- United Kingdom.

Each of these hubs is provided with its own management team, with vast professional experience and knowledge of the specific markets.

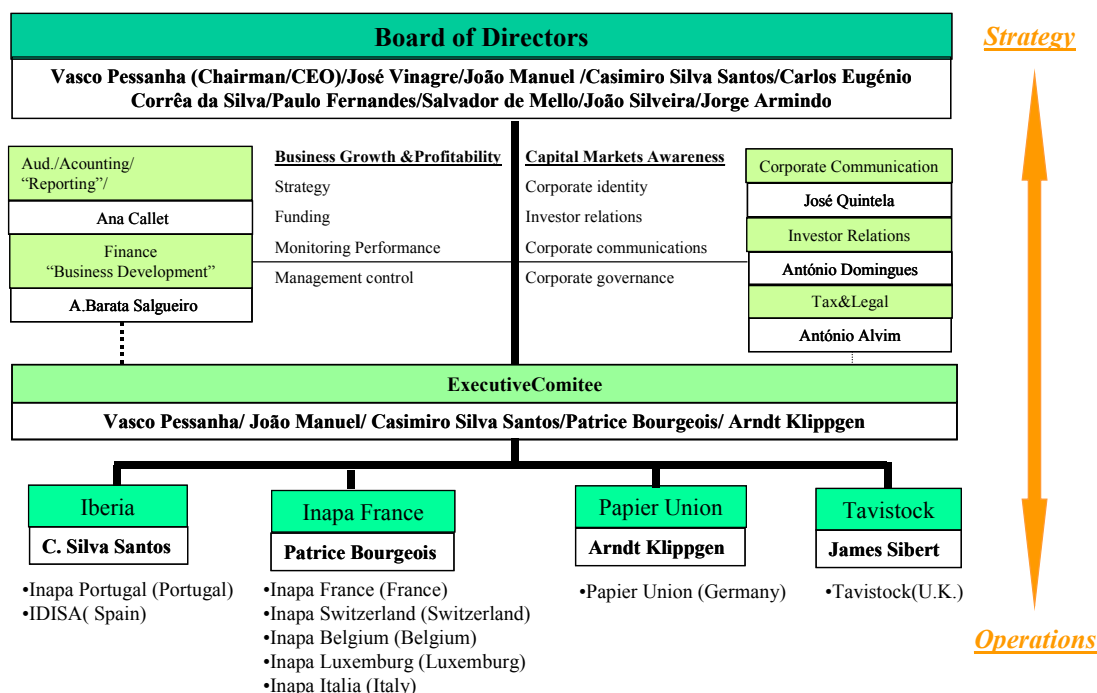
It should be stressed that the fact that these management teams come from the country in which they act has contributed much to the performance of this structure, as has the continuous action on the part of Inapa to instil in them a strong collective motivation and a marked group culture.

The activity of the various operational companies consists of the sale of the entire range of writing and printing paper to the graphics industry, publishers and bookshops, large companies and offices.

This activity demands highly sophisticated and efficient logistical organisation, as well as a highly qualified pre and after sale service team.

The level of client support is a determining factor in the competitiveness of this type of activity, which should, as such, be highlighted, both in the definition of the best solutions for their specific and very concrete needs, and the resolution of any technical difficulties that they might, by chance, encounter.

The organisational model adopted is illustrated in the following functional flowchart:



## 1.2. List of specific committees formed within the company

As stated in point 1.1 of this Report, the company saw fit to form an Executive Committee, with the composition and functions described therein.

None of the directors sitting on this committee - Dr. Vasco Luís Schulthess de Quevedo Pessanha, Mr. Casimiro Bento da Silva Santos and Dr. João Costa Manuel – have links with specific groups of interests.

It should be mentioned that, for this purpose, the apportionment, to the first director named above, of 3.7% of the voting rights, as a result of holdings directly held and apportioned to him by law, is not considered to be a link to a specific group of interests.

