

energy creates energy



# Energy creates future

Sustainability Report 2015





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[galp.com](http://galp.com)

This translation of the Portuguese document was made only for the convenience of non-Portuguese speaking interested parties. For all intents and purposes, the Portuguese version shall prevail.

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# 1

# Introduction



## 1.1

# Messages



**Américo Amorim**

Chairman of Galp

## Dear Stakeholders,

At Galp, we adopt a structured and integrated approach to sustainability issues in the development of our business strategy. This culture is fully embedded in the various organizational levels and is reflected in all our management activity.

The Company is absolutely convinced that this attitude provides it with a competitive advantage in the industry and generates long-term shared value with its stakeholders. Current relationships are therefore enhanced as they become long-lasting and healthy, while new mutually profitable partnerships and activities are developed.

In the business environment and context in which Galp operates, 2015 saw developments that point to major future challenges.

Indeed, 2015 was characterized by an environment of low oil prices, with companies in the sector being forced to rework their investment programmes and long-term strategies and adapt their cost structures to achieve efficiency savings.

In this context, Galp's performance was positive, demonstrating resilience in results and projects, essentially due to its integrated profile in the O&G value chain, together with its ability to undertake critical projects and increase the efficiency and reliability of its operations.

At a time of great uncertainty and volatility in the industry, it is essential to keep recent developments in perspective and look to the fundamentals of long-term energy supply and demand dynamics. It is estimated that there will be a significant increase in world primary energy demand, until 2040, in the four major energy sources: oil, gas, coal and energy supplied from low-carbon sources. This outlook – which, incidentally, is in line with global population growth and the expected increase in wealth generation – will impose enormous challenges on the energy industry, particularly in relation to the security and sustainability of energy supply. Conventional energy sources will still be needed, while new non-conventional forms of energy production are developed and the necessary long-term investment decisions are taken to create a secure, sustainable, and competitive energy supply that responds to the world's energy needs.

Another event in 2015 that will shape the way companies operate was the approval of the United Nations Sustainable

Development Goals. The industrial sector in which Galp operates will be particularly affected by Goal 7: affordable and clean energy, where the target is to ensure access, by 2030, to reliable, affordable, modern energy services for all.

And, because we cannot talk about energy without also referring to climate change, I want to offer you an observation on the Paris Summit, where the universal nature of the agreement marked a historic breakthrough and a radical departure from the post-Kyoto Protocol period. When ratified, the Paris Agreement will be binding on the signatory nations to develop efforts to reduce Greenhouse Gas (GHG) emissions in order to meet the target of limiting global warming to 1.5 °C above pre-industrial levels by 2100.

This is the environment in which Galp operates, guided by its sustainability commitments, including commitment IV. Helping to satisfy future energy needs and minimize the intensity of the carbon footprint and commitment VI. Promoting innovation, research, and technological development.

The first involves understanding the context and dynamics, on a global scale, of energy supply and demand in order to satisfy future needs. It also involves recognizing the challenges of the inseparability of energy and climate and of designing a portfolio that is resilient in relation to climate policy and the expectations of different stakeholders. Accordingly, the Company must be at the forefront of technological development, hence its adoption of the second of the above-mentioned commitments (VI).

Bringing our projects to fruition will require the application of the industry's latest generation technology. Galp therefore plays an active role in technological research and development in the sector, including its involvement in the Institute of Oil and Gas (ISPG).

In order to identify and exploit new opportunities and honour the undertaken commitments, the Company's strategy is structured around five priorities for action: efficient business development; financial discipline and value creation; organizational efficacy; value-added human capital development and, finally, our commitment to sustainability and a research and technology culture. In particular, I wish to highlight this final priority by underlining the intrinsic role of sustainability in this process that, in my view, will consolidate Galp's long-term success.

Finally, I must mention external recognition of Galp's performance in the area of sustainability. For example, in 2015 Galp was again included in the Dow Jones Sustainability Index (DJSI), in the CDP – Driving Sustainable Economies, where, in particular, it achieved the highest score possible, and in the FTSE4Good Index Series, among others. The Company's ranking in the most recognized sustainable indices values the Company's efforts to create sustainable value and helps consolidate the Organization's values in its corporate culture and in its day-to-day activities and decision-making processes.

Finally, I want to say thank you to you all and encourage you to continue to be part of this virtuous, idealistic, and daring path of sustainable growth along which Galp is moving.

**Américo Amorim**

Chairman of the Board of Directors



**Carlos Gomes da Silva**  
CEO of Galp

### Dear Stakeholders,

For many years, we have been committed to reflecting the principles of economic, environmental, social and governance sustainability in Galp's values, culture, and strategy and in all of its management and operations.

Continued reading of the context and its integration into our operations and management decisions reflects our attitude and the attention that we devote to the creation of long-term sustainable value. In this way, we strengthen symbiotic relations with shareholders and other stakeholders, which we not only maintain but also encourage in order to enhance our longevity and robustness as an Organization.

Indeed, our Company strategy was designed to ensure that we are in a position to meet the challenges that the energy sector will face as a result of ongoing changes. Our strategy takes account of the expected increases in world demand for oil and natural gas over the next few decades and addresses international negotiations, particularly the United Nations Framework on energy and climate. In this context, we believe that integration in the value chain gives us a privileged position as we support it through our commitment to technological R&D and our continued focus on the sustainability of our activities and portfolio, reinforced by a proactive and attentive attitude towards emerging changes, not only in our own sector, but also in other industries with strong technological tendencies.

In 2015, we reached a historic milestone in the life of our Company, with the E&P business reaching 60 thousand barrels of oil equivalent per day (kbopd). This goal was reached due, in particular, to the output of the Santos basin in Brazil, where four production units are operating at cruising speed and a fourth is in the production ramp-up process, with uneven productivity levels in the sector.

In passing, I wish to highlight the excellent execution of this important project. In 2015, the BM-S-11 Block concession holders and their suppliers managed to achieve the start of production in the fourth unit before the originally scheduled date. In 2016, the delivery of two additional FPSO production units is planned, to contribute to sustained growth in production throughout the year. At the same time, during 2015 the consortium implemented significant measures to mitigate the execution risks associated with the three replicant units to be assigned to the Lula field by 2018, with a

***“In 2015, we reached a historic milestone in the life of our Company, with the E&P business reaching 60 thousand barrels of oil equivalent per day (kbopd).”***

joint overall output capacity of 450 kbopd.

Still in the Santos basin, we are continuing with important work in the development of the BM-S-8 and BM-S-24 Blocks, particularly with an intensive campaign to evaluate the Carcará discovery and the declaration of commerciality of the Sépia Leste field.

Throughout 2015, Galp continued work on its other E&P portfolio projects, particularly in Angola and Mozambique. In Angola, work continued in Block 32, which will start production in 2017. Production also started in the Lianzi field, whose contribution will enable the natural decline in production of the other Block 14 fields to be partly offset. In Mozambique, the Rovuma basin Area 4 consortium, of which Galp is a member, continued to mature its engineering solutions and project customization, both onshore (Mamba) and offshore (Coral).

In Refining & Marketing (R&M), we ensured high levels of reliability and availability of the refining equipment, which helped us to gain from favourable international refining margins. Distribution and marketing of oil products also made an important positive contribution to revenues generated. The Company's offer of value, enhanced with the launch of new products and services and the reformulation of the loyalty programme for individual clients, enabled us to take advantage of the recovery in the oil products' market in the Iberian Peninsula. Indeed, during 2015, the Iberian market expanded 2%, the first annual growth for nine years.

In the area of Gas & Power (G&P), we searched for and found new opportunities for the sale of liquefied natural gas (LNG) in the international market and we continued to develop and consolidate the network trading business in the European area. In Portugal, we strengthened our position in the electricity market, while in Spain we repositioned the natural gas supply business by focusing on the corporate sector.

The strategy as defined, together with excellent operational performance, meant that Galp ended 2015 in a strong financial position, providing the company with flexibility and confidence in the implementation of the investment plan mapped out up to the end of this decade. We therefore reiterate our commitment to a solid capital structure and strict financial discipline.

The future will bring more responsibility and greater challenges. We expect the macroeconomic environment to remain uncertain and volatile, with an extended period of low oil prices, but also some economic recovery in the Iberian Peninsula. The Company will therefore focus its efforts on the implementation and profitability of its projects, by maximizing the realization of value from its portfolio assets and current business, which we will need to complement by developing new projects and opening new markets to



promote the creation of sustainable long-term value for our stakeholders.

Successful execution of this strategy will depend in large part on human development that enhances technical expertise and soft skills, the consolidation of a culture of merit and entrepreneurship and a commitment to closer involvement with the world of technology and science. In 2015, we continued to invest in advanced training programmes designed to meet the skills profiles required for successful implementation of the Company strategy.

Guaranteed protection of the environment, individuals, assets and the communities in which we operate, together with the adoption of ethical conduct, will remain the essential preconditions of our action. This is the view of the future and the creation of long-term value that we recommend to our stakeholders, recognised as it is by various credible institutions that rate us as a leading company, for example the DJSI, the Carbon Disclosure Project, the FTSE4Good and the Corporate Knights. In 2015, Galp was included for the fourth consecutive year in the DJSI, confirming its membership of the exclusive group of companies listed in the “Europe” and “World” indices. Meanwhile, in the CDP, we achieved the maximum score of 100 in the Climate Disclosure Leadership Index (CDLI), and the company also appeared in The Climate ‘A’ List, which rates performance.

For the second consecutive year, we also appeared in the FTSE4Good, proof of the consistency of our vision and action in relation to sustainability. Finally, we achieved the best position, among O&G companies, in the Corporate Knights Global 100 ranking, in which we are now in 16<sup>th</sup> place worldwide.

For a better understanding of this information, I invite readers to familiarise themselves, throughout this report, with the six sustainability commitments we have made and our approach to meeting them.



**Carlos Gomes da Silva**  
Chief Executive Officer

## 1.2

# About this report

## Dear readers,

We are proud to present our tenth Sustainability Report, thus continuing the annual reporting cycle. The report content refers to the calendar year 2015 and includes, where possible, appropriate and relevant information on the key indicators for 2013 and 2014. Accordingly, we believe we are offering a perspective on our growth and development along this path of creation of sustainable value.

As with reports in previous years, we have once again followed the methodology of information consolidation and reporting, covering all business operations in which we have a share greater than or equal to 50% and/or operational control. Notwithstanding the above, whenever justified by the interests of our stakeholders, we also present information on non-operated activity in which we have a minority capital holding, in accordance with our share, particularly those in the area of Exploration & Production (E&P).

This report was drafted in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), latest version, GRI 4.0, "In accordance – Comprehensive" option. Hence, our report complies with the reporting definition principles – content and quality. We have also taken account of the GRI Oil & Gas (O&G) industry supplement guidelines.

In order to comply with the GRI guidelines, in our report we undertook a more detailed exploration of the themes classed as material (see chapter 5. What are the material issues?). We therefore focus on associated impacts and describe initiatives for their management and mitigation and we report on our performance through KPIs. Other areas, not covered in this report, continue to be monitored by the Company through constant oversight and continuous improvement processes.

To this end, we invite all our stakeholders to complement their perusal of this report with information available from other relevant sources, such as the corporate website <sup>16</sup> and the Sustainability Channel <sup>16</sup>, the Annual Report and Accounts (R&A) <sup>16</sup> and the Corporate Governance Annual Report <sup>16</sup>.

At Galp, we also apply the principles of constant stakeholder inclusion, relevance, and accountability of the AA1000 Accountability Principles Standard (AA1000APS 2008). Accordingly, we have increased the involvement of our stakeholders in our identification, awareness, and capacity to respond to the issues and concerns highlighted.

This report – and our commitment to future publications – underlines our contribution to sustainable development to meet the needs and expectations of our stakeholders. Accordingly, throughout the report, we identify the key economic, social, and environmental impacts of our activity and we offer our vision, commitments, goals, and actions for measuring and managing them.

At Galp, we understand that lasting stakeholder relations are built on the principles of transparency and trust. As in previous years, therefore, we sent this Sustainability Report for appraisal by a duly accredited independent external expert – PwC. Thus, we are confident that the information presented will generate sufficient trust with our stakeholders to support their decision-making in relation to our Company.

Any doubts or suggestions should be addressed to the following contacts:

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We wish you a pleasant reading!

