

# Shareholders' Remuneration Committee of Sonae - SGPS, S.A.

*(Translation from the Portuguese original)*

The Chairman of the Board of the  
Shareholders' General Meeting of  
Sonae - SGPS, SA  
Lugar do Espido, Via Norte  
4471-909 Maia

Agenda Item number 4

## PROPOSAL

The Shareholders' Remuneration Committee proposes to the Shareholders' General Meeting the approval, under the terms and for the purpose of nr. 1 of Article 2 of the Law 28/2009, of 19 June, the present Statement on Remuneration and Compensation Policy to be applied to the Company's statutory governing bodies and to other Persons Discharging Managerial Responsibilities ("Dirigentes") working at the Company, as set out below:

### **1. Principles of the Remuneration and Compensation Policy of the Statutory Governing Bodies.**

The remuneration and compensation policy of the statutory governing bodies and of other Persons Discharging Managerial Responsibilities ("Dirigentes") adheres to European Community directives, to Portuguese national law and to the recommendations of the CMVM (Portuguese Securities Market Commission), and are based on the principle that initiative, competence and commitment are the essential pillars of a good performance, which must be aligned with the medium and long term interests of the Company, in order to achieve sustainability.

When establishing the remuneration policy and setting remuneration levels a comparison is made with market benchmarks based on surveys carried out in Portugal and other main European markets, in particular those prepared by Mercer and the Hay Group. Comparisons are also made with companies included in the main Portuguese Stock Market Index (PSI 20).

Executive Directors remuneration plans are defined by reference to market studies prepared for Portugal and for "Top Executive"s in Europe and are positioned in the market median for fixed

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remuneration and in the market third quartile for total remuneration in comparable circumstances.

Fixed and variable remuneration are decided by the Shareholders' Remuneration Committee, liaising with the Board Nomination and Remuneration Committee.

Fixed component of the remuneration is aligned, through the use of ranges, with market standards, which are benchmarked to equivalent practice at comparable companies.

The variable component of the remuneration, awarded to Executive Directors, is subject to maximum percentage limits and is determined by pre-established and measurable performance criteria - performance indicators – agreed with each executive directors for each financial year.

The variable component of the remuneration is assessed by evaluating performance using a set of performance indicators, both business indicators mainly of an economical and financial nature ("Key Performance Indicators of Business Activity" (Business KPIs)), and individual indicators, which may be either quantified or unquantified performance indicators ("Key Personal Performance Indicators" (Personal KPIs)). The content of the performance indicators and their specific weight in determining actual remuneration awarded, ensure the alignment of Executive Directors with the strategic objectives defined and compliance with the laws that apply to the Company's activities.

The variable component of remuneration to be awarded is based on an assessment of individual performance which is made by the Shareholders' Remuneration Committee, in coordination with the Board Nomination and Remuneration Committee. This assessment takes place after the results of the Company are known.

Hence, for each financial year, an evaluation is made of business activity and of the performance and individual contributions to the collective success which, obviously, impacts the awards of the fixed and variable components of the remuneration package of each Executive Director.

For each financial year, at least fifty per cent of the value of the variable remuneration awarded to an Executive Director, as a result of the evaluation of individual and Company performances, has its payment deferred for a period of three years. This deferred component of variable remuneration (the "Medium Term Performance Bonus" or "MPTB") is linked to the evolution of the share price under the

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Plan to grant Sonae shares (the "Medium term Incentive Plan" or "MTIP"), under the terms of the respective characteristics and Regulation, attached as an Appendix to this Proposal.

In applying the Remuneration Policy and Compensation Policy consideration is given to roles and responsibilities performed in affiliated companies.

The Company's Remuneration and Compensation Policy incorporates the principle of not contemplating any compensation to members of the Board of Directors or to members of other statutory governing bodies, related with the termination of a mandate, whether such termination at the end of the respective mandate or there is an early termination for any reason or on any basis, without prejudice of the Company's obligation to comply with the applicable law.

The Remuneration and Compensation Policy does not include any benefit, particularly retirement benefits, in favour of the members of the governing bodies or other Persons Discharging Managerial Responsibilities.

To ensure the effectiveness and transparency of the objectives of the Remuneration and Compensation Policy, the Executive Directors:

- have not, and will not, enter into agreements with the Company or third parties that have the effect of mitigating the risk inherent to the variability of their remuneration awarded by the Company.
- will not sell, during the mandate beginning in the 2011 financial year, Company shares that may be attributed under the Medium Term Incentive Plan up to a limit of two and half times the value of their total annual remuneration, with the exception of those any such shares that may be required to be sold in order to pay taxes on the respective gains.

**2. To implement the principles set out above, the remuneration and compensation of the members of the statutory governing bodies and persons discharging managerial responsibilities shall respect the following rules:**

### Executive Directors (EDs)

The remuneration policy for the Executive Directors includes, in the way it is structured, control

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mechanisms, taking into account the connection to personal and collective performance, to prevent behaviour that involves excessive risk-taking. This objective is also reinforced by the fact that each Key Performance Indicator is limited to a maximum value.

