A person with short dark hair, wearing a green ribbed turtleneck sweater and a hoop earring, is seen from the back, looking through a telescope. They are standing on a rocky shore with waves crashing against the rocks. The sky is filled with soft, wispy clouds, suggesting a sunset or sunrise. A large yellow frame is superimposed on the upper left portion of the image, containing the main title and survey information. Below the frame, there are four small yellow squares. In the bottom left corner, there are three small yellow squares. In the bottom right corner, the EY logo is displayed with a yellow triangle above it.

As the winds change, is Portugal just flying or soaring?

EY Attractiveness Survey
Portugal
June 2021

The better the question. The better the answer.
The better the world works.

EY

Building a better
working world



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The findings in this report are based on a two-step methodology that analyze the reality and perception of Foreign Direct Investment (FDI) in Europe. The reality of investment in Europe is based on the EY European Investment Monitor (EIM), an EY proprietary database produced in collaboration with OCO. This database tracks FDI projects that have resulted in the creation of new facilities and jobs. The perception of foreign investment in Europe is assessed by an online survey conducted by Euromoney in March 2021, based on a representative panel of 203 international decision-makers. In addition, this report contains views and insights from EY professionals and other stakeholders.

We would like to extend our gratitude to ...

Luís Castro Henriques, Chairman & CEO of AICEP Portuguese Trade & Investment Agency, João Silveira Botelho, Vice- President of Champalimaud Foundation, Andreas Hening, Onshore COO of Siemens Gamesa, Daniel Traça, Dean and Professor of Economics at Nova School of Business and Economics (Nova SBE), Rupert Symington, CEO of Symington Family Estates and Guy Villax, Chief Executive Officer of Hovione.

Furthermore, we would like to thank the hundreds of business leaders and EY professionals who have taken time to share their thoughts and insights with us about the possibilities that await us in Portugal in the coming years.

Foreword



Miguel Farinha
Strategy and
Transactions Leader
Portugal
Ernst & Young, S.A.



Miguel Cardoso Pinto
EY-Parthenon Leader
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Last year, the world economy suffered an unprecedented hit caused by COVID-19 outbreak, and Portugal was no exception. Nevertheless, it was an historical year in investment attraction. With 154 registered projects, Portugal entered the top 10 of investment destinations in Europe, proving Portugal's resilience when comparing with other European countries.

Portugal has positioned itself as one of the main destinations for foreign direct investment (FDI). Looking forward, considering resilience-seeking and nearshoring investment trends, the country needs to accelerate the improvement of the business environment.

This trend is supported by the investors' growing optimism, even higher than in 2017, since 90% of them are confident the pandemic impact in the Portuguese attractiveness will not last more than three years, 50% consider that Portugal's attractiveness will improve in the next three years and 37% are planning to establish or expand operations in Portugal over the next year.

Simultaneously, results in Europe show a great opportunity for Portugal to consolidate investment pipeline and attract investment, as 80% of investors think that Western Europe will be the most attractive world region for FDI in a post-COVID scenario.

This year's results indicate that COVID-19 was an accelerator for technological growth and implementation. In fact, 32% of the 154 attracted projects are in Software & IT Services.

For investors, Digital and technology are not only the present, but also the future for Portugal. Forty-five percent of investors consider Digital Economy the main sector to drive Portugal's growth in the coming years, and it's imperative that Portugal can leverage its main attractiveness factors to increase investment in those areas.

Looking to its main attractiveness factors, Portugal has a solid positive perception regarding quality of life and stability of social climate, followed by the reliability and coverage of infrastructure (transport, telecoms, energy) and the skills and availability of workforce.

Nonetheless, Portugal shouldn't afford to rely solely on this more traditional assets. Innovation, transparency and qualifications should be engines for long-term strategy but investors are starting to show some concerns on whether Portugal is consistently developing these areas. It is, therefore important that Portugal's public policies focus on improving public administration efficiency, legal system agility, the continued development of talent and in the pursuit of innovation and support of entrepreneurs. This should be done with the development of the right partnerships between the public and private sectors.

In Europe, investors urge policymakers to stand by cleantech environments and foster measures to promote sustainability, which will capture more FDI. Additionally, the simplification of the tax system is needed so that it can become a competitive advantage instead of a bottleneck.

Taking all these topics into consideration, we explore five key lines of action for Portugal's strategy to retain FDI: Increase technological leadership and develop the right set of talent, reinforce cleantech strategy and its potential to become a market leader in sustainability, focus on social and economic recovery to foster future growth, simplify the Portuguese tax system so that it can become a competitive advantage instead of a bottleneck, and continue to improve selective communication of Portugal as the right FDI location.

Finally, we hope that these conclusions and recommendations fuel conversations about FDI and Portugal. As part of our commitment to building a better working world, EY teams are dedicated to reshape the future for all organizations and foreign investment has a key role to play in this objective.

Executive summary

1 FDI today and tomorrow

Leveraging on existing assets but falling behind on new ones

Aligned with economic projections, investors are confident in the Portuguese recovery, with

90%

of the investors, being confident that the pandemic impact in the Portuguese attractiveness will not last more than three years

Once again, Portugal retains high investment numbers, with

154

registered FDI projects in 2020, of which

70%

from Europe

30%

from the rest of the world

This is a trend in line with past years, and Portugal entered to Europe's top 10 in FDI projects

The new level of investments in Portugal may be here to stay – investors remain optimistic, as

37%

of investors are planning to establish or expand operations in Portugal over next year, and

50%

of investors consider that Portugal's attractiveness will improve in the next three years.

Portugal's key traditional structural attractiveness factors are recognized by investors' perceptions

91%

90% in 2020

Quality of life

77%

78% in 2020

Stability of social climate

76%

75% in 2020

Telecommunication infrastructure

However, Portugal is falling behind on others such as innovation, transparency and availability of resources

66%

67% in 2020

Local labor skills level

59%

72% in 2020

Labor costs

57%

70% in 2020

Availability of office space

2 Understanding FDI numbers

A deep dive into sectors, activities and regions

Manufacturing, Research and Development (R&D) and Shared Service Centers (SSC) represent Portugal's present and the future

67%

of the 154 attracted projects are in manufacturing (24%), R&D (21%) and SSC (21%)

63%

of the respondents intend to invest in manufacturing (26%) and R&D (37%)

Digital economy and technology play an important role in Portugal's investment attraction

32%

of the 154 attracted projects are in software & IT Services sector

And is one of the main sectors that will drive Portugal's growth in the coming years

45%

Digital economy
(IT, telecoms and media)

45%

45%

39%

Real estate and construction

36%

Cleantech and renewables

Northern Portugal and Lisbon Area consolidate their position in FDI attraction

55

FDI projects

24

FDI projects

68

FDI projects

4

FDI projects

1

FDI project

2

FDI projects

3 Key assets in FDI landscape

How can Portugal sustain its attractiveness

Technology, environmental sustainability, easier tax system and talent are in the top of mind of the investors. These trends are aligned with what's being asked for Europe as a region and, as similarly to what is stated in EY Europe Attractiveness Survey 2021, it is recommended that Portugal focus its efforts on the following:

1 Increase technological leadership and develop the right set of talent

Most of the investors consider technology-related factors a great influence in deciding where to locate their operations, and that gives Portugal a clue that digital is the way. To ensure that the country has the right set of skills, it has to continue training their national talent pool with digital literacy and investing in innovation and cooperation between R&D centers and businesses. Additionally, communicating its world class quality of life and economic freedom can attract international talent, such as digital nomads.

3 Focus on social and economic recovery to foster future growth

Each country has a different approach regarding their national recovery plans, as they have different economic and social background and objectives. As recovery should be supported by environmental change, innovation and talent, Portugal recovery plan should be fully aligned with those goals. In fact, the Recovery and Resilience Plan (RRP) rely on the expansion and digitalization of the health care system, incentives for qualification of the Portuguese talent pool, digital transformation, public administration capacitation, digitalization and interoperability and sustainable mobility and decarbonization of the industry. Investors can leverage these investments to enhance their goals.

5 Continue to improve selective communication of Portugal as the right FDI location

It is imperative to ensure that valuable information is transmitted to investors quickly and successfully, with focus on non-established investors. This communication can be a valuable tool to fuel the country's longer term FDI prospects and positioning in global value chains.

2 Reinforce cleantech strategy and its potential to become a market leader in sustainability

Countries that stand by cleantech environments and foster measures to promote sustainability, will capture more FDI. As regulators around the world are strategically setting ambitious targets for a shift from fossil to renewable energy to encourage the adoption of greener alternatives, Portugal should be in line with Europe's sustainable goals. In fact, if decision makers focus on sustainable approaches in their investment decisions, will generate new investment opportunities. Access to cleaner energy sources, promoting environmental awareness and air/ water/ soil pollution reduction are the main areas to reform to reform to make Portugal a leader in environmental sustainability

4 Simplify Portuguese tax system so that it can become a competitive advantage instead of a bottleneck

Corporate taxation is one of the main concerns for investors. To address that, the Portuguese Government should implement some measures to simplify the Portuguese tax system, bearing in mind the underlying objective of not only simplification but also optimization:

1. Create a council between the tax authorities and taxpayers, which could decrease the number of case courts
2. Reduce the deadline for the Portuguese tax authorities to respond on the technical queries
3. Include continuous access to tax credits for R&D activities and create incentives aiming to promote the creation and/or maintenance of jobs

FDI today and tomorrow

Leveraging on existing attractiveness factors but falling behind on new ones

Aligned with economic projections, investors are confident in the Portuguese recovery

In 2020, Portugal was able to attract 154 investment projects, maintaining its strong position on FDI attraction

Investors expect Portugal to remain an attractive FDI destination



After suffering with the pandemic, Portugal expects a brighter future

The pandemic crisis severely affected the world's economy and the Portuguese one was no exception.

Portugal's Gross Domestic Product (GDP) was severely impacted by COVID-19 pandemic crisis and decreased 7.6% in 2020, which was a steeper decrease than the European Union (EU) average (6.8%)¹. However, the Portuguese economy proved to be more resilient than expected, as first estimates for 2020 showed a more dire scenario than the one that actually occurred.

Portugal faced two lockdowns, the first one from 18th March to 2 May 2020, and the second one from 15th January to 15th March 2021, with several restrictions to the circulation of people and goods. There was a severe loss in the export and private consumption of goods and services.

The recovery of economic activity in the third quarter of 2020 was mainly boosted by the domestic demand.

Sectors were impacted at different paces

This crisis affected companies at a different level according to the industry in which they operate. Reinforcing this trend, COVID-19 restrictions were lifted at different paces for different sectors in order to monitor the public health response.

Indeed, a robust and increasing commercial real estate market in Portugal in the period preceding the pandemic crisis limited the sector vulnerabilities.

Tourism and hospitality were the most affected sectors with the closing of borders and circulation restrictions, with only 40% of accommodations and restaurants open in the first lockdown. Sixty-two percent of these worked in the second lockdown, which shows a positive trend. However, it is still early to quantify the full impact COVID-19 pandemic had on these sectors as there are still many businesses that are likely to not reopen once they're given that opportunity.

According to the National Institute of Statistics, in 2020, there was a 61% loss in guests and a 63% loss in overnight stays comparing with the previous year.

It has been 27 years since such a low number was reached.

And, after the initial impact, manufacturing performed positively, recovering close to pre-crisis levels, according to the European Commission.

Vaccination plans are key to support a return to pre COVID-19 numbers

All countries are going ahead with their vaccination programs, all stating that not as fast as they would like, but as fast as possible. The goal of group immunity is something that is vital to allow a further loosening of restriction measures and, hopefully more circulation between countries. The European Commission is confident in 70% inoculation of the EU's adult population by mid-July, and Portugal is expected to reach group immunity (70% immunization) in the Summer of 2021 according to Portuguese vaccination plan. Once this is achieved, an important milestone will be reached in terms of confidence and will allow a strengthening of multi-borders transactions (either through exports or investments).

Table 1: Main macroeconomic indicators

	2017	2018	2019Po	2020Pe	2021Pe	2022Pe	2023Pe
GDP (annual growth rate)	3.5	2.8	2.5	-7.6	4.8	5.6	2.4
GDP (billion euros)	193.0	198.5	203.5	188.0	197.1	208.1	213.1
GDP per capita (EU28=100)	17.7	18.2	18.6	17.2	-	-	-
Private consumption (annual growth rate)	2.1	2.6	2.6	-5.9	3.3	4.9	2.3
Public consumption (annual growth rate)	0.2	0.6	0.7	0.4	4.9	0.4	-0.2
Gross fixed capital formation (annual growth rate)	11.5	6.2	5.4	-1.9	7.6	8.2	5.8
Exports (annual growth rate)	8.4	4.1	3.9	-18.6	14.5	13.1	4.8
Public debt (against GDP %)	126.1	121.5	116.8	133.6	128.0	123.0	120.7
Inflation (annual rate)	1.6	1.2	0.3	-0.1	0.7	0.9	1.0
Unemployment rate (%)	8.9	7.0	6.5	7.0	7.2	7.1	6.8

Sources: Bank of Portugal, *Economic Bulletin*, June 2021; European Commission - Eurostat; Strategy and Studies Bureau (GEE) of the Portuguese Ministry of Economy

Po - Provisional

Pe - Preliminary

¹ European Central Bank, *Eurosystem staff macroeconomic projections for the euro area*, June 2021

Aligned with economic projections, investors are confident in the Portuguese recovery

Investors perceive Portuguese government measures to deal with the pandemic impacts as less effective than those of other European countries

One of the key priorities for governments worldwide was the implementation of measures to mitigate the impact of COVID-19. Portugal followed this trend, and the government defined a series of restrictions and measures to mitigate the economic impact of the pandemic.

However, investors' perceptions indicate that those were seen as less effective than other countries'. A majority (51%) believes that government support to companies was below EU average. In relation to support to citizens, investors consider Portuguese measures were better but still, 42% of respondents felt they were still below average.

Portuguese government implemented both immediate responses to control the health crisis, as circulation restrictions, but also aimed to mitigate economic effects with long-term actions implementing a broader pack of measures¹.

On one hand, introduced moratoria on loan facilities and provided access

to liquidity, with an additional partial government guarantee, and the provision of credit lines to secure liquidity for the short term. It also secured the postponement of tax payments and the application of lay-off program, to financially support employability and avoid the increase of permanent unemployment.

Government made available funding to severely impacted sectors, such as, events, tourism, exporting industries, social economy and other small and medium-sized enterprises (SME) allocating more than €3.0 billion to this effort.

Additionally, it also provided financial aid to self-employed people with children with ages up to 12 years old, enforced prophylactic isolation and provided appropriate human and physical resources in health services.

Finally, it made a significant investment in the health system (through acquisition of equipment's, increase of workforce and monetary compensation for health professionals).

These measures provided an important support to the Portuguese economy and, according to the "Fast and Exceptional Enterprise Survey (COVID-IREE)",

conducted by the Bank of Portugal, 35% of the companies surveyed affirmed that without these policy measures they would have closed or would be operating with low profitability rates.

