

Integrated Management Report 2020

Leading today's  
energy into our

*future*

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# Corporate governance

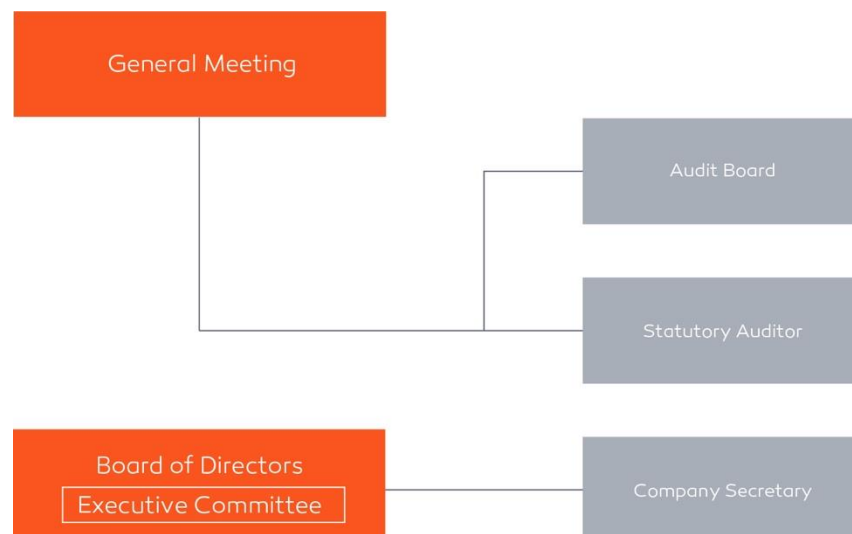


## 6.1.

## Governance model

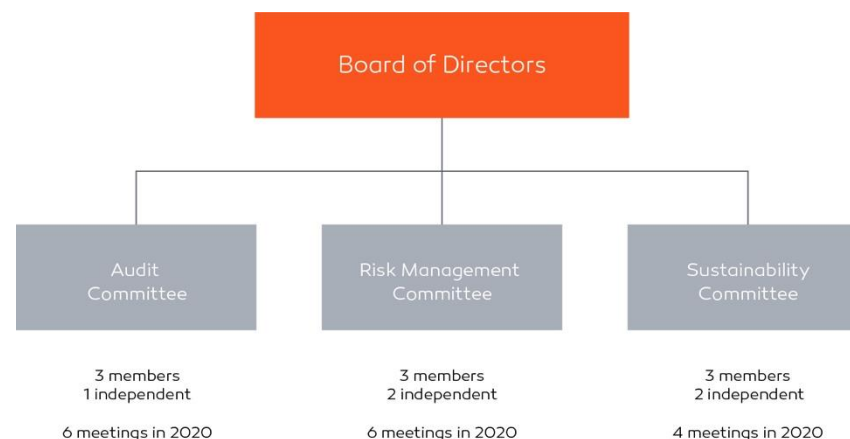
Galp adopts the classic monist corporate governance model, which comprises:

- General Meeting, which gathers the Company's shareholders;
- Management, divided between a Board of Directors and an Executive Committee with delegated powers;
- Supervision, which includes an Audit Board and a Statutory Auditor; and
- Company Secretary, in charge of the specialized support to the corporate bodies.



Galp's governance model seeks the transparency and efficiency of the Groups operation, based on a separation of management powers from supervisory powers. While the Board of Directors performs a role of supervision, control and monitoring of strategic guidelines, the role of the Executive Committee - delegated by the Board of Directors - is operational in nature and consists of the day-to-day management of the business and the corporate centre.

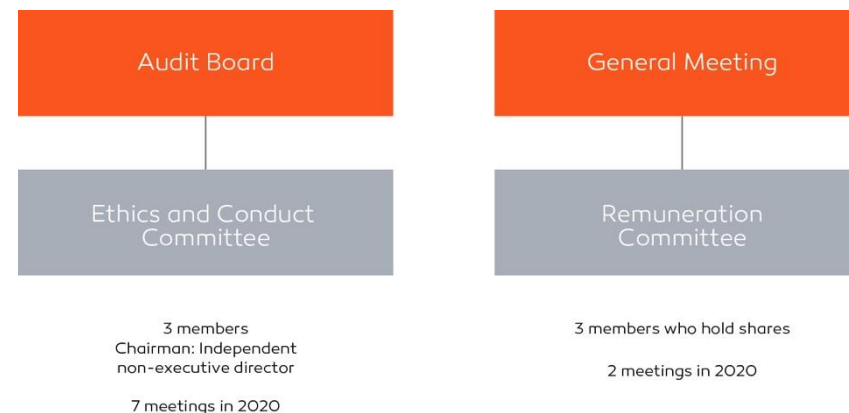
The supervisory powers of the Board are bolstered by the existence of a Lead Independent Director and three committees created within the Board, comprised exclusively by non-executive directors. These committees provide support on key issues related to its supervisory role.



