

CORPORATE GOVERNANCE PRACTICES IN PORTUGAL

Inês Lisboa^{*}, Maria Clara Guilherme^{**}, Nuno Teixeira^{***}

^{*} Corresponding author, School of Technology and Management, Centre of Applied Research in Management and Economics, Polytechnic Institute of Leiria, Portugal

Contact details: Polytechnic Institute of Leiria, Campus 2, Morro do Lena, PO Box 4163, 2411-901 Leiria, Portugal

^{**} School of Technology and Management, Polytechnic Institute of Leiria, Portugal

^{***} School of Business Sciences, Polytechnic Institute of Setúbal, Portugal



Abstract

How to cite this paper: Lisboa, I., Guilherme, M. C., & Teixeira, N. (2020). Corporate governance practices in Portugal. *Corporate Law & Governance Review*, 2(1), 42-54. <http://doi.org/10.22495/clgrv2i1p4>

Copyright © 2020 The Authors

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0). <https://creativecommons.org/licenses/by/4.0/>

ISSN Online: 2664-1542
ISSN Print: 2707-1111

Received: 08.05.2019
Accepted: 28.04.2020

JEL Classification: G34
DOI: 10.22495/clgrv2i1p4

Corporate governance is not a new topic but has become more relevant in the last years due to the financial crisis of 2008, when diverse companies went to bankruptcy, and investor's protection was weakened. Thus, diverse countries have revised corporate governance mechanisms and recommendations to restore the confidence of investors and the transparency of companies' financial reports. This work aims to explain the evolution of corporate governance practices in Portugal. We provide information on corporate governance' legal framework. Then we explain ownership structures and board of directors' and directors' remuneration practices. Shareholders' rights and activism are also explained. Finally, we linked the topic of corporate governance and companies' performance and social responsibility. This work contributes to increasing literature review on corporate governance practices, by presenting the evolution of corporate governance practices in a specific country, Portugal.

Keywords: Corporate Governance, Corporate Governance' Practices, Investors' Protection, Portugal, Listed Firms

Authors' individual contribution: Conceptualization - I.L.; Methodology - I.L., M.C.G., and N.T.; Resources - I.L., M.C.G., and N.T.; Writing - Original Draft - I.L., M.C.G., and N.T.; Writing - Review & Editing - I.L.; Visualization - I.L.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

Portugal is a small size country that belongs to the European Union since 1986. It has more a less ten million and three hundred persons in around 92.212 km². La Porta, Lopez-de-Silanes, Shleifer, & Vishny (1998) categorize Portugal as a French civil law country, with few transparencies of information.

In Portugal, the main legal framework about corporate governance is in CSC (Código das Sociedades Comerciais - Commercial Companies Code), approved by the Decree Law No. 262/86, of 2 November 1986, and subject to diverse modifications, the last one by the Decree Law No. 14/2018, of 14 August 2018. It includes information about the firm's control and management, investors' rights and obligations, managers and members of other committees, protection of minority investors, creditors, and workers.

Listed firms are subject to high levels of regulation and requirement. The CMVM (Comissão de Mercado de Valores Mobiliários - Security Market Commission) had a corporate governance code approved by the Decree Law No. 486/99, of 13 November 1999, that was changed on 1 July 2013. Although, the CMVM admitted a lack of self-regulation about corporate governance, and, in 2015 the IPCG (Instituto Português de Corporate Governance - Portuguese Institute of Corporate Governance) assumed the responsibility to create a new corporate governance code. This code was published in May 2016 and revised in 2018. It includes recommendations about corporate control, executive and non-executive managers, supervision, remuneration setting, risk management, financial information, and auditing. Non-listed firms are also suggested to follow these recommendations.

Since 2006, the European Commission obligate listed firms to publish a corporate governance statement in their annual reports (IFC, 2015). In

Portugal the CMVM required this statement with the philosophy of comply or explain, to explain if the recommendations are followed or no, and if no, justify the deviation from recommendation, since 2001. In 2006 appeared the *Livro Branco* (white book) to summarize corporate governance in Portugal, and to draw some comments and reflections to deal with best practices in this thematic.

The firm's corporate governance is an obligation of the board of directors (CSC, article 405). Usually, this board has a hybrid structure (also called monistic model), with both administrative and supervisory roles, but it can also have a two-tier board (dualistic model) with an executive board, a board of directors, a supervisory board and an auditing board (CSC, article 278).

The number of board members is defined in the firm's contract. It can be only one person if the common share is less than 200 000 euros, and it does not need to be a shareholder of the firm (CSC, article 390). To listed firms, the average of members on the board was 10 in 2014 (CMVM, 2016) and reduce to 9 in 2016 (Lisboa, 2018).

The board of directors can decide that one or more members will be responsible for some administration issues. It can also delegate an executive board to manage the firm, establishing some limits (CSC, article 407). The shareholders can use their vote in the general meetings. Usually one share equal to one vote, but in the firm's contract, it can establish a different relation (CSC, article 384). Finally, the shareholders only can deliberate about the firm's management at the request of the board of directors (CSC, article 373).

2. OWNERSHIP STRUCTURES

The financial crisis that started in 2007/2008 due to the increasing rate of mortgage default in the USA market, which leads to an international banking crisis, had a great impact in Portugal. The indebtedness increased as well as the interest rates. In 2008 two Portuguese banks went to bankruptcy and in 2014 the third one. Therefore, the public deficit increased, special in 2010, and in April 2011 Portugal asked Troika's help to deal with this issue. Consequently, the number of firms that asked insolvency, as well as the unemployment rate has

increased. In Table 1, we present the number of firms (total and listed firms) per year.

Table 1. Number of Portuguese firms per year

Year	Number of firms ⁽¹⁾	Number of listed firms ⁽²⁾
2008	1 235 989	47
2009	1 199 843	45
2010	1 145 390	44
2011	1 113 559	44
2012	1 065 173	43
2013	1 098 409	43
2014	1 128 258	43
2015	1 163 082	43*
2016	1 196 102	43*
2017	1 242 693	43*

Sources: ⁽¹⁾ INE; ⁽²⁾ CMVM (excludes sports firms);
* unofficial data.

Analyzing Table 1 the following facts emerge: the total number of Portuguese firms is more-less stable, with a slight decline from 2008 till 2012, and an increase from 2013 till 2017. Moreover, most of the firms, around 99.9% are small and medium enterprises (Instituto Nacional de Estatísticas - National Statistics Institute), it means, "employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million" (Commission of the European Communities, 2003). Around 68% are singular firms, suggesting that groups of societies are not prevalent in Portugal (INE). The Portuguese Association of family firms (APEF) estimate that around 70% to 80% of the Portuguese firms are family firms, it means, are firms detain and controlled by a family. The more relevant industries are wholesale and retail trade, following by administrative and support services activities. The construction industry suffered a great decline from 2008 till 2014 and is recuperating in the last years, while the agriculture and fishing industry registered an increase of more than 57% from 2008 till 2017 (INE).

With regard to listed firms, the number of firms is very few, less than 50. The Portuguese stock index is PSI 20, composed by the 20 firms (since 2013 is composed only by 18 firms, the minimum number allowed) with higher market value. The distribution of shares is presented in Table 2 (the last data available is 2014).

Table 2. Distribution of listed firms' shares

	2008	2009	2010	2011	2012	2013	2014
Free float	21.40%	22.50%	22.50%	22.30%	21.90%	24.30%	23.60%
Qualified participation	76.90%	75.60%	75.90%	75.70%	76.10%	73.30%	73.90%
Own shares	1.70%	1.90%	1.60%	2.00%	2.00%	2.40%	2.50%

Source: CMVM (2016).