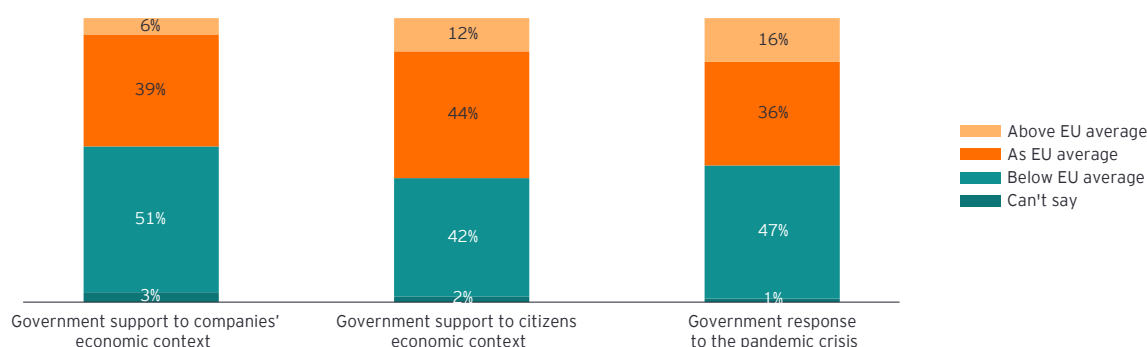
Nevertheless, investors feel confident that the Portuguese attractiveness will recover in a short-term period

Almost 90% of the investors, are confident the pandemic impact in the Portuguese attractiveness will not last more than three years. This positive perception is key for investment plans that were previously canceled or postponed.

Given the turbulence of economic impacts of the pandemic, it is remarkable that this positive outlook takes the lead in the investors perspective for the European economy and recovery.

Strengthening this positive perception in the Portuguese economy, in the EY Europe Attractiveness Survey 2021, we can see that investors are therefore proceeding with their investment plans, with 41% saying their 2021 investment plans have not changed since last year and 17% having actually increased their investment plans.

Figure 1: Regarding Portugal's level of success in addressing the COVID-19 crisis, what is your perception on



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

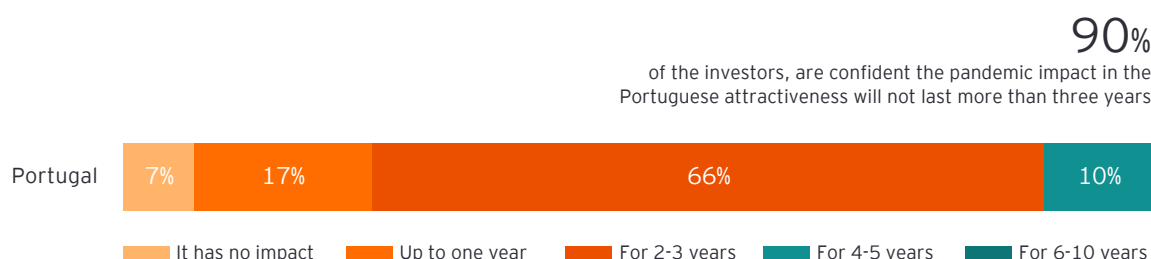
¹ República Portuguesa, *Apoios ao emprego e economia*, June 2021

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Investing during turbulent times is critical to build resilience, and resilience is key for companies to navigate uncertainty and to deliver future growth expectations.

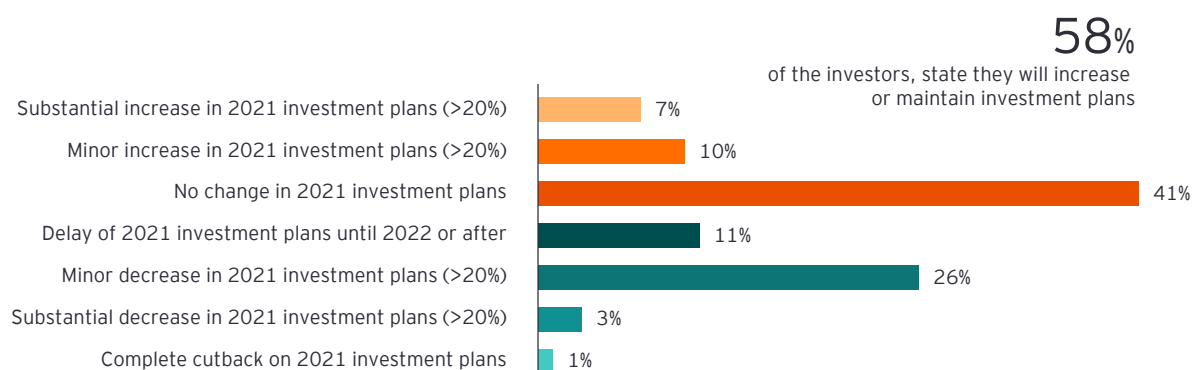
Miguel Cardoso Pinto
EY-Parthenon Leader
Portugal

Figure 2: For how long do you believe that COVID-19 will affect Portugal's attractiveness?



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Figure 3: To what extent have you changed your 2021 investment plans because of the COVID-19 outbreak?



Source: EY Europe Attractiveness Survey 2021

Once again, Portugal receives a large number of investment projects

Despite the pandemic crisis, investment numbers remain high

In 2020, Portugal was able to attract 154 investment projects, a 3% decrease when compared to an all-time record 2019 with 158 projects.

When compared to a 13% decrease in investment projects in Europe, this result highlights Portugal's attractiveness resilience.

Portugal is consolidating its position as an investment destination in Europe, as investments are being decided at a 27% CAGR over the past five years, with a large majority being of new projects instead of expansions (73% vs 27%).

This year's projects resulted in the creation of more than 8,947 jobs, of which 57% associated with new projects.

These are positive results to Portugal, even more, in a pandemic context with global impact in the world's economy.

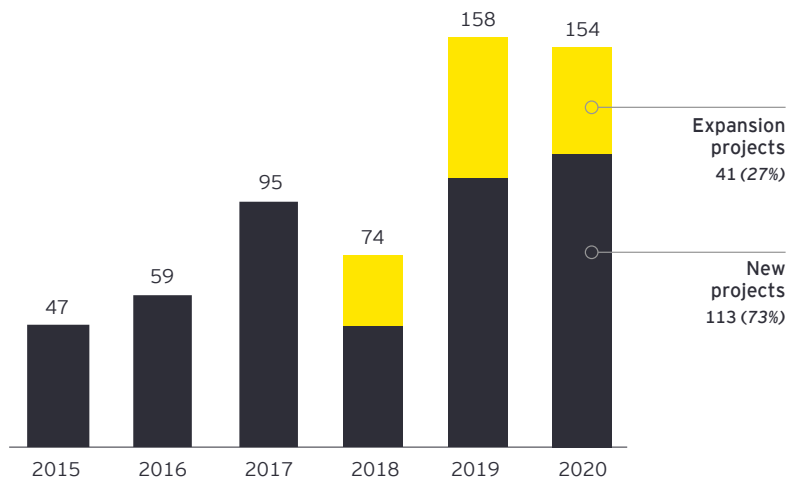
FDI origin: The right balance between the New and the Old continent

The United States (US) were, once again, Portugal's largest source of FDI projects (25).

Nevertheless, investments from European countries continue to increase in number and in share, with 108 projects coming from Europe (70% of total FDI in 2020).

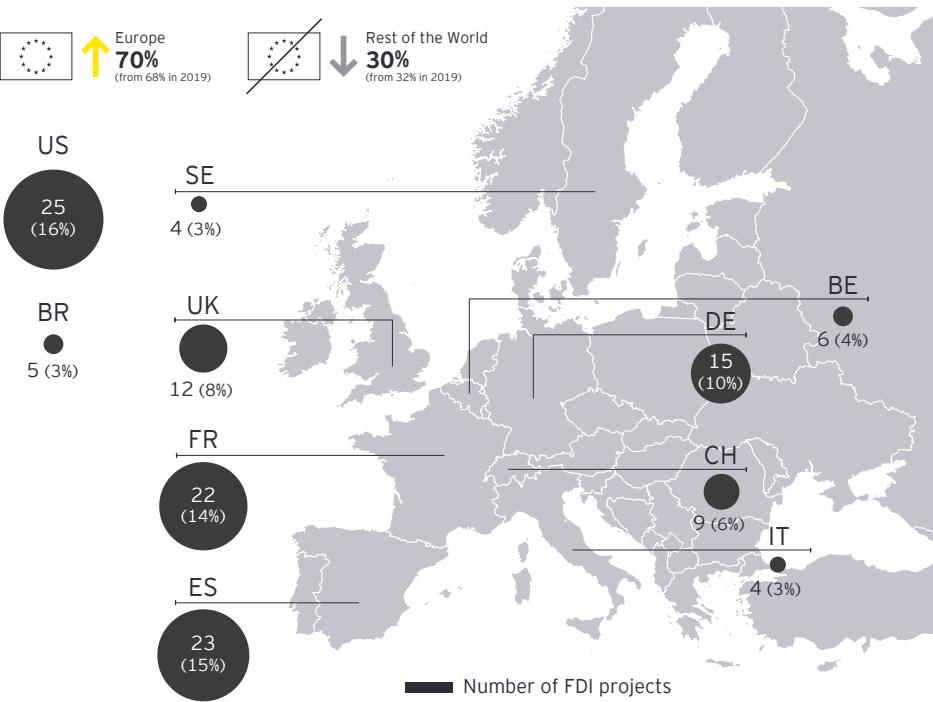
Spain is second in number of investments, with 23 FDI projects followed by France with 22. Germany and the United Kingdom (UK) followed with 16 and 13 projects, respectively. Emerging with a significant increase comes Belgium with 4 projects (2 projects in 2019).

Figure 4: FDI projects in Portugal



Source: EY European Investment Monitor, 2000-2020

Figure 5: FDI projects in Portugal by main countries of origin (2020)



Source: EY European Investment Monitor, 2020

Portugal entered Europe's top 10 in FDI project number

In 2020, the uncertainty climate impacted FDI in Europe. There was a decrease of 13% in FDI projects compared to last year's numbers.

Portugal, however, was able to reinforce its position within the European landscape, entering into the top 10 European countries for foreign investment, for the first time in many years, retaining 3% of the FDI projects in Europe.

Portugal's neighbor Spain was also strongly affected by the crisis and has one of the highest decreases in the number FDI projects. Ireland loses one position in the rank, although maintaining its European market share.

Table 2: Top 10 European countries for foreign investment

Rank	Country	Share in 2019	Share in 2020	Project growth rate
1 =	France	19%	18%	-18% ↓
2 =	United Kingdom	17%	17%	-12% ↓
3 =	Germany	15%	17%	-4% ↓
4 =	Spain	8%	6%	-27% ↓
5 ↑	Belgium	3%	4%	-15% ↓
6 ↑	Poland	4%	4%	+10% ↑
7 ↑	Turkey	3%	4%	+18% ↑
8 ↑	Netherlands	4%	4%	-23% ↓
9 ↓	Ireland	3%	3%	-14% ↓
10 ↑	Portugal	3%	3%	-3% ↓
	Other countries	22%	21%	-17% ↓
	Total	100%	100%	-13% ↓

Source: EY European Investment Monitor, 2019-2020

Note: The arrows and equal signs in the ranks column is referring to last year's rank

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Companies are clearly acting in response to their experience and proactively preparing for a different market landscape.

Andrea Guerzoni

EY Global Vice Chair
Strategy and Transactions

Global Capital Confidence Barometer Feb. 2021

EY viewpoint



Miguel Farinha
Strategy and Transactions Leader
Portugal
Ernst & Young, S.A.

“

Portugal is now in a better situation than the one faced during the 2011 crisis, both because of the progress made before the pandemic and Europe's massive support through the Recovery and Resilience Facility (RRF) funding.

Portugal, laying the foundations of a better future

2020, the unthinkable year

The last decade was, as I called it in the last edition, a turning point for Portugal. After being affected by the European sovereign debt crisis, the country has managed to recover and improve its economic indicators. GDP was growing faster than it had for most of the past two decades, the country paid back its International Monetary Fund (IMF) loan earlier than initially planned and 2019 marked the first year with a government surplus in over four decades. Also, after decades of deficits close to 10% of GDP, trade balance was consistently positive, benefiting from record breaking goods exports as well as a boom in tourism. Then COVID-19 happened. 2020 was a year to remember, there is no doubt about it, as the world was forced to press the pause button. After seven years of consecutive growth, the Portuguese GDP dropped 7.6%, slightly more than Europe (6.8%).

As most European countries, the government implemented lockdown periods to protect public health and support measures to try to sustain companies and citizens through troubled times. Even though the massive impact of the crisis, the year's performance was better than anticipated.

Calm after the storm, Portugal ensures the right conditions for economic growth

Although the economic outlook is still highly influenced by the pandemic, Portugal is back to business. The vaccination campaign is expected to go faster than initially anticipated and the country is expected to reach group immunity (70% immunization) in the Summer of 2021. The positive effects are significant, mainly to sectors that suffered the most with the pandemic, as tourism and hospitality.

Portugal is now in a better situation than the one faced during the 2011 crisis, both because of the progress made before the pandemic and Europe's massive support through the RRF funding. The pace of recovery will be highly dependent on the effectiveness of how that funding will be applied, on the quality of the selection process of the investments to be supported and, especially, on the spillover effects of those projects.

Mergers and acquisitions (M&A): a tool to attract investment, protect value and sustain the recovery

The economic impact of the pandemic was different across segments and some of its consequences are still hidden by public measures such as moratoria on leases and debt. As such measures are lifted, and considering the reduced pace of recovery of international tourism, it seems inevitable that continued liquidity problems will threaten the continuity of a large number of businesses.

As a consequence, we expect to see an increase in the number of opportunities for M&A operations in Portugal. For the economy, with a large number of under-capitalized small-scale companies, M&A operations will be a key instrument to promote business consolidation, to accelerate growth and to avoid the destruction of value, assets and jobs. This will continue to attract investment funds and private equities, a trend that EY teams were already observing since before the pandemic.

Viewpoints

External viewpoint



Luís Castro Henriques
Chairman & CEO of AICEP
Portuguese Trade & Investment Agency

“

We work as a single point of contact in all phases of the investment, providing key market information and liaising with all relevant local stakeholders, with a tailored support in the setup phase and after the kick-off of operations.

Innovating in Portugal

Portugal, today, is widely recognized as a competitive, innovative, and attractive destination for business and investment, throughout the different economic sectors. During past years, Portugal has showcased to the world its capabilities not only in the areas of Industry, Trade and Tourism, but also in the Services Industry, with increasing exports in volume and value and attracting systematically further high value-added investment.

Despite the pandemic effects on the world economy, over the last years Portugal has had the capability to position itself as a preferred destination for Foreign Direct investment projects, due to our unique and valuable set of skills, namely and above all due to our Talent pool. We have witnessed that Foreign Direct investment in Portugal has risen not only in number but in value.

Furthermore, Portugal is showing a strong business case as a leading innovation hub. The Portuguese Academia and the Knowledge developed by all the Research and Development Centres must be mentioned as an important source of talent and for developing products for a highly competitive and demanding market. The Digital transition that the country is experiencing, out of the pandemic, with more and more services and products being developed to allow for a more secure usage on our daily life, shows the local capability to adjust and create knowledge with a global footprint. Also, it is worth mentioning the role of the "Start-up" environment, as some of these star companies have been receiving significant investment from international investors and as a key source for partnerships. With more than 2.000 Start-ups created in 2020, they represent an increasing tool for the development of local innovation with a global impact.

