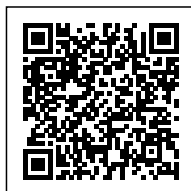


# CLIENTS OFTEN CHOOSE WRONG GOVERNANCE MODEL - VDA

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## **Due to the economic crisis, some Portuguese public companies chose to adopt an American or British-style governance model, but these are insufficient**

One of the biggest challenges clients currently face with regard to corporate governance is choosing a governance model that is suitably aligned with their business objectives, according to Paulo Olavo Cunha, of counsel at Vieira de Almeida.

Olavo Cunha adds that, consequently, the choice of an inappropriate model of governance is the biggest mistake clients often make. In addition, another mistake clients make is disregarding the requirements of the relevant supervisory and regulatory bodies.

"Some corporate governance faults have been brought to light due to the financial crisis," Olavo Cunha says. "When the crisis emerged, the existing mechanisms failed to comply with best practice criteria. The European institutions issued an 'action plan' in which the European Commission launched recommendations in priority sectors, namely board duties, remuneration, exercise of shareholder rights and risk management."

Olavo Cunha points out that, as a result of the crisis, some Portuguese public companies adopted a model of corporate governance similar to that of the "American or British model", which involves "a board of directors, comprising an audit committee". He adds: "The purpose of the audit committee is to assist the board of directors in verifying the company's financial reports and accounts, as well as the independence of the auditor, and also oversee the performance and compliance of the company with regard to the regulatory and legal framework."

However, Olavo Cunha says that these measures are not enough to ensure sufficient levels of supervision. "We strongly believe that internal supervision may be identified as one of the trends of the last year."

He adds that some clients do not understand the importance of corporate governance and do not adapt their governance structures to meet the latest requirements.