Table 2 shows that the number of own shares is residual, while qualified participation is in mean 75%. Lisboa (2018) presents similar results in 2016. Moreover, on average, only one person (individual or firm) controls 52% of the firm's shares, while the state controls less than 4% (CMVM, 2016). Finally, family firms are still prevalent in listed firms, representing around 44% of the total of listed firms, and 37% of PSI 20 in 2016 (Lisboa, 2018).

3. BOARD OF DIRECTORS' PRACTICES

In Portugal, there are three models of corporate governance provided for in article 278 No. 1 of CSC: the Latin model, which prevails in most firms, followed by the Anglo-Saxon model and the rather unexpressive the dualistic model, as it can be seen in Table 3.

Table 3. Models of corporate governance (in numbers)

Year	Latin	Anglo-Saxon	Dualistic
2008	35	10	2
2009	33	10	2
2010	32	10	2
2011	32	10	2
2012	31	11	1
2013	31	11	1
2014	31	11	1
2015	31*	11*	1*
2016	31*	11*	1*

Source: CMVM (2016); * unofficial data.

By the end of 2006, only two modes were allowed: the Latin or monistic model and the dualistic model. All the listed firms until that date adopted the Latin system. The reform of the CSC promoted by the Decree Law No. 76-A/2006 came to add a new model of corporate governance, the Anglo-Saxon and deepening of the two existing models: Latin model (board of directors/sole director, audit committee/statutory auditor) and dualistic model (direction, general counsel and certified public accountant). The new model (Anglo-Saxon) is based on the existing in the USA and England and aims to facilitate Portuguese companies, especially those listed in the New York and London Stock Exchanges, as well as foreign investors, the possibility of replicating structures with remarkable cost savings.

As for the typology of the board of directors, the average size varied between 9.4 elements in 2008 (the lowest), and 10.6 in 2012 (highest value). In 2013 and 2014 it stagnated in 10 (CMVM, 2016) and decrease slightly after it. The number of non-executive directors was generally superior to executives' ones and is higher in firms with the Anglo-Saxon model than in those with the Latin model. This practice follows the recommendation of the Code of Corporate Governance: "The board of directors should include a number of non-executive members to ensure the effective capacity of monitoring, supervision, and evaluation of the activity of the other members of the board of directors" (IPCG, 2018). Moreover, this code outlines that independence assumes the non-commitment of the directors and managers, without a direct link with the firm, i.e., are external elements.

Since the Corporate Governance Code of 2007, the CMVM recommended the existence of a minimum of 25% of independent directors in the total of members of the board of directors, in order to ensure that the non-executive members (independent and non-independent) had an effective capacity of supervision, monitoring, and evaluation of the activity of the executive members.

Table 4. Percentage of independents in the board of directors

2008	2009	2010	2011	2012	2013	2014
20.90%	21.60%	30%	29.10%	22.10%	32%	34%

Source: CMVM (2016).

Analyzing Table 4 we can see that there were years in which the number of independent directors was less than the recommended. Moreover, Lisboa (2018) found that in 2016 the percentage of independents on the board of directors decrease to

24%. In fact, the latest version of the code (IPCG, 2018) states in the chapter III.2 that the number of independent among the non-executive directors must rely on an appropriate proportion having regard to the governance model, the firm's size, the shareholder's structure, and the respective free float. Although Lisboa (2018) argued that diverse companies have no independent members, especially family firms.

The number of annual meetings of the board of directors varied between 10 in 2016 (lower value) and 13 in 2013 (highest value) (CMVM, 2016; Lisboa, 2018). With regard to the attendance, the rate varied between 93.3% and 96.7% to executive members, 77.7% and 90.2% to non-executive directors, and 78.10% and 90.7% to independent non-executive directors. Data from 2008 to 2013 (after this year information about this issue was not reported).

The average rotation of the board of directors, from 2009 to 2014, was between 5.5 and 7.3 years. The weight of women in the management bodies increased from 2009 till 2011, but it slightly decreased in 2012, as it is shown in Table 5. From 2009 to 2012 no woman was the President, and in some firms, the boards were composed only with men. Finally, the average of non-executive directors was in all the years (from 2008 till 2012) slightly higher than those of executive ones.

Table 5. Directors' average age and gender

Year	Executives (years)	Non-executive (years)	% women
2008	52.8	57.1	n/a
2009	53.6	56.2	5.60%
2010	52.7	57.1	5.90%
2011	52.7	57.1	7.20%
2012	52.6	58.0	6.60%

Source: CMVM (2016).

4. DIRECTORS' REMUNERATION PRACTICES

The financial crisis of 2008 and the economic and financial scandals made public, reported cases of directors who received huge remunerations when compared with those of other workers. This was one of the main causes of financial disaster (Hill, 2009).

Directors' remuneration policies within the framework of governance consider that incentives must be clearly and unequivocally documented. Thus, directors can promote performance and business activities in the long run. This strategy reduces the averseness of risky decisions and can promote the firm's sustainability, avoiding disproportionate or inappropriate remunerations payment that may sacrifice the firm's wealth. The Portuguese corporate governance code recommends regarding the interest alignment between the firm and managers, that part of the executive directors' remuneration should be variable, reflecting the firm's sustained performance, and avoiding excessive risk-taking (IPCG, 2018).

Executives' remuneration when mostly constituted of incentives directly related to corporate performance, has the beneficial effect of encouraging managers to opt for higher-risk projects and set long-term goals that maximize shareholder value. Therefore, agency conflicts are mitigated, increasing both executive's and shareholder's wealth.

In Portugal, directors' remuneration of public limited companies is regulated in the CSC, title IV, chapter VI, article 399. The remuneration can be fixed or a percentage of the annual net profit and the maximum percentage should be allowed in the firm's agreement. The article 399 of the CSC regulates also the members of the board of directors of the dualistic model (German origin), by the remission of the article 429. However, the CSC does not provide minimum values. Moreover, the number 1 of article 399 of the CSC adds that the remuneration of each director shall take into

account the duties performed and the firm's economic situation. Firm's directors are not based on contract employment, and so their remuneration can be reduced.

CMVM has published a regulation No. 1/2010, of 7 January 2010, with the aim of increasing transparency at the level of directors' remuneration disclosure of listed firms. It became mandatory the disclosure of directors' remuneration, individually and jointly with the goal of transparency. The new code of corporate governance has reinforced this issue (IPCG, 2018).

Table 6. Total remuneration paid to members of boards of directors of listed companies

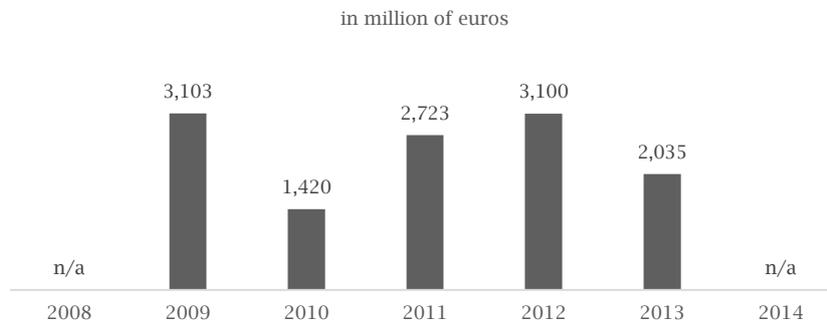
Year	Executives average (thousands of euros)	Remuneration average (thousands of euros)	Total (million euros)	Total remunerations paid		Unpaid
				Variable	Fixed	
2008	n/a	n/a	n/a	n/a	n/a	29
2009	515,0	297,0	124,700	35.20%	55.90%	29
2010	449,3	264,0	125,500	23.80%	63.70%	32
2011	n/a	293,2	131,000	27.30%	60.60%	50
2012	n/a	240,4	110,000	27.80%	63.80%	92
2013	356,036	n/a	105,160	25.00%	75.00%	77
2014	n/a	n/a	100,569	24.00%	76.00%	n/a

Source: CMVM (2016).

