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EDP – ENERGIAS DE PORTUGAL, S.A.
ANNUAL GENERAL SHAREHOLDERS'S MEETING

21st April 2015

PROPOSAL OF ITEM 7 OF THE AGENDA

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

I. Brief Historical and Circumstantial Vision

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

The General Shareholders’ Meeting held on the 17th April 2012 elected the current Remunerations 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

Meanwhile, the member Luís Brito de Goes, representative of José de Mello Energia, S.A., resigned to its office, on the past 5th February and so, the Committee was reduced to the remaining two members.

The proposals of the Remuneration Committee on the Remuneration Policy of the Corporate Bodies regarding the years of 2012, 2013 and 2014 were always approved by the respective General Shareholder’s Meeting, competing now to this Committee to propose again to the General Shareholders’ Meeting the Remuneration Policy to be adopted in the current 2015 year.

2. EDP By-Laws establish, on its article 8, no. 1, that the Corporate Bodies are:

- a) The General Shareholders’ Meeting (GSM)
- b) The General and Supervisory Board (GSB)
- c) The Executive Board of Directors (EBD)



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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

These are EDP's corporate bodies.

3. The Remuneration Committee, elected by the General Shareholders' Meeting, is therefore, responsible for determining the remunerations 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 the powers, which were conferred to it by the General Shareholder's Meeting, 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.

4. In that sense, it also competes to this Committee, as done in previous years, to propose to the annual General Shareholders' Meeting the Remuneration Policy of the Corporate Bodies, which has been held unchanged in the past years and has been observed to the fundamental principles approved in the General Shareholders' meetings.

It occurs, however, that this Remuneration Committee considers that, in this specific year, it shall be taken into account the following circumstances with unquestionable influence on the resolutions to be taken by the General Shareholders' Meeting on the Remuneration Policy to be adopted:

- for one hand, the fact that this is the Committee (which has already terminated its mandate) that proposes to the next General Shareholders' Meeting the remuneration policy for the 2015/2017 term of office, when its guaranteed that it



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will be the new Remuneration Committee (to be elected on the referred General Shareholders' Meeting) the entity competent for determining the remunerations related to the referred mandate;

- for the other hand, one should take into account that the General Shareholders' Meeting that will resolve on the Remuneration Policy is composed by a shareholders body quite different than the one that elected the current Committee.

In these conditions, and although this Committee does not intend to fail to observe on a strictly manner the law, it considers that the spirit of the law, the logic of the system and the natural common sense should allow it the duty/right to prepare a proposal, which consciousness adopted the referred limitations.

Nevertheless, and despite everything, this proposal will comply with its obligation of presenting to the General Shareholders' Meeting the fundamental and perennial principles of the Remuneration Policy to be adopted by EDP with a long-term vision.

II. Framework

5. In the last three years, EDP's Remuneration Policy was framed by the guidelines defined by shareholders of reference of the Company, which were issued in accordance with the applicable rules and recommendations and with the best practices in the sector.

The Corporate Bodies Remuneration Policy has been annually reviewed and a statement, which resumes its general guidelines has been, equally and with the same periodicity, subject to the approval by the General Shareholders' Meeting, 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.

Is this the line to enforce and it is proposed to be followed by EDP.

Therefore,

III. Guiding Principles

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



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- 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 balanced criteria.
- ii) Definition of a policy, consistent with the management and risk control, efficient, to avoid an excessive exposure to risk and to conflicts of interest and 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, without prejudice of 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, moderate, 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.

IV. Structure of the Remuneration Policy

Based on these criteria, and considering the challenges that the Company intends to pursue, the Committee defined the following remuneration policy guidance:

- 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



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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 arising from the exit of financial rescue process that it has supported, imply the maintenance of the remuneration framework in force, but, in any case, it shall always be taken into account the merit of the performance 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.

V. Remuneration limits

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

VI. 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, 17th March 2015



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The Remuneration Committee

José Manuel Galvão Teles
Chairman

Álvaro Pinto Correia
Member