



**GALP ENERGIA, SGPS, S.A.**  
**Annual General Shareholders Meeting**  
**April 16, 2015**

**ITEM 13 RESOLUTION PROPOSAL**

**Statement of the Remuneration Committee on the Policy for  
remuneration of the corporate bodies of Galp Energia SGPS, S.A. for the  
year 2015**

**I. Introduction**

The Remuneration Committee of Galp Energia, SGPS, S.A., hereinafter referred to as "Galp Energia" or "Company", under the powers to it conferred to determine the corporate bodies' remunerations, and within the mandate given to it by the General Shareholders Meeting, pursuant to article 8 of the Company's articles of association, hereby submits to the approval of Galp Energia's General Shareholders Meeting to be held on April 16, 2015, the following statement on the remuneration policy of the corporate bodies, consistent with article 2 of the Law no. 28/2009, of June 19, and in accordance with CMVM Regulation no. 4/2013 and the Corporate Governance Code CMVM Recommendations approved no. 2013.

The proposed statement describes the process followed to define and implement the remuneration policy of Galp Energia's governance bodies for 2015, as well as the goals and underlying principles thereof, taking into consideration the CMVM recommendations and the corporate governance best practices, with a view to ensure clarity and effectiveness on the communication both to the market and to shareholders.

The governing bodies' remuneration policy is annually updated and approved at the General Shareholders Meeting upon a Remuneration Committee's proposal.

Therefore, the present document determines the governing bodies' remuneration policy for 2015, which reflects the underlying principles defined in the



remuneration policy for 2014, approved at the General Shareholders Meeting held on the 28<sup>nd</sup> of April 2014.

Information regarding the 2014 remuneration policy implementation and regarding the 2014 specific remuneration of the board of directors' members, as well as the one of the supervisory board, is detailed on the 2014 corporate governance report.

## **II. Underlying Principles**

The governing bodies' remuneration policy aims at reinforcing values, skills, abilities and behaviors, in view of the Company's long term culture and strategy, and in detail, is guided by the following underlying principles:

- (i) Attract and motivate the best professionals for the roles to be performed at the Company and ensure the stability on the same roles of the members of the governing bodies elected;
- (ii) Appropriately reward, in line with market conditions, the work, know-how and results obtained, in a way that is consistent with the skills and responsibilities inherent to the respective roles;
- (iii) Reward the efficiency and productivity increase and the long term value created for the shareholder, by defining and implementing an incentive-based system related to the attainment of pre-defined and measurable economic, financial and operational goals, with a view to foster sustained growth and discourage excessive risks taking.

Taking into account the aforementioned purposes, the Remunerations Committee defined and approved the 2015 policy for the setting the Company's governing bodies' remunerations.



### **III. 2015 Remuneration Policy**

#### **1. Board of directors**

##### 1.1 Non-executive Directors

The non-executive directors of the board of directors' remuneration will amount to a fixed monthly remuneration paid 12 times a year, at an amount determined by the Remunerations Committee in line with market practices.

Equally in line with these market practices, the non-executive directors' remuneration may be different for the Chairman, due to the distinct roles of Company representation attributed to him, and for non-executive members of the board of directors which undertake distinct supervisory and monitoring duties within the Company, as a result of a special delegation given by the Board of Directors or under the framework of committees pre-existing or that may be created by the board of directors.

The remuneration of non-executive members of the management body does not include any component whose value depends on the performance of the Company or its value.

##### 1.2 Executive Management

The remuneration of Galp Energia's executive directors comprises two components: one fixed and one variable.

###### 1.2.1 Fixed remuneration

The fixed component will correspond to a fixed monthly remuneration, paid 14 times a year, to be determined by the Remuneration Committee after considering the duties and responsibilities assigned and practices observed in the market for equivalent position in large Portuguese and international companies.



### 1.2.2 Variable remuneration

The variable remuneration component, in the form of one-off payments, is determined by the Remuneration Committee and dependent upon the achievement of certain economic financial and operational goals with a view to creating a competitive remuneration framework and implementation of a system of rewards which ensure the alignment of the interest of the executive management with the interests of the Company and their respective stakeholders, from an economic and financial sustainability perspective.

In order to best stimulate the alignment of the executive directors' practices with the company's long term sustainable interests, a multi-annual objectives policy was introduced in 2012, with entry into force in 2013, which postponed for a period of three years a significant part of the variable remuneration, which stays associated to the performance of the Company during this period.

On an annual basis, goals are defined for the subsequent three-year period, being the three-year assessment made at the end of each three-year period. The first three-year period for which multi-annual objectives were determined was 2013-2015, therefore, at the end of this multi-annual period, performance will be assessed in three-year overlapping cycles.

