

## 06. REMUNERATION OF THE CORPORATE BODIES



### 6.1 REMUNERATION OF THE BOARD OF THE GENERAL MEETING MEMBERS

The members of the Board of the General Meeting are remunerated on the basis of attendance tickets. The Chairman and the Vice\_Chairman of the Board of the General Meeting Board

were remunerated, the Chairman having received €2 000, the Vice\_Chairman €1 500 and the Secretary of the Company € 1 000.

### 6.2 REMUNERATION OF THE BOARD OF DIRECTORS FRAMEWORK

REN's remuneration policy for 2011 takes into account the recent legal, regulatory and recommendatory rules regarding the remuneration of the members of corporate bodies, to which REN is subject, on the one hand, as an issuer of shares admitted to trading and, on the other hand, as a company of the State's corporate sector.

The following instruments stand out due to their importance and impact on REN's remuneration policy:

- As an issuer of shares admitted to trading, REN is subject to Law no. 28/2009, of June 19, and to Regulation no. 1/2010 of CMVM, as well as to CMVM's recommendations;
- On the other hand, as a company of the corporate sector of the State, REN is subject to (i) the Resolution of the Council of Ministers no. 49/2007, of March 28, regarding the principles of corporate governance, and (ii) the Ministerial Order no. 11420/2009, of May 11, which develops that Resolution concerning remuneration matters;

- Due to the implemented exceptional measures of budget consolidation, temporary restrictions on the remuneration of members of corporate bodies are applicable to REN, in particular Law no. 12\_A/2010, of June 30, Ministerial Order 5696\_A/2010, of March 29, and Law no. 55\_A/2010, of December 31.

REN adopts a transparent and fair system regarding remuneration, which, on the one hand, complies with the restrictions applicable to the public sector and, on the other hand, remains flexible in order to be in a position to adopt CMVM's recommendations, through the establishment of remuneration based on the positive performance and aligned with the strategic objectives of the Company, once it ceases to be subject to the abovementioned restrictions.

The Remuneration Committee is the corporate body responsible for determining the value of the annual remuneration to be paid to the members of REN's corporate bodies.

### FIXED COMPONENT OF DIRECTORS' REMUNERATION, SHARE AND OPTION PLANS

The fixed remuneration granted to REN's directors stems from the resolutions of the Remuneration Committee of April 23, 2007, as the Remuneration Committee appointed in the General Meeting of 2010 decided to maintain the same remuneration conditions, and was established taking into account (i) the policies pursued in other companies of the sector, including other domestic issuers, as well as (ii) the policies of its European counterparts, without prejudice to the different characteristics and dimensions of the relevant companies.

Given the current economic and financial situation, and without prejudice to the temporary reductions of 5% and 10% of the remuneration provided for in Law no. 12-A/2010, of June 30, and Law no. 55-A/2010, of December 31, respectively, in 2011 the fixed level of remuneration was maintained under the terms set out on for the previous term of office.

Non-Executive Director's remuneration is exclusively composed by a fixed component, paid out in twelve monthly payments during the year, which are not connected to the performance or value of REN and thus meet the applicable recommendation on this matter.

The remuneration of the Company's Directors does not include any mechanism of allocation or acquisition of shares or any other options or rights over Company's shares or of its Affiliates.

### VARIABLE COMPONENT OF REMUNERATION OF EXECUTIVE DIRECTORS

Notwithstanding what is set out in 6.2.4 below, it is intended that the remuneration of the members of the Executive Committee is composed by a fixed component and by a variable component. There should be an adequate proportionality between both components as well as the establishment of a maximum limit for each one.

The remuneration of the members of the Executive Committee is mainly determined based on four general criteria:

- Competitiveness, taking into account the Portuguese market practices;
- Fairness, consisting in that the remuneration practice must be based on uniform, consistent, fair and balanced criteria;
- Performance evaluation, in accordance with the functions and level of responsibility of each person, the assumption of adequate levels of risk and compliance with rules governing the activities of REN; and
- The alignment of director's interests with the Company's interests and its sustainability and wealth creation in the long term.

The annual value of the variable component of the members of the Executive Committee remuneration is limited to an amount equal to six months of the fixed component of the remuneration and is based on an evaluation of its members, which considers key performance indicators on an individual and corporate basis and is carried out after the approval of each financial year's accounts.

Moreover, this value is calculated based on a technical study and on an evaluation model of Executive Directors approved by the Remuneration Committee on November 30, 2011, including parameters and the grid to be applied in accordance with the adoption of pre-defined strategic objectives, individually tailored for each director, both on a Corporate and at an individual level, and concerning, in particular, the verification of the following performance evaluation criteria:

- The creation of shareholder value;
- The efficiency (including OPEX, electricity and gas efficiency gains) and the level of the results obtained (including net results, EBITDA / operational gains and RAB e.o.p. (total REN));
- Continued supply of electricity and gas services;

- The development of non-regulated businesses and the respective pro-rata increase in the consolidated results;
- The maintenance and development of a favorable image and corporate reputation; and
- The demonstration of long-term financial and economic sustainability.

