



Non-binding translation
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STATEMENT ON THE REMUNERATION POLICY OF THE EXECUTIVE BOARD OF DIRECTORS OF EDP – ENERGIAS DE PORTUGAL, S.A. TO BE PRESENTED AT THE GENERAL SHAREHOLDERS' MEETING ON THE 12TH OF MAY OF 2014

1. On the 6th of May of 2013, at the General Shareholders' Meeting of EDP – Energias de Portugal, S.A. (EDP), it was presented and subjected to approval some adjustments to the remuneration policy of the members of EDP Executive Board of Directors (EBD) for the triennium 2012-2014, previously approved at the EDP's General Shareholder's Meeting occurred on the 17th of April, 2012. The proposed modifications concerned the indicators used, especially their respective weights. Additionally, the form of payment of the variable multiannual remuneration component has been changed. During 2013, several meetings to assess the reasonableness of the remuneration policy were held, and the Remuneration Committee of the General and Supervisory Board (REMC) decided to propose its maintenance to this General Shareholder's Meeting, with the exception of the substitution of the "Performance of Free Cash flow" indicator by the "Performance of Operating Cash Flow excluded of regulatory receivables" indicator, as this last was considered to be more appropriate to evaluate the management performance. In summary, and if this amendment is adopted, the remuneration policy of the EBD members of EDP, for 2013-2014, will be based on the following principles and rules:
 - a. Fixed remuneration of the EBD Chairman in 600 000 EUR, an amount already practiced on the last two terms of office, since 2006. Likewise, the ratio between the fixed remuneration of the other Executive Directors and its Chairman remains at 80%. Based on the analysis undertaken, although competitive, this value is below the average remuneration of the analyzed universe. As a result of this decision, if approved, at the end of this current term, the fixed remuneration component (and by consequence, the maximum limit of the total compensation of the EBD members) will be the same in nominal terms, for 9 consecutive years;
 - b. Retirement Saving Plans (RSP) assigned to the Executive Board of Directors members during their term of office, amounting in net terms, 10% of their fixed annual remuneration. The characteristics of these standard RSP are covered by the legislation applicable to these financial products;
 - c. Remuneration structure by which the variable component can duplicate the fixed component and the multiannual variable component, that reflects the assessment for the whole term of office, will have a weighting of 60%



compared with 40% of the weight assigned to the set of indicators that assess the annual performance;

- d. Minimum and maximum thresholds to define the existence of a performance bonus and the highest value that it may assume. More specifically, if the concrete performance falls below 90% of the fixed targets, and submitted to the GSB, as a reference for performance assessment, there will not be any payment. If, on the other hand, it exceeds 10% or more of its targets, it shall be assigned, always and only, the maximum value. These general criteria apply both to the annual variable component (limited to 80% of the fixed remuneration) as to the multiannual component (which can go up to 120% of the fixed remuneration);
 - e. Criteria that determines the allocation of the multiannual variable remuneration regarding the performance throughout the term of office: although it is calculated annually, it only becomes effective if, at the end of the mandate, at least 90% of the strategic goals have been achieved, according to the performance of the company, its comparison with strategic benchmarks and the individual contribution of each member of the EDB for the achievement of that purpose;
 - f. Individual performance will weight 20% regarding the annual objectives and 32% for multi-year targets;
 - g. The payment of the multiannual performance bonus will occur with a three year lag regarding the respective year;
2. The indicators used to evaluate the performance of the EBD, particularly regarding the comparison between the stock market performance of EDP and its Iberian and European peers and regarding the economic and financial performance, will be as follows:

a. **Annual performance indicators**

a.1. Quantitative component and its weight:

Total shareholder return vs Eurostoxx utilities e PSI20	(19%)
ROIC/WACC	(19%)
Growth of gross profit	(14%)
Growth of net profit	(14%)
EBITDA performance	(7%)
Operating cash flow excluded of regulatory receivables performance	(7%)



The 80% resulting from the weighted sum of these indicators reflect the performance that is common to all EBD members.

a.2. Qualitative component:

The remaining 20% result from an individualized assessment conducted by the REMC, based on the individual performance of each of the EBD members.

a.3. The resulting value of the quantitative and qualitative component is applicable, as previously mentioned, to 80% of the fixed annual remuneration.

b. Multiannual performance indicators

b.1. Quantitative component and its weight

Total shareholder return vs Eurostoxx utilities e PSI20	(17%)
ROIC/WACC	(17%)
EBITDA performance	(8,5%)
Operating cash flow excluded of regulatory receivables performance	(8,5%)
Sustainability Performance Indicator	(17%)

The 68% resulting from the weighted sum of these indicators reflect the performance that is common to all EBD members.

b.2. Qualitative component:

The remaining 32% result from an individualized assessment conducted by the REMC, based on the individual performance of each of the EBD members.

b.3. The resulting value of the quantitative and qualitative component is also applicable, as previously mentioned, to 120% of the fixed annual remuneration.

3. EDP Directors do not enter into agreements, either with the company or with third parties, with the goal of mitigating the risk inherent to the variability of the remuneration that is established by the company.
4. It is further clarified that there are no agreements in EDP that foresee payments in the event of dismissal or termination by agreement of the directors' functions, nor were any payments made in this context during the year of 2013.



In accordance to the applicable law and EDP's articles of association, the Remuneration Committee of the General and Supervisory Board submits to the approval of the Shareholders the declaration on the remuneration policy of the members of the Executive Board of Directors in accordance with the above stated terms.

Lisbon, 26th of February 2014

Alberto João Coraceiro de Castro
Chairman of the Remuneration Committee of the General and Supervisory Board