## 6.1. Governance model

The Company also has other specialised committees dedicated to relevant issues.

For more details on the governance model, please refer to Part II of this report - Corporate Governance Report.



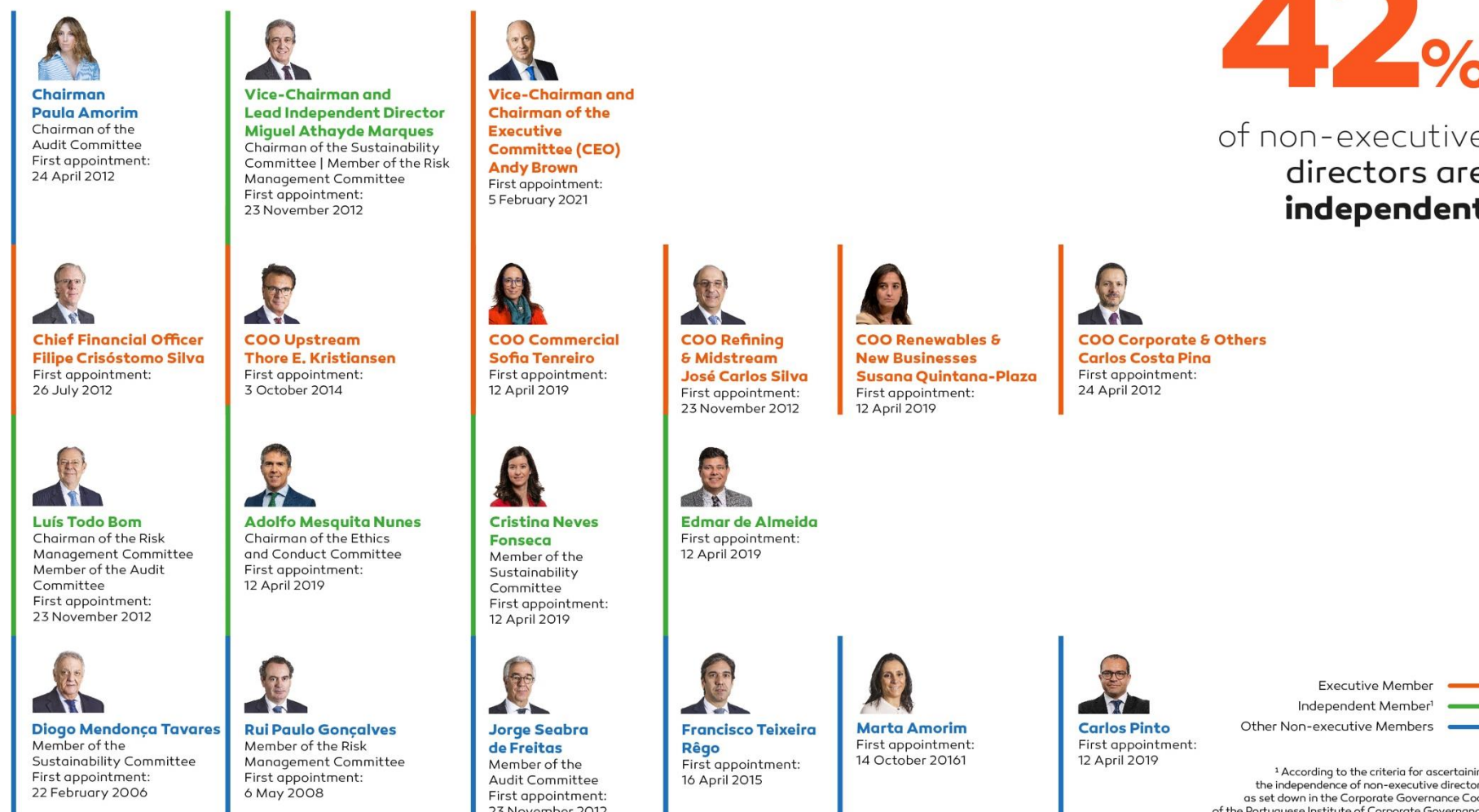
	Risk Management Committee	Sustainability Committee	Auditing Committee
<b>Duties</b>	Monitoring Galp's risk management system	Monitoring the integration of sustainability principles into the management process	Monitoring the supervision of the internal audit system
	Ethics and Conduct Committee		Remuneration Committee
<b>Duties</b>	Monitoring the implementation of the Code of Ethics and Conduct; clarifying questions about its application and reception and processing irregularity reports through the Opentalk ethics line.		Setting the remuneration of the corporate bodies' members; preparation and presentation to the General Meeting of the annual statement on the remuneration policy of the corporate bodies; annual performance review of executive directors.