Analyzing the previous table, we can conclude that the total amount of remuneration has been decreasing from 2012, due to the Troika's contraction measures. For the same period, the percentage of fixed remuneration has increased at the detriment of variable remuneration. This fixed remuneration was more relevant to non-members of the PSI 20, and for non-executive directors,

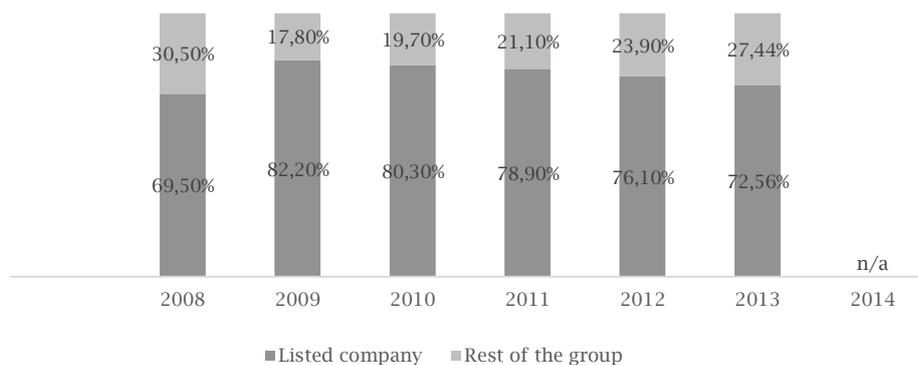
amounting to 90% of their total remuneration (CMVM, 2016). Moreover, fixed remuneration is higher among non-executive independent directors. The variable remuneration is more relevant to the firm's directors, firms of PSI 20, and executives. In the following graph is shown the maximum value received by the director by year (with available information).

Figure 1. Maximum value received by director



Source: CMVM (2016).

Figure 2. Proportion of the total remuneration paid to members of the boards by origin



Source: CMVM (2016).

Analyzing Figure 2 we can see that since 2009, the weight of remuneration received from affiliate firms, other than listed firms, has increased. In this case, shareholders not only indirectly support such remuneration, as they may not have any control over the setting of its value.

Table 7. Percentage of firms with stock options and stock delivery as remuneration systems

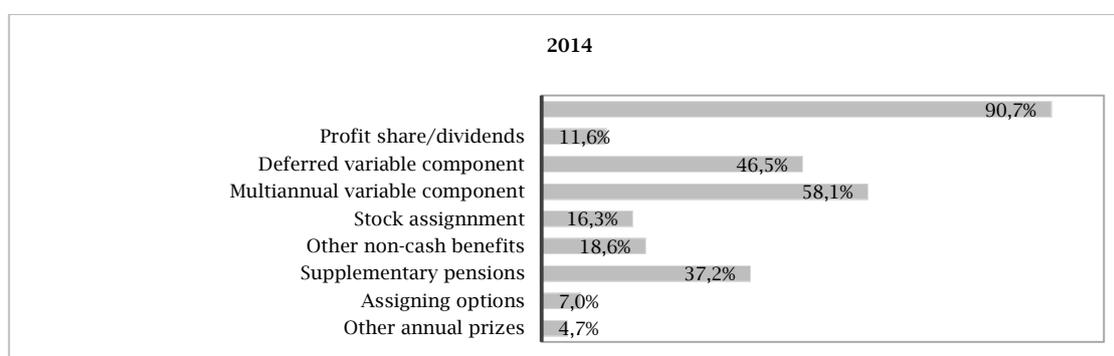
Year	Stock option	Stock delivery
2008	8.50%	14.89%
2009	11.11%	17.78%
2010	8.51%	20.40%
2011	11.36%	18.18%
2012	9.30%	13.95%
2013	n/a	n/a
2014	7.00%	16.30%

Source: CMVM (2016).

The remuneration plans based on the stock option are more frequent in Anglo-Saxon countries than in Portugal, due to the different models of the market. In Portugal, shares are few volatile, as free-float is relatively low, as well as the market itself. The issuance of stock options with a strike price lower than the price of date of issue cannot be a mechanism of interest alignment between shareholders and managers since it allows them to obtain gains without the shareholders being also rewarded.

Until 2008, the number of companies that had plans to stock options and/or stock-based remuneration systems was not significant. After 2008, 2014 had the smallest percentage of stock options, while 2011 presented the highest with 11.36%, as it can be observed in Table 7.

Figure 3. Percentage of firms with different remuneration components



Source: CMVM (2016).

Observing the previous figure, in 2014, to 90.7% of the firms, the annual variable remuneration is granted through bonus systems, awards, and participation in the firm's results. The trend has been for deferral of variable remuneration, which is already in practice in 46.5% of the firms. The variable remuneration with multiannual components occurs in 58.1% of companies. These compensatory schemes aim to associate the remuneration of executive members of the administrative organ to the long-term sustainability of the firm's results.

5. SHAREHOLDER'S RIGHTS PROTECTION

Portuguese firms are characterized by ownership concentration, with the dominance of control by shareholders, usually a family (Miralles-Marcelo, del Mar Miralles-Quiros, & Lisboa, 2014). Likewise, it is necessary to ensure that the economic interests of minority shareholders are protected. Although, according to Comissão Das Comunidades Europeias (2001), the participation of minority shareholders is difficult in firms with shareholders who hold controlling interests.

The 2007/2008 financial crisis had its source in the financial sector, but it had a huge impact on the capital markets around the world. One explanation by academics and professionals for the poor performance of capital markets is that shareholders have not had access to all relevant information regarding the risk, and predictions concerning the firm's future (Acharya, Philippon, Richardson, & Roubini, 2009).

The CSC defines the rights and duties of shareholders and stresses the protection of minority shareholders. The shareholders are entitled to information that must be provided by the firm in general meetings or through the means of information at their disposal (CSC, articles 288 to 293). Likewise, the firms must provide, through their website, in Portuguese and English (to protect non-resident investors), access to information that allows the knowledge about the firm's development and actual economic, financial, and government situation. Moreover, the code of corporate governance also calls attention to the need for an investor's support office (IPCG, 2018).

Moreover, article 22 of the CSC warns shareholders' rights with regard to dividends, and article 156 to the proceeds from the firm's liquidation, in which the value must be shared by all shareholders in proportion of their capital holdings. Regarding the transferability of shares and the need for consent for their sale, most listed companies are not subject to any limitations whether statutory or legal nor any kind of imposition of limitations on the ownership of shares (CMVM, 2016).

6. SHAREHOLDER ACTIVISM

The activism of shareholders is related to their ability to exercise rights associated with corporate governance, which are based mainly on the right to obtain information about the management and economic and financial evolution of the activity, to give an opinion and have access to communications

about decisions related to the strategic development and the choices of the board of directors.

As showed before, in Portugal, the listed companies are largely dominated by families. Dispersed ownership was less than 24%, and qualified participation (with a percentage of not less than 10%), corresponding to 74% of total quoted capital in 2014. Moreover, the three largest owners of 37 out of the 43 firms (86%) with titles valued at Euronext Lisbon in 2014 had participations superior to 50% of the total share capital (CMVM, 2016).

These data reveal the strong capacity of these large investors to influence the management of the largest national groups. On the other hand, it can be deduced that minority shareholders usually do not have the capacity to try to influence the management of these firms, and thus shareholder activism may not be significant in Portugal.

However, since 2013 we have witnessed an increase in the participation of international institutional investors, namely, investment funds, financial institutions, insurance companies, pension funds, risk capitals, among others, that given the fall in the value of Portuguese financial assets, have taken advantage of the capital investment opportunities and are present in more than 23% of the firms constituting the PSI 20. As an example, more than 160 foreign funds are present in the Portuguese market, with EDP and Galp Energia being the targets of the largest foreign investment and CTT being the company with the highest shareholder structure held by foreign funds - more than 62% of the capital (Lopes Moreira, 2015).