Portugal has a highly skilled talent pool, a multilingual and cosmopolitan working environment, strong training and knowledge networks and a very low operational risk. Our strategic location and transport infrastructures make Portugal a gateway for Europe and ensure full and easy integration in the European market for companies from other geographies, such as the United States

or Canada. On top of that, and due to our historical and cultural connections with other Portuguese speaking countries such as Angola, Mozambique, Brazil, or Macao we are also a gateway to Africa, America, and Asia.

Portugal has the 3rd highest rate of Engineering graduates in the EU, ranks 7th in the English Proficiency Index 2020 and has one of the highest levels of peace and stability - 3rd in Global Peace Index 2020 and 7th in Political Stability according to the World Bank. Investors recognize the importance of these factors, namely the very low risk presented by our country in different areas such as Governance or socio-economic vulnerability. The absence of these risks is increasingly gaining importance in the decision-making process by companies as the trend for secure locations is becoming the norm.

AICEP, as the Portuguese Trade and Investment Agency, plays an important role for investors looking for a new location or, if already based in Portugal, seeking to expand their operations. We work as a single point of contact in all phases of the investment, providing key market information and liaising with all relevant local stakeholders, with a tailored support in the setup phase and after the kick-off of operations.

During these past 12 months, and always taking in consideration the difficult times that our country and the world are going through - it is with great pleasure that we welcomed to Portugal newcomers from different nationalities, with a common feature to them all, all being high added value projects. We are happy these investors chose Portugal ahead of other world destinations and I am honored to say that Portugal, nowadays, is increasingly recognized as an important destination for the establishment of Innovative projects.

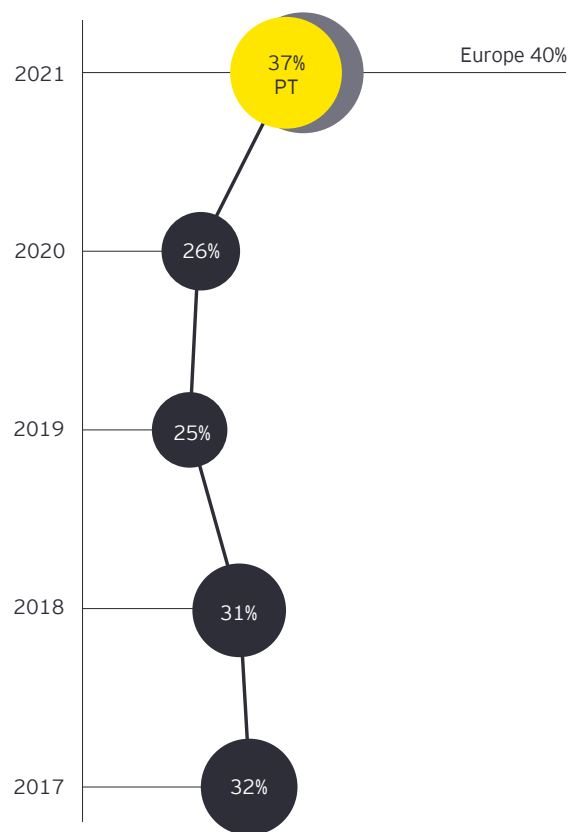
We are aware of the challenges that lay ahead, but believe Portugal and the Portuguese people are showing their unique talent and speed to overcome them, presenting a competitive location for some of the most innovative and challenging projects that these great companies are developing.

The new level of investments in Portugal may be here to stay - investors remain optimistic

Investors' willingness to invest in Portugal in the short-term is accelerating

Investment intentions in Portugal for 2021 have seen a substantial increase (37% in 2021 vs 26% in 2020). This is especially important, considering the global turbulent economic outlook and how investors rank the government's response to COVID-19. Despite this context, investors are increasing their plans to invest in Portugal to levels even higher than the historical levels of 2017.

Figure 6: Are you planning to establish or expand operations in Portugal over next year? Answer = Yes



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal); EY Europe Attractiveness Survey 2021

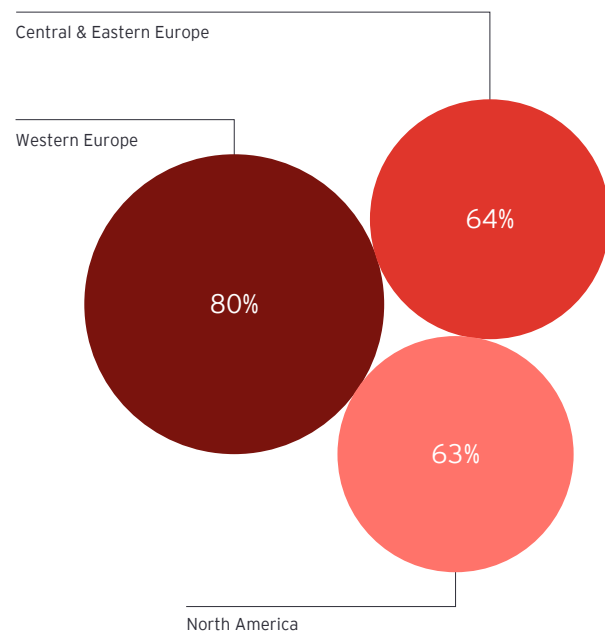
Global trends in FDI perceived by investors favor Portugal

When asked which regions globally, will be most attractive to establish operations when the COVID-19 pandemic is behind us, Western Europe ranks first with Central and Eastern Europe and North America tied in second place.

In parallel, 63% of investors believe Europe's attractiveness will improve during the next three years. Only 5% think it will decrease.

European countries may be benefiting from the companies that are pulling out of countries with higher perceived risk, especially in the manufacturing sector.

Figure 7: Which of the following regions do you believe will be the most attractive to establish operations once the COVID-19 pandemic is behind us?



Source: EY Europe Attractiveness Survey 2021

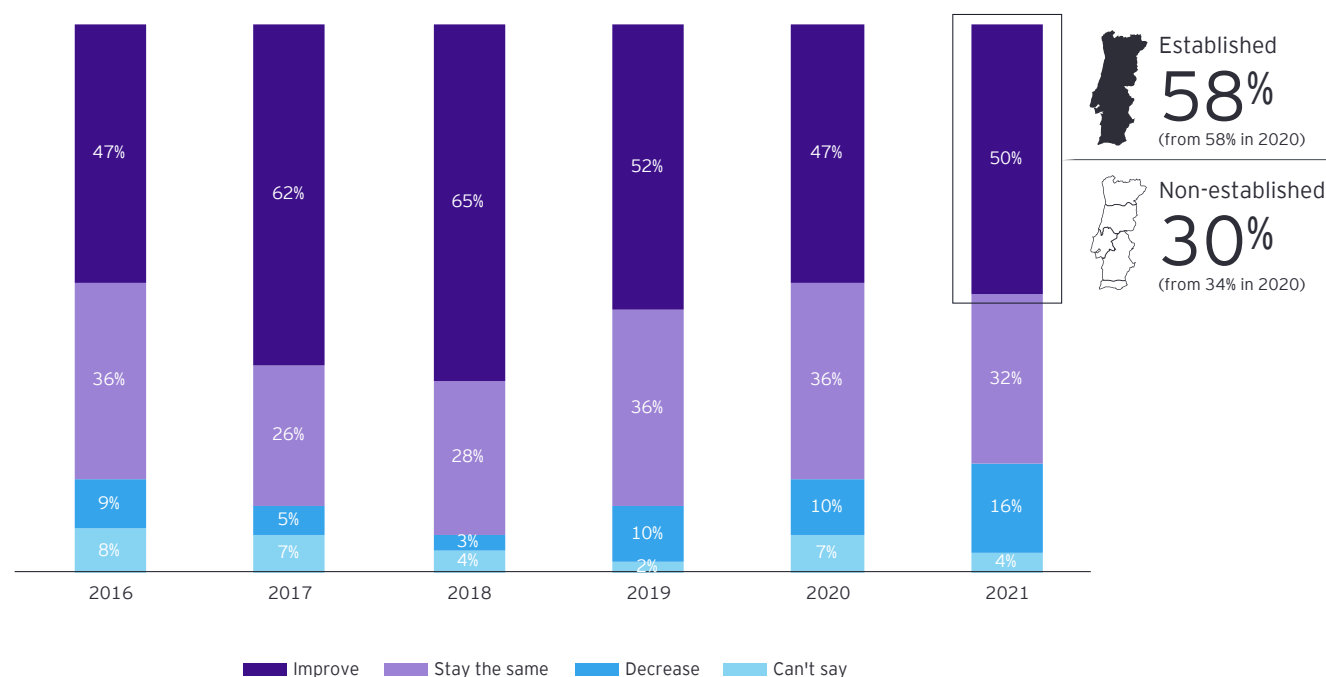
Yet, a key question in everyone's mind is: are these numbers sustainable? What future is reserved for Portuguese foreign investment?

The perception about the Portuguese attractiveness shows a positive increase compared with 2020 and a return to historical levels. Despite the pandemic crisis, Portugal attractiveness remained solid, with a 3 p.p. increase over last year's results.

The country's attractiveness improvement is even clearer when analyzing the investor's perceptions of attractiveness for major European cities, where 7% of respondents see Lisbon as one of the most attractive cities in Europe (vs 2% in 2020), ranking 13th (vs 23rd in 2020) over 40 options.

Investors that are already established in Portugal are more optimistic regarding the country's future attractiveness, a trend that remains constant over the years.

Figure 8: To what degree do you think Portugal's attractiveness will evolve over the next three years?



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Portugal's key traditional attractiveness factors are recognized in investors' perceptions and by international independent rankings

An exceptional quality of life where safety prevails

Portugal ranks 3rd place among 59 countries regarding quality of life, according to InterNation. Expats particularly appreciate the local leisure options and sunny climate weather and sense of safety.

Moreover, expats consider Portugal as the country where they most feel at home demonstrating the country's capability of integration and non-discrimination.

Additionally, the Global Peace Index ranks Portugal as the 3rd safest country (within 163 countries). Portugal has low levels of crime ensuring societal safety and security, low levels of domestic and international conflict and degree of militarization, which are clear signs of peacefulness within the country and with neighbors.

A technology driven environment

Portugal is ranked in the 32nd position among 158 countries in the Readiness for Frontier Technologies Index according to United Nations Conference of Trade and Development. Portugal nests innovation with investments in infrastructure, human capital and technology to enable technological development.

World class infrastructure

Portugal has world class infrastructures, ranking 21st in this pillar of the World Competitiveness Index. Within this pillar, it ranks 8th place in quality of roads, an important factor for logistic activities.

Regarding telecommunication, Portugal ranks in 25th place when comparing 79 countries in the Global Connectivity Index, showing a large broadband implementation and a strong investment in technology penetration.

Diverse and talented profiles

Portugal ranks 28th in the Global Talent Competitiveness index, highlighting world-class availability of a skilled and educated workforce. Portugal ranks seventh in English proficiency in Education First's classification, an added advantage for international companies scouting new investment locations.

An ecosystem for companies to invest in

The Heritage Foundation ranks Portugal 52nd out of 184 countries in economic freedom. While there is room to improve, the regulatory and business environment are compatible with international investment.

↑ **3rd**

The best countries for Expats - Quality of life ranking 2021

59 countries

= **3rd**

Global Peace Index 2020

163 countries

32nd

Readiness for Frontier Technologies Index

158 countries

= **25th**

Global Connectivity Index 2020

79 countries

↑ **21st**

Global Competitiveness Index 2019 Infrastructure pillar

141 countries

= **28th**

Global Talent Competitiveness Index 2020

132 countries

↑ **52nd**

Index of Economic Freedom 2021

180 countries

Note: The arrows and equal signs in the ranks is referring to the previous edition's rank

However, Portugal is falling behind on key assets such as innovation, transparency and availability of right resources (talent and office spaces)

Global investors' key factors that influence investments decisions favor Portuguese most appreciated attractiveness factors

In the EY Europe Attractiveness Survey 2021, when asked about the key factors that can influence investment decision to select a particular country, 53% of the investors select stability of the political and regulatory regime, followed by the reliability and coverage of infrastructure (transport, telecoms, energy) and the skills and availability of the workforce. These are considered as a key investment enablers.

Portugal shouldn't afford to rely solely on its traditional assets. Innovation, transparency and workforce skills should be engines of long-term strategy

High valued ratings on crucial attractiveness factors such as quality of life, stability of social climate, infrastructures and the skilled local employees have been fueling Portugal's appeals to investors, underpinning the Portuguese

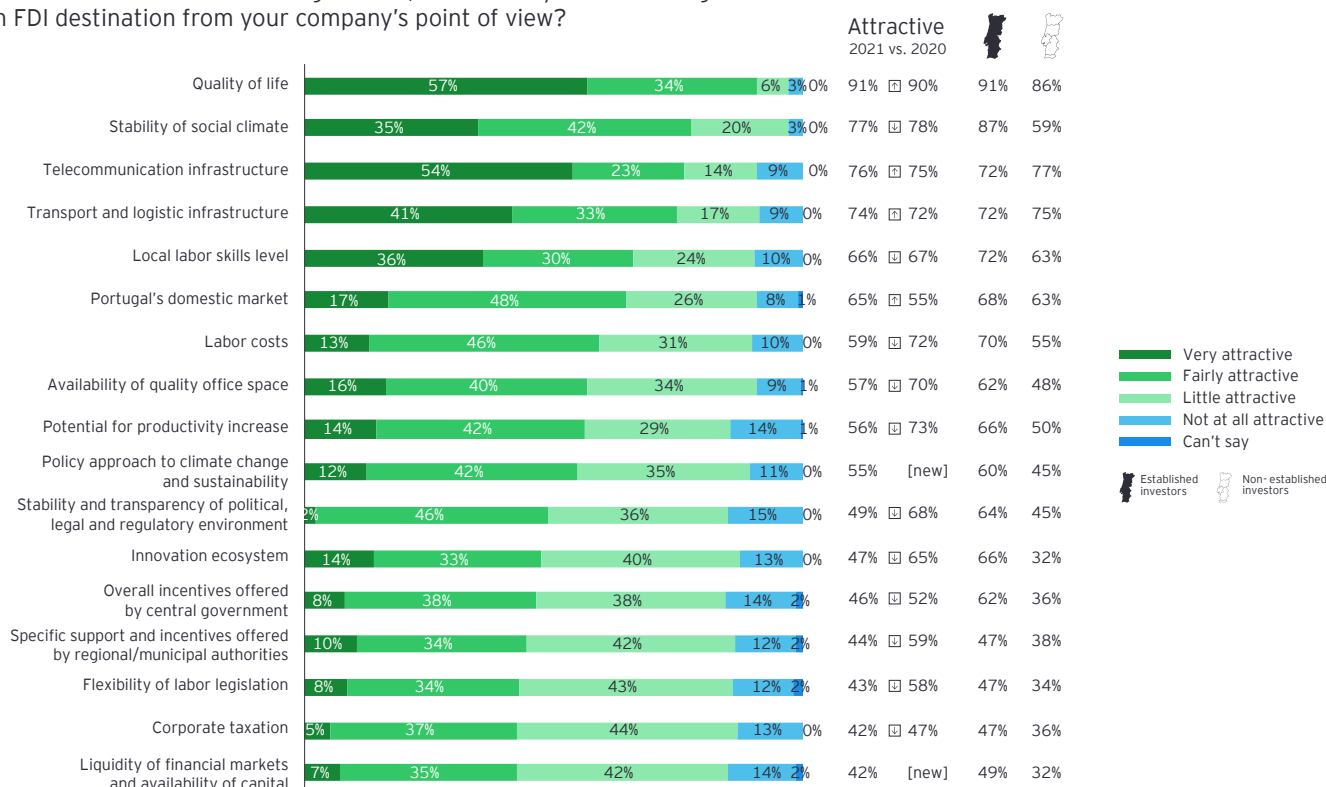
resilience to external shocks, with 91%, 77%, 76%/74% and 66% of positive perception, respectively.

