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## **ANNUAL GENERAL SHAREHOLDERS'S MEETING**

**EDP – ENERGIAS DE PORTUGAL, S.A.**

12<sup>th</sup> May 2014

### **PROPOSAL OF ITEM 7 OF THE AGENDA**

#### **Statement of the Remunerations Committee on the Remuneration Policy of the Corporate Bodies**

In accordance and for the effects of the contents of article 2, no. 1 of Law no. 28/2009, dated 19<sup>th</sup> June and of article 11, no. 2, d) of EDP – Energias de Portugal, S.A. By-Laws, it competes to the Company's General Annual Shareholders' Meeting to approve the proposal on the Remuneration Policy of the Members of the Corporate Bodies that is submitted by the respective Remunerations Committee.

Thus, at the General Shareholders' Meeting held on 17<sup>th</sup> April 2012, it was not only approved the proposal of the Remunerations Committee that ended its term of office, but also elected the new Committee, composed by:

- José Manuel Galvão Teles – Chairman reelected
- José de Mello Energia, S.A., represented by Luís Brito de Goes – Member
- Álvaro Pinto Correia – Member

EDP – Energias de Portugal, S.A. By-Laws establish, on article 8, no. 1, that the Company's Corporate Bodies are:

- a) The General Shareholders' Meeting (GSM)
- b) The General and Supervisory Board (GSB)
- c) The Executive Board of Directors (EBD)
- d) The Statutory Auditor (SA)

On the other hand, the By-Laws of the Company also foresee the existence of other Corporate Bodies, with statutory dignity:

- a) The Environment and Sustainability Board (ESB)
- b) The Remuneration Committee, elected by the General Shareholders' Meeting and, within the GSB, a Committee for the Monitoring of Financial Matters which according to the By-Laws, also assumes the designation of Audit Committee
- c) The Board of the General Shareholders' Meeting.



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These are the corporate bodies of EDP - Energias de Portugal, S.A.

The Remuneration Committee, elected by the General Shareholders' Meeting, is therefore, responsible for the determination of the remuneration of the members of the following corporate bodies: Board of the General Shareholders' Meeting; Chairman and members of the GSB; Statutory Auditor and Environment and Sustainability Board. The Financial Matters Committee or Audit Committee shall be dealt together with the other Committees of the GSB.

In compliance with of the powers conferred by the GSM, the Remunerations Committee set the remunerations of EDP' Corporate Bodies members for the 2012-2014 term of office (with exception of the EBD), although with an express reservation regarding the fact that the Committee would comply with its duty of following, every year, the activity of the respective corporate bodies.

In that sense, it shall be disclosed, as it has been done in previous years, the Remuneration Policy of Corporate Bodies Members, which has been unchanged in the last years, complying with the main principles approved in General Shareholders' meetings.

As a result and with the purpose of providing clear and complete information on the referred remuneration policy and with the aim of obtaining from the General Shareholders Meeting the confirmation of that same policy, the adopted guiding principles and the way found suitable to secure the necessary mitigation of the management risks and the alignment of corporate bodies members' interests with the Company's interest are detailed as follows.

## **I. Framework**

EDP's remuneration Policy is framed by the guidelines defined by reference shareholders of the Company, which are issued in accordance with the applicable rules and recommendations and with the best practices in the sector.

The Corporate Bodies Remuneration Policy is annually reviewed and a statement, which resumes its general guidelines is, with the same periodicity, subject to approval by the General Shareholders under proposal of the Remunerations Committee. On the respective definition it were formulated proposals aiming to assure that remunerations are adequate and reflect the risk profile and the long-term objectives of the Company, being also in conformity with the legal rules, principles and pertinent national and international recommendations.



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## **II. Guiding Principles**

This Committee has guided its decisions on the matter of remuneration policy, namely of the General and Supervisory Board members, by the following guiding principles:

- i) Definition of a policy, which is simple, clear, transparent and aligned with EDP's culture, in order that the remuneration practice may be based on uniform, consistent, fair and balance criteria.
- ii) Definition of a policy, which is consistent with the management and control of risk, efficient to avoid excessive exposition to risk and to conflicts of interest, seeking coherence with the purposes and long-term values of the Company.
- iii) Assessment and stimulus of a careful performance, in which the merit shall be duly awarded, assuring homogeneity levels compatible with GSB necessary cohesion, considering also the economic and financial situation of the company and of the country.
- iv) Alignment of the remunerations of the several corporate bodies members of the companies with higher stock market capitalization and congeners, namely Iberian.
- v) The more recent recommendations issued by European Union and Portuguese Securities Commission.
- vi) Taking into consideration of the circumstances arising from the serious economical crisis and the current European financial constraint, with the necessary consequences for the Company, with the purpose of complying with the demands of a greater social justice within the scope in general of the country, as well as within the scope of the company's several remuneration regimes.