This new reality has created new challenges in relations between investors and managers, namely, in terms of providing and disseminating information on the firm's management, and on the economic and financial viability of the business, since these entities have a more active role in relation to activity than private investors, usually with minority and irrelevant holdings.

In a study carried out by Lopes Moreira (2015) in the firms belonging to PSI 20, about the activism of institutional investors regarding the firm's management in which they hold participations, some interesting conclusions were obtained:

1. The weight of their holdings in some firms is high, which shows their interest in controlling their management.
2. They have an active position in exercising the right to vote and to attend the general meetings and to be represented on the board of directors. They vote in the deliberations and present proposals, and in more than 50% of the firms in which they hold participations, they are represented in the boards of directors.
3. Intervene mainly in matters related to the economic and financial evolution of the firms, with the strategic options and their financial sustainability and with the policies of distribution of results.
4. Companies positively accept the opinions and proposals of institutional investors, trying to reconcile their interests with the firm's activity, in a strategy of creating long-term value for all shareholders.

In this way, it can be deduced that shareholder activism in Portugal has been reduced due to the high concentration of capital of the main national firms in families or business groups. However, the new reality of financial globalization with the progressive participation of international

institutional investors in Portuguese listed firms incorporates new challenges in the relations between their management and owners, and it is expected in the coming years a greater requirement in the financial reports and the quality of management.

7. MARKET FOR CORPORATE CONTROLS (M&A)

Mergers and acquisition operations, in addition to having goals associated with faster growth, greater resource efficiency, and business diversification to minimize risk, contribute to the control and balance between the different agents (owners and managers). This happens because when management decisions are not correct, the results tend to become lower, leading to a drop in stock prices. Thus, the shares are more affordable, which contributes to the launch of acquisition and merger operations by players with greater financial capacity, who try to take advantage of the undervaluation of the target firm's assets. Such operations have as their normal impact the substitution of managers, and the loss of their rights, by others of greater confidence of the new owners. According to this view, mergers and acquisitions allow better regulation of the interests of both agents (owners and managers), since managers may have significant losses with their realization and, therefore, tend to try to prevent them from occurring, making companies more profitable and larger, and less accessible to any interested parties in their acquisition.

In general, there are two types of studies on the topic "Market for corporate control". The first type compares the financial performance of the firms involved prior to the transaction with the merged or acquired entity. The second type studies the reaction of the price of shares of both firms after the announcement of the operation to be carried out.

Regarding the first type of studies, at the international level, there is no uniformity of results on the impact of this type of operation on financial performance. Although there are several studies where there has been an improvement in financial performance after mergers and acquisitions (Jensen & Ruback, 1983; Chatterjee, 1986; Barney, 1988; de Camargos & Barbosa, 2009). It is also noted that there are several studies that evidence the opposite (Meeks, 1977; Jensen, 1986; Roll, 1986; Ravenscraft & Scherer, 1987; Hausmann, 2005).

In the second type of work, it has been verified that the shareholders of the acquired firms obtain high gains through the valuation of stock prices (Fama, Fisher, Jensen, & Roll, 1969). As for the shareholders of the acquiring companies, as a general rule, they also benefit from gains from the valuation of titles by the market, since investors see the transaction as an opportunity for the firm to scale down and to be able to generate greater financial results in the future (Jensen & Ruback, 1983; Jarrel, Brickley, & Netter, 1988; Bruner, 2003; Sudarsanam, 2003; Martynova & Renneboog, 2008).

With regard to the Portuguese market, around 80 mergers and acquisitions transactions took place, on average, per year, from 2011 to 2014, representing the operations in which the amounts were disclosed an annual amount of more than 7.5 billion euros. In the following years, there was a very positive evolution of this kind of operations, with 160 in 2015 and 150 in 2016, representing in these years, the operations in which the values were revealed, amounts in the order of 15 thousand million euros (IMAA, 2017). According to the

Transactional Track Report (TTR, 2017), the most active sectors of the Portuguese market were: real estate, finance, and insurance, information and communication technologies, distribution and retail, respectively.

According to TTR (2017), 75 operations made by foreign companies were registered in 2016 in Portugal (Inbound transactions). Spain is the main foreign investor with 17 transactions, which generated 2.49 billion euros. The second largest foreign investor in the US with 14 operations that moved 111.08 million euros. In the inbound transactions, the sector that attracted the most foreign investments was the information and communication technologies, followed by the financial and insurance and real estate sectors, respectively. In relation to Portuguese firms that acquired foreign investments in 2016, three acquisitions were registered in Spain, two acquisitions in Mozambique, and two acquisitions in France, in addition to a transaction in several other countries. The sectors with the greatest investment by Portuguese companies were: marketing and advertising, chemical and chemical materials, distribution and retail, glass, ceramics, paper, plastics and wood, real estate, information and communication technologies, tourism, hospitality, restaurants, and wind energy.

Regarding the impact of these operations on the financial performance of the companies involved, although it is not an issue widely studied in Portugal, the results of some research work carried out on these operations in the national market are presented. Ferreira (2013) studied 50 firms that carried out business restructuring operations and concluded that financial performance did not suffer significant statistical changes. Fernandes Duarte (2015) studied 5 cases of mergers and acquisitions among companies in the food, construction, media, and communications, distribution, and pulp sectors, and found that financial performance improved in acquiring firms and that share prices were dependent on whether the news was positive or negative. Da Silva (2015) studied two merger operations in the telecommunications sector and found that the evolution of financial performance was quite different in both cases, which highlighted the importance of resource management capacity and the different organizational cultures of the companies involved. Baldé (2016) also studied the case of the merger between two of the main Portuguese telecommunications and media firms and concluded that there was a positive impact on the stock market when the transaction was

announced, as well as in the moments after the operation. Regarding the financial performance of the new company, he found that there were no significant changes to the pre-operation results of the firms involved.

In this way, the market for corporate control in Portugal has been very dynamic, not forgetting in this evolution, the role of the financial crisis of 2007/2008 that the country has gone through and which has reduced the value of the assets, creating opportunities for acquisition at lower prices companies with great potential. Thus, due to the dynamism presented by the market, it can be suggested that mergers and acquisitions have been one of the ways that domestic firms have adopted to achieve faster growth and a stronger competitive position in the market, through the efficiency of resources or business diversification. However, as can be seen from the above conclusions, the impact has not always been positive on financial performance, which also means that business concentration does not always contribute to a positive effect on the interests of shareholders by replacing management.

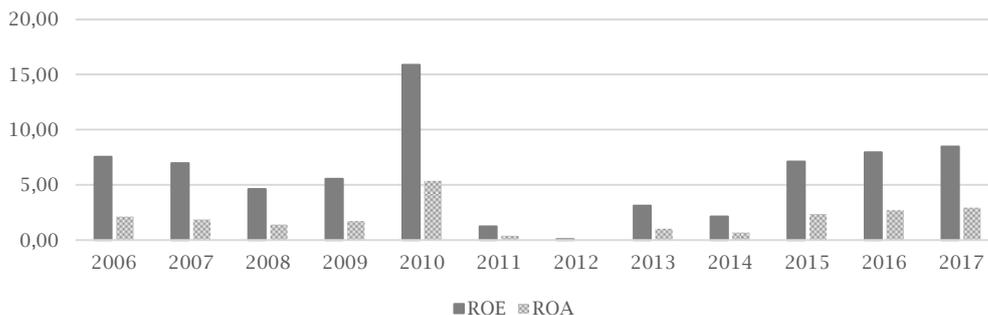
8. CORPORATE GOVERNANCE AND FIRM PERFORMANCE

The firm's financial performance shows how the firm has led with the market adversities, and whether the strategy has contributed to the bottom-line improvement (Kaplan & Norton, 1992).