Galp



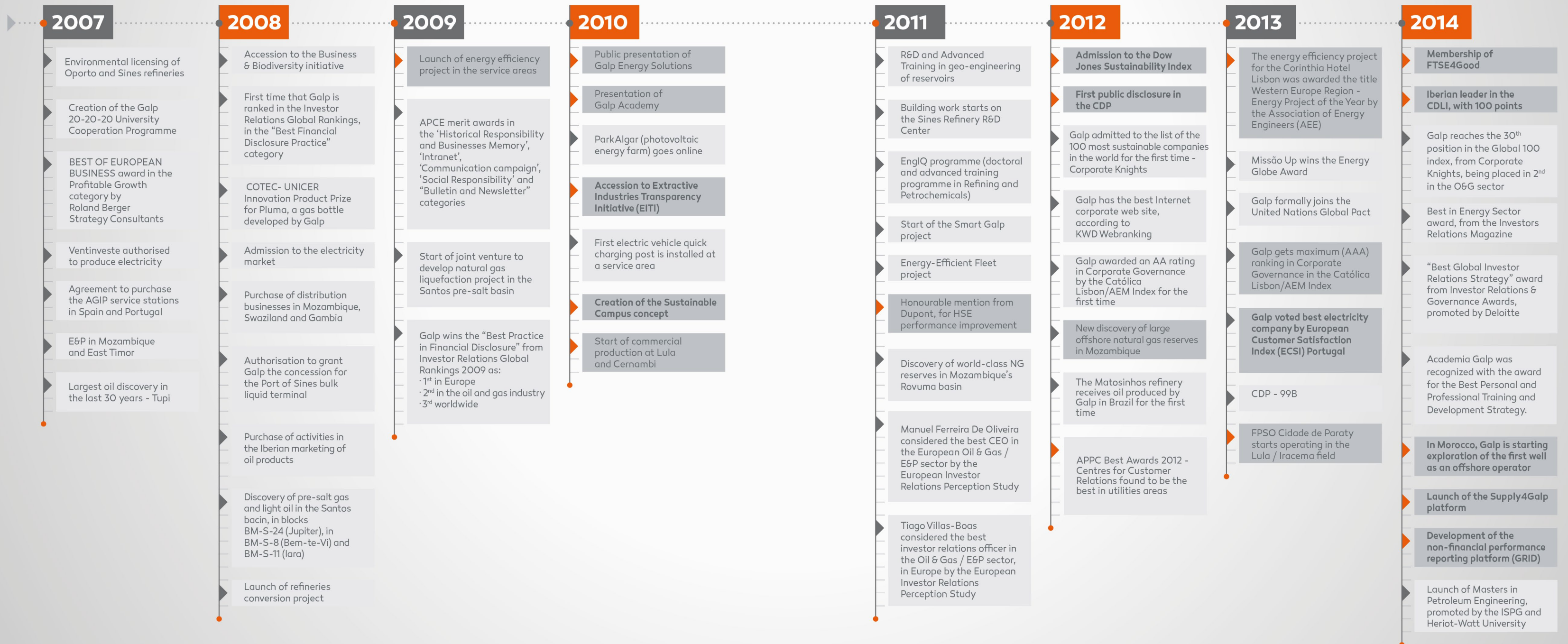
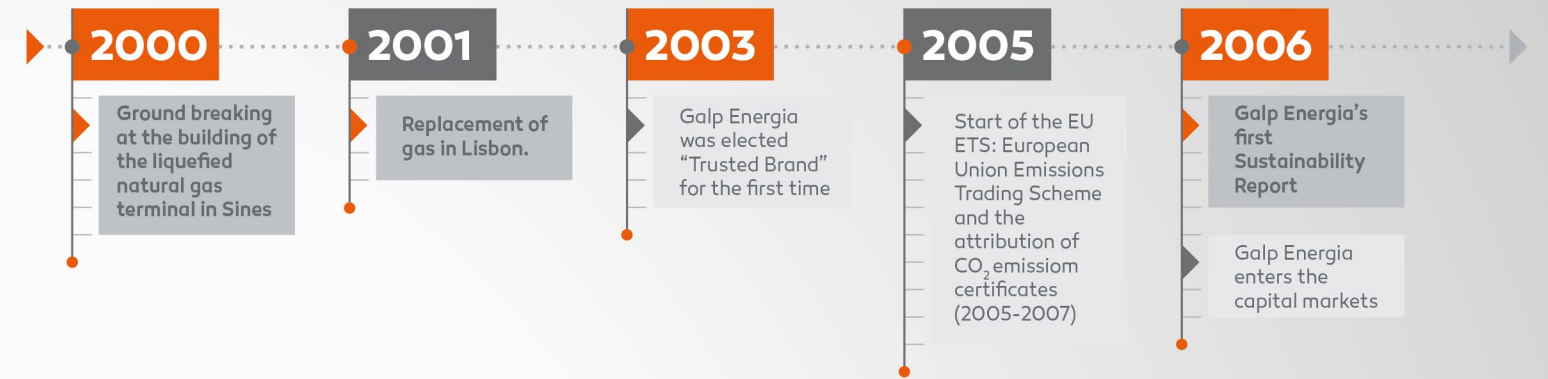
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## About Us



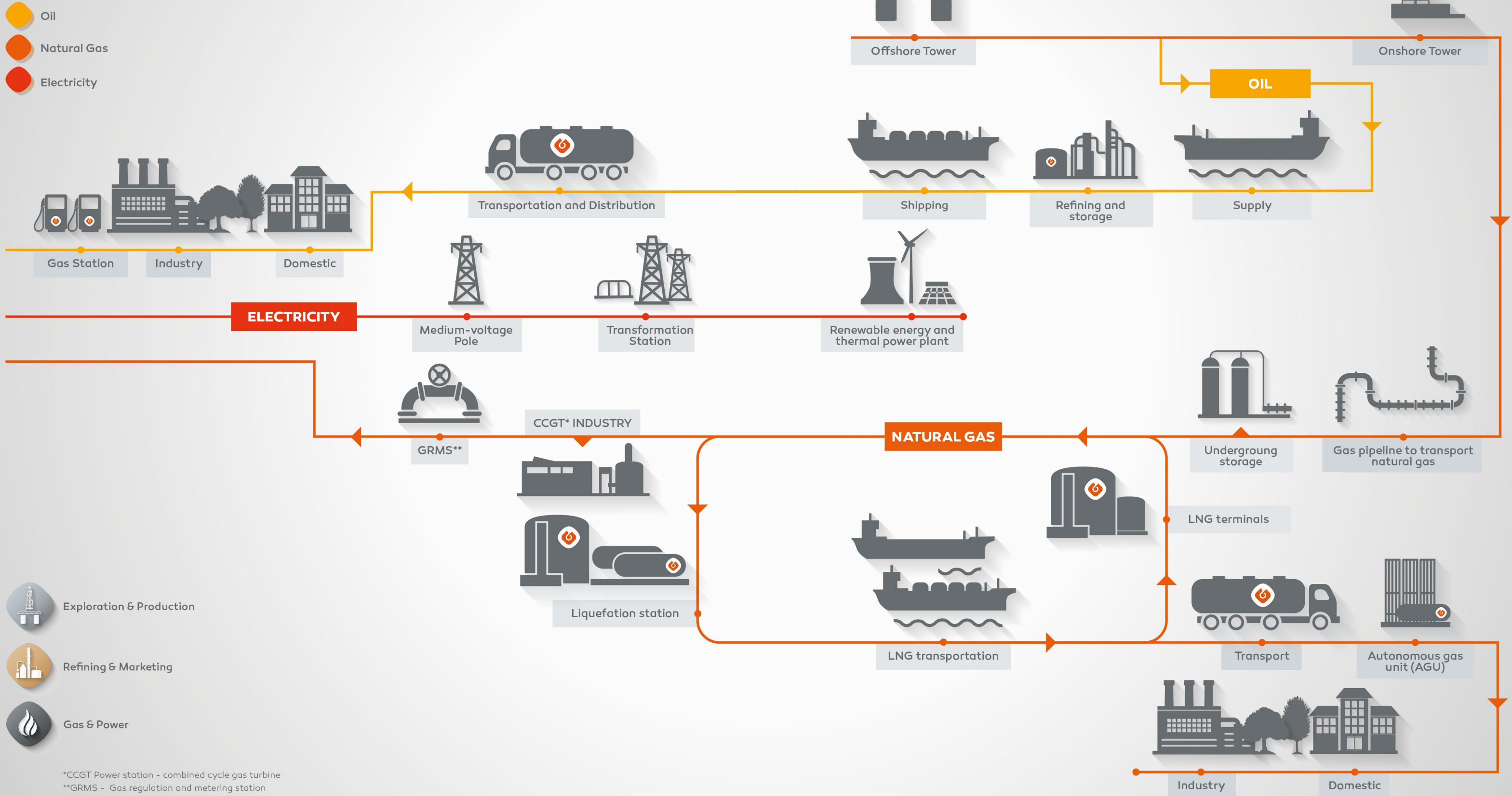
2.1

# How we arrived here: the new millennium



2.2

# Our operational chain



\*CCGT Power station - combined cycle gas turbine  
\*\*GRMS - Gas regulation and metering station



2.3

# Where we have reached

Galp is a company from a country of discoverers. It is desire that motivates us and entrepreneurship that guides us. We are a company of action, strongly oriented towards technology and exploration. Galp is the best partner for challenges that go beyond the imagination but which enable us to live our lives better, from everyday challenges to challenges worldwide. Knowledge is a way of enhancing our power to act. We are a technological company that works to improve everyday life through affirmative integrated action – we explore, we transform, we deliver.



-  Exploration & Production
-  Refining & Marketing
-  Gas & Power

<sup>1</sup> Considers 2P reserves and 2C contingent resources.



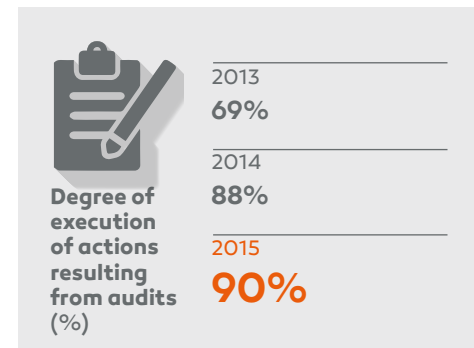
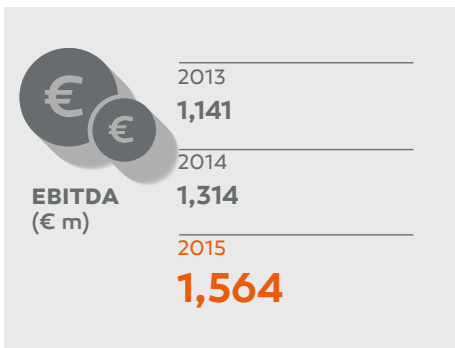
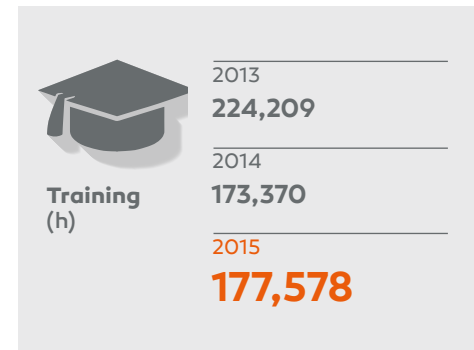
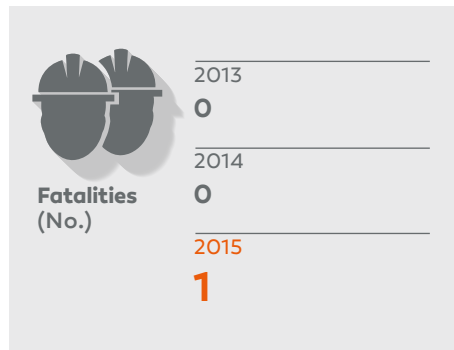
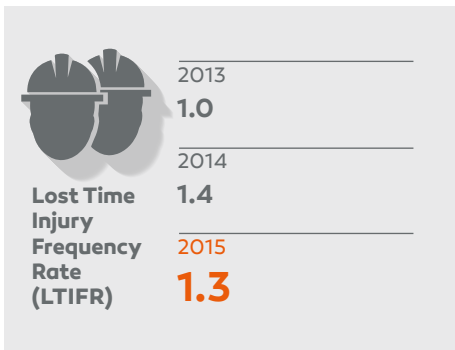
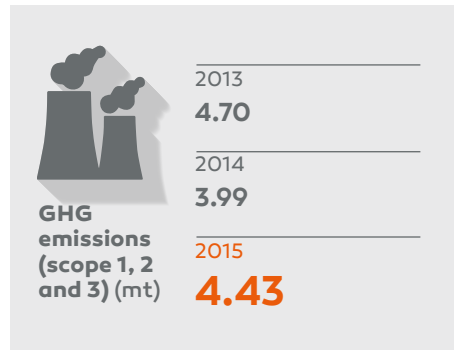
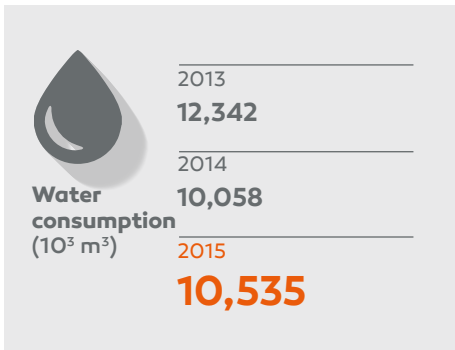


# 3

What did we achieve  
in 2015?