Such a policy allows Galp Energia to approach the good practice of the market as well as the CMVM recommendations with regard to corporate governance.

The variable remuneration for executive directors therefore has two components:

- Annual variable remuneration representing 50% of the total variable remuneration;
- Tri-annual remuneration, representing 50% of the total variable remuneration

The amount of annual variable remuneration for each year is determined by the Remuneration Committee in accordance with the extent to which the Company's specific goals, with the maximum potential limit of 60% established by this Committee the year before, with reference to the total annual remuneration. This is in line with generally recognized practice in the Portuguese market which represents



a reasonable proportion between the variable remuneration component and the fixed component.

The indicators proposed by the Remuneration Committee for 2015 to determine the annual variable remuneration are as follows:

- (i) Galp Value Added (GVA) of Galp Energia, with a weight of 33.3%;
- (ii) Total Shareholder Return TSR, with a weight of 33.3%, which allows the development of Galp's share performance to be compared (including the payment of dividends) against a peer group consisting of the following: Neste Oil, Repsol, OMV, MOL and the BG Group, together with the PSI 20 Index;
- (iv) Galp Energia replacement cost EBITDA, with a weight of 33.3%.

As regards the tri-annual variable remuneration in line with the best market practices, the following indicators have been defined:

- Galp Energia Total Shareholder Return (TSR) vs peer group, with a weight of 50%;
- Galp Energia replacement cost EBITDA, with a weight of 50%.

Although this component is calculated annually by the Remuneration Committee, the payment is only made if, by the end of a three years period, the targets were met. Given the nature of the functions of the executive directors, the payment of the multi-annual variable remuneration component will occur at the end of the period 2013-2015, after the completion of the accounts for the previous financial year.

The above mentioned indicators contribute 65% to the definition of the applicable annual and three-year variable remuneration, corresponding the remaining 35% of each of the components of the variable remuneration to the result of qualitative assessment by the Remuneration Committee of the activity performed by the executive directors in the year or in the relevant three-year period, as applicable.

In order to ensure consistency between the results obtained and the bonus paid, the full amount of variable remuneration depends on the results achieved by Galp



Energia. Thus, if the Company has net earnings lower than 80% of the budget, there will be no scope for paying the variable remuneration.

The indicators nature and their respective relative-weight on the determination of the actual variable remuneration ensure the alignment of the interest of the executive management with the Company's interests.

On the other hand, the remuneration of the executive management is based on the Company's actual performance and on discouraging excessive risk taking.

### 1.2.3 Other benefits

The board of directors' executive management is entitled to creation by the Company of retirement benefits or other financial product of a similar nature to the benefit thereof, under the terms and conditions defined the Remuneration Committee.

The value of the aforementioned plan will be calculated for each director who is so entitled, annually, and shall be subject to the necessary adjustments so that in the year which sees the beginning or ending of director's functions, this value is calculated pro-rata for the period in which these functions were performed.

For executive directors whose permanent residence is outside the area where the Company is based, the Remuneration Committee shall fix a housing allowance.

### 1.2.4 Other conditions

The remuneration of Galp Energia's board members includes all the remunerations due for the performance of office in management bodies in other group companies.

Subject to legal rules in force, this policy does not encompass the allocation of any indemnity or compensation to board members as a result of their dismissal or termination of their contracts, namely when such can be linked to insufficient



performance, and affords no entitlement to damages or compensation beyond those provided for by this legal scheme.

The members of the Board of Directors shall not enter into contracts with the Company or third parties that have the effect of mitigating the risk inherent in the variability of the remuneration established by the Company.

Currently, Galp Energia does not have a system for allocating variable remuneration via shares or stock options.

## **2. Supervisory Board and Statutory Auditor**

Remuneration for the members of the Supervisory Board and the Statutory Auditor of the Company is based on the national and international market practice and is aligned with the interests of the Company and of its stakeholders.

The remuneration of the members of the Supervisory Board amounts to a fixed monthly remuneration, paid 12 times a year, being the remuneration of its Chairman different from the other Supervisory Board members, considering the distinct functions performed by that member of the Supervisory Board.

The remuneration of the Supervisory Board members does not include any component the amount of which depends upon the Company's performance or value.

The statutory auditors' remuneration rewards the review and legal certification of the Company's management report and accounts and is in line with market conditions.

## **3. General Shareholders Meeting Board**

The remuneration of the members of the General Shareholders Meeting Board corresponds to a fixed annual amount defined by the Remuneration Committee and is different for the Chairman, Vice-Chairman and the board Secretary, being related to the Company's situation and market practice.



Lisbon, March 20, 2015

The Remuneration Committee