



REN - REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A. - Listed Company
Registered Office: Avenida dos Estados Unidos da América, no. 55, Lisbon
Legal entity and registration number with the Lisbon Commercial Registry Office:
503264032
Share capital: 534,000,000 Euros

PROPOSAL OF RESOLUTION

ITEM 6 OF THE AGENDA FOR THE ANNUAL GENERAL SHAREHOLDERS MEETING OF MARCH 27, 2012

1. Under the terms of paragraph 1 of article 2 of the Law no. 28/2009, of June 19, the management body or the remuneration committee, if any, shall annually submit to the approval of the General Meeting a statement on the remuneration policy for the members of the management and supervisory bodies.
2. In turn, Recommendation II.1.5.2. of the Code of Corporate Governance approved by the Portuguese Securities Market Commission (hereinafter referred to as "CMVM") in 2010, recommends that the statement referred to in the preceding paragraph should also contain the additional information described therein, particularly in relation to the benchmarking used to fix the remuneration, as well as any payments relating to dismissal or termination by agreement of the offices of directors;
3. Under the terms of article 26 of the Articles of Association of REN - Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as "REN"), the Remuneration Committee of REN is competent and responsible for determining the fixed and variable remunerations of each Director, as well as for determining the remuneration to be ascribed to the members of the remaining corporate bodies.
4. Under the applicable legal terms, as well as the Articles of Association, the Remuneration Committee was appointed by the General Meeting on March 15, 2010, being composed by three members which are independent in regard to the members of the managing and supervisory bodies of REN and with adequate experience regarding remuneration issues.
5. Therefore, on the one hand, in the interest of transparency and legitimacy of the fixing of remuneration and, on the other hand, for purposes of compliance with the legal and recommendatory provisions described above, the Remuneration Committee submits to the appraisal of the annual General Meeting, the following declaration on the remuneration policy, which terms were subject to prior resolutions of this Committee.



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Accordingly, considering that:

- The present economic and financial situation has motivated significant legislative, regulatory and recommendatory amendments regarding, *inter alia*, the remuneration of members of corporate bodies, which affect REN in its aspects of, on the one hand, a company issuing shares admitted to trading on a regulated market and, on the other hand, a company of the corporate sector of the State;
- The second reprivatization phase of REN is in progress, to be carried out under the terms of Decree-law no. 106-B/2011, of November 3, through a direct reference sale of shares representing the REN's share capital to one or more investors, domestic or foreign, and under the terms of the paragraph 1 of the article 7 of the terms of reference approved by the Resolution of the Council of Ministers no. 52-B/2011, of December 7, the direct reference sale concerning a minimum of 26 700 000 shares and a maximum of 213 600 000 shares representing at least 5% and a maximum of 40% of REN's share capital.
- Under this phase of reprivatization, and by the Resolution of the Council of Ministers no. 13/2012, of February 8, the Council of Ministers decided to select on that date the bidders within the direct sale, which will lead to the execution of the sales agreements concerning the abovementioned 40% of REN's share capital, the transfer of shares being subject to conditions precedent that should be fulfilled until June 30, 2012.
- Due to their importance and impact in REN's remuneration policy, the following instruments shall be emphasized:
 - a) as an issuer of shares admitted to trading into a regulated market, REN is subject to Law no. 28/2009 and to Regulation no. 1/2010, as well as to CMVM's recommendations;
 - b) on the other hand, as a company of the corporate sector of the State, REN is subject to (i) Council of Ministers Resolution 49/2007 of March 28, regarding the principles of corporate governance, and (ii) the Dispatch 11420/2009 of May 11, which develops that Resolution in what concerns to remuneration matters;



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- c) REN shall also comply with the Law of Public Directors approved by Decree-Law no. 71/2007, of March 27, as amended;
 - d) The Resolution of Council of Ministers 16/2012, of February 14, particularly the paragraph 23, which, following the amendments introduced to Decree-Law 71/2007, of March 27, which approved the Law of Public Directors, by Decree-Law 8/2012, of January 18, proceeded to define the categories and objective criteria for determining the monthly salary of public directors, has impact on the remuneration regime of the members of the REN's Board of Directors.
 - e) due to the exceptional measures of budgetary consolidation implemented, temporary restrictions on the remuneration of members of its corporate bodies are applicable to REN, particularly, Law 12-A/2010 of June 30 and Law 64-B/2011 of December 30, which approved the Annual State Budget for 2012.
 - f) REN is also subject to the Decree-Law 106-B/2011, of November 3, and to the Resolution of the Council of Ministers 52-B/2011, of December 7, which approves and regulates the second reprivatization phase of REN's share capital.
- REN intends to adopt a transparent and fair system regarding remuneration, which, on the one hand, respect the restrictions applicable to the public sector and, on the other hand, remains flexible to adopt CMVM's recommendations, including the remuneration based on the positive performance and aligned with the strategic objectives of REN, once it ceases to be subject the restrictions in force;
 - The evaluation model applicable to the executive directors of REN, prepared following the work, studies and analysis developed for this purpose in conjunction with the Board of Directors, was approved by the Remuneration Committee at the meeting of November 30, 2011 (hereinafter referred to as "Evaluation Model of Executive Directors");