## 3.1

## Indicators



3.2

# Relevant events at Galp in 2015





## 3.3

# External rankings and recognitions 2015

MEMBER OF  
**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

We were once again included in the DJSI list, for the 4th consecutive year. We joined the World and Europe group.



We were recognised with a ranking in the CDP Climate 'A' List - Driving sustainable economies, and, for the 4th consecutive year, in the CDLI, with the maximum score of 100 points.



## FTSE4Good

We were once again included in the FTSE4Good Index Series.

We were again included in the Corporate Knights Global 100 – the ranking of the 100 most sustainable world companies, with 16th place overall and 1st place among companies in the sector.



We kept our ranking in the Ethibel Sustainability Index (ESI) Excellence Europe from 21.09.2015.

The Company's investor relations were recognised as the best in the European energy sector as part of IR Magazine's "Investor Perception Study".

The European Investor Relations Perception Study 2015, conducted by Institutional Investor, recognised our Company in the categories of Best Investor Relations and Best CEO in European O&G.



We were ranked best company in Portugal for investor relations practices by the Extel Pan-European Survey.



We are the leading company for customer satisfaction in the ECSI Portugal National Customer Satisfaction Index, in the natural gas section of the regulated market and in the electricity section.



We were winners in the categories Gas Stations - Trusted Brand and Gas Stations - Environment in the Reader's Digest selections.



We are the consumer choice for 2016, particularly in the "Service Stations" and "Bottled Gas" sections.

In Reputation Institute's Reptrak Pulse 2015, we were recognised for four attributes: caring brand, leader, adventurer, and winner.



<p>Petrogal Moçambique was ranked in the top 100 Mozambican companies, with 14th place in KPMG's recently published ranking.</p>	<p>The Academia Galp was recognized in the Masters in Human Capital: Best Personal and Professional Training and Development Strategy.</p>	<p>For the fourth consecutive year, Galp's website won 1st place in Portugal in Comprend's web ranking 2015-2016. In the O&amp;G section, we achieved 8th place out of the 47 websites analysed.</p>
<p>We are among the best companies to work for in Spain, according to the Actualidad Económica's ranking.</p>	<p>IDC CIO Awards 2015 recognised our Company for its Natural Gas Distribution Asset Management System as an information and communications technology project.</p>	<p>The pedestrian and cycling bridge over the 2.<sup>a</sup> circular (ring road), inaugurated by Fundação Galp, was considered one of the best bridges in the world by the Designboom website.</p>
<p>In Spain, we were recognised with the seal of Socially Responsible Company by the Fundación Alares and by Fundación para la Diversidad, for our family and work balance policy.</p>	<p>The APCE (Portuguese Association of Corporate Communication) Grand Prize recognised our company in the categories "Management Report" and "Image and Illustration".</p>	<p>Mitsubishi Fuso Trucks Europe awarded our Company maximum points for our internal supplier evaluation process.</p>





# 4

**What is the strategic framework?**

## 4.1

# The challenges

The O&G industry has witnessed, and often promoted, major technological and social changes over the last century, in the face of constant challenges, which it managed to overcome by constant adaptation to the existing context. Its reflection on current challenges means that both needs and trends can be anticipated, and gives an important contribution to the strategic planning of our Company.

## How will the evolution of the marginal cost of production affect the profitability of E&P activity?

The marginal cost of oil production is influenced by a wide range of variables. The average rate of hydrocarbon recovery, exploration costs, and the tax burden are variables that have a direct impact on the marginal cost of production.

Innovation and technological development have led to permanent improvements in exploration and development costs and growth in recovery rates, leading to increasingly efficient production of resources. The very steep learning curves in upstream deep-water activity and the production of shale oil have led to substantial cost reductions, which have exceeded the expectations of the industry itself.

There is, however, room for further improvement, particularly through greater standardization and simplification of processes and enhanced knowledge sharing between stakeholders – operators, partners, service providers and public bodies. An extended period of oil prices at the levels recorded over the last year will also lead to reflection on tax competitiveness by producer countries, despite the budgetary pressures that many are experiencing, to address the risk, if prices remain where they are, of resource exploration itself being jeopardized.

Integrated analysis of these factors suggests there will be a gradual and structural reduction in the marginal costs of production and a sustainable return on crude oil assets that are lower than average amounts in recent years. However, as a result of the decrease in asset reserves in production and increased global demand, due to consumption growth in emerging economies, the industry's marginal cost of production will tend to increase due to the need for new investments and a rise in the price of oil over time can therefore be expected.

## How will the global gas market absorb the increase in LNG production capacity, expected by 2025?

If all the LNG projects currently under construction and planned until the middle of the next decade are realized, there is expected to be a temporary output surplus in the market by 2020. However, given the forecasts of most demand growth estimates, this surplus should lead to a deficit after 2020, if new projects are not approved.

This scenario will be accentuated by increased short-term pressure on the supply side which will tend to increase the competitiveness of natural gas compared to other energy alternatives and may accelerate the transition from coal to natural gas. International policies to combat climate change, reinforced by the Paris Agreement in late 2015, will also contribute positively to the acceleration of this transition. The increase in installed natural gas liquefaction capacity will enhance the movement of natural gas by sea and lead to a global market in natural gas, with prices in regional markets differentiated only by inter-regional logistics costs.

## How will the European refining industry cope with the excess installed capacity?

Despite the apparent surplus in installed capacity compared to forecast demand in the European market, refining margins in 2016 are expected to remain higher than the average of recent years, supported by global demand for petrol and the crude oil surplus in the market exerting downward pressure on the price of raw materials.

The return of Iranian crude to the European market and the lifting of the ban on the export of US crude should enhance the competitiveness of the European refining industry. Planned investments in new refining capacity and the modernization of existing capacity, particularly in the Middle East and Russia, may be partially threatened by falling revenues in oil producing countries. Any delay or elimination of productive capacity in these regions will reduce pressure on European refining.

However, surplus refining capacity in Europe is expected to continue in the medium term, forcing the industry to make greater efforts to be competitive at global level, through initiatives such as capacity rationalization and investments to promote increased refining margins to ensure that the existence of an area of influence will remain sufficient competitive advantage in an oversupply environment. To this end, refineries that are located to enable the placement of a significant part of their production in their natural area of influence will be particularly favoured.



## How will the energy sector respond to the dilemma of increased global demand conditioned by active decarbonisation policies?

All global energy demand scenarios for the coming decades forecast a very large share of crude oil and natural gas in the energy mix, with an increase in the total consumption of these two resources. Natural gas will actually be the primary energy source with the highest absolute growth. Petroleum products still have no alternatives enabling their large-scale replacement in an enormous range of applications such as transport and the petrochemical industry. In turn, natural gas will play a fundamental role in the transition to a lower carbon economy (as a natural alternative to coal consumption, which will decline sharply) by acting as a backup to mitigate the intermittent output of renewable energies used in power generation. The O&G industry will therefore be one of the main actors in the implementation of policies to combat climate change.

The sector's main mission will continue to be optimization of its operations, to guarantee market supply while complying with the most exacting environmental practices and promoting minimization of its potential impacts throughout the value chain, particularly by promoting energy efficiency measures.

This goal will be achieved by increased investment in innovation and technological development. Investment in the past made it possible to guarantee the natural resources that supply world markets today. It is the investments of today and tomorrow that will make it possible to complete the transition to a less energy-intensive economy, without undermining the quality of life of the world's population.



4.2

# Our strategy

A sustainable strategy guarantees greater competitiveness and enables opportunities and risks to be anticipated and managed so that the protection of long-term value can be ensured.

Galp is seeking to become an integrated energy operator, with sustainable creation of value for our shareholders. In this context, a clear Company development and growth strategy has been developed, with a focus on enhanced E&P activity, integrated with an efficient and competitive downstream and gas business, supported by robust financial capacity, skilled human resources, and sustainable practices.

This strategy will lead to asset capitalization and enhanced competitive advantages for the Company as it addresses the inherent dynamics and challenges of the energy sector, which require sustainable approaches to the increase in global energy demand and commodity price volatility.

To ensure the success of this strategy, our priority is disciplined execution of current projects, in terms of planned timings and costs, to ensure that they proceed in accordance with best practices in matters of safety and environmental protection.

Maximizing the additional value to be extracted from existing assets and businesses will also be a key factor. The increase in the oil and natural gas recovery factors of E&P projects, increased efficiency and cost reductions and a focus on human capital and technological capacity building, are some of the tools that will enable the Company to extract more value from its business.

Finally, to ensure the sustainability and future growth of the Company, new areas of value creation will need to be explored by developing new projects, businesses, and markets, to guarantee that the Company's portfolio provides adequate returns after 2020.





## Human Capital

Successful execution of the strategy will depend largely on value-added human capital development. This will enhance technical skills, but also soft skills, such as impact and influence on stakeholders at all levels of the Organization.

The human capital strategy prioritises attracting, developing, motivating, and retaining people, expressed in a new culture of autonomy, accountability, and meritocracy. It will be essential to ensure an offer of value for employees, so that they can realize their potential and enhance their skills based on new challenges and an Organization that values excellence.

The implementation of the strategy will also depend largely on the efficacy of the organizational and governance model and the extent to which it is harmonized with the goals set by the Company. These models will define the characteristics and levels of leadership of existing processes and technology, people, experience and individual skills, in addition to the ways in which responsibility and functional autonomy are defined and implemented.

## Partnerships

At Galp, we actively promote management of relationships with our stakeholders, particularly the development of lasting and successful partnerships with leading energy sector companies and the scientific and technological community. We believe that cooperation and experience sharing are fundamental to value creation and the analysis and implementation of new and innovative technological solutions and new businesses.

## Research and Technology (R&T)

In our Organisation, we actively promote innovation, research, and technological development as fundamental elements in the extraction of added value from the asset portfolio and Company sustainability.

In particular, we invest in projects that provide greater value and reduce asset risks, with a special focus on the E&P area and in projects that enhance the energy efficiency of our operations and reduce the carbon footprint of our business.

***"We believe that cooperation and experience sharing are fundamental to value creation and the analysis and implementation of new and innovative technological solutions and new businesses."***

## Financial Discipline

To implement the business strategy successfully, it will be essential to pursue high levels of financial discipline to maintain a robust capital structure. Currently, the Company's priority is to allocate capital to the E&P business, particularly by developing approved projects, supported by portfolio management focusing on generating liquidity, diversifying risk and monitoring and realizing value. Proper execution of this strategy will guarantee protection of shareholder value and returns that are in keeping with the profile and context of the Company and the industry.

## Operational Excellence

At Galp, we seek to develop our business activity sustainably, by enhancing our competitive advantages and continuous assessment of new opportunities to reinforce the Company's vision.

## 4.2.1

### Exploration & Production

At Galp, we aim to protect and extract more value from our current E&P projects portfolio – particularly the world-class pre-salt projects in the Santos basin, Brazil and in the Rovuma basin, Mozambique – by strengthening our position as an active partner in non-operated projects, preferably growing through well-defined, disciplined, and value-creating exploration activity that focuses on project profitability.

Due to the typical volatility of this industry, there will be constant emphasis on structural cost reductions to enable optimization of the development solution and operational efficiency, thus ensuring long-term project sustainability, regardless of the price of oil. By ensuring project resilience, the Company will be able to hold a competitive portfolio of resources for development even in a context in which fossil fuel energies lose some ground in the world energy scenario due to efforts to combat climate change.

To increase this strategy's chances of success, we will continue to invest in enhancing the skills of the E&P team, with greater influence in consortia to promote cost reduction policies, particularly through process optimization and standardization

and sharing of synergies between the parties involved and across the different projects in which it participates.

Through an integrated approach that focuses on the long-term sustainability of its portfolio, Galp will seek to enhance exploration activity, by following clear and rigorous criteria, particularly in relation to the definition of geographical areas, allocation of capital, maintenance of a significant level of production and materiality in participation, in order to match the level of activity to the growth profile of the Company.