### **1.3. Description of risk management system**

The company believes that it is suitably equipped to manage the risks related to its activities and the activities of the companies that it controls.

With regard to the company itself, it considers the activities carried out by the heads of the internal audit/management supervision department and of the financial department, responsible for risk management, to be effective.

In view of the limited employee framework, it considered the creation of specialised committees for the management of risks of a specific nature to be futile.

It should be stressed that one of the essential responsibilities of the companies which it controls is the supervision of management, at all levels, of the companies in which they have a participating interest. Thus, all sectors comprising their structure are mobilized towards the achievement of this goal, obviously starting with management, then the financial, accounts, internal audit and management supervision and legal departments.

### **1.4. Performance of securities on the stock exchange**

2003 was a year of marked difficulties in most European economies, with a fall in confidence indices, particularly low levels of consumption and investment, and historically low interest rates. The capital markets reflected this situation for the greater part of the year, however, in the last quarter of the year, following positive signals from the US, the majority of the markets started to register gains again, dragging the indexes into positive figures when compared with the same period of the previous year.

Euronext Lisbon mirrored this scenario, with the main index - PSI20 – registering an increase of 15.84%. As a result of the economic climate of 2003 and a certain lack of confidence in the capital markets, coupled with the accounting scandals which came to light, the volume of shares traded fell by almost 14%.

Unlike what had happened during the two previous years, shares in Inapa registered a worse performance than that of the market, with the share price falling by 26.4%. Turnover was situated at 2 741 849 shares, a decrease of 18% on the value for the previous year.

It is important to stress, however, that the share price began to recover at the end of the year, and this improvement continued into 2004, with an increase of more than 10% on the previous year.

As regards the capital market, it should also be pointed out that Inapa was listed on Next Prime, a segment of the Euronext market for companies from the so-called “traditional economy” complying with certain prerequisites as regards economic and accounting information. Inapa was one of the first 5 Portuguese companies to form part of this segment of the Euronext market. In this context, Inapa was present at the annual presentation in Paris for the promotion of the companies comprising this market, which for the first time included Portuguese companies.

Also during the year in question, Inapa became a member of the group of companies listed on the new Portuguese non-regulated market - PEX – which, being designed solely for the Portuguese market, allows trading of our shares on an alternative platform for our investors.

During the year, the traditional presentations of annual and interim accounts took place, as well as the publication of accounts at the usual quarterly interval.

Apart from these actions, the year also saw the publication of a series of informative notes, press releases, announcements and public warnings, with a view to keeping our stakeholders up-to-date and suitably informed. Furthermore, a series of meetings and presentations were also held throughout the year for investors in general and national analysts, and some international analysts.

Also with regard to 2003, it should be pointed out that the agents of our capital market recognised the efforts and determination of this company to comply with best practice for market relations, by awarding us first prize in the Investor Relations Awards, for the best overall Investor Relations programme for companies on the PSI 20 – a joint initiative by Deloitte & Touche and *Semanário Económico*.

### **1.5. Policy for dividend distribution**

The distribution of dividends is important to Inapa as a means of remunerating its shareholders. The following distributions were proposed by the Administration and approved by the General Meeting:

<b>Year</b>	<b>Dividends (€)</b>	<b>no. Of shares</b>
1995	987 620	6 000 000
1996	1 496 393	6 000 000
1997	2 020 131	18 000 000
1998	2 244 590	18 000 000
1999	3 740 984	30 000 000
2000	4 115 082	30 000 000

The practice consistently followed in the past was suspended in 2001, and is to be reinstalled once favourable macro-economic conditions and general results return.

### **1.6. Employee stock ownership plans or stock option plans for members of the corporate bodies or employees**

Although authorised by its shareholders to buy up to 1% of its capital for possible apportionment to members of the corporate bodies, office staff and other employees of the Group, at a price of not less than 70% of the closing share price in the session immediately preceding the date of the operation, this faculty has not, to this date, been exercised by the company.