There are diverse performance measures that can be grouped in: financial performance, operational performance, and market-based performance (Tierno, 2014). The most consensual measure of financial performance is the return on equity ratio (ROE), measured as net profit over total equity. Damodaran (2007) argued that this ratio relates the earnings left for equity investors after taking out the debt costs with the equity invested in the firm. Operational performance is usually measured using the return on assets ratio (ROA), the ratio between earnings before interests and taxes, and total assets (Major & Marques, 2009). Finally, the firm's market-based performance is usually measured using Tobins' Q, which is the ratio between market capitalization and total assets (Tierno, 2014).

The following graphs show the evolution of the firm's performance over the period from 2006 till 2015. The first one is to all Portuguese firms, while the second one analyses only Portuguese listed firms.

Figure 4. Evolution of financial performance of Portuguese firms

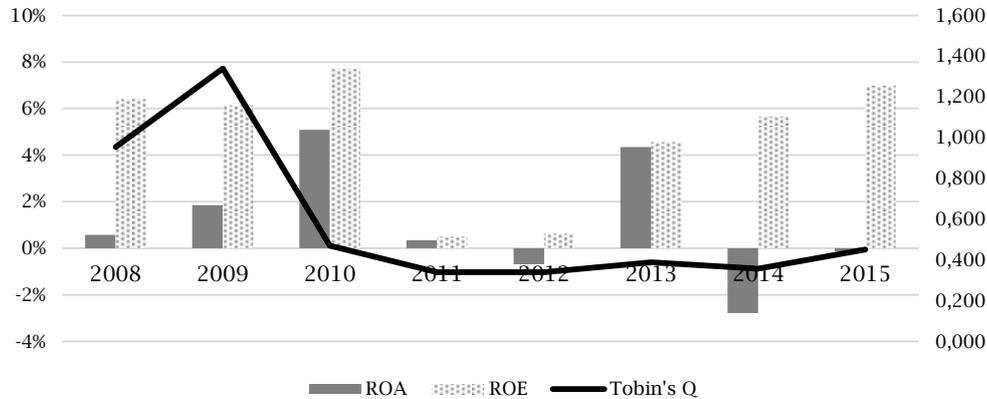


Source: INE Portal (2019).

In mean, Portuguese firms exhibit positive returns from 2008 till 2017. The year 2010 presents the highest returns, while the years of 2011 till 2014 the smallest ones. These last years overlap with the

years of the contraction measures imposed by Troika's to help the country to surpass the public deficit.

Figure 5. Evolution of financial performance of Portuguese listed firms



Source: Sabi Database (n.d.).

Analyzing listed firms, the conclusions are different, as return on assets was in 2012 and 2014 negative. Although the year of 2010 still exhibits the highest return (in mean), and the years of 2011 till 2014 the smallest ones, due to the reasons presented before. Regarding Tobin's Q, after the year of 2009, the market capitalization has decreased due to the financial crisis which had the main impact in the financial markets. In 2015 the market capitalization slightly increased but continued to be smaller compared with the values before the crisis.

Not all firms present the same performance, and it can be influenced by the firms' corporate governance. Major and Marques (2009), analyzing Portuguese listed firms found that firms that follow the corporate governance recommendations present a higher level of performance. The recommendations of corporate governance aim to increase the firm's transparency and ensure the representation of shareholders' interests in the decision-making. Therefore, the agency costs between the principal and manager decrease, leading to higher financial performance (Jensen & Meckling, 1976).

Moreover, the financial performance can be also influenced by the choices made for corporate governance structure as it impacts the protection of shareholders' interests. Tierno (2014), analyzing Portuguese listed firms, found that an increase in the levels of board independence leads to an increase in ROE, supporting the recommendations of corporate governance. Outside directors may control managers' opportunism to expropriate the firm's wealth at the expense of financial investors. Similar results were found by Campos (2015). Moreover, Tierno (2014) found that when directors own the firm's shares the performance also increases, since the interests between managers and shareholders are aligned. Firms with the Latin model and controlled by the family have positive performance, measured by ROA and ROE, although the Latin model (the historical model in Portugal) has a negative impact on Tobin's Q. The negative impact on Tobin's Q ratio can be due to the fact that financial investors find it important to have an

auditing board to control the firm's managers. Finally, when the CEO and the chairman are the same people the firm performance measured by Tobin's Q increases. This conclusion supports the stewardship theory which argues that managers behave in a collective way, aiming to increase the firm's wealth, but it contradicts the agency theory (Tierno, 2014).

9. CORPORATE SOCIAL RESPONSIBILITY

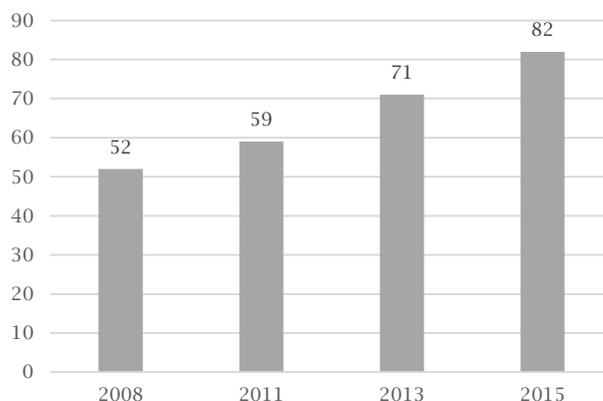
Firms should have an ethical attitude, making decisions that fulfill the interests of stockholders, and those who have their lives impacted by the firm. Not only monetary goals should be the firm's concern, but also social, economic, and environmental issues. Being socially responsible is being beyond the legally required, is when a firm voluntarily decides to contribute to society and the environment (Comissão Das Comunidades Europeias, 2001). Therefore, corporate governance mechanisms are crucial for corporate social responsibility, as it focuses on information transparency, and accountability. Da Rocha Ribeiro (2014) argued that these two thematic are complementary and may mutually reinforce. While corporate governance reports are obligatory to listed firms and recommended for the others and are special for this reason that Portuguese listed firms do it (Da Rocha Ribeiro, 2014), sustainability reports are optional but recommended for all types of firms. Firms face several pressures to be socially responsible, namely from the consumer, suppliers, competitors, regulators, and even society (Grace, 2011).

In fact, in the 21st century, firms were encouraged to promote ethics, equity, transparency, and responsibility of business, leading to an increase in the relevance of corporate social responsibility. Moreover, the financial crisis, the increase of the energy price, and the scarcity of natural resources called the attention for the need of being responsible (PwC, 2012).

In the last years, Portuguese firms have become aware of the active role they can play in society, being socially responsible, and contributing to global sustainability. KPMG argued in its survey of

corporate responsibility report (KMPG, 2013) that the number of Portuguese firms with reports of social responsibility is increasing (see Figure 3), being in the average of global firms.

Figure 6. Evolution of the number of firms with corporate social responsibility reports



Source: KPMG (2013, 2015).

Most of the firms are listed firms and firms with a large-size dimension. Moreover, PwC (2012), and Da Rocha Ribeiro (2014) found that part of these firms included a chapter about sustainability in their accounting reports. Some of these firms submit the report for external appreciation (PwC, 2012), and 90% of these firms use global reporting initiatives - GRI (KMPG, 2013). Additionally, to these facts, analyzing the 100 firms more sustainable in the world in 2016, Galp Energia appears in 16th place, suggesting that, to some companies, being socially responsible is relevant. Although, Da Rocha Ribeiro (2014) argued that diverse firms have social marketing, but that is not translated into effective social responsibility actions. Some firms look for commercial benefit, to acquire prestige and reputation, and are not really concerned with global development.