At the same time, there will be an emphasis on developing a project portfolio that ensures an increase in natural gas production, to meet the expected increase in demand for this energy source in a lower carbon footprint economy.

The Company also intends to develop, in the long-term, its status as a project operator and to enhance its technology capacities, knowledge and experience, which will be fundamental aspects for the more sustainable development of E&P activities and to enhance success and control and improve our visibility and capacity to participate in new consortia.





#### 4.2.2

### Refining & Marketing

At Galp, we seek to ensure the extraction of added value from the R&M business by boosting our competitiveness in the European refining industry and in the distribution of associated products and services in the Iberian Peninsula and in Africa.

It will be essential to integrate R&M activities more closely by aligning production profiles and volumes with sales of petroleum products in the area of influence of the refineries. Greater focus on the energy efficiency and procedural optimization of refinery infrastructure, to enable cost reductions and an increase in returns on the capital deployed, will also be fundamental in maximizing cash flow generation.

We will also seek to enhance the result of trading operations in oil and oil products in international markets, by exploring opportunities that take advantage, in particular, of geographical proximity to the African and North American markets.

#### 4.2.3

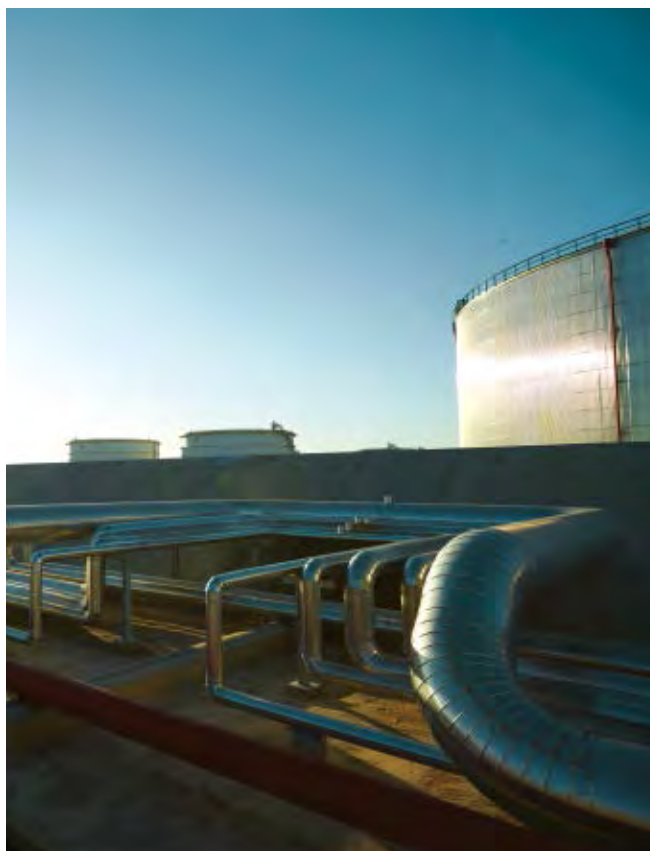
### Gas & Power

The share of natural gas and electricity in the European and world energy mix will continue to expand over the coming decades, so Galp believes that our G&P business will be a fundamental pillar of the integrated energy operator strategy.

It will be necessary to guarantee the future supply of natural gas by accommodating the end of current contracts and building a diversified, competitive and flexible portfolio and ensuring access to the natural gas infrastructure, particularly transport and storage capacity, to support commercial activity.

We need to retain our strategic role as an integrated supplier of natural gas and electricity in the Iberian market while simultaneously exploring the attractions of new markets.

Trading activity will continue to promote a balance between medium- and long-term contracts and spot operations, to support marketing activity and to take advantage of market opportunities.





# 5

**What are the material issues?**



5.

# What are the material issues?

At Galp, we have implemented a set of processes to ensure that sustainability issues are identified and prioritized. Accordingly, we take the GRI's guidelines as our benchmark, together with the 5-Part Materiality Test proposed by AccountAbility, the United Nations Environment Programme and Stakeholder Research Associates.

The implementation of these methodologies guides us in understanding the key challenges that we face and that affect the ability of our Company to create long-term value. Hence, we act quickly and productively, contributing to continuous improvement in our performance and consolidating the creation of sustainable value.



### WHAT WE DO

### WHY IS IT IMPORTANT?

1. Understanding trends and emerging issues

We monitor significant articles, new items, newsletters and publications on sustainability;

We take part in working groups worldwide;

We participate in national and international conferences;

We participate in training and workshops on sustainability issues;

We share sustainability information internally.

Understanding trends and emerging issues, particularly in the O&G sector, means that we are normally well prepared to manage the main short-, medium- and long-term opportunities and risks.

2. Company values, policies and commitments

We respect and reflect the identity, culture, and values of our Company in our action in sustainability matters, as well as the commitments we have signed and the relevant policies that we have devised for their implementation.

We have defined objectives and goals in sustainability matters, and initiatives and actions for their implementation up to 2020.

Alignment with the policies, values, and commitments means that we can act in an integrated manner and create the capital of a sustainability culture. We therefore enact best practices and promote, in a consistent and reflective manner, the creation of long-term value.

3. Benchmarking and performance analysis

We develop benchmarking analyses and we identify the best sustainability practices of our peers and benchmark companies;

We consider the recommendations of consultants, industry experts, benchmark organizations, financial and sustainability analysts, insurers and others;

We monitor the Company's performance, using Balanced Scorecards and Performance Reports submitted and presented to the Board of Directors every quarter.

The results of the benchmark analyses provide an understanding of the best practices that ensure the inclusion of long-term challenges in value-creation strategies. In turn, analysis of our performance, through external recommendations and internal evaluation, enables us to identify our strengths and weaknesses and guides us towards the implementation of actions that facilitate better performance.

4. Stakeholder consultation

We explicitly involve our stakeholders and the Company itself in the identification, prioritization, and evaluation of the relevant issues through a formal consultation process.

For more detail on the most recent stakeholder consultation process, please see section 6.2.1 Dialogue with stakeholders.

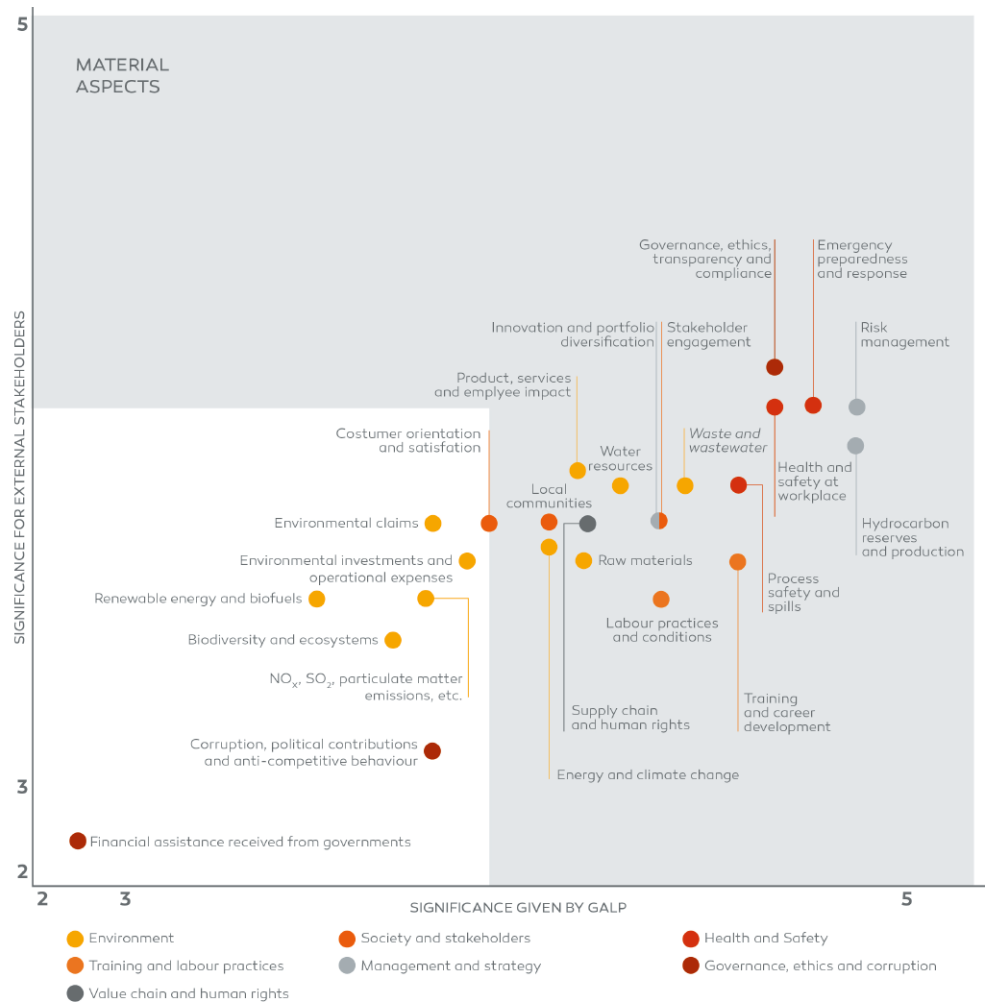
Stakeholder consultation, both internal and external, is one of the key success factors of organizations seeking to address sustainable development. Indeed, we approach stakeholder consultation processes as excellent opportunities for the collection of views and the identification of expectations and important issues.

### So, what are the material issues?

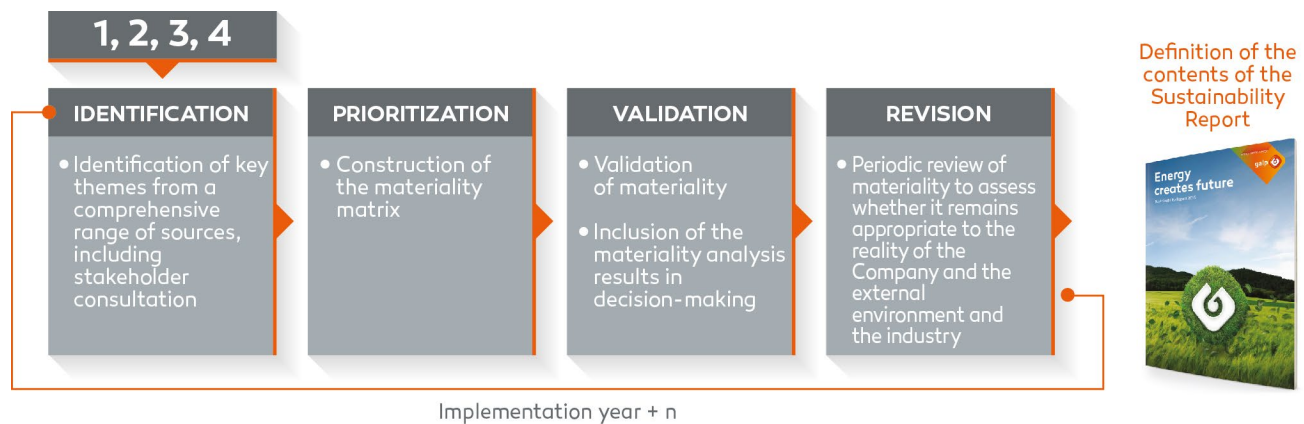
The processes identified above are, therefore, part of the foundation of the construction of our materiality matrix. This positions the various issues, through the weighting of our internal perspective and that of our stakeholders, and is the guiding light for our action priorities and, therefore, our sustainability report.

The analysis of the aspects evaluated the issues in order of importance, which reflected the following:

- How the issue reflects the economic, social and/or environmental impacts (positive or negative) of our Company;
- How the issue might affect the way our stakeholders evaluate our Company and/or their decisions;
- Whether or not the issue has high potential to add or remove value to/ from the Company or the society/ community in which it operates, particularly its most important stakeholders.