However, this year's survey reflects a general decrease in the perception of key attractiveness factors. The level of local labor and its cost, together with availability of office spaces show a decrease from last year's results. Also, innovation system and stability and transparency of political, legal and regulatory environment, are less attractive in Portugal, this year. The survey results also reflect the rising difficulty in hiring the right talent, motivated by the global strain in finding the right set of skills.

Following the same pattern as in previous years, non-established investors seem to have a more fragile perception of Portugal's key assets, even though we will be able to see in this document an improvement in the communication reach.

Overall, it is critical that Portugal has a clear, consistent strategy to foster and promote an innovative, transparent environment, with availability of the right resources. This can only be done with a continuous investment in the traditional attractiveness factors (infrastructures, stability, quality of life) but also the development of the right partnerships between government and corporates to promote an innovative environment, with the creation of the right skills in the country and with a transparent and lean legal and regulatory environment.

Figure 9: For each of the following criteria, how would you rate Portugal as an FDI destination from your company's point of view?



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Understanding FDI numbers

A deep dive into sectors,
activities and regions



2





Manufacturing, R&D and SSC attracted 67% of the number of investment projects and are expected to be the drivers of future investments by 62% of investors

Digital Economy, Real Estate and Construction and Clean tech and renewables are perceived as the three sectors that will drive growth in Portugal

Northern Portugal and Lisbon area consolidate their position in FDI attraction

Manufacturing, R&D and SSC represent Portugal's present and the future

Manufacturing projects keep taking FDI's lead in Portugal

Manufacturing is ranked in the first position in number of projects and represents 24% of FDI projects in Portugal (mainly related with automotive industry). Nevertheless, it was the activity that registered the highest decrease from the previous year, with a total of 37 projects in 2020 vs. 60 in 2019.

R&D is "the" growing activity in number of projects *ex aequo* with SSC

R&D appears in second place with 21% of the number of FDI projects, a trend observed since 2018 (17% share in 2019 and 12% in 2018). This year, Portugal attracted 33 R&D projects, mainly linked to investments in Digital & IT Services.

As an example, Microsoft established, in Lisbon, an algorithm development center to support the company worldwide, creating 55 jobs, 20 of them having different native languages. Another relevant investment was the Altice Labs Açores, a project integrated in Terceira Tech Island that is a part of Terceira Island's economic recovery and revitalization plan.

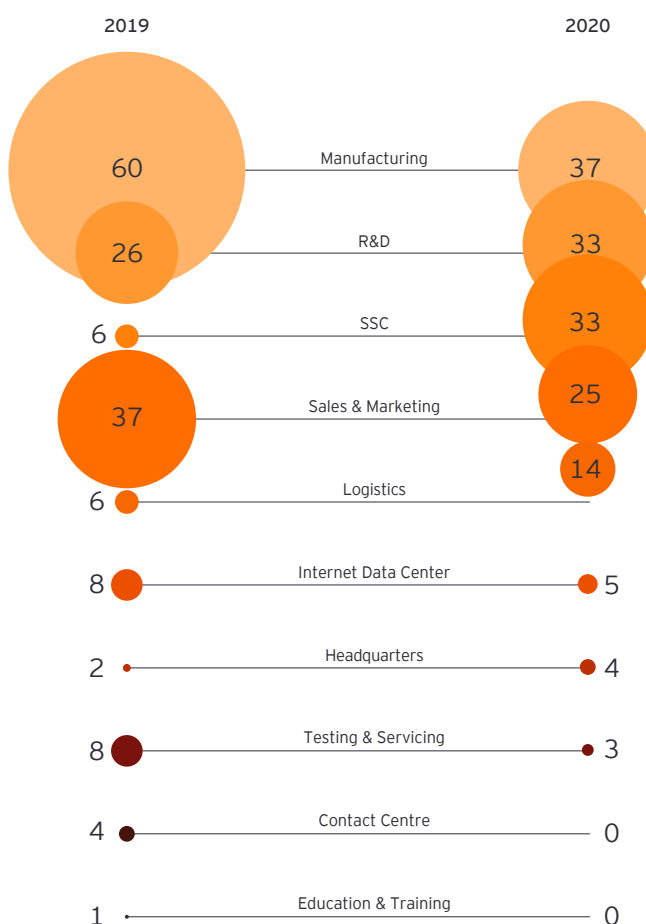
SSC activity shares the second place with equal number of projects

SSC activity is unique in the sense that it requires diverse profiles to complete its labor force. Indeed, companies such as BNP Paribas, HCL Tech or Cisco seek very skilled profiles.

FDI projects announced this year include: Web Summit invested in

extending its operations in a larger Lisbon office; Talkdesk, Bolt and Unilabs chose Portugal because of the country's talent pool in areas such as software or cloud computing; Emma - The Sleep Company, opened a hub in Lisbon focusing on talent with business, marketing, operations and design skills.

Figure 10: FDI projects in Portugal by main activities



Source: EY European Investment Monitor (EIM), 2020

And those same activities are mentioned by investors that will invest in Portugal in the coming year

From those investors that intend to invest in Portugal in the next year, manufacturing and R&D represent 37% and 26% of investment intentions, respectively.

This is a trend that has been observed in the last 3 years, as investment intentions on those two sectors increased 46 p.p.

This positive trend is aligned with the increase of expenditure in R&D activities by the public and private sector. Since 2015, Portugal has increased investment in R&D activities by 13%.

Moreover, the international reputation of Portugal as a center of technological innovation seems to be playing a crucial role in the R&D projects planned to be undertaken in the country.

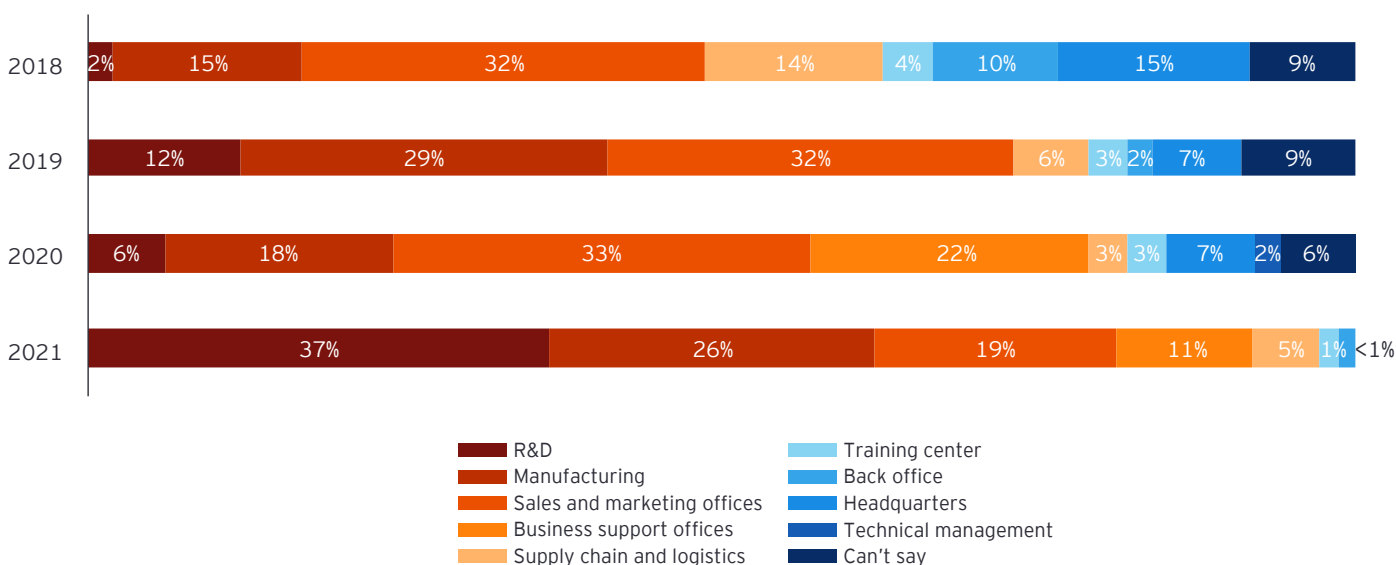
Portugal has a strong position in this matter, not only because of the existing qualified and dynamic talent

pool, but also because of the vibrant tech and innovative ecosystem, that is strengthened by hosting international events as the Web Summit in Lisbon.

This particular initiative placed Lisbon and Portugal in the map as a startup and tech hub and allowing it to be recognized by The Guardian as "the new Silicon Valley".

These results show that the Portuguese efforts toward a more knowledge-intensive economy is driving investments with higher value added.

Figure 11: What type of investment project does your company want to establish or expand in Portugal?



Source: EY Attractiveness Survey 2021 (74 respondents that want to establish or expand operations in Portugal)

Viewpoints

External Viewpoint



João Silveira Botelho
Vice-President of Champalimaud Foundation

“

The Champalimaud Foundation has invested heavily in artificial intelligence, robotics and other technologies which allow remote patient diagnosis, treatment, and monitoring.

Science and technology hand in hand

In the last few years Portugal has been rich in growing competitive advantages that make it a great place to invest. The actual economic and start-up ecosystem in Portugal has created great potential in the fields of Health Care, Science Research, or Information and Communications Technology. Portugal has been the nest for some high-tech worldwide innovations such as the Multibanco network, one of the more sophisticated banking networks in the world; Via Verde, the first closed system of automatic highway tolls in the world; and the Pre-Paid Mobile Phones.

At the Champalimaud Foundation cutting-edge research and new technologies go hand-in-hand to promote new levels of knowledge. In particular, international research groups employ a translational approach in order to make breakthroughs in cancer and neuroscience. This methodology has led to a highly effective scientific workflow in a range of crucial areas.

The Covid-19 pandemic has strained national healthcare systems and emphasized their shortcomings. This reality has highlighted investment needs in R&D, as well as in clinical infrastructure and services, and has accelerated the adoption of technological solutions that have the potential to transform healthcare.

The Champalimaud Foundation has invested heavily in artificial intelligence, robotics and other technologies which allow remote patient diagnosis, treatment, and monitoring. This investment has been fundamental in allowing us to care for, and welcome, patients during the worst periods of the pandemic.

The continued investment in new technologies, the use of AI, the adoption of collaborative policies, and the strength of an international multidisciplinary work environment, are essential factors for maintaining the highest levels of development and scientific production. Thanks to its focus on these areas the Champalimaud Foundation has been able to continue its leadership of international projects, often partnering with prestigious institutions in Europe, India and the USA.

The potential of AI is vast, and robotics, new data generating paradigms, and other cutting-edge technologies developed in close collaboration between basic and clinical research are essential for the advancement of science. As such, the Champalimaud Foundation is always open to lead projects, develop programs and explore new opportunities.

Due to the Champalimaud Foundation's unique conditions and infrastructure, there has been a great interest from organizations and institutions, both from academia and industry, in the joint development of scientific projects. There is also a growing interest from young researchers in associating with the Foundation for the creation of tech-based startups, thus placing the Champalimaud Foundation as a true incubator of talent.

The paths for FDI are enormous and at the Champalimaud Foundation we are open to innovation, creativity and the interests of organizations that share this vision. This effort is an endless story, and the sense of its urgency cannot be lost.

Viewpoints

External Viewpoint



Andreas Hening

Onshore COO of Siemens Gamesa

“

The blade manufacturing plant of Siemens Gamesa will soon become the largest Onshore blade plant in Europe, with more than 1,300 employees.

Blade plant in Vagos acquired by Siemens Gamesa

Siemens Gamesa acquired in May 2020 the blade manufacturing plant located in the municipality of Vagos, North of Portugal. The factory offers many advantages for Siemens Gamesa, like the fact that it is very well connected, an important element for the transportation of large blades. Vagos factory is close to the highway between Porto and Lisbon and 25 kms away from Aveiro Port, which facilitates exports to different markets outside Portugal. In fact, the blades produced in Vagos plant have different destinations, including Europe and the East Coast of America.

Vagos' skilled and experienced employees is another significant advantage. The factory was established back in 2007 as a blade facility, so Siemens Gamesa inherited a well-trained workforce that has been capable to start production of the company's blades from the first day.

The existing skilled workforce and the great capacity of the plant has made possible to accommodate in record time the production of the newest and largest blade models of Siemens Gamesa, including the SG 5.0-145, the SG 5.8-155 and the SG 5.8-170. Vagos is manufacturing the longest Onshore blade, with a 170 meters rotor diameter. In fact, the start of production is especially relevant if we consider this has happen when the COVID-19 pandemic broke out and the different limitations were established. This has not been an impediment for the factory employees to start production of all these new models.

The blade manufacturing plant of Siemens Gamesa will soon become the largest Onshore blade plant in Europe, with more than 1,300 employees - almost twice the number the plant had when it was acquired in May 2020. It will also be one of the most competitive, thanks to the innovations introduced to produce the newest company blades. It is a good example of Portugal's capacity to attract investment.

The digital economy play an important role in Portugal's path to success

Software & IT Services strengthened their position and increased the gap to other sectors

The Digital ecosystem thrived and continued to be a leading source of FDI in Portugal. Multinational investors found their way to Portugal with new projects. For instance, Miniclip budgeted €11 million for a new headquarter in Oeiras and Edreams, the biggest travel agency in Europe, launched a technology hub in Porto.

Transportation Manufacturers & Suppliers secured the second place in number of FDI projects, even though the sector had the sharpest decrease

With 13 new projects in 2020, the sector reversed to its 2018 position (14 projects), registering a 58% decrease from the 31 projects recorded in 2019.

Multinationals keep investing in Portugal. For example, Autoeuropa invested in its production plant, ZF established a new logistics center and Ushiyama expanded its manufacturing site in Viana do Castelo.

Transportation and logistics increased the number of FDI projects

With the online business booming, transportation and logistics attracted 10 projects in FDI in 2020, 43% more than in 2019.

Portugal attracted companies such as Greenyard Logistics, opening logistic centers in Vila do Conde and Nacex inaugurating a distribution center in Seixal.

Finance strengthens its position and is a sector to keep an eye on

Banks, insurance companies and financial advisors are establishing themselves in Portugal. In fact, BNP Paribas expanded its operations in Portugal, creating 2,000 jobs. Also, Lydia, a direct competitor to N26 and Revolut has expanded their operations in Portugal. Lovys, on the other hand, has created 30 jobs in Central Portugal to set up a technological hub. Additionally, there are multinationals from other regions that intend to enter this new market, such as Abaco or BTG Pactual.