The abovementioned criteria are mechanisms intended to promote a proper alignment with medium and long term interests of the Company and shareholders and shall be determined for all financial years, regardless of the existence of variable remunerations.

The assessment of the achievement rate of the objectives set out in each one of these criteria is undertaken by the Remuneration Committee, with the support of the Non-Executive Directors of the Company.

The variable component of the remuneration of the Executive Committee members, when and if granted, will be paid in two stages:

- 50% after the approval of the respective financial year's accounts; and

- The remaining 50% will be deferred for a period of 3 years from the allocation and will be dependent on the continued positive performance of REN over this period. The payment must be preceded by a new resolution of the Remuneration Committee.

Although there are no mechanisms implemented in this regard, the Executive Directors have not entered into any agreements which have the effect of mitigating the risk inherent to the variability of the remuneration granted to them.

#### **EXCEPTIONAL RESTRICTIONS ON THE REMUNERATION BY A VARIABLE COMPONENT**

Considering the prohibition of the remuneration of management body members with variable components regarding performance, set out in the Ministerial Order no. 5696-A/2010, of March 29, and in article 29 of Law no. 55-A/2010, of December 31, the Remuneration Committee, similarly to what was determined for 2009 and 2010, does not admit the allocation of any variable remuneration or management bonuses (namely by means of profit sharing) for the financial year of 2011.

## **6.3 REMUNERATION OF AUDIT COMMITTEE MEMBERS**

Taking into account the nature of their duties, as well as the applicable rules in this regard, the members of the Audit

Committee receive only a fixed remuneration, which is paid out in twelve monthly payments during the year.

## 6.4 NON-CASH BENEFITS AND FRAMEWORKS OF SUPPLEMENTARY PENSIONS OR OF EARLY RETIREMENT

In 2011, Executive Directors were entitled to the use of a car and a cell phone for the performance of their duties.

There is no framework of supplementary pensions or early retirement for directors.

## 6.5 COMPENSATION IN CASE OF TERMINATION OF OFFICEBODIES' PERFORMANCE

During the financial year of 2011 no compensations were paid or owed to former Executive Directors for the termination of their office during the financial year.

There are no agreements between the Company and the members of the managing and supervisory bodies providing the award of compensation in case of directors' resignation or dismissal from office.

According to the remuneration policy approved by the Remuneration Committee, upon termination of the management functions by agreement or by dismissal without fair grounds, no indemnification shall be paid if the termination or dismissal is due to inadequate performance by the director.

## 6.6 EVALUATION BY THE GENERAL MEETING OF THE COMPANY'S REMUNERATION POLICY AND EVALUATION OF THE CORPORATE BODIES' PERFORMANCE

The General Meeting is responsible for the appointment of the Remuneration Committee, which is responsible for fixing the remuneration and for submitting the declaration regarding the remuneration policy of members of the managing and supervisory bodies, attached to this report.

In turn, this declaration will be subject to independent assessment by the Annual General Meeting, under the terms and for the purposes of Law no. 28/2009, of June 19.

On the other hand, and under article 455 of the Portuguese Companies

Code, the General Meeting has also the duty to evaluate the performance of the members of the managing and supervisory bodies by adopting an annual resolution regarding the maintenance of the trust in the members of those bodies.

It should also be pointed out that the Annual General Meeting of 2011 was attended by the Chairman of the Remuneration Committee, Mr. José Castel-Branco, as the representative of the Remuneration Committee of the Company.

## 6.7 DECLARATION ON THE REMUNERATION POLICY

According to the scope of powers set forth by article 26 of REN's Articles of Association, the Remuneration Committee of the Company is responsible for setting up the fixed and variable remunerations of each Director as well as for determining the remuneration to be granted to the members of the remaining corporate bodies.

The declaration on the remuneration policy submitted to the General Meeting for the purposes of the Law no. 28/2009, of June 18, involves all of the persons discharging managerial functions (as defined in paragraph 3 of article 248-B of the Portuguese Securities Code), since REN's Board of Directors considers, since 2010, that such persons only

correspond to the members of the managing and supervisory bodies of the Company.

The Company considers that there are no other employees earning remuneration with a relevant variable component, whose professional activity can have a relevant impact on the risk profile of the Company.

Within the scope of its functions, the Remuneration Committee approved, for the financial year of 2012, the declaration on the remuneration policy of REN's corporate bodies, hereby attached to the present report (Annex V), and to be submitted to the General Meeting.