The remuneration policy of EDP's corporate bodies shall, in essence, be simple, transparent, moderated, adapted to the conditions of the work performed and to the company's economical situation, but also, competitive and equitable, in order to assure the purpose of value creation for the shareholders and remaining stakeholders.

## **III. Structure of remuneration policy**

Based on these criteria, and considering the challenges that the Company intends to pursue during the current civil year, the Commission defined the following remuneration policy guidance:



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- i) It shall be maintained a differentiation between remunerations attributed to GSB members and the ones assigned to EBD members, and it shall not be attributed to the firsts a variable remuneration component or any other remuneration complement.
- ii) The difficulties that the country is still struggling in consequence of the generalized economical, financial and social crisis installed worldwide and the challenges that the country still has in the exit process of redemption in which Portugal is, imply the maintenance of the remuneration framework in force, but, in any case, it shall always be taken into account the performance merit and the complexity of the functions performed by the members of each body, so that the cohesion, stability and development of the company is not endangered.
- iii) It shall be considered the progressive increase of work and responsibility of the Audit Committee members, assuring a differentiation in relation to other GSB members.
- iv) It is also important to distinguish the performance of other specific functions within GSB, namely the coordination, assigned to the Chairman and Vice-Chairman.

#### **IV. Remuneration limits**

- i) The inexistence of variable components within the remuneration structure of the supervisory body members leads to establishing, as the sole maximum limit on the remuneration policy, the fixed component of remuneration.

It has been understood, on that subject, according to proportionality and adequacy criteria, that it should be differentiated remuneration limits according to the level of work and responsibility inherent to each supervisory board member. Pursuant to that, it was specially considered the evolvement of some members of the Financial Matters Committee/Audit Committee and other General and Supervisory Board committees. It also has been established additional distinctions, whether the involvement in corporate committees implies, or not, the performance of coordination functions.



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Within this conformity, it was set the following maximum limits of remuneration of the General and Supervisory Board:

Chairman of the GSB	€ 490,500.00/ year
Vice-Chairman of the GSB	€ 72,000.00/ year
Vice-Chairman of the Financial Matters Committee/Audit Committee	€ 85,000.00/ year
Members of the Financial Matters Committee/Audit Committee	€ 70,000.00/ year
Chairman of other Committees	€ 57,000.00/ year
Members of other Committees	€ 52,000.00/ year
Members of the GSB (without other attributions in this Board)	€ 47,000.00/ year

- ii) Regarding the other corporate bodies members, the Committee has considered, also, that the circumstances of the period in which we are living recommended to maintain the level of remuneration adopted in previous years.

Therefore, in due course, the following values were set to remunerate the members on the corporate positions subsequently described:

- a) General Shareholders Meeting Board  
Chairman and, simultaneously, Member of the GSB € 57,000.00/year  
Vice-chairman € 2,000.00/year
- b) Statutory Auditor  
The Committee accepted and confirmed, regarding the remuneration of the Statutory Auditor, the values contained in the “Agreement for the Rendering of Statutory Audit Services” entered into between EDP and KPMG & Associados, Sociedade de Revisores Oficiais de Contas.
- c) Environment and Sustainability Board  
The members of this Board have the right to receive one attendance fee by meeting in the amount of € 1,750.00.



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## V. Conclusion

Current circumstances, in which the companies with national relevance carried out their activity deserve, from our point of view, that it is maintained a particular care in the development of the value chain which, beyond economical aspects, reveal its social sustainability point of view, reason why we ask for the best acceptance, by the General Shareholders Meeting, of the proposal hereby submitted.

Lisbon, 1<sup>st</sup> April 2014

The Remuneration Committee

José Manuel Galvão Teles  
Chairman

Luís Brito de Goes  
Member

Álvaro Pinto Correia  
Member