### How do material issues affect the content of the report?







# 6

**How do we tackle them?**



### HOW DO WE TACKLE THEM?

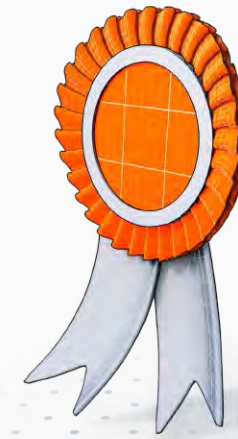
- BY ESTABLISHING INTERNAL COMMITMENTS
- BY TAKING ON EXTERNAL COMMITMENTS
- MAINTAINING AN ACTIVE KNOWLEDGE NETWORK
- CONTINUOUSLY MONITORING PERFORMANCE
- COMMITTING MANAGEMENT AND EMPLOYEES
- PROMOTING A CULTURE OF SUSTAINABILITY AND ENSURING EMPLOYEE AND MANAGEMENT TRAINING

## By establishing internal commitments



### COMMITMENT I

Acting responsibly and ethically, ensuring the best governance practices and transparency



### COMMITMENT III

Valuing human capital



### COMMITMENT V

Ensuring the protection of the environment, people and assets



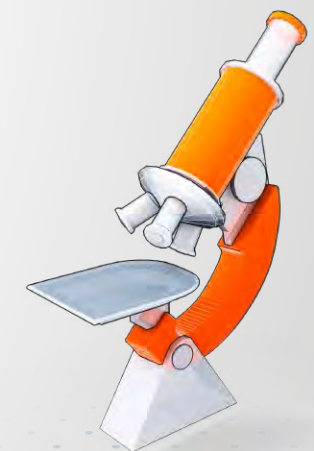
### COMMITMENT II

Engaging with the community and other stakeholders and encouraging the creation of shared value



### Commitment IV

Helping to satisfy future energy needs and minimize the intensity of the carbon footprint



### COMMITMENT VI

Promoting innovation, research and technological development



## COMMITMENT I

### Acting responsibly and ethically, ensuring the best governance practices and transparency

We recognize that our decisions must be guided by integrated, progressive weighting of the various risks, and must consider the rights and expectations of those who are affected by our business. Governance practices must be continually improved, in order to optimize the management of the Company and the creation of value, emphasizing its long-term element. Transparency is a cornerstone of relationships of trust in society and is increasingly demanded by stakeholders.

#### OBJECTIVES:

- Ensuring integrated risk management to build a culture of strategic, financial, operational and compliance risk management at all levels of the Organization, to ensure the definition and understanding of the Company's risk appetite, particularly in relation to emerging risks.
- Ensuring the existence, actual implementation and control/monitoring of instruments and policies to ensure transparent and ethical action that complies with applicable legislation and regulation.
- Ensuring the inclusion of the Company's sustainability concerns in the appropriate governance model, to guide it towards the creation of long-term value and safeguarding the interests of shareholders.

#### WHAT WE HAVE ALREADY IMPLEMENTED

- We have created an organizational model to establish transparency and efficiency in strategy execution and value creation.
- We have a Remuneration Policy that encourages alignment of the performance of executive directors with the sustainable long-term interests of the Company.
- We have implemented corporate codes, policies, instruments and / or systems: risk management; anti-corruption; conflicts of interest; purchasing; human rights; pay; dividend distribution; reporting to the market.
- We have published a new Code of Ethics and Conduct and whistle-blowing procedure and have created the Ethics and Conduct Committee which takes over, in its functions, the Ethics Code Compliance Verification Committee and the Anti-Corruption Policy Monitoring Committee, which have been formally wound up.
- We have disciplinary procedures for failure to comply with the general rules of conduct established in the Code of Ethics and Conduct and the Anti-Corruption Policy.
- We have created a Compliance area and we have enhanced the counterparty analysis mechanisms and procedures of Know Your Counterparty (KYC) and Know Your Transaction (KYT).
- We have developed critical skills in compliance issues.
- We ensure that the Joint Operating Agreements (JOA) to which we are party contain corruption risk prevention clauses.
- We have tools for the evaluation of our counterparties in relation to compliance matters.
- We have a working group within the Risk Committee, assigned to compliance, environment, quality and safety and regulatory change issues.
- We deliver training on risk management in the Academia Galp and in thematic conferences.
- We apply the Galp radar concept to guarantee the integrated and systematic management of the various risks we face.
- We have an internal audit programme for issues such as internal control, compliance, governance, among others and we have reviewed the plan on specific requirements relating to human rights, labour rights, and corporate responsibility.
- We have a Tax Policy for inclusion in the Group strategy, safeguarding risk management and transparency.
- We have a Sustainability Committee, which meets four times a year and is chaired by the executive director of the respective area of responsibility.
- We have taken on external commitments: Fórum Empresas para a Igualdade (Companies for Equality Forum); EITI.

#### WHAT WE WILL DO (2016-2020)

- 30% of the Board of Directors will be female by 2018.
- We will provide all employees with training on sustainability issues, the Code of Ethics and Conduct, anti-corruption and the protection of human rights, through an e-learning tool (under way).
- We will continue the programme of audits for compliance with the Code of Ethics and Conduct and anti-corruption.
- We will promote an assessment on the implementation of the Code of Ethics and Conduct and develop regular audits of the efficacy of the whistle blowing procedure.
- We will define and implement the overall Group compliance programme (2016-2020), for which we will also develop a Joint Ventures (JV) Policy.
- We will raise the awareness of employees on the Group compliance function as part of our compliance training and communication priority, to promote training campaigns on a range of issues, such as anti-corruption and internal compliance standards (2016-2020).
- We will develop the Know Your Counterparty mechanisms currently in place (as part of Third-Party Diligence)/Know Your Transaction, using information technology to promote alignment with best international practices.
- We will enhance our participation in national and international bodies working on compliance, ethics, and corruption issues.
- We will carry out an evaluation of the implications of the Ruggie Framework in the geographical areas that are most vulnerable/at risk in this matter (under way).
- We will define criteria and methods to respond to adverse public information of a legal nature about Galp.
- We will guarantee the publication of an internal standard to regulate procedures in response to fraudulent practices in contract arrangements with natural gas clients (2016).





## COMMITMENT II

### Engaging with the community and other stakeholders and encouraging the creation of shared value

The creation of shared value is a condition for maintaining the relationships on which we depend to ensure our longevity. Our engagement efforts must therefore focus on creating shared value. Engagement with the community is increasingly important in the context of our Organization.

#### OBJECTIVES:

- Guaranteeing a stakeholder engagement process, based on the relevant mapping, regular consultation plans, the organizational strategy and the external context and trends.
- Ensuring that engagement initiatives undertaken seek to create shared value and measure the resulting impacts (positive and negative) for the Company and for its stakeholders.
- Ensuring the existence, actual implementation and control/monitoring of instruments and policies that ensure management of relationships and commitments between the Company and its stakeholders.
- Ensuring that all projects include a stakeholder engagement plan and social impacts assessment, in order to mitigate adverse impacts and risks regarding operations and the Company's reputation.
- Honouring external commitments (e.g. United Nations Global Compact).

#### WHAT WE HAVE ALREADY IMPLEMENTED

- We have developed corporate policies and strategies: Community Investment Policy, Corporate Social Responsibility Strategy, Purchasing Policy, Quality Policy.
- We have reviewed the Purchasing Policy with enhanced reflection of social and environmental concerns.
- We have strengthened the auditing process of our critical suppliers to ensure compliance with our sustainability requirements (e.g. Health, Safety and Environment (HSE), ethics and human rights).
- We use management tools to measure the impact of our Company in society: the London Benchmarking Group (LBG) methodology.
- We have a corporate volunteering programme: Galp Voluntária (Galp structured programme of corporate volunteering).
- We have developed formal and regular stakeholder consultation processes, based on the appropriate mapping.
- We use specific interaction channels tools for different stakeholders: customers (Estrela programme, European Customer Satisfaction Index (ECSI), Brand Reputation Index); suppliers (audits, Supply4Galp); investors (Capital Markets Day), etc.
- We implement stakeholder engagement and community support programmes: Missão UP (Up Mission); Galp Energia Solidária (Galp Energy Solidarity); Aliança para a Prevenção Rodoviária (Road Safety Alliance).
- We have developed a stakeholder engagement plan in Mozambique.
- We have set up a programme of investments in Mozambique involving the evaluation of over 100 projects from 25 organizations in the country, assessed against a range of criteria, including the UN priorities, our strategy, risks, and opportunities in relation to generation of inclusive social businesses.
- Fundação Galp Energia (Galp Energia Foundation) has been operating since 2009.
- We have developed deals with advantageous conditions, including the GalpOn and Energy3 service.
- We have implemented the Q2C system, which aims to guarantee the quality of our products.
- We have developed training initiatives for the Mozambican technicians of the National Hydrocarbon Company (ENH) and the staff of the official institutions which the Company deals with in Mozambique.
- We have developed Saber +: Advanced Management Course for Resellers.
- We have developed a Galp E&P Management System for E&P projects that we do not operate, in accordance with the functional processes and approval rules in E&P JVs and with JOAs and other JV contractual provisions.
- We have organized awareness-raising campaigns and provided information on efficient/environmentally friendly driving for drivers.

#### WHAT WE WILL DO (2016-2020)

- We will implement the Galp Brand repositioning project by reinforcing the issue of sustainability, including an investor consultation procedure (under way).
- We will evaluate the community impact of our investments by defining key performance indicators (KPI) (under way).
- We will continue with the volunteer projects promoted by Galp Voluntária. For 2016, we have a commitment to provide 870 volunteers to carry out a total of 7,700 hours' volunteering.
- In the Missão UP, we will maintain the level of involvement of the school community.
- We will develop a social responsibility programme as part of the Millennium Goals.
- We will continue to implement the NP 4469 standard requirements, as part of the implementation of the Social Responsibility Management System, via the Driver project.
- We will restructure the stakeholder engagement corporate plans (under way).
- As part of the Mozambique investment programme, we will structure and implement a community investment initiative in the country.
- We will develop a communication campaign for our sustainability commitments (2016), in line with the brand repositioning.
- We will answer the needs of specific stakeholder groups when creating kits with contextual and performance information to support their decision-making (e.g. sustainability media kits and investor kits).
- We will implement the online portal/counter for the free market in natural gas and we will execute the Natural Gas processes and systems automation programme to improve the quality of the service to clients (2016).



## COMMITMENT III

### Valuing human capital

The success of our Company depends on our staff. In an increasingly competitive world, we need to position ourselves as an attractive employer that offers conditions in which the talent of our staff can be captured, developed, and retained so that the Company can build its capacity to exploit its growth potential.

#### OBJECTIVES:

- Offering good conditions for attracting and retaining talent in national and international contexts, reducing turnover and the associated direct costs and loss of value.
- Creating an organizational climate that promotes a sense of belonging and career opportunities and personal development, so that every employee feels motivated, has a sense of vocation in their work, explores his full potential and thus maximizes the Organization's ROI in its human capital.
- Ensuring that training and development programmes are in place to enhance our human capital and continually build capacity to implement the short-, medium- and long-term strategy of the Company.
- Promoting a culture of autonomy, accountability, and meritocracy that recognizes and rewards personal and professional virtues, performance, commitment, and orientation to the Company's success.
- Combating discrimination and promoting diversity and equality to favour pluralism and skills in the performance of our functions and, particularly, in decision-making.
- Promoting local recruitment, to contribute to the development of the communities where we operate and to promote the social integration of the Company and its employees.

#### WHAT WE HAVE ALREADY IMPLEMENTED

- We have developed corporate policies: human resources management; training; remuneration.
- We provide a package of benefits for employees in addition to those provided in the Labour Code.
- We offer long-term incentives (three years) for first line staff and we apply sustainability factors in employee performance evaluation (QSES Factor), to encourage talent retention and the Organization's commitment to long-term value creation.
- We have taken on external commitments: Fórum Empresas para a Igualdade.
- We have talent recruitment and management programmes: Generation Galp; Mapping Potential; Leaders for the Future; Developing Leaders@Galp; Maturing Leaders@Galp; mobility programmes.
- We offer training programmes, particularly in Academia Galp, with courses designed to enhance key skills.
- We use human capital management tools: a system of performance management by objectives and skills with 360° feedback; ROI (return on investment) of human capital; organizational climate diagnoses and resulting action plans; new recruit induction programme; functional mobility programmes, etc.
- We disclose our corporate values throughout the Company.
- We raise awareness on travel risks, particularly through dissemination of the Traveller's Manual and we have established Journey Management Plans.
- We have developed non-occupational health and wellness initiatives, covering issues such as healthy living habits, obesity, nutrition and healthy eating, psychosocial risks and stress, active life, etc.
- We hold regular staff meetings to promote internal networking, align the culture and values and to promote the Company's business strategy.
- We have a number of internal communication tools: mygalp (intranet), mygalp news, mygalp reports, mygalp extra, mygalp magazine, mygalp video, mygalp info, galp press, market watch, etc.
- We have developed the employee portal, to provide a faster and simpler virtual system to manage operational human resources processes.
- We have developed an "Analysis of the Sustainability Context" which we share with employees to strengthen the integration of sustainability in the everyday life of the Company.
- We publish an internal sustainability newsletter and our market watch covers sustainability-related issues.