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Based on the grounds presented herein, the remuneration policy applicable to the members of the management and supervisory bodies of REN, in the financial year of 2012, follows the subsequent principles and rules:

1. Fixed component of director's remuneration and plans of options and shares

The Remuneration Committee determines the amount of members of the management body of REN's fixed component of the remuneration, taking into account (i) the policies pursued on other companies of the sector, including other domestic issuers, as well as (ii) to its Spanish peer, save from the different characteristics and dimensions of the relevant companies.

Given the current economic and financial situation, and without prejudice of temporary reductions on the remunerations provided for in Law 12-A/2010, of June 30, and on Law 55-A/2010, of December 31, in the latter case applicable for determination of paragraph 1 of article 20 of Law 64-B/2011, of December 30, the Remuneration Committee resolved that the fixed remunerations level of the current directors will be maintained under the terms fixed for the prior financial year.

This resolution is subject to different conditions during 2012, particularly dependent of: (i) rules, in each time, applicable for public directors, especially considering the fact that the company is under a reprivatization process; and (ii) conclusion of the second privatization phase in result of which REN will no longer be classified as state-owned a company.

Non executive director's remuneration is exclusively composed by a fixed component, not being connected to the performance or value of REN, meeting the applicable recommendations on this matter. Their remuneration is paid in twelve monthly instalments during the year, in cash.

The remuneration of REN's directors does not include any mechanism of allocation or acquisition of shares or options or any other rights over REN's shares or its affiliates.



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2. Remuneration of the members of the Executive Committee

a) General principle

Notwithstanding the mentioned on c) below, it is intended that the remuneration of the members of the Executive Committee is composed by a fixed component, paid in twelve monthly instalments during the year, in cash, 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 of them, without prejudice of what is established in the Law of Public Directors.

The remuneration of the members of the Executive Committee is mainly determined based on four general criteria: *(i)* competitiveness, taking into account the practices of the Portuguese market; *(ii)* fairness, being that the remuneration must be based on uniform, consistent, fair and balanced criteria; *(iii)* performance evaluation, in accordance with the functions and level of responsibility of each person and with the assumption of adequate levels of risk and compliance with the rules governing the activities of REN; and *(iv)* the alignment of director's interests with the Company's interests and its sustainability and wealth creation in the long term.

b) Variable component

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

Moreover, this amount is calculated based on a technical study and the Evaluation Model of Executive Directors 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 REN level as at an individual level, respecting, in particular, the verification of the following performance evaluation criteria:



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- (i) the creation of shareholder value;
- (ii) the efficiency (including OPEX efficiency gains, electricity and gas) and the level of the results obtained (including net results, EBITDA /operational gains and RAB e. o.p (REN's total));
- (iii) Continued supply of electricity and gas services;
- (iv) the development of non regulated businesses and the respective pro-rata increase in the consolidated results;
- (v) the maintenance and development of a favorable image and corporate reputation; and
- (vi) the demonstration of long-term 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 variable remuneration component of the Executive Committee members, when and if determined, will be paid in two stages:

- (i) 50% after the approval of the respective financial year's accounts; and
- (ii) the remaining 50% will be deferred for a period of 3 years and will be dependent on the continued positive performance of REN over this period. The payment must be preceded by a new resolution of this Committee.

c) 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



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Ministerial Order 5696-A/2010, of March 29, and article 29 of Law 64-B/2011, of December 30, the Remuneration Committee, similarly to what was determined for the previous years, does not set out the allocation of any variable remuneration or management bonuses in relation to financial year of 2012.

3. Termination of office

In the event of termination of office of management functions by agreement or by dismissal without fair grounds (“*justa causa*”), no compensation will be paid if the termination of office or dismissal is due to inadequate performance by the Director.

4. Remuneration of supervisory bodies’ members

Taking into account the nature of their duties, as well as the rules in force on this regard, the members of the Audit Committee receive a fixed remuneration, which is paid in twelve monthly instalments during the year. Such remuneration shall be determined based on the criteria described in 1. above.

REN’s Statutory Auditor will be remunerated under the terms and conditions 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.

5. Amendments to the remuneration policy

The policy herein described shall remain in force during 2012, subject to the amendments that the Remuneration Committee or the General Meeting of Shareholders in the future will consider appropriate or necessary, especially, with the purpose of its conformity with the rules in force at each time and considering that REN is in a reprivatization phase, which conclusion will determine that the Company will no longer be classified as a state-owned company.



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The Remuneration Committee

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