Business Services & Professional Services, losing ground on FDI attraction

Business Services experienced a boom on last year's results, with 20 new investments. In 2020, this sector attracted eight projects, losing ground to other sectors on FDI attraction.

Table 3: FDI projects in Portugal by sector

Rank	Sector	Number in 2019	Number in 2020	Sector growth
↑ 1	Software & IT Services	42	50	8
↓ 2	Transportation Manufacturers & Suppliers	31	13	18
↑ 3	Transportation & Logistics	7	10	3
↑ 4	Finance	6	8	2
↓ 5	Business Services & Professional Services	20	8	12
↑ 6	Machinery & equipment	5	7	2
↑ 7	Pharmaceuticals	4	7	3
↑ 8	Metals & Minerals	2	6	4
↑ 9	Health & Social Work ⁽¹⁾	n.a.	6	n.a.
↓ 10	Agri-food	14	5	9
	Other Sectors	27	34	

(1) Health & Social Work is a new entry in 2020, for that reason there is no comparable data
Source: EY European Investment Monitor (EIM), 2019-2020

Investors are confident that technology and digital will continue to lead Portugal's competitiveness, in line with investments in 2020

For 45% of respondents, the Digital Economy will drive Portugal's growth in the coming years. The pandemic pushed companies to adopt new ways of working, with a significant push on work from home. As it is becoming clear, the "new normal" will not go back to historical patterns and will evolve for a combination of pre and post COVID-19 habits. Digital and technology will be a critical facilitator of this change.

According to the Kaizen Institute, 68% of Portuguese Human Resources directors consider that they will adopt a mixed regimen when telework is considered. These results are possible as Portuguese companies are innovative, driving the increase in international recognition of their infrastructure, talent and tech ecosystem.

Real Estate strengthen its position as being one of Portugal's growth drivers

Real Estate and Construction is considered the second largest growth driver in the short-term, with 39% of positive answers.

This sector, revealed to be resilient during the crisis, being one of the least impacted last year. Both residential and commercial trends seems to be positive.

A new trend also seem to support this sector as employees are expected to work from home, real estate investment in residential is expected to have an increase in areas surrounding large cities. Portuguese residential prices are more competitive when compared with other European countries.

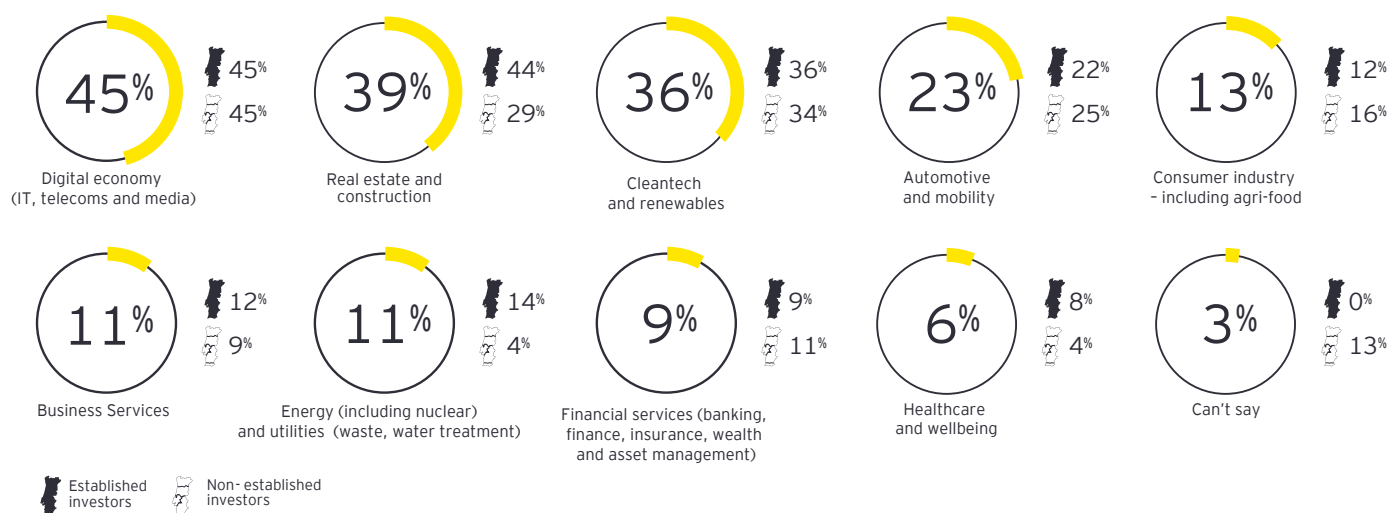
Non established investors have different perception of the future and lack information to form an opinion

The perception on the growth drivers is less positive in sectors such as Real Estate (29% vs 44%), energy and utilities (4% vs 14%) and healthcare and wellbeing (4% vs 8%).

However, the perception regarding the the future is unanimous, as 45% of non established investors consider Digital Economy as the main growth driver for the coming years.

In addition, 13% of the investors do not have enough confidence to select any of these sectors as growth drivers. This may be caused by the lack of information they have of the country.

Figure 12: In your opinion, which main business sector will drive Portugal's growth in the coming years?



Note: Since in this survey the sectors analyzed are different from last year's, there is no comparable data between 2021 and 2020
Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Discover regional attractiveness

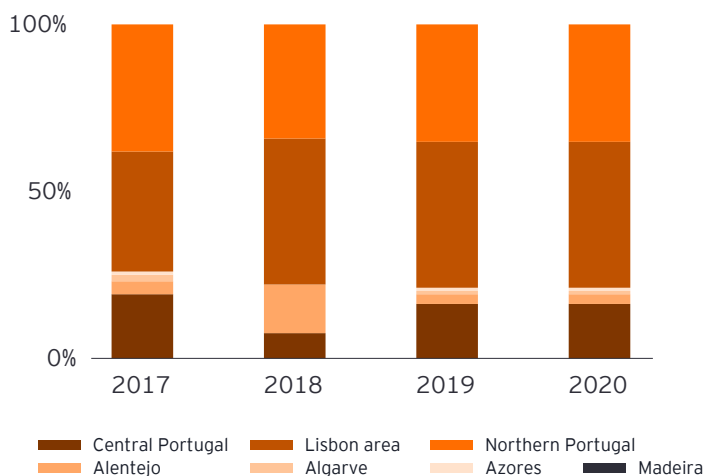
Northern Portugal and Lisbon area consolidate their position in FDI attraction

Lisbon and Northern Portugal remained the largest FDI receivers, with a combined share of 80% in 2020. Northern Portugal, Lisbon Area, Azores and Algarve increased in number of projects, whereas Central Portugal and Alentejo decreased.

Digital & IT Services, as well as R&D, have increased in number of investments in multiple regions, highlighting increasing regional attractiveness.

Alentejo continued consolidating its position in the agri-food sector.

Figure 13: Evolution of FDI projects in Portugal by Region



Source: EY European Investment Monitor (EIM), 2017-2020

Figure 14: FDI projects in Portugal by region

Northern Portugal

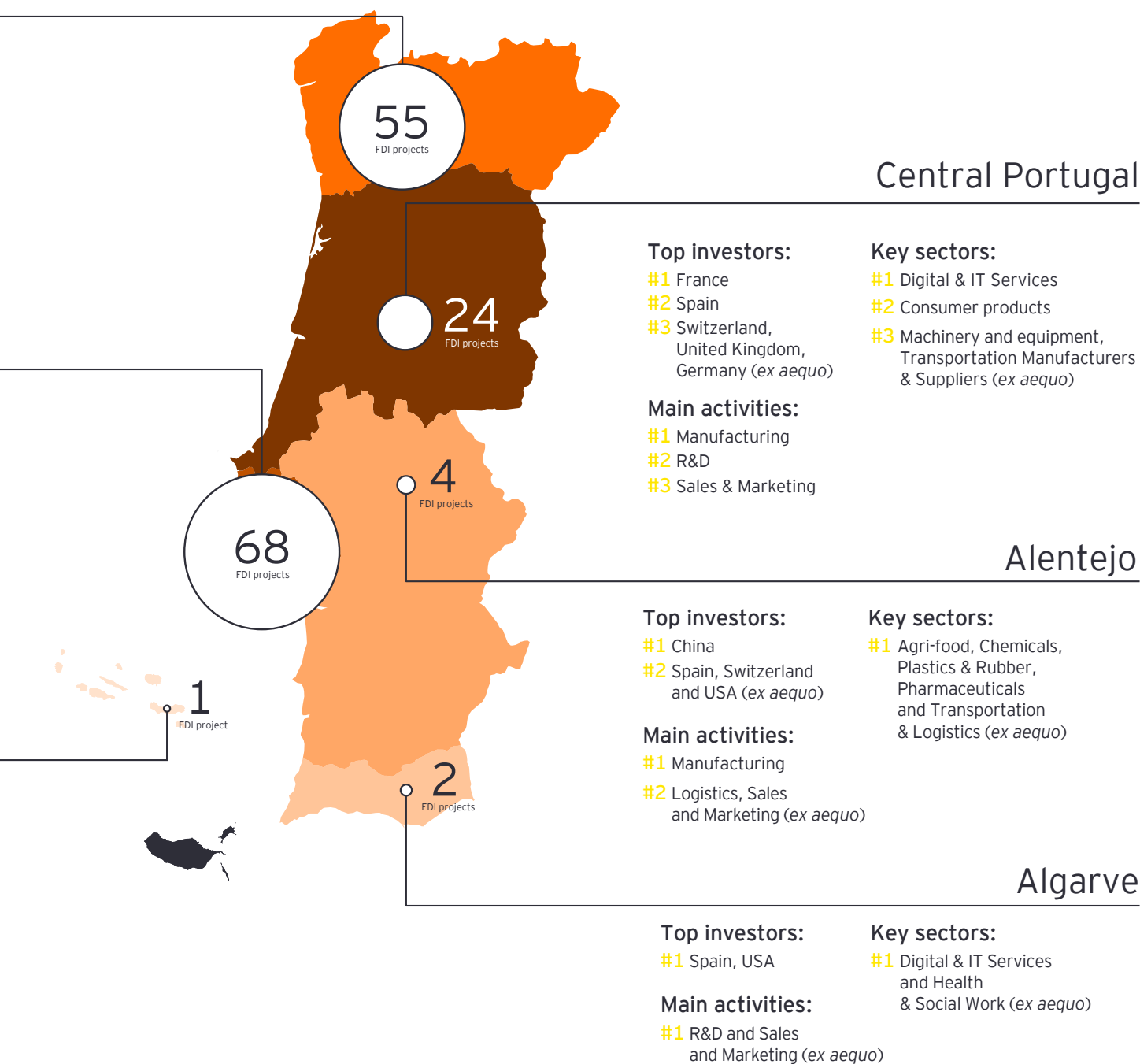
Top investors:	Key sectors:
#1 France	#1 Digital & IT Services
#2 USA	#2 Transportation Manufacturers & Suppliers
#3 Spain	#3 Metals & Minerals
Main activities:	
#1 Manufacturing	
#2 R&D	
#3 Business Services	

Lisbon area

Top investors:	Key sectors:
#1 United States	#1 Digital & IT Services
#2 Spain	#2 Business & Professional Services, Finance (ex aequo)
#3 Germany	#3 Transportation & Logistics
Main activities:	
#1 Sales and marketing, Business Services (ex aequo)	
#2 R&D	
#3 Logistics, SSC, Manufacturing (ex aequo)	

Azores

Top investors:	Key sectors:
#1 France	#1 Communications and Media
Main activities:	
#1 R&D	



Source: EY European Investment Monitor (EIM), 2020

Key assets in FDI landscape

How can Portugal sustain its attractiveness



Increase technological leadership and develop the right set of talent

Reinforce its cleantech strategy and its potential to become a market leader in sustainability

Focus on social and economic recovery to foster future growth

Simplify Portuguese tax system so that it can become a competitive advantage instead of a bottleneck

Continue to improve selective communication of Portugal as the right FDI location

Lean and flexible environment: key to embrace rapid changes in megatrends

Technology, environmental sustainability, easier tax system and talent are in the top of mind of the investors.

Portugal increased its competitiveness, but investors reinforce the need to strengthen pillars associated with highly skilled industries.

We're witnessing a rapid change of the skills and context required to win in today's business environment and this is reflected in investors' picks of areas of focus for Portugal.

This years' results reinforce the need to focus on megatrends, such as digitalization, sustainability and

creation of the right talent. In fact, investors reinforce the need to have a flexible regulation environment that can facilitate technological and other disruptions (35%), and to have green policies and attitudes in place (35%). Also, the reduction/simplification of the tax system is mentioned as a crucial point (29%).

Investors say yes to Portugal but ask for a leaner environment and to continue to develop the right skills (29%).

These trends are aligned with what's being asked for Europe as a region and, as such, we recommend that Portugal focus its efforts on the following:

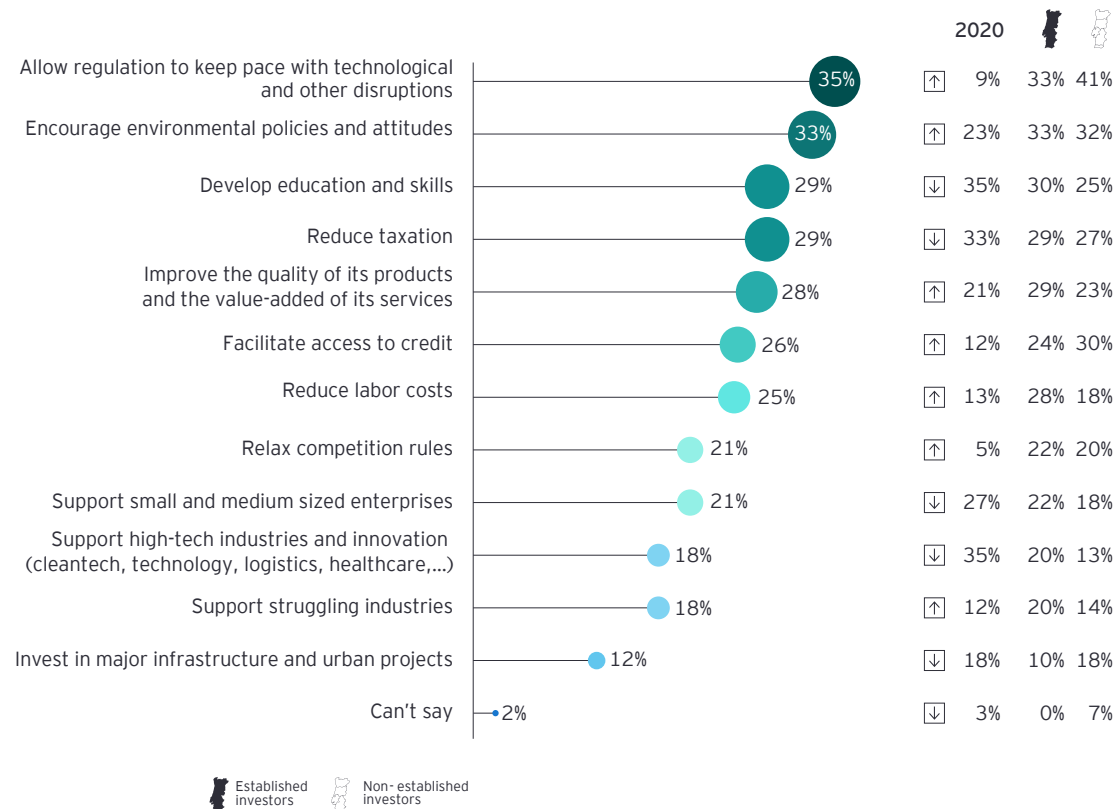
Increase technological leadership and develop the right set of talent;

- ▶ Reinforce its cleantech strategy and its potential to become a market leader in sustainability;

Focus on social and economic recovery to foster future growth;

- ▶ Simplify Portuguese tax system so that it can become a competitive advantage instead of a bottleneck;
- ▶ Continue to improve selective communication of Portugal as the right FDI location.