Inapa does not have an employee stock ownership plan or a stock option plan for members of its corporate bodies or employees.

### **1.7. Business and operations carried out between the company and members of its board of directors and supervisory board or with companies it controls or with which it is in a group relationship.**

There was no business or trade in the year in question between the company and members of its board of directors and supervisory board.

If no operation or business with a person or entity controlling this company was indicated, this is because none took place, as operations or business carried out with controlled companies arose in the context of the normal activities of the company, in normal market conditions and for similar operations.

### **1.8. Investor support office**

Inapa set up an Investor Support Office, also having responsibility for representation as regards relations with the market.

This office is responsible for company relations with the operators of the market and stock exchange (CMVM, Euronext, Interbolsa, Opex), financial intermediaries (brokerage and full-service brokerage firms, banks), institutional and private investors.

This office can be contacted through the Representative for Market Relations:

Dr. António José Nogueira Simão Domingues  
Inapa – Investimentos, Participações e Gestão, SA  
Gabinete de Apoio aos Investidores  
Rua do Salitre, 142  
1269 – 064 Lisbon

e-mail : [antónio\\_domingues@inapa.pt](mailto:antónio_domingues@inapa.pt)  
[info@inapa.pt](mailto:info@inapa.pt)  
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Tel. + 351 21 382 30 08  
Fax. + 351 21 382 30 16

It would not be inopportune to highlight that the utilisation, by Inapa, of new technologies for the disclosure of material information, has been developed and consolidated during the course of the past few years.

In this respect, the company has made websites available, at [www.inapa.pt](http://www.inapa.pt) and [www.inapa.net](http://www.inapa.net), in Portuguese and English.

Apart from an area purely dedicated to institutional information and one for general information on the activities of the Group and its companies, the site also has an area specifically designed for investors and another for the media.

On the website, interested parties can avail of a vast body of information on the company and the group, including, by way of example, the most recent annual reports and other accounting documents, of an annual, quarterly and half-yearly nature, as well as information on material events and the most significant financial indicators.

This information is completed by the following individual websites, containing information of a technical or clearly transactional nature:

[www.inapa-tecno.com](http://www.inapa-tecno.com)  
[www.papel.online.pt](http://www.papel.online.pt)  
[www.papierunion.de](http://www.papierunion.de)  
[www.grifo.fr](http://www.grifo.fr)  
[www.papeteries-navarre.fr](http://www.papeteries-navarre.fr)  
[www.oridisdirect.fr](http://www.oridisdirect.fr)  
[www.biberrochat.ch](http://www.biberrochat.ch)  
[www.buropapier.com](http://www.buropapier.com)  
[www.edicoesinapa.pt](http://www.edicoesinapa.pt)

## **1.9. Remuneration committee**

The apportionment of remuneration to members of the corporate bodies has long been the task of a committee composed of three members, elected at a general meeting.

The following are the current members of the remuneration committee:

- Chairman of the Bureau of the General Meeting;
- Chairman of the Board of Directors;
- Chairman of the Supervisory Board.

There is no relationship of affinity between the members of the Remuneration Committee and/or between these and the members of the Board of Directors or their spouses, kin or 3<sup>rd</sup> degree blood relatives.

## **1.10. Annual remuneration of the external auditor**

The annual remuneration of the external auditor rose to € 55 000.00 and was solely related to auditing services inherent to the functions associated with this position.

The external auditor and/or natural and legal persons belonging to the same network did not provide any other service, apart from those described above, to the company or companies controlled by it.

## **2. Exercise of voting rights and representation of shareholders**

The company has long been aware of the importance of creating mechanisms to promote shareholder participation in general meetings and the exercising of their voting rights.

Given that this is not an easy task, we wish to highlight the careful preparation of presentations of the opinions of the Board of Directors on the activities carried out and business prospects, backed up by adequate supporting documents made available to shareholders, as well as the option to hold the meetings in attractive locations, under the best conditions for discussion of the topics being debated and, above all, easily accessible to a large number of shareholders.

