



REN - REDES ENERGÉTICAS NACIONAIS, S.G.P.S., S.A. - listed company
Registered Office: Avenida dos Estados Unidos da América, no. 55, Lisbon
Share capital: 534,000,000 Euros
Company and registration number with the Lisbon Commercial Registry Office no.
503.264.032

*Non-binding translation
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PROPOSAL OF RESOLUTION

ITEM 6 OF THE AGENDA FOR THE ANNUAL GENERAL SHAREHOLDERS MEETING OF APRIL 30TH, 2013

STATEMENT OF THE REMUNERATION COMMITTEE ON THE REMUNERATION POLICY FOR THE MEMBERS OF THE CORPORATE BODIES

1. Pursuant to paragraph 1 of article 2 of the Law no. 28/2009, of June 19, the management body or the remuneration committee, if any, must submit annually to the approval of the General Shareholders 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 contains 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. Pursuant to 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 by-laws, the Remuneration Committee was appointed by the General Meeting on March 27th, 2012, being composed by three members who are independent in regard to the members of



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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 accordingly to the *say-on-pay* principle internationally recognized as related to the best practices in corporate governance 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 for the current term corresponding to the three year period 2012-2014, which terms were subject to prior resolutions of this Committee.

I. CONTEXT

- 1.1. Due to the completion of the second phase of REN's privatization process, the amount of State owned shares was significantly reduced and, consequently, REN is no longer a "public company" but a "participated company" instead, and therefore in most of the cases the regulation concerning State owned companies is no longer applicable;
- 1.2. REN became mostly a private company and a listed company in NYSE Euronext Lisbon and for that reason the Remuneration Committee carried out an extensive revision of the remuneration conditions and policy applicable to the Board of Directors, Audit Committee and General Shareholders Meeting Board of REN for the current term corresponding to the three year period 2012-2014;
- 1.3. With that in mind, the said Committee carried out several activities, namely the market analysis and the appreciation of the legal requirements and recommendations regarding the remuneration policy, always supported by specialized and independent advisors;
- 1.4. In particular, the Commission considered and analyzed, as a comparison element, the remuneration policies and practices of the following *peers*: Brisa



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(Portugal), Red Eléctrica de España (Spain), National Grid (United Kingdom), Dong (Denmark) e EDP Renováveis (Spain);

- 1.5. Consequently, the Remuneration Committee elected on the General Shareholders Meeting of March 27th, 2012, approved a new remuneration policy for the members of the corporate bodies which came into force since June 1st, 2012.

II. REMUNERATION OF THE EXECUTIVE DIRECTORS

1. Guiding principles

- 1.1. The remuneration policy regarding the executive directors follows the following guiding principles:

- Be simple, clear, transparent and aligned with REN's corporate culture;
- Be properly and adjusted to the size, nature, scope and specificity of REN's activity;
- Ensure a total remuneration that is competitive and fairly aligned with the best practices and the latest trends at national and European level, in particular with REN's peers;
- Incorporate a fixed income adjusted to the directors' functions and responsibilities;
- Incorporate a reasonable overall variable remuneration in relation to the fixed remuneration, with a short-term and medium-term component, both with maximum limits;
- Define a variable remuneration indexed to the evaluation of the individual and organizational performance, according to the achievement of specific objectives, measurable and aligned with the Company's and shareholders' interests; and



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- Define a variable medium term remuneration component indexed to the development in REN's share price, ensuring the linkage of the executive directors' remuneration to the results sustainability and to the value creation to the shareholders.
- 1.2. Baring this principles in mind, 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.
 - 1.3. Executive directors' remuneration has a fixed component and a variable component. The latter integrates a short-term performance portion and a medium-term performance portion.

2. Fixed component

- 2.1. The fixed component of the remuneration is exclusively composed by the basic remuneration as there is no other remuneration.
- 2.2. It is monthly paid, in cash.
- 2.3. If an executive director obtains remuneration for the performance of any other professional activity, the fixed remuneration shall be reduced so that the total fixed remuneration corresponds to the amount defined by the Remuneration Committee.



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3. Variable Component

3.1. The variable component integrates a short-term and a medium-term portion.

3.2. Common requirements to both portions:

- a) The allocation of the variable remuneration occurs after the approval of the accounts of each financial year and the evaluation of the performance during the year to which it relates the payment and only occurs if there is compliance with the pre-defined objectives, measured using indicators of individual performance and company metrics linked to the strategic plan of REN.
- b) The degree of achievement of defined objectives is measured by means of the annual performance evaluation, based on a pre-defined matrix. Below the minimum level of performance (*i.e.* with a level objective performance below 80%), there is no payment of variable remuneration, but if the level objective performance is between 80% and 120% or higher, the total variable remuneration will correspond, gradually, to 20% to 120% of the fixed remuneration.
- c) The annual performance evaluation is based on the Key Performance Indicators (KPI) of REN on a consolidated basis (weight 80%) and individual performance evaluation (weight 20%).
- d) It will be considered the following Key Performance Indicators: *Average Cost of Debt, Return on Invested Capital, EBITDA abroad, Earnings per share (compound annual growth rate - CARG), and EBITDA CARG.*
- e) Given the goals of the remuneration policy herein described, the executive directors cannot enter into contracts that mitigate the risk inherent to the variability of their remuneration.



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3.3. Short Term Variable Remuneration

- a) The Short Term Variable Remuneration (STVR) is paid in cash, is related to the annual performance evaluation and its amount varies according to the degree of performance of the objectives set forth in certain *Key Performance Indicators*.
- b) If the annual performance evaluation is below 80% (minimum level of performance), the payment of the STVR will not occur. But, if the annual performance evaluation is between 80% and 120% or higher, the STVR will correspond to 10% to 60% of the fixed remuneration.
- c) The granting of the STVR shall correspond to an amount up to 50% of the global variable remuneration granted in relation to each relevant year.

3.4. Medium Term Variable Remuneration

- a) Regarding the Medium Term Variable Remuneration (MTVR), its purpose is to strengthen the alignment of interests of REN's executive directors with those of REN and its shareholders. Its amount depends on the annual performance evaluation (already mentioned above) and varies according to the same matrix as STVR.
- b) With the annual performance evaluation, Remuneration Units (RU) are assigned to each director.
- c) The RU will have a value development equal to the Total Shareholder Return (TSR) of REN's shares.
- d) The right of each executive director to the conversion of the RU is established progressively and it consolidates regarding 1/3 of the total amount at the end of the respective year, and each remaining 1/3 will consolidate at the end of each of the following years, if the executive director remains in office, with executive duties (unless the termination of office occurs due to an acquisition of control of REN for a new shareholder).



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- e) The RU will automatically be converted into cash or, if the General Shareholders Meeting of REN approves it, partly or wholly, into REN shares after a period of 3 years from the date of its granting.

3.5. 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.

III. REMUNERATION OF NON EXECUTIVE DIRECTORS

The members of the supervisory board (Audit Committee), the non-executive directors and the Vice-Chairman of the Board of Directors will only obtain a fixed remuneration, paid monthly and defined in line with the best practices of large firms in the Portuguese market, being applicable the established in 3.5. above.

IV. REMUNERATION OF THE MEMBERS OF THE GENERAL SHAREHOLDERS MEETING BOARD

The remuneration of the members of the General Shareholders Meeting Board corresponds to an annual lump sum.

Lisbon, February 22nd, 2013

THE REMUNERATION COMMITTEE

Carlos Rodrigues

Pedro Sommer de Carvalho

Rui Horta e Costa