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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 6th OF MAY OF 2013

1. At the General Shareholders' Meeting of EDP - Energias de Portugal, SA (EDP) dated 17th of April of 2012, it was presented and subject to approval, pursuant to the law, the remuneration policy of EDP Executive Board of Directors (EBD) members to be in force on the triennium 2012-2014. In the document presented the basic principles that have guided the definition of EBD remuneration in the last two terms remained, namely in terms of fixed remuneration, its relation with the variable component, the relative weight, within this, of the part relating to annual and multiannual performance and finally, the criteria used for the determination of the performance bonuses. Nevertheless, it was not ignored that the transformation of the current shareholder structure could eventually justify some changes, first arising from potential changes in the composition of the Remuneration Committee of the General and Supervisory Board (REMC), responsible for the definition remuneration policy of EBD members. In fact, consummated the privatization process covering 21.35% of EDP shares held by the Portuguese State, through Parpublica, the General and Supervisory Board decided to change the composition of REMC who hereby integrated five members: Alberto João Coraceiro de Castro (Chairman), Ilídio da Costa Leite de Pinho, José Maria Espírito Santo Silva Ricciardi, Guojun Lu, Paulo Jorge de Assunção Rodrigues Teixeira Pinto. After multiple working meetings, aiming to inform all the new members of the purposes of the remuneration policy that had been continued and the way found to achieve them, the REMC decided to propose at this General Shareholders' Meeting a few changes that are explained in the following numbers, not before reiterating some remaining unchanged principles.
2. On the side of continuity, stand out two facts: from one side, the maintenance of a variable component that, within its maximum limit, may reach twice the value of the fixed part, and wherein the factors of the multiannual performance evaluation are considered more heavily (in a ratio of 60/40) than those related to annual performance; on the other hand, the persistence and strengthening of the benchmarking exercise, either with companies of similar size to national PSI 20 companies, either with foreign congeners companies, namely Iberian and / or integrated in the Eurostoxx Utilities, to ensure alignment with the best national and international practices. The changes themselves, that will be noted below, are punctual, proving that the model that has been adopted is simultaneously solid (in its fundamentals and indicators chosen) and flexible (ie, capable of accommodating changes, as long as not disruptive, in the activity and in the shareholder structure of the company).



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3. The changes focused on the indicators used, especially in their respective weights. Additionally, it is changed the way multiannual variable remuneration component is paid.
 - 3.1. Regarding the indicators used, following a trend that has been forming in recent times for companies with a situation similar to that of EDP, it was decided to consider the "free cash flow" generation, whether for the purpose of annual or multiannual evaluation performance of the company.
 - 3.2. The changes in weighting the coefficients arise from two very distinct reasons. The main motivation which, in part, conditioned the rest, was to create conditions to allow more space so that the difference in performance between the EBD members would be reflected in their respective remuneration. Accordingly, it is proposed that a specified share of their weight go up to 20% when it comes to the annual performance assessment and to 32% as regards to the multiannual evaluation, passing the common part of performance evaluation (this is, the aspect that reflects the performance of the company as a whole) to weigh 80% and 68% respectively in the case of annual and multiannual appraisal. As a result, should this proposal be accepted, all other weighting coefficients will be adjusted proportionally. The introduction of a new indicator ("free cash flow") led REMC to choose to divide in half the weight that would be assigned to the evolution of EBITDA, sharing it with the "free cash flow" indicator (each has, in the proposed model, a weight of 7% and 8.5% respectively for the purpose of assessing whether annual and multiannual performance).
4. In summary, if the proposed amendments merit the reception of the Shareholders, the remuneration policy of the EBD members of EDP will, from 2013, be based on the following principles and rules:
 - a. Maintenance of the fixed remuneration of the Chairman of the EBD at 600 000 euros, value already practiced in the last two terms of office, since 2006. Likewise, it remains at 80% the ratio between the fixed remuneration of the remaining members of the executive board of directors and its chairman. Based on analyzes performed, although competitive, such a value is positioned below the average remuneration component of the universe analyzed. As a result of this decision, if approved, at the end of the term of office that is now beginning, this remuneration component (and per drag, the maximum limit of the total compensation of the members of the EBD), will be the same in nominal terms, for 9 consecutive years;
 - b. Maintenance of retirement savings plans (RSP) assigned to board of directors members during their term of office, the net amount of 10% of their fixed annual remuneration. The characteristics of these RSP are established in the legislation applicable to these financial products;