In this context, the company also strives to ensure that the notice of the general meeting is as wide-reaching and publicised as possible; hence the publication of the notice of General Meetings on the website of CMVM, in the Quotation List issued by Euronext Lisbon, in *Diário da República* (the official journal) and also through an advert in a widely circulated national newspaper and on the company website.

At the same time, the company convenes press conferences on dates close to its general meetings, as a means of maximising the participation of its shareholders in these meetings.

Thus, thanks to the conjugation of these actions, the company has succeeded in attracting attendances at the General Meetings that, in the last five years alone, have reached an average of 2/3 of the share capital, a very high percentage for a listed company.

### **2.1. Statutory rules on the exercise of voting rights**

All shareholders having voting rights are entitled to participate in the general meeting.

Shareholders holding at least five shares have voting rights, provided that the said shares are registered in their name, when they are registered shares, or, when they are bearer shares, deposited with a financial institution or in the safes of the company, up to the fifteenth day before the general meeting.

The depositing institutions should inform the company of the number of shares deposited in the name of the shareholder in question up to ten days before the said meeting.

Shareholders not possessing at least five shares may form groups in order to obtain that number, in which case they should be represented by one member alone, whose name should, at least three working days prior to the meeting, be indicated as having been nominated to attend the general meeting.

The by-laws of the company do not impose any impediment to the exercising of voting rights by postal vote, and such fact is expressly mentioned in the notice of the meeting.

### **2.2. Postal vote**

In order to make postal voting possible, rules had to be established, which were, nevertheless, the least restrictive possible and only conditioned by organisational requirements and the regular functioning of the work of the General Meeting. Thus, postal vote forms must be made available at company headquarters at least from the date of disclosure of the accounts, and proposals to be submitted to the general meeting must be disclosed.

Shareholders have the right to submit their postal vote up to the third day prior to the meeting.

### **2.3. Electronic vote**

Until now, it has not been possible to conciliate the wish to hold the general meeting at a location offering the best conditions as regards space, with the technical requirements of an electronic voting system, and, it should be stressed, the company has not, to this date, been aware of any expression of interest in this form of voting.

### **2.4. Time limit for the depositing or blocking of shares for participation in the General Meeting**

Shares belonging to shareholders must be registered in their name, when they are registered shares, or, if they are bearer shares, must be deposited with a credit institution or in the company safes, up to the fifth day prior to the general meeting.

The depositing institutions should inform the company of the number of shares deposited in the name of the shareholder in question up to ten days before the said meeting.

#### **2.5. Permitted time difference between receipt of postal votes and the general meeting**

Shareholders have been granted the right to submit postal votes up to the third day prior to the general meeting.

#### **2.6. Number of shares corresponding to a vote**

All shareholders owning at least five shares have the right to vote.

### **3. Company rules**

#### **3.1. Company codes of conduct**

Inapa is the parent of a business group dispersed through 9 countries. It thus has responsibility for defining Group strategies, as well as its financial, developmental and acquisition policies, while coordinating the activities of its daughter companies.

This requires a limited staff of specialised professionals, subject to the codes of good practice inherent to their functions, or, at the discretion of the company, persons not needing to adhere to a code of conduct established by the company, as this would not add anything to the legal standards already applicable.

#### **3.2. Risk management in the activities of the company**

**The contents of part 1.3. of this Section are held to be incorporated herein.**

#### **3.3. Measures likely to interfere with the success of takeover bids**

The company has not adopted any measures that violate its own interests or those of its shareholders, with the intent of impeding the success of takeover bids, such as clauses that have the effect of provoking the immediate erosion of its assets, in case of transfer of control or a change in the composition of its administration.