## 6.8 PROPOSAL TO APPROVE PLANS FOR ALLOCATION OF SHARES AND/OR OPTIONS TO PURCHASE SHARES OR BASED ON CHANGES IN SHARE PRICES

There are no programs or variable remunerations plans that include the allocation of shares, options to purchase shares or other incentive system based on variation of the price of shares for members of the managing and supervisory bodies or other persons

discharging managerial functions, within the meaning of paragraph 3 of article 248-B of the Portuguese Securities Code. Furthermore, there is no system of retirement benefits for the members of the managing and supervisory bodies.

NAME	OFFICE	FIXED REM. <sup>(9)</sup>	VARIABLE REM. <sup>(10)</sup>	TOTAL
Rui Cartaxo	Chairman of the Executive Committee	317.166,09		317.166,09 <sup>(3) (4)</sup>
Aníbal Durães Santos	Executive Committee	258.096,09	0	258.096,09 <sup>(4)</sup>
João Caetano Conceição	Executive Committee	258.096,09		258.096,09 <sup>(4)</sup>
João Plácido Pires	Executive Committee	258.096,09	0	258.096,09 <sup>(4)</sup>
João Nuno Palma	Executive Committee	258.096,09		258.096,09 <sup>(4)</sup>
José Carvalho Neto	Board of Directors	190.033,96	0	190.033,96 <sup>(5)</sup>
Filipe Maurício de Botton <sup>(6)</sup>	Board of Directors	7.857,50		7.857,50
Gonçalo Oliveira <sup>(7)</sup>	Board of Directors	7.857,50	0	7.857,50
Luis Atienza <sup>(7)</sup>	Board of Directors	7.857,50		7.857,50
Manuel Champalimaud <sup>(7)</sup>	Board of Directors	7.857,50	0	7.857,50
EGF, S.A. <sup>(7)</sup>	Board of Directors	19.082,50		19.082,50
Gestmin, SGPS, S.A. <sup>(8)</sup>	Board of Directors	19.082,50		19.082,50
Oliren, SGPS, S.A. <sup>(8)</sup>	Board of Directors	19.082,50		19.082,50
Red Eléctrica Corporación, S.A. <sup>(8)</sup>	Board of Directors	19.082,50		19.082,50
José Luis Alvim	Audit Committee	51.300,00		51.300,00
José Frederico Jordão	Audit Committee	41.304,00		41.304,00
Fernando Rocha de Andrade	Audit Committee	41.304,00		41.304,00
<b>Total</b>		<b>1.781.252,41</b>		<b>1.781.252,41</b>

<sup>(1)</sup> The fixed remuneration determined by the Remuneration Committee was reduced by 5% since June 1, 2010, to which the 10% reduction imposed by the State Budget Law for 2011 is added.

<sup>(2)</sup> Regarding the 2010 financial year.

<sup>(3)</sup> This value includes €111 427 69 paid by the subsidiary Red Eléctrica Corporación, S.A., a Company incorporated under Spanish Law, in which Rui Cartaxo inherently holds the office of member of the Board of Directors.

<sup>(4)</sup> Includes the food allowance of €1 596 09

<sup>(5)</sup> Includes the remuneration received as Chairman of the subsidiary OMP - Operador do Mercado Ibérico de Energia (Portuguese Cluster), S.G.M.R., S.A., in the amount of €190 033 96.

<sup>(6)</sup> Resigned as Member of the Board of Directors on March 7, 2011

<sup>(7)</sup> Resigned as Member of the Board of Directors on March 16, 2011

<sup>(8)</sup> Appointed Member of the Board of Directors at the General Meeting of April 15, 2011

## 6.9 ANNUAL DISCLOSURE OF INDIVIDUAL REMUNERATION OF THE MEMBERS OF THE MANAGING AND SUPERVISORY BODIES

Following the entry into force of Law no. 28/2009, of June 19, and taking into account what is set forth in article 3 thereof, entitled "Disclosure of remuneration", REN discloses the individual and aggregate remuneration of the members of managing and supervisory bodies.

There are no agreements between the Company and the members of the

managing and supervisory bodies setting forth compensations in the event of directors' resignation or removal.

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a domain or group relationship with REN.

## 6.10 REMUNERATION OF THE STATUTORY AUDITOR

The Statutory Auditor of the Company is remunerated under the terms and conditions to be agreed on the services agreement entered into between the Statutory Auditor and REN, according to the market practices and to the legal and regulatory framework. The REN Group, within the scope of the supervisory

activities, relies on the collaboration of its Statutory Auditor, Deloitte & Associados, SROC S.A.. The total amount recorded as cost related to audit services and to the legal review of accounts rendered by the Statutory Auditor during 2011 amounted up to €307 550.