The remuneration of EDs normally includes two components: (i) a fixed component, which includes a Base Remuneration and an annual Responsibility Allowance, determinate by reference to each financial year, (ii) a variable component, awarded in the first half of the year following the year to which it relates and subject to the accomplishment of the targets and objectives fixed for the previous year. The variable component is divided into two parts (a) a Short Term Performance Bonus which is paid immediately after it is awarded, and (b) a Medium Term Performance Bonus, which is paid after a 3 year deferral period, considering that the exposure of EDs to fluctuations in the share price is the most appropriate way to align the interests of EDs with those of shareholders.

(i) The fixed remuneration of an ED is based on the personal competences and level of responsibility of the function exercised by each ED and is reviewed annually. Each ED is attributed a classification named internally as a Management Level ("Grupo Funcional"). EDs are classified under one of the following Management Levels: "Group Leader", "Group Senior Executive", or "Senior Executive". The various Management Levels are structured according to Hay's international model for the classification of corporate functions, thereby facilitating market comparisons, as well as helping to promote internal equity.

(ii) The variable remuneration is designed to motivate and reward the EDs to achieve predetermined targets and objectives, which are based on indicators of Company performance, of working teams under their responsibility and of their own personal performance. Variable remuneration is awarded after the annual accounts are closed and after their performance evaluation has been completed. As the amount of the award is subject to the accomplishment of objectives, there is no guarantee that any payment will be made.

### **(a) The Short Term Performance Bonus ("STPB")**

This bonus is paid in the first half of the year following the year to which it relates.

Approximately 70% of its value is determined by business, economic and financial Key Performance Indicators ("KPIs"). These are quantified indicators, which are divided into collective and departmental KPIs. The collective KPIs consist of economic and financial

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indicators based on the budget, linked to the performance of each business unit, as well as to the consolidated performance of the Company. The departmental KPIs have a functional or business unit nature, with a similar linkage to collective KPIs, but are directly influenced by the performance of the ED. The remaining 30% are determined by the achievement of personal KPIs, which are of a subjective nature.

### **(b) The Medium Term Performance Bonus ("MTPB")**

This bonus is designed to enhance the connection of the EDs with the Company, aligning their interests with the interests of shareholders, and increasing their awareness of the importance of their performance on the overall success of the organisation. The value awarded corresponds to at least 100% of the Short Term Performance Bonus, which means that the Medium Term Performance Bonus corresponds to at least 50% of the total value of variable remuneration.

The value awarded in euros is divided by the average of the closing share prices to determine the number of shares it amounts to. The amount initially converted into shares is adjusted for any changes to the share capital that occurred or any dividends distributed (using Total Shareholder Return methodology) during the 3 year deferral (or vesting) period. On the vesting date, the corresponding shares are delivered free of cost, although the Company reserves the right to pay the equivalent market value in cash.

Taking the two variable components together, the target values set in advance range between 30% and 60% of the total annual remuneration (fixed remuneration and target variable remuneration).

At the time of working out actual results achieved, the value of each bonus to be awarded is limited to the minimum 0% and the maximum of 140% of the target value set in advance.

### **Non-Executive Directors (NEDs)**

The remuneration of the Non-Executive Directors (NEDs) shall be based on market comparables, and be structured as follows: (1) a Fixed Remuneration (of which approximately 15% depends on attendance at Board of Directors and Board Nomination and Remuneration and Board Audit and Finance Committee meetings); (2) an annual responsibility allowance. Fixed Remuneration may be increased by up to 6% for those NEDs serving as Chairman of any Board Committee. No variable remuneration of any kind is paid to NEDs.

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### **Statutory Audit Board ("Conselho Fiscal")**

The remuneration of the members of the Company's Statutory Audit Board shall be based exclusively on fixed annual amounts, which include an Annual Responsibility Allowance. The levels of remuneration are determined by taking into consideration the Company's situation and by benchmarking against the market.

### **Statutory External Auditor**

The Company's Statutory External Auditor shall be remunerated in accordance with normal fee levels for similar services, benchmarked against the market, under the supervision of the Statutory Audit Board in coordination with the Board Audit and Finance Committee.

### **Board of the Shareholders' General Meeting**

The remuneration of the members of the Board of the Shareholders' General Meeting shall correspond to a fixed annual amount, based on the Company's situation and benchmarked against the market.

### **Persons Discharging Managerial Responsibilities**

Under the terms of Paragraph 3 of Article 248.<sup>o</sup>- B of the Portuguese Securities Code, in addition to the members of the Statutory Governing Bodies mentioned above, Senior Management also includes individuals who have regular access to inside information and are involved in taking management and business strategy decisions at the Company.

The remuneration policy applicable to other individuals who, under the terms of the law, are considered to be Persons Discharging Managerial Responsibilities, shall be the same as is adopted for other managers with the same level of function and responsibility, without awarding of any other additional benefits in addition to those which result from the respective Management Level.

### **3. Compliance with the CMVM Recommendation II.1.5.2:**

In compliance with this CMVM Recommendation we hereby expressly state that:

(i) the entities taken into consideration as comparable, when determining remuneration, are those mentioned in Section 1 above;

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(ii) no payments were made relating to dismissal or loss of office of any Directors of the Company.

Maia, 15th March 2012

Belmiro Mendes de Azevedo

Artur Eduardo Brochado dos Santos Silva

Francisco de la Fuente Sánchez