6.2.

## Corporate bodies

### Board of Directors



## 6.2. Corporate bodies

The Board of Directors includes 12 non-executive directors, which represents 63% of the total number of directors, of which five are independent, that is 42%. This constitutes an adequate number of non-executive and independent directors, considering the governance model adopted by the Company, Galp's shareholder structure, the respective free float, the size of the Company and the complexity of the risks inherent to its activity, in accordance with the recommendations of Portuguese Institute of Corporate Governance's (IPCG) Corporate Governance Code.

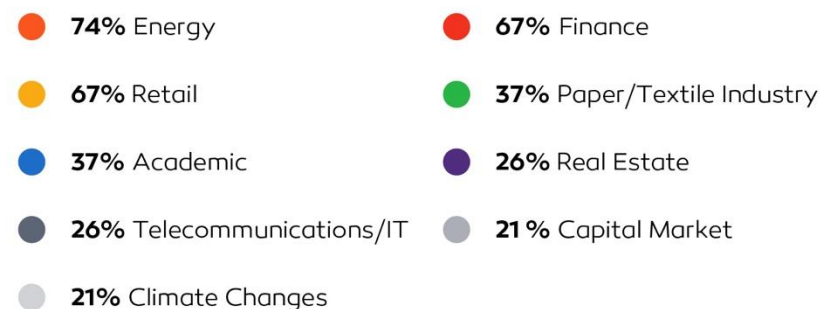
### Diversity within the board of directors

- Age: 33 to 75;
- Gender 26.3% female (above the legal minimum of 20%);
- Geographical: 6 countries; and
- Independence: 42% of non-executive directors are independent.

The Diversity Policy in the management and supervisory bodies approved by the Board of Directors on 15<sup>th</sup> December 2019 had an impact on the appointments made at the 2019 elective General Meeting, with the election of individuals for the Board of Directors who, in addition to age, gender and geographical diversity, possess a variety of skills, academic backgrounds and professional experience, as shown in the figure below. These are suitable for the Galp's activities and strategy, displaying an effective diversity within the Board of Directors, which takes a relevant role in the Company's decision-making process.

For further information on the powers of the members of the Board of Directors, refer to section 19 of Part II of this report - Corporate Governance Report.

#### Board of Directors' Skills



### Powers of the board of directors

- Definition of the tasks of supervision, control and monitoring of the strategic guidelines;
- Monitoring the management and relationship between the shareholders and the other corporate bodies; and
- Issues of exclusive competence - not subject to being delegated by the Executive Committee - and which enable it to promote the definition and monitoring of Galp's strategic guidelines.

## 6.2. Corporate bodies

### Election

Under Portuguese law, the members of the Board of Directors are elected by the shareholders at a General Meeting, for four calendar years, through lists, with the vote being for the entire list and not for each of its members. Galp's By-laws ensure that minority shareholders holding a minimum percentage of voting rights, by themselves or in groups with others, have the right to propose the election of a single director.

Nevertheless, the continuity of each director in office depends on his annual performance review, through a vote of praise and/or confidence. The absence of a positive annual review, materialised through a vote of no confidence, may lead to the dismissal of the director in question, as provided for by law.

### Limitation of positions

All members of the Board of Directors must have the proper availability for the exercise of their duties, and therefore it is stipulated in the respective internal regulations that non-executive directors must not have management positions in more than four companies with shares listed on a regulated market outside of the Galp Group.

### Performance review

The Board of Directors annually reviews its performance and the performance of its committees. This review takes into account compliance with the Company's strategic plan and budget, risk management, its internal functioning and the contribution of each member to those goals, as well as the relations of the Board of Directors itself with the other Company bodies and committees.