#### WHAT WE WILL DO (2016-2020)

- We will continue with the implementation of HR policies in our various affiliates in Africa and Brazil.
- We will develop new employee training initiatives in Africa.
- We will continue with internal training initiatives to raise awareness on sustainability issues, in particular through a customized e-learning tool on sustainability and the implementation of the EQSS Academia (under way).
- We will strengthen regulations for employment practices, in line with benchmark good practices.
- As part of our membership on the Fórum Empresas para a Igualdade: We will devise a usage guide with inclusive language; we will provide training on gender equality and work/life balance; we will include the topic in the Conhecer + (Meet +) programme and in the Academia (under way).
- We will identify high-potential young people with whom we will define Personal Development Plans (Mapping Potential programme) (under way).
- We will develop the equality and diversity plan for our operations in Spain, covering issues such as gender equality, disability, work/life balance plan and sharing values between generations.
- We will review and update the performance assessment system (under way).
- We will continue to recruit local employees: We will safeguard the guiding principle of prioritizing local recruitment in the countries in which Galp operates (> 90%) (2015-2020).
- We will establish new strategic lines for human capital, through the development of two programmes: strategic programme 1, to promote the Galp culture, and strategic programme 2, to develop critical skills (under way).
- We will establish Sustainability Day in the Company, involving managers in debate and networking on sustainability (2016).
- We will continue with our staff development programmes to empower the talent of our employees in conjunction with the Company's strategic plan.
- We will monitor the organizational climate in order to increase a sense of belonging, pride, engagement, and motivation.
- We will reinforce a culture of meritocracy.
- We will develop new actions to reinforce gender diversity.
- We will implement the E&P employees hosting programme (2016).



## COMMITMENT IV

### Helping to satisfy future energy needs and minimize the intensity of the carbon footprint

We must continue to interpret the context in which our industry acts to meet future energy needs by delivering energy in a socially just and responsible manner and by recognizing the need to reduce the carbon footprint intensity of our activities and products.

#### OBJECTIVES:

- Guaranteeing that the climate change risks and opportunities are considered in the strategic formulation of the Company's portfolio development.
- In particular, interpreting the European and United Nations climate-energy policy contexts to assess the risks and opportunities for the Company's portfolio in relation to carbon fuels and oil and gas reserves, downstream activity and renewable energies.
- Promoting the inclusion of energy outlooks in strategy development.
- Encouraging research and development into solutions that minimize risks and maximize opportunities related to energy-climate.
- Promoting energy efficiency and innovative solutions to minimize the carbon footprint of our operations and move our whole operational chain in the direction of the best references and benchmarks.
- Planning adaptations to climate change, by mitigation of the operational risks resulting from extreme climate phenomena.
- Coordinating social responsibility programmes with climate change strategy.

#### WHAT WE HAVE ALREADY IMPLEMENTED

- We have implemented corporate policies: Climate Change Policy; Refineries Energy Policy.
- We have implemented a climate change strategy.
- We monitor our carbon footprint, and implement and monitor energy KPIs.
- We are participating in the CDP – Driving Sustainable Economies project, and in 2015 we made the “A” list and maintained our maximum score of 100 points in the disclosure category.
- As E&P operators, we endorsed The World Bank’s “Zero Routine Flaring by 2030” initiative.
- We include a benchmark carbon price, which applies across the Organization, in our investment analysis processes.
- We implement energy efficiency projects in our Company, with our clients and in the community: refineries conversion project and definition of a strategic framework based on five action areas; TOP REF project (Sines); energy efficiency programme in service stations (Ecoposto); Galp Energy Solutions projects.
- We develop sustainable mobility solutions: Vehicle Natural Gas (VNG) project; implementation of electric charging stations; Living Lab Galp-Toyota project; incentives for the use of LPG Auto vehicles; Galpshare; clients, employee and business partner training and awareness.
- We are producing low carbon energy and diversifying our portfolio: natural gas cogeneration; Ventinveste (wind farms); Parkalgar (photovoltaic energy); production of raw materials for biofuels (Belém, Brazil); production of 2<sup>nd</sup> generation biofuels (Enerfuel plant).
- We set targets for the CO<sub>2</sub>/CWT indicator to position our Company and refineries under the industry's benchmark. The Matosinhos refinery achieved top ten performance in the industry in 2014.
- We have energy certification in accordance with ISO 50001:2011 for the Sines and Matosinhos refineries.
- We characterize the risks and set climate change adaptation plans, taking account of the safety of the installations and the security of supply.
- We obtained the International Sustainability Carbon Certification (ISCC), in accordance with the European Renewable Energies Directive (RED), for our storage facilities in Gijón and Valencia.
- We support institutes, research centres, and consortia in relation to biofuel production.
- We are members of the Energy and Climate Issue Group, the Emission Trading System and Energy Efficiency Task Forces, and the Automotive Fuels Issue Group, in the European industry association FuelsEurope.
- We have participated in the Methane Workshop organized by IPIECA and the Oil and Gas Climate Initiative (OGCI) and we are a member of the IPIECA/IOGP's Methane Task Force.

#### WHAT WE WILL DO (2016-2020)

- We will continue to implement our climate change strategy and fulfil its objectives and action plans.
- We have an ongoing strategic programme that will define Galp's footprint in new energies.
- We will review the Climate Change Policy to address the changing context and medium- and long-term challenges (2016).
- We will produce 2<sup>nd</sup> generation biodiesel through the HVO co-processing technology at the Sines refinery (2020).
- We will arrange training, internally and for business partners in logistics activities, on abnormal situations resulting from climate change (2017).
- We will implement five energy efficiency projects in natural gas clients (in two hotels, a private charitable institution and in a shopping and sports centre) (2016).
- We will strengthen Galp's energy efficiency communication services for SMEs (such as the lighting diagnosis and optimization of the power factor) (2016).
- We will deliver five energy efficiency-training sessions to clients as part of Galp ProEnergy (2016).





## COMMITMENT V

### Ensuring the protection of the environment, people and assets

We must continue to improve our health, safety, and environment performance by reducing the negative impact and maximizing the positive impact of our operations. We have to do this for our people, our assets, and our stakeholders, who grant us the licence to operate and whose trust we need.

#### OBJECTIVES:

- Guaranteeing the adoption of HSE and security policies and standards to enable our commitment to the protection of people, the environment, and assets to be implemented.
- Guaranteeing continuous management of the HSE and security risks of our installations and operations.
- Ensuring legal compliance and the adoption of benchmark practices in terms of design, operation, and maintenance.
- Promoting eco-efficiency to reduce the consumption of resources, thus guaranteeing the preservation of biodiversity and protection of soil and water resources.
- Promoting Best Available Techniques and more efficient technologies to reduce impacts and risks.
- Reaching the goal of zero personal, material, environmental and security accidents.

#### WHAT WE HAVE ALREADY IMPLEMENTED

- We implement corporate policies: Health, Safety and Environment (HSE); car safety; prevention of serious accidents; quality.
- We have a HSE management system (G+ System), which establishes the minimum requirements to be satisfied in the operations for which we are responsible.
- We have improved the integration of Environmental, Quality and Safety (EQS) performance in employee and top management performance assessment.
- We have adopted the target of zero accidents with significant impact on people, environment, and assets.
- We have accident prevention programmes, such as 3S and Alerta.
- We have reduced emissions from our refineries: 75% of NO<sub>x</sub> emissions, 66% of SO<sub>2</sub> emissions, and 83% of particulate emissions (compared to 2005).
- We are promoting the implementation of the best available techniques to minimize the environmental impacts of our operations.
- We ensure that best practices are identified and integrated in E&P operations – first Galp offshore operation with zero accidents and zero containment losses above 150 litres.
- We have defined eco-efficiency objectives and targets, in accordance with the materiality and nature of the business.
- We implement an annual EQS, energy, and G+ System internal auditing programme.
- We focus on the renewal of existing certificates and obtaining new certifications: environment (ISO 14001), quality (ISO 9001), safety (OHSAS 18001), energy (ISO 50001), and laboratories (ISO/IEC 17025).
- We develop programmes for the promotion of health and safety of people (Vida Ativa, Vida Positiva project; PENSA campaign).
- We map current and future water risks and the areas of protection and conservation of biodiversity surrounding our facilities, using international tools such as the Global Water Tool (GWT) and the Integrated Biodiversity Assessment Tool (IBAT).
- We establish good practice guides for biodiversity management, with a focus on E&P operations.
- We held a campaign on the Ebola virus and dengue prevention awareness-raising initiatives.
- We held training on security through a tabletop simulation type exercise, involving top management and covering threats such as bombings, kidnappings, spying and cyber-attacks.

#### WHAT WE WILL DO (2016-2020)

- We will implement the G+ system in all our operations.
- We will define a plan to bridge the gap between the G+ system and the E&P HSE management system (as non-operators and future operators).
- We will continue with the development of the Driver project for the integration of management systems.
- We will develop a crosscutting standard with definition of Galp's requirements in the area of protection of the environment, people and assets (2016).
- We will ensure that best practices are implemented, keeping our references for E&P and downstream operations updated.
- We are adopting the goal of zero accidents\* to people, materials and the environment.
- In 2020, we will be a benchmark in the sector in relation to LTIFR.
- We will guarantee the existence, compliance and suitability of emergency response plans as E&P operators.
- We will consolidate the downward trend in consumption of resources and atmospheric emissions by activity level and we will increase the proportion of recycled waste.
- We will reduce containment losses and maintain zero accidents causing environmental damage.
- We will continue to guarantee that eco-efficiency objectives and targets are defined, in accordance with the materiality and nature of the business.
- We will improve relations with operators in E&P projects in Angola, Brazil, Mozambique, and Portugal, in HSE issues, and we will provide technical support.
- We will organize the HSE studies and permits/licences necessary as operators of E&P projects.
- We will define a health strategy for Galp that defines the corporate requirements for health management (under way).
- We will develop campaigns for risk prevention at the workplace in relation to human/sleep and psychosocial factors and professional diseases.
- We will develop a malaria and HIV prevention campaign (under way) and will organise awareness-raising activities and training for tuberculosis.
- We will carry out a health, safety, and environment culture diagnosis (2016).
- We will carry out a diagnosis and define an action plan for the management of human factors (2016).
- We will proceed to review our HSE policy, in accordance with the sustainability context and challenges (2016).
- We will establish the security policy and implement a corporate security management system (2016/17).
- We will develop an e-learning module on security.
- We will carry out a process security diagnosis in Portugal and Spain, with auditing (2016).
- We will continue to implement annual health monitoring plans.
- We will develop health promotion campaigns, especially with respect to tobacco, alcohol, and food.
- We will implement the CuidaT programme in Spain, for the promotion of healthy habits.
- We will promote the use of electronic billing for natural gas clients, through a range of initiatives: strengthening incentives (discounts) for customers who register for electronic billing; recalibration of incentives for the sales force to sell contracts with electronic billing to SMEs; compulsory electronic billing for new products.



## COMMITMENT VI

### Promoting innovation, research and technological development

The competitiveness of our industry, particularly in the context of the expansion of our Company, is increasingly demanding from a technological point of view, so the focus on innovation, research and development is of growing importance in safe, viable, and competitive energy production.

#### OBJECTIVES:

- Promoting a culture of innovation, not only in terms of technology, but also process, product, services, business model, creating the environment and stimulus for both sustained and disruptive innovation.
- Maintaining a network with the academic and scientific systems to promote awareness on the technological state of the art and enable the creation of competitive advantages in the medium and long term.
- Ensuring the integration of research and development practices in the strategic formulation of the businesses, empowering and differentiating the Company technologically and enhancing its preparedness to respond to emerging challenges.
- Contributing to the reflection on the diversification of Galp's business portfolio, through the dissemination of knowledge within the Company on new trends in the energy sector and their respective potential for value creation.

#### WHAT WE HAVE ALREADY IMPLEMENTED


- We have created innovative projects at Galp, with our clients and other business partners:
  - R&M (Ginseng project, TOP REF, energy efficiency projects in service stations);
  - E&P (seismic imaging);
  - Clients (SMART Galp; Galp 20-20-20 whose programme enabled us to achieve a 10% to 15% reduction in the energy consumption of the clients covered); other business partners (COMET programme).
- We have created R&D partnerships with the scientific and technological community:
  - ISPG – Institute of Oil and Gas;
  - Doctorate and Masters in Petroleum Engineering (ISPG and Heriot-Watt University);
  - Fuel R&D Unit programme (partnership with the University of Coimbra);
  - EnglQ business doctoral programme;
  - Galp Innovation network;
  - We joined the + Atlantic petroleum and gas industrial observatory;
  - Agreement with the National Scientific and Technological Council, under the Brazilian Sciences without Frontiers programme;
  - Scientific and Technological Forum, etc.
- We developed R&D programmes in the area of E&P:
  - Production of oil in fluid-holding carbonate reservoirs with a high percentage of CO<sub>2</sub>;
  - Modelling of carbonate reservoirs;
  - Guarantee of flow;
  - Production installations and equipment.
- We developed sustainable mobility promotion initiatives.
- We identified and attracted funding, grants and incentives in emerging technologies.
- We participated in relevant studies into O&G and automotive industry trends.