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- c. Maintenance of a remuneration structure by which the variable part can duplicate the fixed part and the multiannual variable component, which reflects the assessment for the whole term of office, will have a weighting of 60% which compares with 40% of the weight assigned to all indicators that assess the annual performance.
 - d. Maintenance of minimum and maximum thresholds for defining the existence of a performance bonus and the highest value that it may assume. More specifically, if the actual performance is below 90% of the set targets and submitted to the General and Supervisory Board, as reference for the performance assessment there will not be any payment. If, in turn, it exceeds 10% of its purposes, shall be assigned, always and only, the maximum value. These general criteria apply to the annual variable component (limited to 80% of the fixed remuneration) as for multiannual component (which can go up to 120% of fixed remuneration);
 - e. Maintenance of the criteria that determines the allocation of the variable multiannual remuneration to the term-of-office, as a whole, performance: although calculated annually, only becomes effective if, at the end of the term, it have been achieved at least 90% of the strategic objectives set, valued at function of the performance of the company itself, its comparison with the strategic benchmarks and the individual contribution of each member of the EBD for that desideratum;
 - f. Changing the weighting to be given to individual performance that rises to 20% when dealing with the annual objectives and to 32% for multi-year targets;
 - g. Amendment, with respect to the eventual multiannual bonus, of the schedule for its payment, should this proposal be approved, so that it will always be paid with a lag of three years regarding the exercise concerned;
 - h. Introduction of the "free cash flow" indicator as a factor in assessing the performance of EDP either on the annual or multiannual horizon.
5. As a result of all that is proposed above, the indicators used to evaluate the performance of the EBD, including those relating to the comparison between the behavior of EDP on the stock market and the one of its Iberian and European peers and the appreciation of the economic and financial performance of company, will be as follows:
- a. **Annual performance indicators**
 - a.1. **Quantitative component and its weight:**

Total shareholder return vs Eurostoxx utilities and PSI20	(19%)
ROIC/WACC	(19%)



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Growth of gross profit	(14%)
Growth of net profit	(14%)
EBITDA performance	(7%)
Free Cash-Flow performance	(7%)

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

a.2. Qualitative component:

The remaining 20% are the result of an individualized assessment carried out by the REMC based on the individual performance of each of the EBD members.

a.3. The resulting value of quantitative and qualitative component is weighted in turn, as noted above, by a factor of 80% of the annual fixed remuneration.

b. Multiannual performance indicators

b.1. Quantitative component and its weight:

Total shareholder return vs Eurostoxx utilities and PSI20	(17%)
ROIC/WACC	(17%)
EBITDA performance	(8.5%)
Free Cash-Flow Performance	(8.5%)
Sustainability Performance Indicator	(17%)

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

b.2. Qualitative component:

The remaining 32% are the result of an individualized assessment carried out by the REMC based on the individual performance of each of the EBD members.

b.3. The resulting value of quantitative and qualitative component is weighted in turn, as noted above, by a factor of 120% of the annual fixed remuneration.



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It is, also, clarified that EDP does not have any contracts that provide payment in the event of dismissal or termination by agreement of the directors' functions, nor were any payments made regarding this matter during the year of 2012.

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

Lisbon, 26th March 2013

Alberto João Coraceiro de Castro

Chairman of the Remuneration Committee of the General and Supervisory Board