**Meetings held in 2020: 11  
(attendance: 99%)**



## 6.2. Corporate bodies

### Executive Committee



**CEO**  
**Andy Brown**

- Strategy and Market Intelligence
- Investor Relations
- People
- Marketing and Communication
- Legal
- Corporate Secretary and Governance



**CFO**  
**Filipe Crisóstomo Silva**

- Corporate Planning and Control
- Corporate Finance and M&A
- Accounting, Tax and Internal Control
- IT & Digital
- Data Office



**COO**  
**Thore E. Kristiansen**

- Upstream



**COO**  
**Sofia Tenreiro**

- Commercial



**COO**  
**José Carlos Silva**

- Refining & Midstream
- Procurement & Contracting
- Engineering and Project Management
- Asset Management



**COO**  
**Susana Quintana-Plaza**

- Renewables & New Businesses
- Innovation



**COO**  
**Carlos Costa Pina**

- Risk Management
- Safety and Sustainability
- External Relations
- Regulation

**Note:** The former executive director Carlos Gomes da Silva resigned on 5<sup>th</sup> February 2021 and was replaced by Andy Brown on the same date by co-optation.

## 6.2. Corporate bodies

### Powers of the executive committee

Day-to-day management of the business and of the corporate centre, in accordance with the delegation of powers, with the strategic guidelines defined by the Board of Directors and in accordance with the functional delegation between the members of the Executive Committee relating to the business and activities of the Company and of the Group companies set by the Chairman of the Executive Committee.

### Performance review

The executive directors are evaluated each year by the Remuneration Committee, based on compliance with certain economic, financial, operational and safety and environmental sustainability objectives, defined annually in the remuneration policy proposed by the Remuneration Committee and subject to approval by the General Meeting.

### Limitation of positions

According to the internal regulations of the Board of Directors, the members of the Executive Committee should not have executive positions in companies with shares recognised for trading on a regulated market that are not part of the Galp Group.

**Meetings held in 2020: 46  
(attendance: 99%)**

### Audit board

Chairman: José Pereira Alves

Members: Fátima Geada and Pedro Almeida

Powers:

- Control of the Company's financial information;
- Supervision of internal risk management, internal control and internal audit systems;
- Receive and processing irregularity reports through the Ethics and Conduct Committee;
- Select and propose the Statutory Auditor to the General Meeting and the respective remuneration;
- Check and control the independence of the External Auditor; and
- Monitor, assess and weigh, within the powers legally granted to the Supervisory Board, the strategic lines and risk policy defined by the Board of Directors.

### Statutory auditor

Effective: Ernst & Young Audit & Associados, SROC, S.A., represented by Rui Abel Serra Martins

Alternate: Manuel Mota

Powers:

- Control and review the Company's financial information

## 6.2. Corporate bodies

### Board of the general meeting

President: Ana Perestrelo de Oliveira

Vice President: Rafael Lucas Pires

Secretary: Sofia Leite Borges

The General Assembly is the ultimate governing body of the Company. It is through this body that the shareholders actively participate in the Company's decisions. Any shareholder who holds at least one share on the registration date and has declared that intention by providing evidence of such ownership within the legal deadlines may attend, discuss and vote at the General Meeting, either in person or through a representative. Galp shareholders may also exercise their right to vote by correspondence and by participating in the meeting through telematic means.