The more relevant principles of social responsibility to most of the Portuguese listed firms are sustainability, ethical behaviors, accountability, and transparency (Da Rocha Ribeiro, 2014). Moreover, corporate social responsibility is a way to relate to the firm and society. For that, most of the socially responsible firms have a commission regarding this issue, following the suggestion of corporate governance principles III.5 "The complexity of the supervisory role advises the existence of specialized committees to support decision-making by the board of directors, without prejudice to the roles legally attributed to committees with the responsibilities of auditing or of remuneration" (IPCG, 2018).

The social responsibility actions made by Portuguese listed firms are mainly monetary incentives, internships, voluntary actions made by workers, and consumes reduction (Da Rocha Ribeiro, 2014). Consumes reduction is an aim but only part of the firms really controlled the amount of savings (PwC, 2012). Being socially responsible provides the firm with competitive advantages, as its reputation increases, and consequently, the relationships with stakeholders can improve. Da Rocha Ribeiro (2014) found that the main reasons for Portuguese listed firms be socially

responsible is to contribute to global sustainable development, improve relations with stakeholders, and increase employee efficiency and motivation.

Grace (2011) has published a book about the first steps to be socially responsible. It focuses on the topics: workers, environment, society, suppliers, and evaluation and sharing the firm performance. Firms can also be a certificate regarding this issue. Most of the Portuguese listed firms adopted ISO certifications, namely ISO 9001/2008, which is related to quality management, and ISO 14001/2004, regarding environmental management. The ISO 26000/2010, which focus on corporate responsibility, and is from the responsibility of Associação Portuguesa de Ética Empresarial (Portuguese Association of Business Ethics) is used only for one-third of the companies in the sample, while the AA 1000APS2008, from the Institute of Social and Ethical Accountability, is followed by 17% of the firms (Da Rocha Ribeiro, 2014). The SA8000/2008 introduced by Social Accountability International is not followed by any listed firms in the sample of Da Rocha Ribeiro (2014) and is a few adopted by other Portuguese firms.

Finally, most firms have a strategy of social investment, but the majority of the firms do not make an analysis of it (PwC, 2012). Moreover, Da Rocha Ribeiro (2014) found that the annual amount spent by Portuguese listed firms on corporate social responsibility initiatives depends on the degree of compliance of the corporate governance' recommendations, which in turn is linked with the qualifications of the board of directors.

10. BRIEF INDUSTRIAL SPECIFICS

At the level of the Portuguese industries, there are no specificities regarding corporate governance. However, given the numerous bankruptcies that have occurred in recent years, management in the Portuguese financial sector has been questioned by different economic agents and by society in general.

These institutions present some specificities in their activity that incorporate previously unrecognized risks.

1. Banking activity is based on permanent access to liquidity, generating a cash flow imbalance between the assets, mostly long-term, and liabilities, usually short-term.

2. The turnover is based on the interest obtained through the granting of credits, which increases the financial risk.

3. The financial statements are less transparent than those of other sectors, as it is not always easy to assess the quality of, for example, granted loans and existing derivative assets.

4. There is always the risk, in the face of unstable economic conditions, of a race to withdraw deposits or a drastic reduction in the credits obtained at the financial system, greatly conditioning the liquidity of these institutions.

5. Finally, banks, besides competitors, are also business partners, transacting the different types of financial products among themselves, and there is, therefore, a danger of contagion when one of the parties fails to fulfill its obligations.

Thus, there has been an increasing effort on the part of international and national regulatory entities, in the sense of having a more demanding regulation with several variables associated with corporate governance of financial institutions, with particular attention to aspects related to remuneration and composition of the board of directors, to the supervision of the management of institutions, to the transparency of information provided and to risk management of the activity (Ramos, 2012).

With regard to the remuneration of the administrations, it became clear that the current generous levels of directors' remuneration were regularly associated with poor management performance, stressing the need to align the interests of managers and the (long-term) interests of the various stakeholders involved. Directive 2010/76/EU of the European Parliament and of the Council of 24 November (CdR III) stresses the importance of remuneration being linked to multi-annual objectives and provides for the setting up of a remuneration committee which monitors and defines the remuneration policy to be assigned to the board of directors, as well as the disclosure of this information. At the national level, in addition to the regulations with the generic application on the subject, concerning to financial institutions, Bank of Portugal Notice 10/2011, of 9 January, establishes the principles and rules that regulate the remuneration policy and its disclosure requirements, and also define the need for a remuneration committee composed mostly of independent members and with at least one qualified and experienced member, specifically for the exercise of functions.

Regarding the composition of the board of directors, the General Regime of Credit Institutions, states that it must have a minimum of 3 elements and at least 2 must be executives. In addition, they must have the knowledge and qualifications appropriate to the position, and non-executive directors should be independent in their activity, in order to objectively control the actions of the other members of the board.

As mentioned previously, credit institutions are subject to various specificities of their activity that

increase the risk associated with their performance. Accordingly, in Portugal, and in line with international law, the securities code states that financial institutions should establish an independent risk management service responsible for adopting policies and procedures to identify and manage. Its activities, procedures, and systems, taking into account the level of risk tolerated, and to provide advice to the management body and to prepare and submit to the latter and the supervisory body a report, at least annually, on risk management, indicating whether adequate measures have been taken to correct any deficiencies. Thus, it is expected that corporate governance contributes to the more sustainable management of financial institutions, based on better control of business risks and a more rigorous process in the evaluation of the performance of their board of directors.

In addition, the economic and financial crisis that has affected the lives of entities and citizens in recent years, coupled with constant concerns about the control of the public deficit, highlighted the importance of resource management in the state business sector and the need for financial sustainability in these entities, reducing the costs to be paid by economical agents, usually through a demanding tax system. Thus, corporate governance is also an increasingly important issue in the state's business sector.

Inclusively, in recent years, regulations have been published (for example, Law No. 66-B/2007, which established rules for evaluating the performance of services, managers, and employees) with the objective to establish a guideline of management good practices in the own Portuguese public administration, highlighting as guiding principles of decisions: economics (always select the least onerous option to achieve the intended objective), efficiency (always choose the alternative that maximizes the results against the resources used), effectiveness (always ensure the achievement of the objective and intended results) and quality (always optimize the quality of services provided to citizens and other entities).

With regard to the state's business sector, there are several problems to face in the coming years for the true implementation of corporate governance (Ferreira, 2011): 1) how is the State acting as a shareholder and related party; 2) how to promote competition; 3) how are the rights of private shareholders effected; 4) how the rights of third parties related to the public company are guaranteed; 5) what forms of decision-making; 6) which models for the administration and supervision; 7) what duties do the administrators or public managers have; 8) what are the consequences of the breach of these duties; 9) under which circumstances they are held accountable for their actions. In addition, Vicente (2014) also refers as great challenges of the state public sector, the weak fulfillment of information duties in terms of the evolution of activity and financial sustainability, the distance to business practice at the level of the day-to-day management of the activity and the reduced focus on profit and the principle of remuneration and recovery of invested capital, as basic ideas of the viability of the activities carried out.

Thus, it is expected that corporate governance makes a strong contribution to the state business sector through, changing attitudes in the management of organizations, questioning options,

informing, in a quantified and detailed way, the compliance with the principles that illustrate what the state, entities, and society in general, expect public management (Vicente, 2014).

11. CONCLUSION

Corporate governance is not a new area but has gained prominence in the last years due to financial scandals and the financial crisis of 2007-2008. Diverse countries have changed corporate governance recommendations, the set of rules the aim to guarantee better control within the firm, avoid information asymmetries, promote more transparency, and better protect all shareholders. Portugal was not an exception and in 2015-2016 the CMVM admitted a lack of self-regulation about corporate governance, and, transmitted the responsibility to the IPCG.