#### WHAT WE WILL DO (2016-2020)

- We will invigorate R&D projects in defined strategic areas: energy efficiency, sustainable mobility, and renewable energies, in line with the business strategy for the creation of shareholder value and to contribute to the well-being of society (2015-2020).
- We will implement the strategic R&D plan for E&P activities in Brazil, with an investment of around USD 100 million by 2020.
- As part of the R&D programmes in the area of E&P, we will focus on research areas such as CO<sub>2</sub> capture and reuse, improvement in fluid flow conditions, the study of reservoirs, the development of materials and equipment, increased hydrocarbon recovery (EOR – Enhanced Oil Recovery) and the application of computer technology to the oil and gas industry.
- We will complement research to be undertaken in Brazil with national and European projects involving other Portuguese entities, in particular universities, thus developing integrated projects to promote Galp's relationship with the scientific and academic systems, with the participation of ISPG.
- We will disseminate innovation in the Group and its environment, by creating a multiplier effect of identification of opportunities and generation of ideas.
- We will develop new processes, products, technologies, services and business models, providing our clients a differentiated, relevant, and innovative offer.
- Under the "promoting the galp culture" strategic programme, which is in progress, one of the components seeks to foster an innovation and entrepreneurship culture in the Organization.

## By taking on external commitments

At Galp, we publically endorse principles and initiatives, in order to demonstrate our level of commitment and to strengthen trust with some of our stakeholders.

Find out more on our website, particularly in the Sustainability Channel .



## Maintaining an active knowledge network

We are aware that addressing emerging material issues requires a deep understanding of the context in which they occur. We are therefore linked to a group of entities with which it is possible for us to reduce efforts to achieve this level of understanding.



## Continuously monitoring performance

In order to control potential deviations from the outlined objectives and goals and support decision-making processes, at Galp we engage in performance monitoring as a key management tool. Accordingly, each quarter reports with key sustainability indicators and action plan monitoring are produced and distributed by the Business Units and Executive Committee.

## Committing management and employees

In order to promote the integration of sustainable value creation in the management of activities and ensure the commitment of management and employees, at Galp we include sustainability factors in the performance evaluation system. We therefore have a composite indicator, known as the Environment, Quality, Safety and Sustainability factor (EQSS factor), which influences the variable pay component of employees and managers, with a positive impact if the EQSS objectives are achieved and a negative impact otherwise.

For administrators, a long-term component in performance evaluation also applies.

Find out more in chapter 6.1 Responsible and ethical action to guarantee best practices in governance and transparency.

## Promoting a culture of sustainability and ensuring employee and management training

At Galp, we understand the importance of our employees' actions on the path towards sustainable growth. We have therefore acted on two fronts: culture (emotional, behavioural and internalization) and capacity building (associated with technical knowledge, tools, and methodologies). Accordingly, we act as follows: through awareness raising, to consolidate the culture of sustainability and make it part of the identity framework of our company; and through employee training so that, in our day-to-day operations, we can meet the challenges and implement the tools and methods to safeguard sustainable management.

We regularly use internal communication channels to raise awareness in the Company about the challenges of sustainable value creation and we provide training on sustainability.

In particular, in 2015 we started to develop a customized e-learning tool on sustainability. This will consist of a general training component and a modular component offering different chapters, focused on



topics that are more specific. This will be used to customize and adapt our syllabuses to the needs and specifics of the various functions in the Organization, so that both culture and technical expertise in sustainability are enhanced. This programme will cover all our employees.

Additionally, we are developing a strategic initiative of staff capacity building, which includes the design and implementation of a training programme under issues of environment, quality, safety, and sustainability

(EQSS). This will be designed in collaboration with the most prestigious institutions working in these areas and will be given the seal of the EQSS Academy brand, operating as an Academia Galp course. We believe, therefore, that this will help us consolidate and deepen knowledge for the progressive creation of skills in various areas of knowledge, which will affect the sustainability of our Company. The programme modules will be adapted to the level of proficiency expected for the various Organizational roles, from senior management to EQSS managers.



# 6.1

## Acting responsibly and ethically, ensuring the best governance practices and transparency



COMMITMENT I

### Objectives

- Ensuring integrated risk management to build a culture of strategic, financial, operational and compliance risk management at all levels of the Organization, to ensure the definition and understanding of the Company's risk appetite, particularly in relation to emerging risks.
- Ensuring the existence, actual implementation and control/monitoring of instruments and policies to ensure transparent and ethical action that complies with applicable legislation and regulations.
- Ensuring the inclusion of the Company's sustainability concerns in the appropriate governance model, to guide it towards the creation of long-term value and safeguarding the interests of shareholders.

## 6.1.1

# Corporate governance

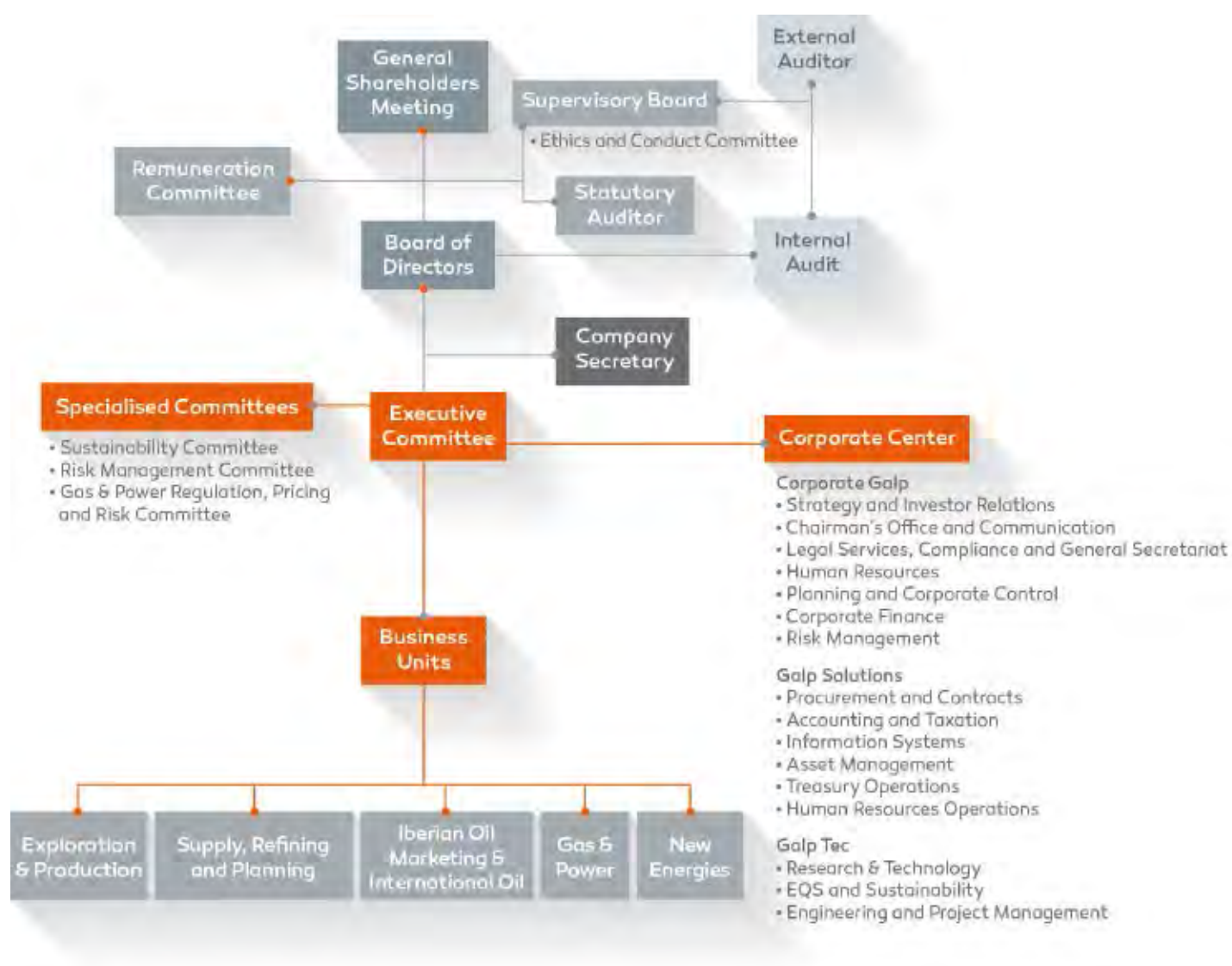
Our corporate governance model, which corresponds to the monistic classical model provided in law, seeks transparency and efficacy in the operations of our Company and is based on clear separation between the powers of the various corporate bodies. In particular, the Board of Directors is responsible for the oversight, control and monitoring of strategic matters, as well as relationships between shareholders and the other corporate bodies. The Executive Committee,

with powers delegated by the Board of Directors, is responsible for ongoing management of the five business units and the corporate centre.

The current model also includes an enhanced supervision structure, which includes the Supervisory Board, the Statutory Auditor (ROC), and the Company Secretary, providing expert support to the corporate bodies.

## Organic and Functional Structure of Galp

The guiding principles underlying the organizational and functional structure of our Company are horizontality, flexibility, simplicity, efficiency and the delegation of responsibilities. We are therefore responding to the aim of creating shareholder value, particularly through the creation of synergies within and between the business units.





## Corporate bodies

Corporate body	Main powers and characteristics	Selection and appointment	Meetings and attendance
<p><b>General shareholders meeting (GSM)</b></p>	<p>The GSM consists of all shareholders and is responsible for making decisions on matters specifically assigned to it by law and by statute and that are not assigned to other corporate bodies or management matters where so requested by the Board of Directors.</p> <p>Each share carries a single vote and our company statutes guarantee, in full and without restriction, postal voting.</p> <p>The GSM decides by simple majority, with absences not counted, except in cases where the law or statutes require qualified majorities.</p>	<p>The GSM board consists of three standing members: a chairman, a vice-chairman, and secretary, in accordance with the definitions of the statutes.</p> <p>The current members were elected at the GSM held on 16 April 2015, for the three-year term 2015-18.</p>	<p>1 meeting</p> <p>80.87% of share capital represented</p>
<p><b>Board of Directors (BD)</b></p>	<p>The Board of Directors is responsible for managing the Company's activities and deciding on any administrative matters or other issues not included in the exclusive powers of the shareholders meeting at the GSM.</p> <p><b>Proportion of executives and non-executives</b></p>  <p>20 Directors, of whom 12 are non-executives, including the Chairman of the Board of Directors</p> <p><b>Gender balance</b></p>  <p>2 members of the Board of Directors are women</p> <p><b>Independence</b></p>  <p>Out of the 12 non-executive Directors, 5 are considered to be independent</p>	<p>The members of the Board of Directors are appointed for a period of four calendar years, elected by the GSM.</p> <p>In the event of permanent absence or temporary impediment of any member of the Board of Directors, the body shall proceed to co-opt a replacement member and must submit this proposal for endorsement by the next general shareholders meeting.</p> <p>The proposed choice of members is presented in the form of lists, as provided in law and the Company's statutes, with an indication of the proposing shareholders.</p> <p>The Board members have recognised skills and reflect diverse academic backgrounds and professional experience. For more information, see our Corporate Governance Report 2015.</p> <p>In order to promote the greater participation of women in the Company's decision-making, we made a commitment to the Portuguese government on 30 June 2015 to develop measures aimed at achieving targets for representation by women of 30% on the Board of Directors by 2018 or at the start of the next term of office.</p> <p>There is no defined maximum number of mandates in companies outside the Group for non-executive directors and in the Group for executive directors. The suitability of the level of availability of the directors is confirmed through performance appraisal performed by the Remuneration Committee as well as through the work developed within the Company and the attendance at the meetings of the Board of Directors and the Executive Committee. Furthermore, the legal and statutory regime provides for the end of an executive director's mandate or his replacement by another director, being in turn appointed as non-executive director. For further information, see our Corporate Governance Report 2015.</p> <p>The current members were elected at the GSM held on 16 April 2015, for the three-year term 2015-18.</p>	<p>10 meetings</p> <p>93.7% stake</p>