## 6.3.

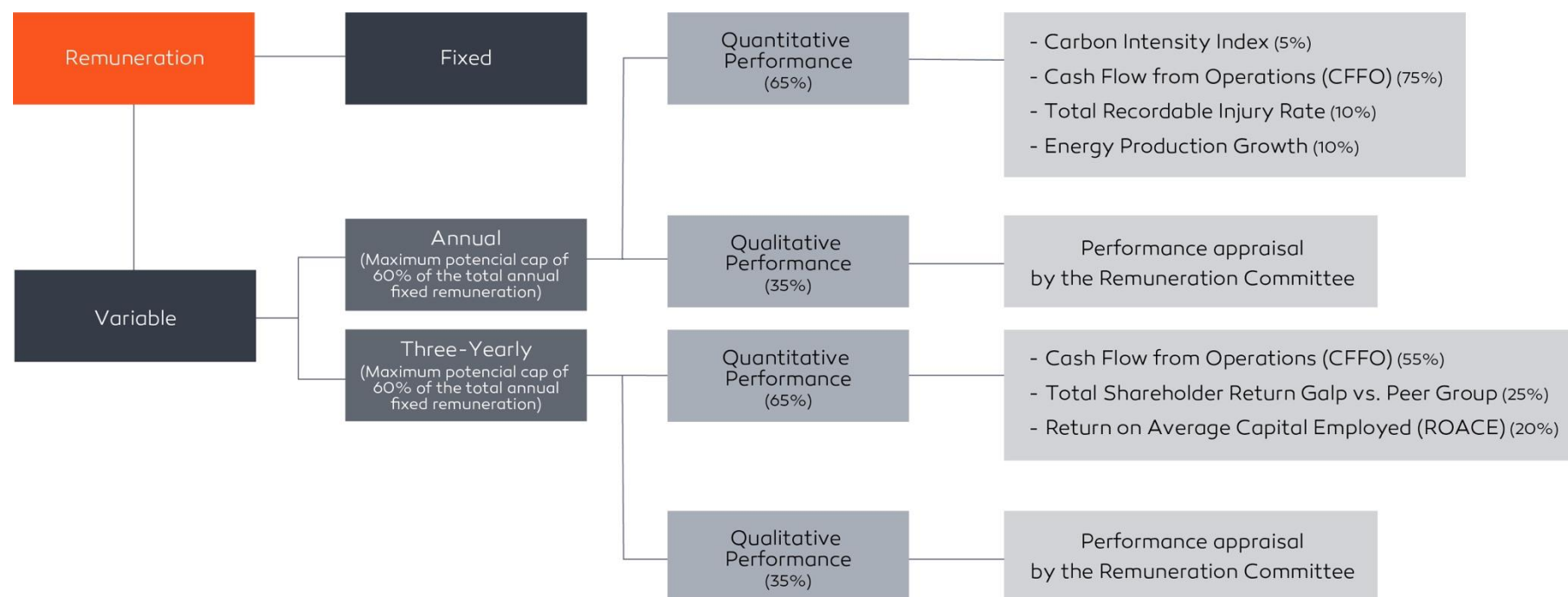
## Remuneration policy

In accordance with the say-on-pay principle, the General Meeting on 24<sup>th</sup> April 2020 approved, with 98.13% of the votes, the annual statement presented on the remuneration policy of its corporate bodies for 2020, pursuant to Article 2 of Law No. 28/2009 of 19<sup>th</sup> June, as currently drafted by the Remuneration Committee, the appropriate statutory body to approve the remuneration of the corporate bodies (Article 8 of the Bylaws).

In order to encourage management in line with the medium and long-term interests of the Company and its shareholders, the remuneration

policy has annual and multi-annual goals for the executive members of the Board of Directors, considering a three-year period for determining the value of the remuneration's multi-annual variable component and deferring a significant portion of the three-year period payment, which depends on the Company's performance during this period.

The remuneration policy for executive directors for 2020 did not suffer any changes in relation to the policy defined at the General Meeting of 2<sup>nd</sup> April 2019 for the 2019-2022 four-year period, which is outlined in the following page below.



## 6.3. Remuneration policy

### Remuneration structure of executive members of the board of directors

The remuneration of Galp's directors includes all remuneration for positions held in corporate bodies of other Group companies.

The Remuneration Policy for 2020 foresees the possibility of returning the amount of variable remuneration attributed to a member of the Executive Committee under certain situations (claw-back).

The total and individual annual amount of remuneration received by the members of the Board of Directors in 2020, as established by the Remuneration Committee, as well as other information related to the Remuneration Policy, are available in section 77, Part II of this report - Corporate Governance Report.

The non-executive members of the Board of Directors receive a fixed monthly amount established by the Remuneration Committee, taking into account current market practices. It may differ in the case of non-executive members who perform special supervisory duties or are a member of a special committee. The Chairman of the Board of Directors waived her remuneration, donating the respective value to the Galp Foundation.

The members of the Audit Board receive a monthly fixed remuneration, paid twelve times a year, and the remuneration of the Chairman of the Supervisory Board is differentiated, taking into account his special duties. The remuneration of the members of the Audit Board does not include any variable component.

The Statutory Auditor has the remuneration contracted under normal market conditions.