This work analyzed the evolution of corporate governance practices in Portugal. We conclude that most of the Portuguese firms have concentrated ownership, which makes it difficult to encourage shareholders' activism. Most of the companies have the Latin system, with a board of directors and an auditor that was the only accepted till 2006.

Regarding the percentage of independent members on the board of directors is around 25%

(the more recent information) which is the recommended, although some companies have no independent members which may lead to more agency costs. Moreover, the percentage of women on the board of directors is very small, but it follows the reality of other countries. Part of the executive remuneration is variable through a bonus system, awards, or participation in the firm's bonus. This practice is more accurate to encourage managers to maximize the firm's value.

The number of mergers and acquisitions is increasing in Portugal as well as practices of social responsibility, following the tendency of other countries.

Even with the change in corporate governance practices in the last years, most of them are only followed by listed firms. Moreover, not all these companies followed all the recommendations making it difficult to assure investors' protection. Therefore, it is recommended that state authorities and all firms continue to give attention to this topic in order to increase public trust in the corporate world. This work contributes to disseminating information about corporate governance recommendations and policies in Portugal, being useful to all shareholders, and contributing to the extent of existing literature of the thematic.

REFERENCES

1. Acharya, V., Philippon, T., Richardson, M., & Roubini, N. (2009). The financial crisis of 2007-2009: Causes and remedies. *Financial Markets, Institutions & Instruments*, 18(2), 89-137. http://doi.org/10.1111/j.1468-0416.2009.00147_2.x
2. Associação Portuguesa de Empresas Familiares (APEF). (2019, May). *Empresas familiares em Portugal - Como se caracterizam*. Retrieved from <http://www.empresasfamiliares.pt/>
3. Associação Portuguesa de Ética Empresarial (APEE). (2017, April). *NP ISO 26000: Guia para a responsabilidade social*. Retrieved from <http://www.apee.pt/>
4. Baldé, G. (2016). *As Fusões e Aquisições como Mecanismos de Criação de Valor: Estudo de Caso da NOS Comunicações* (Master thesis in Financial Management, Instituto Superior de Gestão, Portugal). Retrieved from <https://comum.rcaap.pt/bitstream/10400.26/18042/1/Genaica%20Bald%C3%A9%20-%20tese.pdf>
5. Banco de Portugal (1992, December 31). *Decree Law No. 298/92. Regime Geral das Instituições de Crédito e das Sociedades Financeiras*. Retrieved from <https://www.bportugal.pt/sites/default/files/anexos/legislacoes/rgicsf.pdf>
6. Banco de Portugal (2011, January 9). *Aviso No. 10/2008 de 22-12-2008*. Retrieved from <https://www.bportugal.pt/aviso/102008>
7. Barney, J. B. (1988). Returns to bidding firms in mergers and acquisitions: Reconsidering the relatedness hypothesis. *Strategic Management Journal*, 9(1), 71-78. <https://doi.org/10.1002/smj.4250090708>
8. Bruner, R. F. (2003). Does M&A pay? In R. F. Bruner (Ed.), *Applied mergers and acquisitions*. <https://doi.org/10.2139/ssrn.306750>
9. Campos, L. B. V. (2015). *Influência das características dos modelos de Corporate Governance no desempenho empresarial: Evidência empírica nas empresas cotadas em Portugal* (Master thesis in Accounting and Finance, Polytechnic Institute of Bragança, Portugal). Retrieved from <https://core.ac.uk/download/pdf/153414034.pdf>
10. Chatterjee, S. (1986). Types of synergy and economic value: The impact of acquisitions on merging and rival firms. *Strategic Management Journal*, 7(2), 119-139. <https://doi.org/10.1002/smj.4250070203>
11. Código das Sociedades Comerciais (CSC). (2019, May). *Lei No. 49/2018, de 14/08*. Retrieved from <http://www.pgdisboa.pt/>
12. Código dos Valores Mobiliários. (2009). *Decreto-Lei No. 144/2019*. Retrieved from https://www.cmvm.pt/pt/Legislacao/LegislacaoComplementar/SistemaFinanceiroSupervisaoCMVM/Documents/CVM_20191230.pdf
13. Comissão Das Comunidades Europeias. (2001). *Livro Verde - Promover um quadro europeu para a responsabilidade social das empresas*. Retrieved from https://www.europarl.europa.eu/meetdocs/committees/empl/20020416/doc05a_pt.pdf
14. Comissão de Mercado de Valores Mobiliários (CMVM). (2010). *Regulamento da CMVM No. 1/2010 Governo das Sociedades Cotadas*. Retrieved from <http://www.cmvm.pt/pt/Legislacao/Legislacaonacional/Regulamentos/Documents/Regulamento12010GovernodasSociedadesCotadas1.pdf>
15. Comissão de Mercado de Valores Mobiliários (CMVM). (2016, March). *Annual corporate governance report 2009 till 2014*. Retrieved from http://www.cmvm.pt/pt/EstatisticasEstudosEPublicacoes/Publicacoes/governosociedadescotadas/Pages/R elatorios_GovernoSociedades_Home.aspx?pg
16. Commission of the European Communities. (2003). Recommendation 2003/361/EC: Concerning the definition of micro, small and medium-sized enterprises. *Official Journal of the European Union*, L 124, 36-41. Retrieved from <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:EN:PDF>