Figure 15: In your view, where should Portugal concentrate its efforts in order to maintain its competitive position in the global economy?



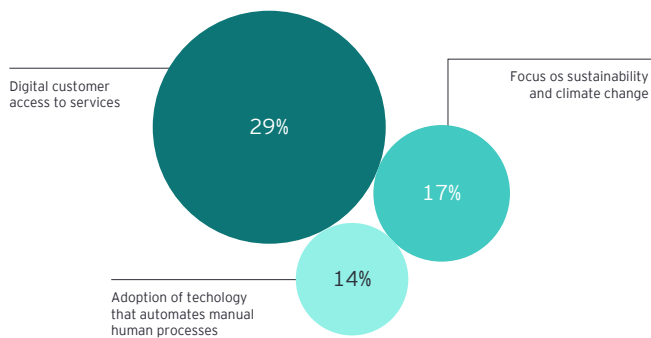
Source: EY Attractiveness Survey 2021 (15 March 2021 - 13 April 2021, 203 respondents: 114 established in Portugal, 86 not established in Portugal)

Increase technological leadership and develop talent pool to continue attracting investment

Digital, digital, digital. No word is repeated more among companies and governments

Although it is no news that investors are driven by innovation and technological opportunities, COVID-19 crisis has accelerated this trend. In the EY Europe Attractiveness Survey 2021, investors rank digital customer access to services and the adoption of technology that automates manual human processes as key, as they expect these to accelerate most in the next three years as a result of COVID-19.

Figure 16: Which of the following trends do you expect to accelerate most in the next three years as a result of COVID-19?

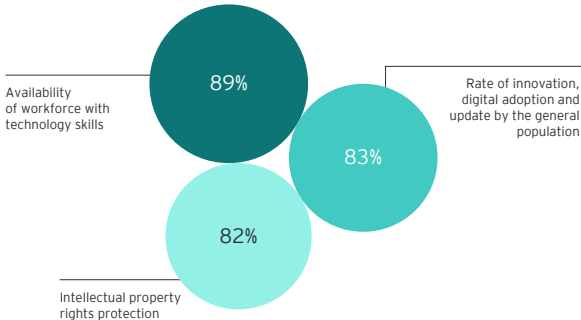


Source: EY Europe Attractiveness Survey 2021

Technology-related factors influence where businesses locate their operations

An accelerated digitalization shifted the way people consume. Both B2C and B2B solutions had to serve the new demand and supply chains had to be quick to adapt and Portugal is well positioned in those areas. As already mentioned in this survey, telecommunications infrastructures and transport and logistics infrastructures in Portugal, are considered attractive by 76% and 74% of investors.

Figure 17: How important are the following technology-related factors in determining which countries you invest in across Europe? Answers = “critical” or “important.”



Source: EY Europe Attractiveness Survey 2021

Whether it's cloud computing, data analytics, remote sensors or artificial intelligence, these are skills necessary to boost economy and will naturally be supported by the available labor force.

According to the EY Europe Attractiveness Survey 2021, 60% of employees are being allowed to work at least 40% of their time remotely, creating a new “phygital” workplace.

Digital skills in location decisions are at the forefront of economic decisions

This new “phygital” workplace raises awareness to the fact that location is not going to be that important when hiring, however many businesses want to preserve some presence in the office to foster a collaborative culture.

Therefore, Portugal can be attractive to FDI in two ways: fostering a quality of life recognized by 91% of investors where, for instance, digital nomads might be interested to live in; and benefitting from its local highly differentiated talent pool, as mentioned by more than the 66% of investors.

Recovery stimulus packages: 20% of the national recovery programs under the EU Next Generation Recovery Fund need to be spent on digitalization projects. This compares to Italy's 21%, Germany's 54%, Spain's 23% and France's 24%.

When it comes to Portugal, €2.5 billion will be spent in Digital Transition with a particular investment in digital school. This reinforces the idea that there is a focus on digital literacy that should be capitalized by the private sector.

91%

of investors consider quality of life in Portugal attractive

66%

of investors consider the local labor skills level in Portugal attractive

Source: EY Attractiveness Survey 2021 (15 March 2021 - 13 April 2021, 203 respondents: 114 established in Portugal, 86 not established in Portugal)

However, Portugal is lagging behind other European countries in critical factors to attract technological investment

Investors (whether being established or not in Portugal) are less optimistic regarding technology-related attractiveness factors.

As far as talent availability is concerned, almost the same number of investors consider Portugal to be above and below EU average (33% vs 32%). However, the perception improved by 8 p.p. compared to 2020.

In fact, according to IMD World Talent Ranking, Portugal ranked 26th within 63 countries when analyzing cost of living and remuneration and highlighted Portugal's top strengths as having a labor force gender equitable, language skills proficiency and a top performer management education.

The Startup ecosystem and the collaboration between R&D centers and businesses, alongside the innovative environment, suffered in this years' perception (with 15%, 14% and 18% of investors considering it to be above EU average, respectively).

In the long-run, Portugal should reverse the trend, to strengthen its performance on the factors analyzed while simultaneously preparing its positioning in a post-COVID landscape.

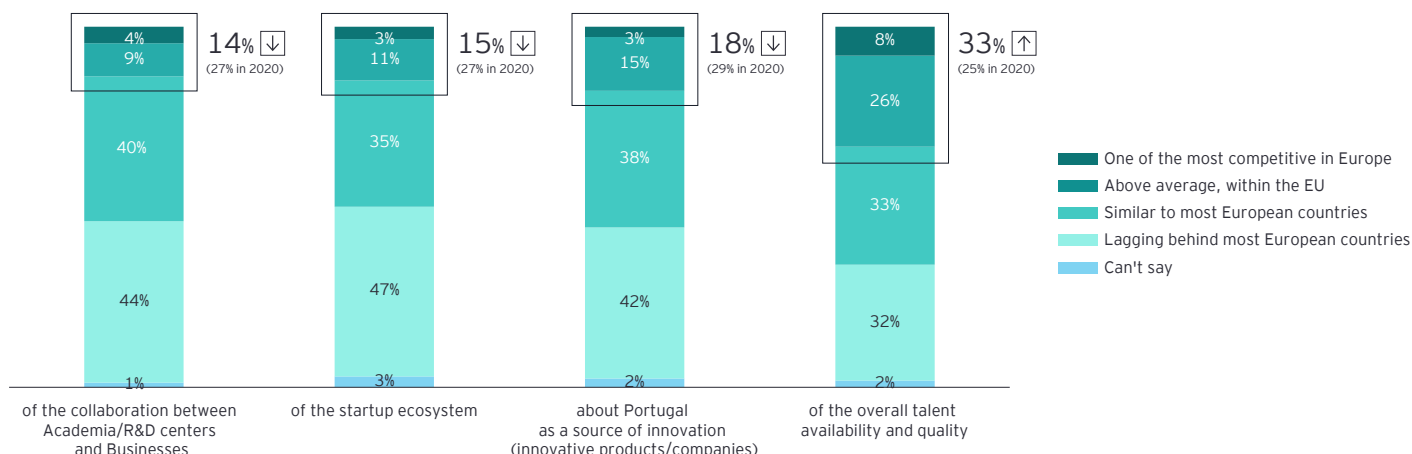
New initiatives implemented are necessary for the shift of perception

Portugal is acting to mobilize selected stakeholders, as it is the case of the Digital With a Purpose movement. In fact, this aims to achieve Sustainable Development Goals 2030 creating the conditions that lead to new digital growth opportunities.

Additionally, COTEC Portugal, a leading Portuguese business association for the promotion of innovation and technological business cooperation, launched the COTEC Innovative Status, a rating whose purpose is to improve information about the companies' willingness and readiness to innovate. Another example is related to Universidade do Porto, that fostered a series of meetings, promoting partnerships between research groups and companies. These sessions "A2B" are meant to strengthen ties between researchers and companies creating ideal conditions for research applied to the challenges that companies face in an increasingly competitive world.

These initiatives highlight the Portuguese associations' culture and national stimulus to promote a more transparent business environment. This demonstrates an effort to act on these pillars and reinforce the country's competitiveness.

Figure 18: What is your perception...



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Viewpoints

EY viewpoint



Miguel Cardoso Pinto
EY-Parthenon Leader Portugal
Ernst & Young, S.A.

“

To nurture a digital hub in Portugal we will need to continuously invest in this innovation ecosystem to attract, develop and retain companies and talent.

Digital and technology, the core of it all

Digital is the way!

Digital revolution is reshaping the world as we know it and Portugal can play a relevant role in this new ecosystem. Not only digital and technological areas represent already one third of FDI projects attracted last year, but also Portugal seems to be in the right path to attract future investments in this arena, since 45% of the investors consider Digital economy the main sector that will drive Portugal's growth in the coming years.

In fact, Portugal has a very good position to leverage. Being positioned in the 10th place for FDI attraction in Europe, the country reinforced its position as one of the main FDI destinations. The country may be riding the FDI wave, but how to sustain it, is a key question.

Building the digital path

Although Portugal is already well perceived in attractiveness factors such as quality of life, pool of talent and infrastructure, it will be key to build digital capabilities to support future developments, by reinforcing the right infrastructures and developing and adapting the right competencies and talent that will be needed in this field of play.

Since communication infrastructures are a core pillar of the digital world, and this has been a key attractiveness factor of Portugal since the early implementation of a fully digital network, it's important to sustain the pace. In this respect, since 5G will be critical to enable the delivery of new services and solutions, this is a key investment to continue to drive the attraction of digitally enabled businesses to Portugal.

Similarly, the success of recent years in attracting R&D and technology-driven investments is increasing the competition for talent. As a cost-effective location whose human resources are known to thrive in international environments, Portugal should position itself to leverage turn the global phenomenon of scarcity in some skills to a local competitive advantage in attracting investment. This opportunity must be addressed not only by our educational system but also (and mainly) by our companies and public institutions. For this reason, we will need to be capable to readapt and train our talent pool to respond to a reshaped digital reality.

Beyond Technology

It is important to notice that this digital revolution is not only about Technology. The big challenge is to create new business models in a new digital world instead of digitizing the existing ones. Talking to executives from different industries, we understand that the main bottlenecks are not around technology, but are attached to culture and mindset that need to be challenged.

Initiatives such as the Web Summit and a strong support to startups have positioned Portugal favorably to attract young entrepreneurs. To nurture a digital hub in Portugal we will need to continuously invest in this innovation ecosystem to attract, develop and retain companies and talent. This goes much beyond technology, as taxes, education, regulation and several other aspects need to be coordinated to succeed.

EY-Parthenon teams can help you shape your future organization, to create the best, more sustainable and adapted version of itself. We are committed to ride the digital wave hand in hand with you and to build a better working world, in the future and beyond.

Viewpoints

External Viewpoint



Daniel Traça

Dean and Professor of Economics at Nova School
of Business and Economics (Nova SBE)

“

The critical factors of attraction have been highlighted before: the charm and cost of living of the country and the School's internationalization and business links.

Portugal's Hidden Talent Treasure

Portugal has enhanced its international visibility following the success of its macroeconomic adjustment in the first half of the last decade, and the explosion of its tourism and hospitality sector, including the rise in foreign residents, in the second. This visibility has brought about the interest of foreign companies to invest in Portugal's service sector. Portugal currently presents an extraordinary value proposition for foreign investment in the digital service space: a charming, safe, low-cost lifestyle for expatriates; a state-of-the-art infrastructure; and an extensive, highly trained, low-priced and internationally exposed talent pool.

Thus the unique charm of its nature and lifestyle for expats has been reinforced by the revelation of the potential of its educated talent, from the nation's 20-year effort to boost enrollment and the quality of higher education institutions. The percentage of the population between 30 and 34 years-old with a college degree has quadrupled in the last two decades, from 9.8% in 1998 to 39.6% in 2020. Higher education institutions have followed through with an increase in quality, specifically in their academic credentials, internationalization and relevance for the business community.

Portugal's business schools, in particular, have engaged in ambitious internationalization strategies after the Bologna reform and have created innovative partnerships with domestic and international companies. In the 2020 World Talent ranking, by IMD's World Competitiveness Centre, Portugal ranked 7 among 63 nations worldwide in the language skills of its labor force and 12 in the ability of its management education

to meet the needs of the business community. Today, those business schools compete for highly placed positions in international rankings by providing top talent to Europe's leading companies. Portuguese students are being lured by the best international companies, for lack of exciting opportunities at home.

Moreover, Portuguese business schools are attracting students from all over Europe and the world. At Nova School of Business Economics, for example, 54 out of every 100 of its over 1,500 yearly MSc cohort comes from abroad. Remarkably, 30 of those 54 come from Germany. The critical factors of attraction have been highlighted before: the charm and cost of living of the country and the School's internationalization and business links. Beyond creating an international exposure that makes our graduates apt for the needs of foreign companies operating in Portugal, many of these international students represent an additional source of talent for them. They add to a large number of talented European youth willing to move to Portugal to accelerate their start-ups, which has made Lisbon one of Europe's entrepreneurship capitals.

In the context of the rise in remote work brought about by the COVID-19 pandemic, Portugal lifestyle factors will become even more prominent to attract the new digital nomads, creating a talent goldrush for global companies. Portugal's destiny is to become a hub for the extraordinary graduates produced by its education system at very competitive prices and the international talent attracted by the country's unique lifestyle and opportunities to study, work or become an entrepreneur.

Countries that stand by cleantech policies and foster measures to promote sustainability will capture more FDI

Cleantech policies remain a crucial factor in investment decisions

Cleantech policies importance is quickly escalating and climate emergency is driving companies and governments to adapt. Therefore, governments are implementing incentives that aim to reduce environmental impacts and investors consider those factors important when deciding whether to invest in a particular country. In fact, for 33% of the investors, having strong cleantech policies is very important or even critical in investment decisions.

In that sense, regulators around the world are strategically setting ambitious targets for a shift from fossil to renewable energy to encourage the adoption of greener alternatives. Due to expanding investments in this area, according to JPMorgan, renewable production costs have dropped to the same level as natural gas or even coal, strengthening the potential of economically viable options in clean energies.

Portugal has to be in line with Europe's sustainable goals

The survey's results shows that the majority of business leaders recognize the importance of sustainability and cleantech. Approximately 56% of them recognize it as important and in particular, for established companies, the percentage increases for 62%.

