

This translation of the Portuguese document was made only for the convenience of non-Portuguese speaking Shareholders. For all intents and purposes, the Portuguese version shall prevail.

PROPOSAL

Item 5 of the agenda
of the general meeting of
Galp Energia, SGPS, SA, Public Company,
on May 7th 2012

VARIABLE REMUNERATION POLICY OF GALP ENERGIA'S SENIOR MANAGERS

Galp Energia's Senior Managers variable remuneration is linked to a system of performance indicators/targets related with economical/financial, operational, quality of service and environmental and safety factors, which are considered relevant to monitor the activity of the Company, of the Business Unit and of the Operating Area.

In order to encourage a better alignment of the performance of the Senior Managers with Galp Energia's shareholders interests on a financial and economical sustainability perspective, it is considered appropriate to introduce, from 2012 onwards, multi-year performance objectives, on a three year period basis. Such a policy is aligned with the best international practices and with those recommended by the Portuguese Securities Market Commission (CMVM):

*"The remuneration of the Members of the Board of Directors shall be structured so that the formers' interests are capable of being aligned with the long-term interests of the company. (...) A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall depend on the company's steady positive performance during that period"*¹

Thus, it is proposed that the current variable remuneration system is reinforced with the introduction of a long term variable compensation component, in order to align the objectives of the Senior Managers with Galp Energia's shareholders long-term sustainable interests.

¹ CMVM Corporate Governance Code 2010 (Recommendations), February 2010

Therefore, the Variable Remuneration shall have two components:

- Annual Variable Remuneration, representing 60% of the total variable remuneration.
- Long Term Variable Remuneration, representing 40% of the total variable remuneration. Despite this indicator is computed annually, the payment will just be effective if, at the end of the three years, the targets defined were accomplished.

The long term variable remuneration should be executed as a “rolling process” (payable every year, regarding the accomplishment of the targets of the previous three year period) with the first payment to be executed in 2015, regarding the performance of the period 2012-14.

Regarding the Annual Variable Remuneration, management agreements are defined annually with all Senior Managers, under which three groups of targets are defined, totaling five indicators:

- Targets shared at Galp Energia Group level: One indicator, with a weight of 15%, equal for every Senior Manager, and linked to Galp Energia’s share price performance (Total Shareholder Return compared with a peer group);
- Targets shared at the Business Unit level: One indicator, with a weight of 20%, equal for every Senior Manager of the respective Business Unit, linked to the Business Unit results (compared with the budget);
- Individual targets: Three indicators, with a total weight of 65%, considered critical and directly depending of the Senior Manager actions of the respective area, and value creators for the Business Unit/ Activity (compared with the budget or with another challenge deemed adequate for the established target).

Regarding the long term variable remuneration, in line with best international practices, it is proposed the following indicators:

- Galp Energia Total Shareholder Return (TSR) vs Peer Group, with a weight of 60%;
- EBIT of the Business segment, in which the Senior Manager is incorporated, with a weight of 40%.

The defined targets have taken into consideration the establishment of performance indicators oriented to shareholder value creation and to allow the balance between individual responsibility and the promotion of a culture oriented to the Business/team.

The targets/indicators were also built in order to allow its spread through the organization, assuring a common system and the equality of principles in every level of the organization. There is a continuous effort to maintain identical, every process, time schedule and templates, for every employee of the major group companies.

The variable remuneration policy results from a performance evaluation system based on the achievement of the targets settled, rewarding and distinguishing the best performances, using a transparent and expected rational, meaning that the best evaluations will lead to better compensation.

In order to guarantee the coherency between the results obtained and the bonuses paid, the total amount of variable remuneration is linked to Galp Energia's net profit, according to defined and reported rules for setting upper and lower limits. These indexing rules can lead to no variable remuneration, if the Company's net profit is below 80% of the respective budget.

Lisbon, 26 April 2012