17. Damodaran, A. (2007). *Return on capital (ROC), return on invested capital (ROIC) and return on equity (ROE): Measurement and implications*. <https://doi.org/10.2139/ssrn.1105499>
18. Da Rocha Ribeiro, N. M. (2014). *A relação entre o governo das sociedades e a responsabilidade social: Estudo de caso das empresas cotadas no PSI20* (Master thesis in Auditing, Instituto Superior de Contabilidade e Administração do Porto, Instituto Politécnico do Porto, Portugal). Retrieved from <https://core.ac.uk/download/pdf/47140221.pdf>
19. Da Silva, A. R. G. (2015). *Fusões e Aquisições: Casos contrastantes na indústria portuguesa de telecomunicação* (Master thesis in Management and Industrial Strategy, Instituto Superior de Economia de Gestão, Universidade de Lisboa, Portugal). Retrieved from <https://www.repository.utl.pt/bitstream/10400.5/10988/1/DM-ARGS-2015.pdf>
20. de Camargos, M. A., & Barbosa, F. V. (2009). Fusões e Aquisições de empresas: Criação de valor e sinergias operacionais (Mergers and acquisitions in Brazilian companies: Value creation and operating synergies). *Revista de Administração de Empresas*, 49(2), 206-220.
21. Dyck, A., & Zingales, L. (2004). Private benefits of control: An international comparison. *Journal of Finance*, 59(2), 537-600. <https://doi.org/10.1111/j.1540-6261.2004.00642.x>
22. Fama, E. F., Fisher, L., Jensen, M. C., & Roll, R. (1969). The adjustment of stock prices to new information. *International Economic Review*, 10(1), 1-21. <https://doi.org/10.2307/2525569>
23. Fernandes Duarte, A. R. (2015). *Impacto das fusões e aquisições no desempenho de empresas portuguesa* (Master thesis in Economics-Finance, Universidade de Aveiro, Portugal). Retrieved from <https://core.ac.uk/download/pdf/43419462.pdf>
24. Ferreira, J. M. (2011). *Os problemas do corporate governance nas empresas públicas* (Master thesis in Business Law Sciences, Universidade Nova, Lisbon, Portugal). Retrieved from <https://run.unl.pt/handle/10362/6195>
25. Ferreira, S. (2013). *Comparação do desempenho das empresas do ponto de vista da reestruturação empresarial* (Master thesis in Business Finance, Escola Superior de Tecnologia e Gestão - Instituto Politécnico de Setúbal, Portugal). Retrieved from <https://iconline.ipleiria.pt/bitstream/10400.8/1141/1/Disserta%C3%A7%C3%A3o%2015102013.pdf>
26. Grace. (2011). *Primeiros Passos - Guia Prático para a Responsabilidade Social das Empresas*. Europress. Retrieved from http://cite.gov.pt/pt/destaques/complementosDestqs/Guia_Resp_Empr.pdf
27. Haussmann, D. C. S. (2005). *Análise comparativa da performance económico-financeira de empresas do ponto de vista da reestruturação societária* (Master thesis in Accounting, Universidade Regional de Blumenau, Blumenau, Brasil). Retrieved from https://bu.furb.br/docs/TE/2005/311256_1_1.pdf
28. Healy, P. M., Palepu, K. G., & Ruback, R. S. (1992). Does corporate performance improve after mergers? *Journal of Financial Economics*, 31(2), 135-175. [https://doi.org/10.1016/0304-405X\(92\)90002-F](https://doi.org/10.1016/0304-405X(92)90002-F)
29. Hill, J. (2009). *New trends in the regulation of executive remuneration*. In R. P. Austin, & A. Y. Bilski (Eds.), *Directors in troubled times*. (pp. 100-123). Retrieved from <https://ssrn.com/abstract=1549429>
30. Institute of Mergers, Acquisitions and Alliances (IMAA). (2017). *M&A Portugal statistics*. Retrieved from imaa-institute.org/m-and-a-statistics-countries/
31. Instituto Nacional de Estatísticas (INE Portal). (2019, May). *Numero de empresas, total, por sector e dimensao*. Retrieved from https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0006569&contexto=bd&selTab=tab2
32. Instituto Português de Corporate Governance (IPCG). (2018). *Codigos de governo das sociedades*. Retrieved from <http://www.cgov.pt/>
33. International Finance Corporation (IFC). (2015). *A guide to corporate governance practices in the European Union*. Retrieved from https://www.ifc.org/wps/wcm/connect/506d49a2-3763-4fe4-a783-5d58e37b8906/CG_Practices_in_EU_Guide.pdf?MOD=AJPERES&CVID=kNmXTtG
34. Jarrell, G. A., Brickley, J. A., & Netter, J. M. (1988). The market for corporate control: The empirical evidence since 1980. *Journal of Economic Perspectives*, 2(1), 49-68. <https://doi.org/10.1257/jep.2.1.49>
35. Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance and takeovers. *American Economic Review*, 76(2), 323-329. Retrieved from <https://sfinm.files.wordpress.com/2013/10/agency-costs-of-fcf-jensen.pdf>
36. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency cost and ownership structure. *Journal of Financial Economics*, 3(4), 305-360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
37. Jensen, M. C., & Ruback, R. S. (1983). The market for corporate control: The scientific evidence. *Journal of Financial Economics*, 11(1-4), 5-50. [https://doi.org/10.1016/0304-405X\(83\)90004-1](https://doi.org/10.1016/0304-405X(83)90004-1)
38. Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard: Measures that drive performance. *Harvard Business Review*, 70(1), 71-79. Retrieved from https://steinbeis-bi.de/images/artikel/hbr_1992.pdf
39. KPMG. (2013). *Survey of corporate responsibility report 2013*. Retrieved from <https://blogmaterialityreporting.files.wordpress.com/2013/12/kpmg-corporate-responsibility-reporting-survey-2013.pdf>
40. KPMG. (2015). *Survey of corporate responsibility report 2015*. Retrieved from <https://home.kpmg/content/dam/kpmg/pdf/2015/12/KPMG-survey-of-CR-reporting-2015.pdf>
41. La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, 106(6), 1113-1155. <https://doi.org/10.1086/250042>
42. Lisboa, I. (2018). Corporate governance issues in family and non-family firms: Evidence from Portugal. *Egitania Scientia*, 23, 103-121. Retrieved from http://ubik.ipg.pt/egitania_scientia/index.php/egitania_scientia/issue/current
43. Lopes Moreira, A. R. (2015). *Corporate Governance - Os Investidores Institucionais no Governo das Sociedades Comerciais* (Master thesis in Law, Faculdade de Direito - Porto, Universidade Católica, Portugal). Retrieved from https://repositorio.ucp.pt/bitstream/10400.14/18928/1/Corporate%20Governance_A%20Moreira.pdf
44. Major, E., & Marques, A. (2009). IFRS Introduction, corporate governance and firm performance: Evidence from Portugal. *Journal of Applied Management Accounting Research*, 7(2), 55-70. Retrieved from <https://www.cmawebline.org/images/stories/JAMARv7.2-IFRS-CG-Portugal.pdf>
45. Martynova, M., & Renneboog, L. (2008). A century of corporate takeovers: What have we learned and where do we stand? *Journal of Banking & Finance*, 32(10), 2148-2177. <https://doi.org/10.1016/j.jbankfin.2007.12.038>

46. Meeks, G. (1977). *Disappointing marriage: A study of the gains from merger* (Occasional Paper No. 51). Retrieved from <https://lib.ugent.be/catalog/rug01:000466477>
47. Miralles-Marcelo, J. L., del Mar Miralles-Quiros, M., & Lisboa, I. (2014). The impact of family control on firm performance: Evidence from Portugal and Spain. *Journal of Family Business Strategy*, 5(2), 156-168. <https://doi.org/10.1016/j.jfbs.2014.03.002>
48. PwC. (2012). *Responsabilidade social corporativa em Portugal*. Retrived from https://www.pwc.pt/pt/sustentabilidade/images/pwc_responsabilidade_social_coporativa_portugal.pdf
49. Ramos, P. L. (2012). *O corporate governance das instituições de crédito* (Master thesis in Law and Management, Faculdade de Direito - Escola de Lisboa, Universidade Católica, Portugal). Retrieved from https://repositorio.ucp.pt/bitstream/10400.14/13898/1/tese_o%20corporate%20governance%20das%20institui%C3%A7%C3%B5es%20de%20cr%C3%A9dito.pdf
50. Ravenscraft, D. J., & Scherer, F. M. (1987). *Mergers, sell-offs, & economic efficiency*. Berkeley, CA: The Brookings Institution.
51. Roll, R. (1986). The hubris hypothesis of corporate takeovers. *The Journal of Business*, 59(2), 197-216. <https://doi.org/10.1086/296325>
52. Sabi Database. (n.d.). Retrieved from <https://sabi.bvdinfo.com/>
53. Silva, A. S., Vitorino, A., Alves, C. F., da Cunha, J. A., & Monteiro, M. A. (2006). *Livro Branco sobre Corporate Governance em Portugal*. Instituto Português de Corporate Governance (IPCG). Retrieved from https://ecgi.global/sites/default/files//codes/documents/libro_bianco_cgov_pt.pdf
54. Sudarsanam, S. (2003). *Creating value from mergers and acquisitions: The challenges*. Essex, England: Financial Times/Prentice Hall. Pearson Education Limited.
55. Transactional Track Report (TTR). (2017). *Mercado Ibérico de Fusões e Aquisições*. Retrieved from <https://www.ttrecond.com/pt/publicacoes/relatorio-por-mercado/relatorio-mensal-peninsula-iberica/Mercado-Iberico-Outubro-2017/1771/>
56. Tierno, M. V. (2014). *Corporate governance and Portuguese listed companies' performance* (Master thesis in Finance, ISEG - School of Economics & Management, Lisbon, Portugal). Retrieved from <https://www.repository.utl.pt/bitstream/10400.5/11398/1/DM-MVT-2014.pdf>
57. Vicente, P. (2014). *Corporate Governance e o Setor Empresarial Público em Portugal - Contributo para um normativo regulador* (Master thesis in Management and Public Plicy, Instituto Superior de Ciências e Políticas, Universidade de Lisboa, Portugal). Retrieved from <https://www.repository.utl.pt/handle/10400.5/7963>