In Europe, some steps are being taken to improve environmental sustainability. In fact, the EU wants to achieve the bloc's collective 2030 target of cutting harmful greenhouse emissions by at least 55% compared to 1990 levels.

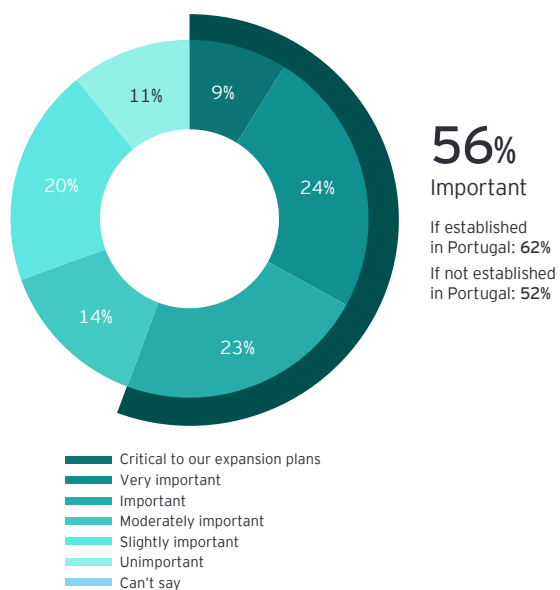
The green industry generates new investment opportunities

COVID-19 is proving to be a major turning point for sustainable investing. The pandemic has renewed the focus on climate change, encouraging decision makers to focus on sustainable approaches in their investment decisions. There is an established parallel between pandemics and environmental risks that are perceived as similar in terms of impact, increasing the awareness for the topic. Therefore, it is shaping people's behaviors toward best environmental and social practices, increasing demand for businesses that actively address some of these major societal challenges of climate change and human impact.

The green industry is growing and requires foreign investment. Indeed, the EY Europe Attractiveness Survey 2021 identified 1,000 shovel-ready green projects that could reach financial close within the next 24 months and have the potential to create significant social, environmental and economic value.



Figure 19: How important are strong sustainable cleantech policies in determining whether you invest in Portugal?



Source: Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Viewpoints

External Viewpoint



Rupert Symington
CEO of Symington Family Estates

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People want to buy from companies that are demonstrably having a positive impact on people and planet, but we cannot rely on market forces alone.

Pioneering winemaking that responds to the challenges of our time

I am proud that Symington Family Estates has a long track-record of supporting social and environmental initiatives in the north of Portugal. It is in the DNA of our family business to care for people and the land where we grow our vines. Over the years we have demonstrated our willingness to back this commitment up with action, going above and beyond our obligations as a business to ensure we are contributing to the health and economic security of our employees and the wider community.

We have long advocated for measures that protect and support the livelihood of the 21,000 Douro grape farmers. We have been conducting R&D into the impacts of climate change in our vineyards for almost 20 years. Over the past 12 years we have donated 14 ambulances to volunteer fire brigades in different towns and villages in the Douro. We are long-term supporters of the University of Vila Real's Wildlife Recovery Unit, which rehabilitates injured birds of prey. We are committed to minimum-intervention viticulture and we farm the largest area of certified organic vineyard in the north of Portugal.

As the first wine company in Portugal to become a certified B Corporation, we have committed ourselves to the highest standards of social and environmental responsibility, and we are collaborating with other wine companies around the world, to ensure that the wine trade is at the forefront of the way business responds to the challenges we all face.

In January 2020 we joined International Wineries for Climate Action (IWCA), a new association of wine companies who have committed to respond to the

severity of the climate emergency by taking immediate action to reduce their carbon emissions. We believe that this rigorous framework can lead the wine sector's response to this existential threat. We encourage other wine companies to join us in making concrete public commitments with measurable goals to respond to the challenge of the climate crisis.

We have established ambitious, science-based targets for reducing the carbon emissions per bottle of wine we produce. We are currently implementing a wide range of initiatives aimed at reducing the emissions under our direct control and working with our partners in the supply chain to reduce our upstream and downstream emissions. It is clear that we will not achieve our reduction goals unless the broader system within which we are operating also transitions to a low (and eventually zero) carbon economy.

As a family wine company that relies on a stable climate and viable local communities, the threats we face are existential. People want to buy from companies that are demonstrably having a positive impact on people and planet, but we cannot rely on market forces alone. We urge the EU to adopt a broader definition of business success that responds to the pressing social and environmental challenges of our time.

The Symington family has been investing in Portugal, particularly in the Douro since the XIXth century. Our history illustrates the potential to create value and promote sustainability in Portugal, building a global business that relies heavily on the natural assets and people, the infrastructure and the talent of the country.

Portugal is seen as a green country and cleantech is one of its key drivers for growth

Portugal can capitalize Europe's perception as a "green leader" to attract investment

There is a positive mindset when perceiving European measures for sustainability. In fact, 85% of European investors believe that Europe is a "green leader" and the same number of investors say that this affects positively their investment decisions. On top of that, 92% of investors consider it is important for investment strategy. Whether it be from customers, employees or investors, all stakeholders involved in a project view environmental issues as crucial.

Portugal shall protect and strengthen cleantech policies

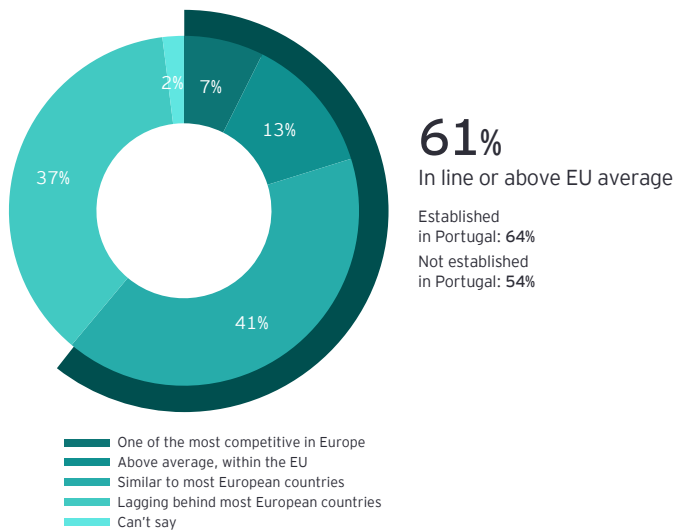
Cleantech and renewables are expected to be the second largest growth driver in the country in the coming years, and the first driver in Europe (for 33% and 17% of investors, respectively).

Portugal has the potential to capitalize on its availability of natural resources, such as an annual average of 300 days of sun and a cozy mild environment. According to the International Energy Association, Portugal is a leader for integration of wind generation, as this has been an area of continuous investment in inshore and offshore wind farms.

Renewable energies are, once again, the main source of electricity production in Portugal in 2020, generating 62% of the total electricity produced in the country. Also, according to Eurostat, Portugal ranks 7th in countries with the highest share of renewable sources used to produce energy in Europe.

To reinforce this position, the Portuguese Government set the objective of achieving in 2030 a 40% reduction in CO2 emissions, when comparing to 2005 values.

Figure 20: What is your perception about Portugal as an example in environmental sustainability?



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

To ensure its position and become a leader in environmental sustainability, Portugal has to reform some areas

Despite the growth of cleantech and renewables policies and the favorable prospects for their growth in the Portuguese context, the survey highlights the importance of focusing in areas directly related to environmental sustainability. Access to cleaner energy sources, promoting environmental awareness and air/water/soil pollution reduction are the main areas to reform, to 42%, 37% and 36% of investors, respectively. These areas are set to rise in relevance for investment decisions as a direct consequence of the ongoing pandemic and the global focus toward sustainability.

Despite non established and established companies agreeing in the top 2 reform areas, for non established companies, a better valuation of natural capital and ecosystem services is pointed out as being in the top 3.

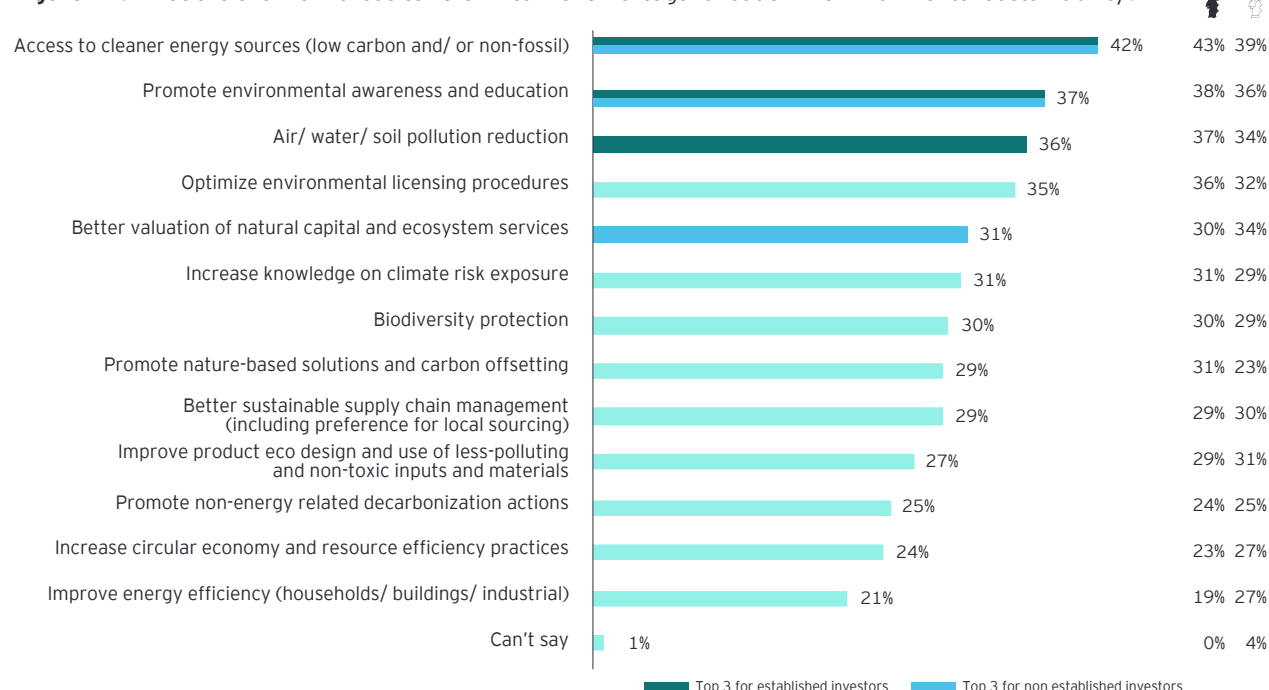
The need to invest in clean-techs and support the transition to a more green and sustainable environment is also a priority for the Portuguese government. Specifically, the Portuguese RRP, with focus on the climate transition, translates into a true sustainability, decarbonization and energy efficiency agenda.

Portugal stands out in Europe with green initiatives

The increasing recognition of Portugal's sustainable ecosystem must be constantly fueled by effective actions and initiatives in order to position the country as a sustainability role model. Indeed, a Portuguese leading company in the energy sector, EDP, launched the Energy Access Fund Program, aimed to decrease energy poverty by supporting sustainable and clean energy projects in developing countries, enhancing the Portuguese companies' environmental awareness.

Furthermore, Portugal is a pioneer in the demonstration of a deep-water floating wind turbine technology, with a steel platform stabilized by a hydraulic system. It benefits from its privileged location and vast coast, reaching an important step for wind farms in Europe.

Figure 21: What are the main areas to reform to make Portugal a leader in environmental sustainability?



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Viewpoints

External viewpoint



Guy Villax
Chief Executive Officer of Hovione

“

Our investment decisions are not based on what exists today in a specific location, but on what we anticipate will be, and on the perception of the attractiveness factors that will exist, in the medium term, in competing locations.

Portugal for Business

Portugal is a great place to live, to work and to invest in. It is a small European country with stable borders for over 800 years and a proud history that gives it a stable personality without any of the separatism that plagues other countries. The weather is superb, people are welcoming and friendly to foreigners. This is a safe place, no terrorism or manifestations of organized crime here.

If the local workforce is provided with good leadership and made proud of its work, you will find they are as good as the best in the world. Tertiary education – especially in engineering and technical fields – is excellent. Labor laws, and the courts, lean toward protecting employees. However, a well-managed company that treats the workforce with respect and pays market rates needs never face a strike or have labor issues.

Despite these fundamental core advantages Portugal is losing ground, as illustrated by the rankings of the World Economic Forum or the World Bank. To change this, the government should focus more on increasing the pie than on discussing how to divide it. The government should also go out of its way to explicitly recognize that the engine of growth, the provider of jobs and the creation of wealth is to be found in the private sector, in the companies and their businesses.

Taxation in Portugal is another growth killer: The top income tax rate should not be reached at an annual income of €84,000 and stock options should not be taxed as highly as income. If the government wants economic growth it needs to nurture companies and motivate entrepreneurs. Innovation takes risk, risk needs reward.

A key condition for investment is an effective justice system, where rulings are timely and major crimes are not allowed to expire its statute of limitations. Portugal cannot appear complacent, impunity cannot be allowed to prevail in a modern democracy. Regulators should stimulate growth and their mandates must include the commitment to work with the businesses they regulate to build up their competitive advantages. Decisive steps must be taken to streamline and accelerate licensing procedures.

As a CEO, I believe my role is to look five years into the future and define my strategy accordingly. However, in an increasingly competitive and uncertain world, businessmen and entrepreneurs like myself require that governments listen to business and set a clear, growth-driving, forward-looking agenda. Our investment decisions are not based on what exists today in a specific location, but on what we anticipate will be, and on the perception of the attractiveness factors that will exist, in the medium term, in competing locations.

My company is a family business and we have invested in Portugal for over 60 years. We are a global player in the Contract Development and Manufacturing business, we supply critical components to leading pharma companies. Ours is a strategy of profitable growth built on serving the most demanding clients in the most regulated markets. We will be investing to be close to our clients and to the regulators that matter. In addition we will invest in alignment with the pace of implementation of effective public policies that meet business requirements and are aligned with our vision for the future.

One does not win marathons by wearing lead shoes.

