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## **DECLARATION ON THE REMUNERATION POLICY**

The definition of the proposal of the remuneration policy for the members of the Board of Directors is incumbent on Nominations and Remunerations Committee which is appointed by the Board of Directors.

This Committee defined the remuneration to be attributed to Directors and members of the Executive Committee, with the purpose that it reflects the performance of each of the members in each year of their term of office (variable annual remuneration), and also their performance during their term of office establishing a variable component which is consistent with the maximisation of the Company's long term performance (variable multi-annual remuneration for a three-year period), thereby guaranteeing the alignment of the performance of the governing bodies with the interests of the shareholders.

The remuneration policy proposed by the Nominations and Remunerations Committee for the period 2014-2016, provides for a structure with a fixed remuneration for all members of the Board of Directors and a variable remuneration, with an annual component and a multi-annual component, for the members of the Executive Committee.

### **Fixed remuneration**

For the period 2014-2016, fixed remuneration which was approved is the same as the one set for the 2011-2013 period, which at the end of the period had been adjusted in relation with the fixed remuneration of the CFO, COO EU and COO NA due to the expiration of their expatriation, and which implied no increase in the company cost.

According to the information previously submitted to the Shareholders, EDP Renováveis has entered into a Management Services Agreement with EDP pursuant to which EDP Renováveis is due to pay to EDP the corresponding amount (*management fee*) for the management services rendered by it, which since May 2012 and in accordance with the approved composition of the Board of Directors and the Executive Committee, includes executive and non-executive services.

The non-executive directors may opt between a fixed remuneration or attendance fees per meeting, in a value equivalent to the fixed remuneration proposed for a director, taking into consideration the duties carried out.

The Retirement Savings Plan works as an effective retirement complement and corresponds (i) for members of the Executive Committee who are not "Officers", 5% of the value of their respective annual remuneration and (ii) for the members of the Executive Committee designated as "Officers", a percentage between 3% and 6% of their respective annual remuneration.

The Directors do not get any relevant non-monetary benefit as a form of remuneration.

## **Variable annual and multi-annual remuneration**

Variable annual and multi-annual remuneration applies to the members of the Executive Committee.

Variable annual and multi-annual remuneration will be a percentage of fixed annual component, with a superior weight for multiannual vs. annual component (120% vs. 80%). That is, the value of the variable remuneration may range between 0% and 85% of the 80% of the annual gross fixed remuneration, in the case of the annual variable, and between 0% and 85% of the 120% of the annual gross fixed remuneration, in the case of the multi-annual variable.

The key performance indicators (KPIs) used to determine the amounts of the annual and multi-annual variable remuneration regarding to each year of the term are aligned with the strategic grounds of the Company: growth, risk control and efficiency. These are the same for all members of the Executive Committee, although with specific targets for the platforms in the case of COO's. Indicators which apply to the years 2014-2016, are:

- The relative performance of the Total Shareholder Return of EDP Renováveis vs Benchmark, (PSI-20 and peers);
- EDP Renováveis growth (MW increase);
- The risk – result of EDP Renováveis (ROIC Cash; EBITDA and net profit);
- Efficiency (technical availability, OPEX/MW, CAPEX/MW);
- Additional targets (sustainability, employee satisfaction and appreciation of the Nominations and Remunerations Committee).

Also, for the CFO, COO EU and COO NA, there will be a qualitative evaluation of the CEO, will have a weight of 20% for the annual variable compensation, and 32% for the multi-annual variable remuneration.

The relative weight assigned to each KPIs to calculate annual or multi-annual variable remuneration, the relevance associated with the achievement of such KPIs on the platform in the case of COOs, the three-year term considered for determining the value of variable multi-annual component of the remuneration, the use of the qualitative criteria focused on a strategic and medium term perspective of the development of the Company, the existence of a maximum limit for the variable remuneration and the relative importance of this component in the total remuneration value are determining elements in maximising that the management performance of the Company not only focuses on short term objectives but incorporates the interests of the Company and of shareholders in the medium and long term.

Lisbon, February 18, 2014,

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