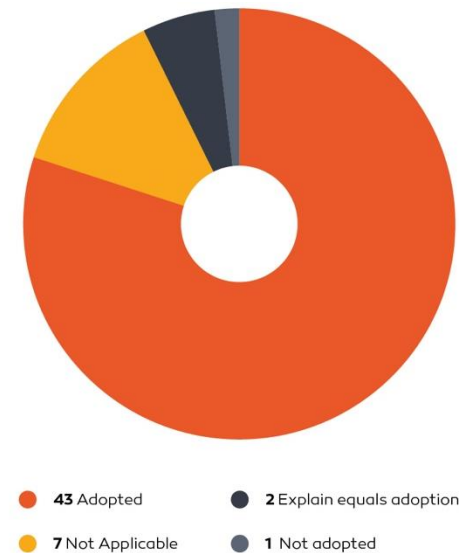
## 6.4.

## Compliance with the corporate governance code

Galp has voluntarily decided to adopt the Corporate Governance Code of the Portuguese Institute of Corporate Governance, approved in 2018 and revised in 2020 ("Código de Governo das Sociedades do IPCG"), which is available on this entity's website: <https://www.cgov.pt>. The code consists on a set of principles and recommendations of good governance in line with the best international practices and adapted to the Portuguese corporate reality.

In 2020 Galp adopted 44 recommendations of 45 applicable to it, as shown in the image at right.

In Part II of this report - Corporate Governance Report, there is a presentation about the adoption of the recommendations, in accordance with the "comply or explain" rule.





## Cautionary Statement

This document may include forward-looking statements, including, without limitation, regarding future results, namely cash flows, dividends, and shareholder returns; liquidity; capital and operating expenditures; performance levels, operational or environmental goals, targets or commitments and project plans, timing, and outcomes; production rates; developments of Galp's markets; and impacts of the COVID-19 pandemic on Galp's businesses and results; any of which may significantly differ depending on a number of factors, including supply and demand for oil, gas, petroleum products, power and other market factors affecting them; the outcome of government policies and actions, including actions taken to address COVID-19 and to maintain the functioning of national and international economies and markets; the impacts of the COVID-19 pandemic on people and economies; the impact of Galp's actions to protect the health and safety of its employees, customers, suppliers and communities; actions of Galp's competitors and commercial counterparties; the ability to access short- and long-term debt markets on a timely and affordable basis; the actions of consumers; other legal and political factors, including changes in law and regulations and obtaining necessary permits; unexpected operating events or technical difficulties; the outcome of commercial negotiations, including negotiations with governments and private entities; and other factors discussed in Galp's Management Report & Accounts filed with the Portuguese Securities Market Commission (CMVM) for the year ended December 31, 2019 and available on our website at galp.com. This document may also contain statements regarding the perspectives, objectives, and goals of Galp, including with respect to energy transition, carbon intensity reduction or carbon neutrality. An ambition expresses an outcome desired or intended by Galp, it being specified that the means to be deployed may not depend solely on Galp. All statements other than statements of historical facts are, or may be deemed to be, forward-looking statements. Forward-looking statements express future expectations that are based on management's expectations and assumptions as of the date they are disclosed and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such those statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Galp to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections, and assumptions. These forward-looking statements may generally be identified by the use of the future or conditional tense or the use of

terms and phrases such as "aim", "ambition", "anticipate", "believe", "consider", "could", "envision", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "think", "will" or the negative of these terms and similar terminology.

Financial information by business segment is reported in accordance with the Galp's management reporting policies and shows internal segment information that is used to manage and measure the Group's performance. In addition to IFRS measures, certain alternative performance measures are presented, such as performance measures adjusted for special items (adjusted earnings before interest, taxes, depreciation and amortisation, adjusted earnings before interest and taxes, and adjusted net income), return on equity (ROE), return on average capital employed (ROACE), gearing ratio, cash flow from operations and free cash flow. These indicators are meant to facilitate the analysis of the financial performance of Galp and comparison of results and cash flow among periods. In addition, the results are also measured in accordance with the replacement cost method, adjusted for special items. This method is used to assess the performance of each business segment and facilitate the comparability of the segments' performance with those of its competitors. This document also contains non-financial performance indicators, including a carbon intensity indicator for energy products sold by Galp, that measures the amount of greenhouse gas emissions of those products, from their production to their end use, per unit of energy delivered. This indicator covers the direct GHG emissions of production and processing facilities (scope 1) and their indirect emissions associated with energy purchased (scope 2), as well as the emissions associated with the use of products by Galp's costumers (scope 3). The same emissions are considered for products purchased from third parties and sold or transformed by Galp. For a complete definition of scopes 1, 2 and 3 and the methodology used by Galp for this indicator please refer to Galp's website at galp.com.

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