Focus on social and economic recovery to foster future growth

Recovery supported by environmental change, innovation and talent

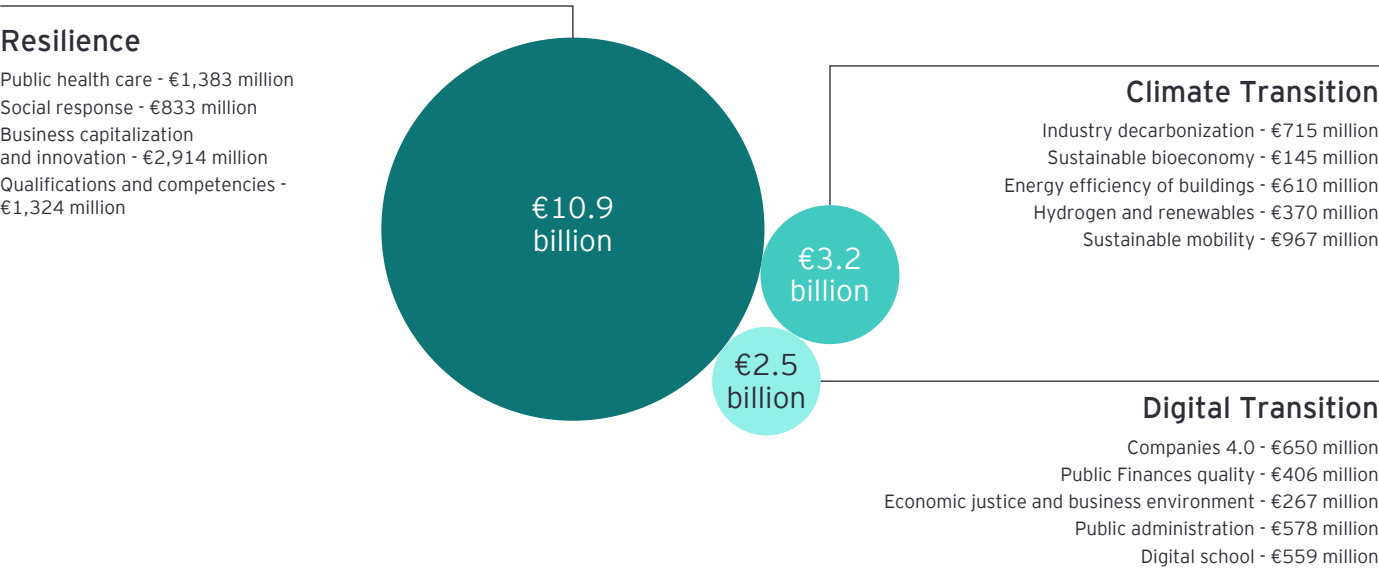
The new normal is ready to be behind us and all countries must begin to drive its policies toward the European Commission's priorities: drive a sustainable and inclusive recovery that promotes green and digital transitions. In Europe, foreign investment opportunities related to large-scale infrastructure programs are meant to drive reforms. Indeed, Europe's RRF will use 37% of the total expenditure to climate investments and 20% to foster digital transformation.

A national recovery plan with EU funds to lead future attractiveness

Each country has a different approach regarding their national recovery plans, as they have different economic and social background and objectives. Government's response to the pandemic crisis has caused a negative impact in the investors' perception of Portugal's attractiveness. To fight that, Portugal is setting public policies to reform the country's outlook and improve long-term commitments for a more innovative society. The Portuguese government RRP, integrated in the Next Generation EU, will ascend to €17 billion where €14 billion are in subventions and €3 billion are in loans to be fully implemented until 2026 (see figure 22 below).

The RRP is divided in three main pillars: Resilience, Climate and Technological transaction with assigned budgets and reforming objectives. Resilience will cover the expansion and digitalization of the health care system, social responses as affordable housing and incentives for qualification of the Portuguese talent pool. The digital transition will invest in not only companies and their digital transformation, but also the public administration capacitation, digitalization and interoperability. The climate transition pillar relies on sustainable mobility and decarbonization of the industry. However, it is consensual in Europe that, as much as companies applaud the opportunities that these plans create, they often complain about the additional administrative burden and regulation that accompanies them and this might affect future country's attractiveness.

Figure 22: Main Pillars of the RRP and relevant components



Source: Plano de recuperação e resiliência, 15th February 2021

Portuguese tax system: need for reduction and simplification

Tax policies: an area of improvement for investors

29%

of investors want a tax reduction / simplification

When comparing to previous year, there is a decrease in 4 p.p., revealing a positive trend for the Portuguese tax environment. However, Portugal has a long way to go.

The financial stimulus provided by governments around the world to mitigate the crisis must be paid somehow. According to a survey of EY tax professionals, in 68 jurisdictions, increasing enforcement of existing taxes and shifting resources from other government priorities are the most likely ways that governments will cover the entire cost.

On top of that, according to the EY Europe Attractiveness Survey 2021 standardizing taxes in the EU could harmonize the way investors perceive Europe's overall attractiveness and could boost Portugal's tax system perception.

However, Portugal needs to do its homework and simplify its tax system. Ernst & Young, S.A. conducts an annual technical analysis of the State Budget¹. This includes a survey of local companies to assess, among other aspects, what are the areas in the tax field that the business community feels that should be addressed, as a matter of priority, by the Portuguese Government. The respondents of the 2021 State Budget Survey believe the simplification of the tax system should be a key driver of public policies. In this

context, the respondents have identified measures that should be implemented by the Government, bearing in mind the underlying objective of simplification but also optimization, which we highlight as follows:

- a) The creation of a council between the tax authorities and taxpayers, which could decrease the number of case courts will reduce significantly and therefore, the level of security for, both tax authorities and taxpayers, will be higher;
- b) To reduce the deadline for the Portuguese tax authorities responding to the technical queries raised by the taxpayers to 90 days, and this way contributing for a better tax framework within the business community;
- c) Last, but not the least, and because we are living in unprecedented times in the Covid-19 outbreak, there is a real need to create more tangible measures to positively respond to the challenges that the pandemic situation has created. These could include continuous access to tax credits for R&D activities (although with a better time of response in relation to each application); creation of incentives aiming to promote the creation and/or maintenance of jobs. Considering the current economic scenario, these are viewed as positive measures that need to be considered in any future tax amendments.

Another aspect of the utmost importance, is the new funding programs that Portugal is entitled to receive from the EU, under the scope of the RRF. Therefore, it is also expected that some additional incentives/grants will be granted for eligible applicants. This will also contribute to leverage the level of attractiveness of the country.

The current scenario of attributing some tax advantages for individuals that are willing to work or reside in

Portugal are also perceived as measures that could increase the country's attractiveness.

Notwithstanding the current pressure in some circles of the political landscape to cease the application of those special tax regimes, these measures reinforce Portugal's attractiveness for foreigners.

The Portuguese tax system - is there a way to simplify?

We believe the issues identified above in the survey our team performs on an annual basis, and that we also must deal when supporting our clients, are critical to be addressed and these should be seen as just examples, since the simplification of a tax system is a continuous journey that never ends and needs a lot of flexibility, which is linked to the economic moment that the country is facing each time. Now is the time to engage in recover the economy of the country and for that reason the tax system has a role to play and of course such type of measures will work as a positive contribution to that objective.

Luís Marques

Tax leader, Ernst & Young, S.A.



¹ EY, Survey Orçamento do Estado para 2020, December 2019



Communication with investors is key

Even though there has been an improvement, communication falls short of expectations

An effective communication is crucial to convey a country's message. Indeed, foreign investment has been affected by this phenomenon where competitive advantages are not highlighted.

However, there is a positive trend regarding information dissemination, with 75% of the respondents mentioning that they received information about Portugal's attractiveness, a 30 p.p. increase comparing with 2020. Moreover, only 22% indicated that never received information, representing a 24 p.p. decrease compared to the homologous year.

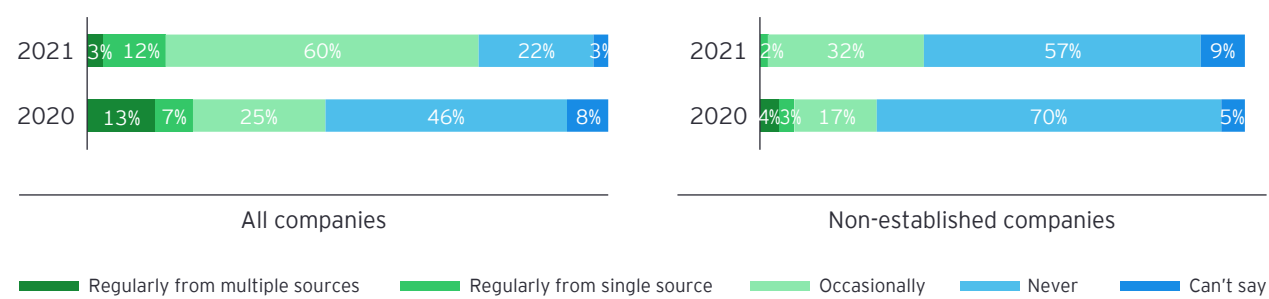
Non-established companies in Portugal might be losing information on the country

When considering non-established companies, the results point to a communication gap. Despite the improvement of 23 p.p. compared to 2020, there are 57% of the respondents stating they never receive information about the country's attractiveness.

Looking into the future, there are opportunities for improvements. It is imperative to ensure that valuable information is transmitted to investors quickly and successfully, with focus on the non-established investors. This communication can be a valuable tool to fuel the country's longer term FDI prospects and positioning in global value chains.



Figure 23: Does your company regularly receive information on Portugal’s attractiveness to FDI?



Source: EY Attractiveness Survey 2021 (203 respondents; 147 established in Portugal and 56 non established in Portugal)

Methodology

The “real” attractiveness for foreign investors

Our evaluation of the reality of FDI in Europe is based on the EY European Investment Monitor, the EY proprietary database produced in collaboration with OCO.

This database tracks the FDI projects that have resulted in the creation of new facilities and jobs. By excluding portfolio investments and M&A, it shows the reality of investment in manufacturing and services by foreign companies across the continent. Data on FDI is widely available.

An investment in a company is normally included in FDI data if the foreign investor acquires more than 10% of the company's equity and takes a role in its management. FDI includes equity capital, reinvested earnings and intracompany loans.

To confirm the accuracy of the data collected, the research teams aims to directly contact more than 70% of the companies undertaking these investments. The following categories of investment projects are excluded from the EY EIM:

- ▶ M&A and joint ventures (unless these result in new facilities or new jobs being created)
- ▶ License agreements
- ▶ Retail and leisure facilities, hotels and real estate*
- ▶ Utilities (including telecommunications networks, airports, ports and other fixed infrastructure)*
- ▶ Extraction activities (ores, minerals and fuels)*
- ▶ Portfolio investments (pensions, insurance and financial funds)
- ▶ Factory and other production replacement investments (e.g., replacing old machinery without creating new employment)
- ▶ Nonprofit organizations (charitable foundations, trade associations and government bodies)

*Investment projects by companies in these categories are included in certain instances: e.g., details of a specific new hotel investment or retail outlet would not be recorded, but if the hotel or retail company were to establish a headquarters facility or a distribution center, this project would qualify for inclusion in the database.

However, our figures also include investments in physical assets, such as plant and equipment. And this data provides valuable insights into:

- ▶ How FDI projects are undertaken
- ▶ What activities are invested in
- ▶ Where projects are located
- ▶ Who is carrying out these projects

The EY European Investment Monitor is a leading online information provider that tracks inward investment across Europe. This flagship business information tool is the most detailed source of data on cross-border investment projects and trends throughout Europe. The EY EIM is frequently used by government bodies, private sector organizations and corporations looking to identify significant trends in employment, industry, business and investment.

The EY EIM database focuses on investment announcements, the number of new jobs created and, where identifiable, the associated capital investment. Projects are identified through the daily monitoring of more than 10,000 news sources.



About the EY Attractiveness program

The perceived attractiveness of Portugal and its competitors by foreign investors

We define the attractiveness of a location as combination of image, investors' confidence and the perception of a country's or area's ability to provide the most competitive benefits for FDI. The field research was conducted by EuroMoney in March 2021 via online surveys, based on a representative panel of 203 international decision-makers, 147 of them established in Portugal and 56 non established in Portugal.

For the question "In your opinion, which main business sector will drive Portugal's growth in the coming years?" there is no comparable data, as this year's question is not the same comparing to last year's.

EY Attractiveness Surveys are widely recognized by clients, media, governments and major public stakeholders as a key source of insight into FDI. Examining the attractiveness of a particular region or country as an investment destination, the surveys are designed to help businesses make investment decisions and governments remove barriers to growth. A two-step methodology analyzes both the reality and perception of FDI in the country or region.

Findings are based on the views of representative panels of international and local opinion leaders and decision-makers.

The program has a 20-year legacy and has produced in-depth studies for Europe, a large number of European countries, Africa, the Mediterranean region, India, Japan, South America, Turkey and Kazakhstan.

For more information, please visit:

ey.com/attractiveness #EYAttract

How EY teams can help?

Services for investors and multipliers

With offices in Lisbon, Porto, Luanda and Maputo, EY teams offer a broad scope of EY services across its service lines: Assurance, Tax, Advisory and Transaction Advisory Services.

Our teams work closely with the financial system, private equities, venture capitalists and privately owned businesses. Alongside private and public clients, we provide support to the development of economic and commercial promotional strategies in Portugal and overseas.

An in-depth knowledge of the local market enables us to offer a set of services that covers all stages of the investment process:

Identification of acquisition opportunities

- ▶ Support on the decision-making process concerning new investments either related to new geographies, products or markets
- ▶ Identification of potential targets, based on the investor's requirements
- ▶ Preliminary contact (respecting non-disclosure agreements) leading to in-depth negotiations with selected targets

Acquisition and integration support

- ▶ Support in the development of growth and business diversification strategies, through both the identification and negotiation of acquisition opportunities and / or in finding additional funding (assisted funding or new investors), and the analysis of business restructuring strategies
- ▶ Assessment of existing compensation policies and design of compensation packages matching compliance with local regulations and the investor's own policies

Services for the public sector

EY, building on EY global's legacy, has been developing a significant rapport with governments, investment promotion agencies, regions, municipalities, and public companies in the completion of market screening and economic impact assessments. Efforts have also been undertaken to improve attractiveness, reinforce competitiveness, attract, support and accompany FDI leads.

Assessments of attractiveness

- ▶ Identification of existing attractiveness factors and areas of intervention to increase FDI and promote exports
- ▶ Creation of investment attractiveness dashboards to measure results

Reinforcement of regions and cities' attractiveness

- ▶ Analysis of regional and local development factors and of creation of touristic value
- ▶ Assessment of attractiveness, refunctionalization and impact of equipment and heritage
- ▶ Development of local and regional development strategies
- ▶ Conceptualization of governance models and partnerships

- ▶ Financial, tax, commercial, operational, IT, environmental and regulatory due diligence
- ▶ Asset valuation and business model validation
- ▶ Assessment of tax implications
- ▶ Technical support to acquisition negotiations
- ▶ Operations assessment and identification of performance improvement opportunities
- ▶ Definition and support on buy & integrate and sell & separate strategies

Assessment of greenfield opportunities

- ▶ Initial business model preparation reflecting investment, financial and operational costs based on local conditions
- ▶ Site selection based on location requirements for investment and business expansion
- ▶ Intermediation with local stakeholders and identification of funding opportunities, including tax and EU-funded financial incentives
- ▶ Preparation and assistance to on-site visits and formal contacts with national and local stakeholders
- ▶ Identification and selection of local suppliers, based on sourcing requirements

Investment promotion

- ▶ Identification and validation of targets for FDI promotion
- ▶ Compilation of the Doing Business report series with regional sector-specific investment brochures
- ▶ Initial setup and definition of procedures for the update of data sets typically required by investors
- ▶ Preparation of regional business model templates for specific sectors
- ▶ Setting up and facilitation of roadshows and one-to-one meetings with potential investors, government authorities and business partners

Investment intention's assessment

- ▶ Validation of business models
- ▶ Investor due diligence
- ▶ Assessment of regional impacts
- ▶ Investment economic and commercial viability - Investment sustainability

Efficiency of policies and public investments

- ▶ Macroeconomic analyses
- ▶ Evaluation and impact analysis of programs, public and sectorial policy
- ▶ Strategic plans for public goods and services
- ▶ Technical assistance and support to public management





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