Apart from the negligible limitation on voting arising from the counting of one vote for every one hundred shares held, already referred to herein, and justified by the need for order and the smooth running of voting at the General Meeting, the company by-laws also provide for another limitation,

for the protection of minorities, which results in the votes issued by a shareholder or group of linked shareholders not being counted for any quota over and above 15% of all votes corresponding to the share capital.

The company has not been notified of the signing of any parasocial agreements between shareholders in the company, and no shareholder has special voting rights, and there is no statutory limitation on the free transmission of shares or of any special rights granted to a shareholder or category of shareholders.

## **4. Administrative body**

### **4.1. Identity of members of the Board of Directors**

The Board of Directors is composed of nine members, exercising executive functions, as follows:

#### **Executive Members of the Board of Directors**

- Vasco Luís Schulthess de Quevedo Pessanha;
- José Eugénio Soares Vinagre;
- Casimiro Bento da Silva Santos
- João da Costa Manuel

#### **Non-Executive Members of the Board of Directors**

- Carlos Eugénio Corrêa da Silva
- Henrique Abílio Cardoso Paulo Fernandes
- Salvador Maria Guimarães José de Mello
- Jorge Armindo Carvalho Teixeira
- João Gonçalves da Silveira

#### **Functions exercised by members of the board in other companies**

As stated in the annex, which forms an integral of this document, the members of the board exercise functions in other companies, within the group and outside it.

It should be stressed that the functions carried out in other companies are not in conflict with the independence of the functions carried out for this company, and, as regards administrators carrying out duties for companies not part of the Inapa group, linked to the paper sector, the respective post is part of a tradition of uninterrupted representation, observed practically since the very beginnings of this company, and never affecting the ability to make impartial evaluations and decisions, but rather permitting an evaluation of the board in terms of its experience and knowledge of the sector.

Therefore, in light of the above, all members sitting on the Board of Directors of this company are considered to be independent.

#### **4.2. Existence of an executive or other committee with a role in company management**

During the year in question, the Board of Directors did not exercise its statutory right to set up an executive committee.

As for other committees with managerial powers, we refer to point 1.1 of the present Report, relating to executive committees.

#### **4.3. Description of the mode of operation of the Board of Directors**

The Board of Directors meets on a quarterly basis, to approve accounts to be disclosed to the public, in accordance with the Law. Apart from this specific matter, the agenda of the Board systematically includes the following points: analysis of short-term trends and material events occurring during the quarter, analysis of the activities of the company and each of its subsidiaries, analysis of the operating accounts of the company and its subsidiaries, preliminary accounts for the previous month, analysis of the development of the share price and the liquidity of securities issued by the company. The agenda of the Board also includes those matters which, due to their importance or salience at a given time, call either for monitoring by this body or a formal declaration by it.

It is also important to note that during these meetings, the executive directors provide the most detailed information on the activities it carries out throughout the period of time being discussed, and submits the management options that it foresees as being necessary to adopt in the short-term for discussion.

It should also be mentioned that, given the nature of the activities carried out by this company, it would not seem appropriate that other matters, apart from those stipulated by law, are put forward for the general appraisal of the executive directors.

The Board of Directors also meets to discuss specific matters, whenever the need arises.

The meetings of this body are always preceded by the drawing up of a vast and very exhaustive set of information, previously distributed by directors and drawn up, according to their nature, by the heads of the various departments of the company.

Such information is systematically enriched by notes and/or comments by the heads of these departments on the most salient matters considered, in order to permit more efficient monitoring and a more conscious decision on such matters.

During the financial year in question, the Board of Directors met formally on six occasions.

#### **4.4. e 4.5. Remuneration received by members of the board**

The fixed remuneration of directors, including that coming from companies having a group relationship or controlled by the group, rose € 590 121.44 and was distributed as follows:

- Remuneration received by executive directors ... € 575 000.00;
- Remuneration received by non-executive directors... €15,121.44;

Variable remuneration was also paid to executive directors ... € 15 000.00.  
Remuneration, fixed or variable, described above, is not related to developments as regards the price of securities issued by this company.