Corporate body	Main powers and characteristics	Selection and appointment	Meetings and attendance
<b>Executive Committee (EC)</b>	<p>The EC is the body responsible for the ongoing management of our Company, as provided by the delegation of powers and in line with the strategic guidelines defined by the Board of Directors.</p> <p>For the four-year term 2015-18, the Board of Directors consists of seven members.</p>	<p>The Executive Committee consists of five to seven directors, including its Chairman – (Chief Executive Officer – CEO). These members are appointed by the Board of Directors.</p> <p>The assigned powers are distributed among the executive directors, in accordance with the functional assignments defined by the Chief Executive Officer.</p>	<p>47 meetings</p> <p>95% stake</p>
<b>Remuneration Committee</b>	<p>The Remuneration Committee is responsible for the definition of the remuneration policy and the pay amounts of the members of the corporate bodies. This policy is annually reviewed and approved by the GSM.</p> <p>This Board evaluates the performance of the executive and non-executive directors.</p>	<p>The Remuneration Committee consists of representatives of three shareholders, elected by the GSM.</p> <p>Its members are independent of the members of the Company's Board of Directors and supervisory bodies.</p>	<p>3 meetings</p> <p>100% stake</p>
<b>Supervisory Board</b>	<p>The Supervisory Board is responsible for oversight of corporate business in four basic areas: (i) supervision of Company activity; (ii) control of the Company's financial information; (iii) oversight of the internal risk management, control, and internal auditing systems; (iv) receipt and processing of whistle blowing.</p>	<p>The Supervisory Board consists of three standing members and one deputy member, elected by decision of the GSM.</p> <p>They meet the criteria of independence and have suitable professional skills and qualifications for the exercise of their functions.</p>	<p>15 meetings</p> <p>95.2% stake</p>
<b>Statutory Auditor</b>	<p>The Statutory Auditor performs the checks and the analyses required for the revision and legal certification of the Company accounts and exercises the other powers and attributions assigned by law.</p>	<p>The Statutory Auditor proposed to the GSM by the Supervisory Board cannot be a member of that company body.</p> <p>The current company of statutory auditors and its deputy were elected by the GSM held on 16 April 2015, for the four-year mandate 2015-18.</p>	<p>Not Applicable</p>
<b>External auditor</b>	<p>The external auditor checks the application of the policies and systems governing the pay of corporate bodies and the efficacy and operation of the internal control mechanisms and reports any deficiencies detected to the Supervisory Board.</p>	<p>At Galp, we periodically select an external auditor, as proposed by the Supervisory Board.</p>	<p>Not Applicable</p>
<b>Company Secretary</b>	<p>The Company Secretary provides specialist support to the corporate bodies, particularly to the Chairs of the Board of Directors and the Executive Committee, in the exercising of their powers.</p> <p>He acts to ensure that the performance of the administrative and management bodies complies with applicable legislation, with the Company statutes and the internal regulations.</p>	<p>The standing Company Secretary and his deputy are appointed by the Board of Directors for the same mandate as the corporate bodies.</p> <p>The Secretary has the suitable profile and skills for the performance of his functions.</p>	<p>Not Applicable</p>

For further information on each corporate body and on their members for the current mandate, see our Corporate Governance Report 2015 [↗](#) and our corporate website [↗](#).

## Specialised Committees

The main specialised committees are presented below:

It ensures the integration of sustainability principles in the management of the Group companies, promoting the best practices in the industry in all business, corporate and service areas. It consists of representatives from different areas of our Company and is chaired by the Executive Director of the respective portfolio, Dr. Carlos Costa Pina.

It met 4 times in 2015.

It is charged with monitoring the implementation of the Code of Ethics and Conduct, clarifying questions and receiving and processing communications in relation to alleged irregularities. Its task is also to promote employee training in these matters.



It supports and monitors the definition and execution of the risk management strategy and policy of our Company, by coordination with the Risk Management Directorate and the managers of the Company's management units.

Three committees that support regulatory issues, market information and risk management topics as well as providing internal control of natural gas and electricity distribution activity.

These committees consist of the Executive Director of the portfolio of the Business Unit and the managers of the specific areas.

The agenda of the Sustainability Committee's meetings in 2015 included the following matters:

- Analysis of Galp's performance, its commitments, objectives, and goals.
- Integration of sustainability practices in business development.
- Alignment of Galp's sustainability practices with the best international practices and benchmarking with peers and benchmark performers.
- Monitoring of the stakeholder consultation process and analysis of the materiality of sustainability issues.
- Analysis and preparation of sustainability information for stakeholders, including the Sustainability Report.

Find out more about the Sustainability Committee on our corporate website [🔗](#).

## Nomination of members of the Board of Directors

As mentioned above, Board members are elected by the GSM. In the event of permanent absence or temporary impediment of any member of the Board of Directors, the body shall proceed to co-opt a replacement member and must submit this proposal for endorsement by the next general shareholders meeting. The proposed choice of members is presented in the form of lists, as provided in the law and the Company's statutes, with an indication of the proposing shareholders, being the votes solely applied over those lists.

In light of the national legal framework governing Limited Companies issuing securities – the Portuguese Commercial Companies Code (CSC) and the Corporate Governance Code (CGS) of the Portuguese Securities Market Regulator (CMVM) – in Galp we do not hold a Nomination Committee. Indeed, although there is no legal obstacle to its existence per se, such a committee is not permitted to replace the shareholders in their power to elect the members of the Board of Directors (under article 391 (1) of the CSC). Accordingly, in Portugal, a Nomination Committee is merely an advisory body; therefore, it cannot be assigned powers that are recognised in other jurisdictions as good governance practices.

In 2015, the CMVM – the agency that supervises and regulates the financial instruments markets – put a



proposal for amendment of the CGS out for public consultation. The amendment sought to establish provisions for the role of Nomination and Performance Appraisal Committees in issuing entities. We took part in this consultation and expressed our agreement that there should be such committees and that the need for their powers to be circumscribed by the CSC should be safeguarded. As of the date of publication of this report, the CGS had not yet been amended.

Moreover, Article 392 of the CSC sets out the terms of election of the members of the Board of Directors using lists submitted by shareholders, stipulating that the vote must be based on those lists. Indeed, the vote is only nominal in the exceptional cases provided in law (Articles 392 to 394 of the CSC).

## Performance appraisal and remuneration

Independent evaluation of the performance of executive and non-executive directors is provided annually by the Remuneration Committee. The Remuneration Committee considers consultation with non-executive members on the qualitative performance of executives and it bases its deliberations on compliance with economic, financial, and operational objectives in relation to quantitative performance, as defined annually in the Company Remuneration Policy.

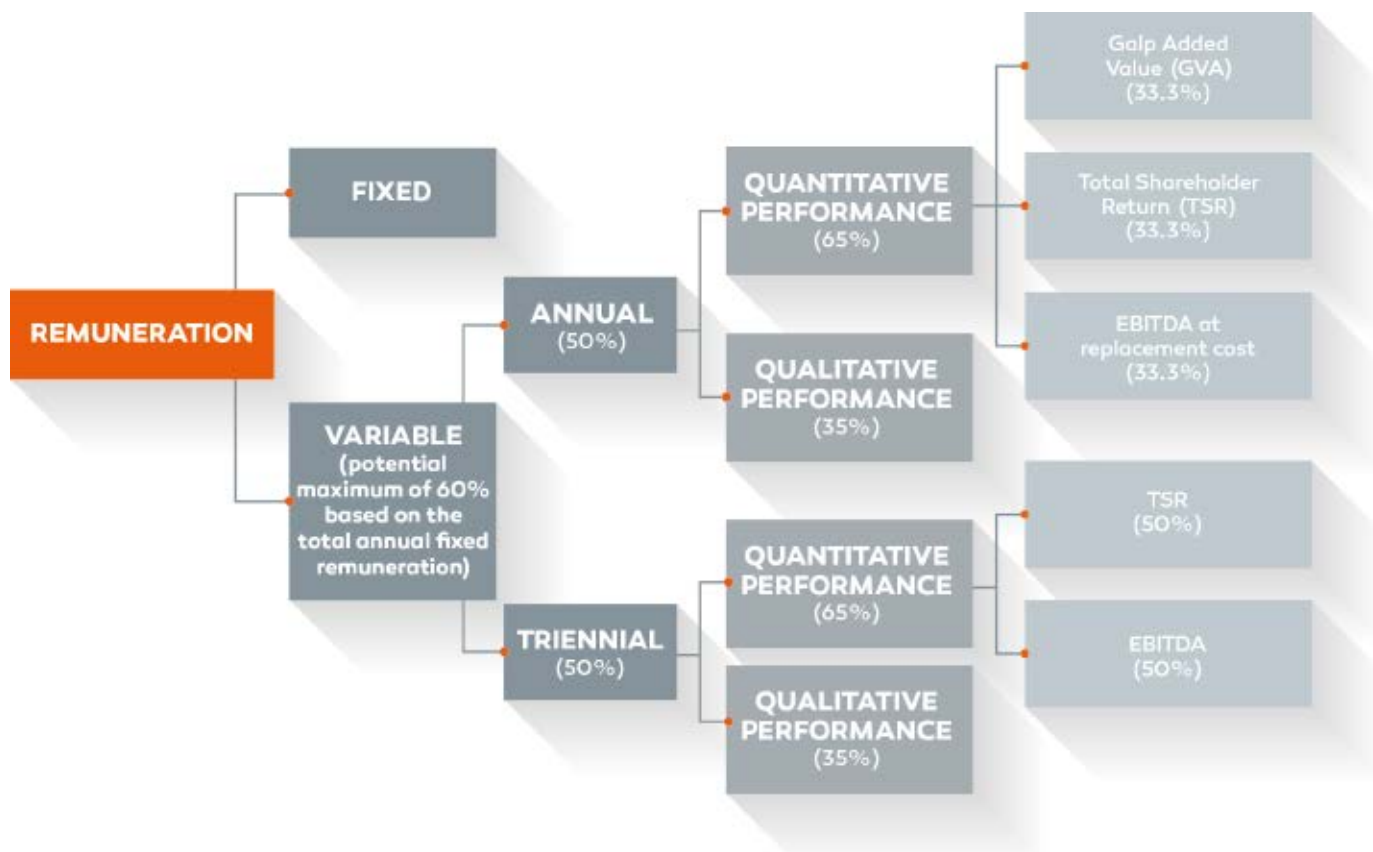
Furthermore, the shareholders, in the GSM and in the exercise of their powers provided by Article 376 of the CSC, undertake an appraisal of the Company's Board of Directors, both general and for each individual director. This forms the basis of a vote of praise, confidence or no confidence, depending on the appraisal outcome,

which may lead to the dismissal of one or more directors.

The external auditor also checks that the remuneration policy and systems for the corporate bodies are being applied. The remuneration policy is put forward by the Remuneration Committee, following due consideration of the recommendations of the CMVM and best corporate governance practices. It is reviewed and approved every year by the GSM and governed by three overarching principles to safeguard the interest, culture, and long-term strategy of our Company:

- Attracting and motivating the best professionals to the roles to be performed in the Company and guaranteeing stability in the exercising of the powers of the elected members of the corporate bodies.
- Providing suitable remuneration, in market conditions, for the tasks performed, results obtained and business expertise, as part of the powers and responsibilities involved in the roles performed by the members of the corporate bodies.
- Rewarding efficiency and productivity improvements and the creation of long-term value for shareholders, through the definition and implementation of an incentives system linked to objectives that can be measured against economic, financial, and operational criteria, defined in light of sustainable growth in income and discouragement of excessive risk-taking.

The Remuneration Policy therefore establishes a fixed monthly compensation amount, supplemented by variable remuneration with annual and three-yearly components:



The first three-year period for which multi-year targets were set was 2013-15.

There are no current plans in the Company to award shares or share purchase options.

For more information on the annual pay amounts earned by the Galp corporate bodies, see the Corporate Governance Report 2015 <sup>6</sup>.

The three-yearly component of the variable remuneration, although calculated annually, is only actually earned at the end of the three years if the targets are reached.

***"In order to provide enhanced incentives for the alignment of the work of executive directors with Galp's long-term sustainable interests, in 2012 a multi-year targets definition policy was introduced, effective from 2013, to defer a significant part of the variable remuneration component for three years [successive and overlapping], thus linking it to Company performance over that period."***

From the remuneration policy 2015

6.1.2

# Risk management

Our approach to risk management makes it possible to establish coherent links between daily risk management activities, strategic and corporate risk oversight, as well as risk monitoring and guaranteed governance, thus enabling the following:

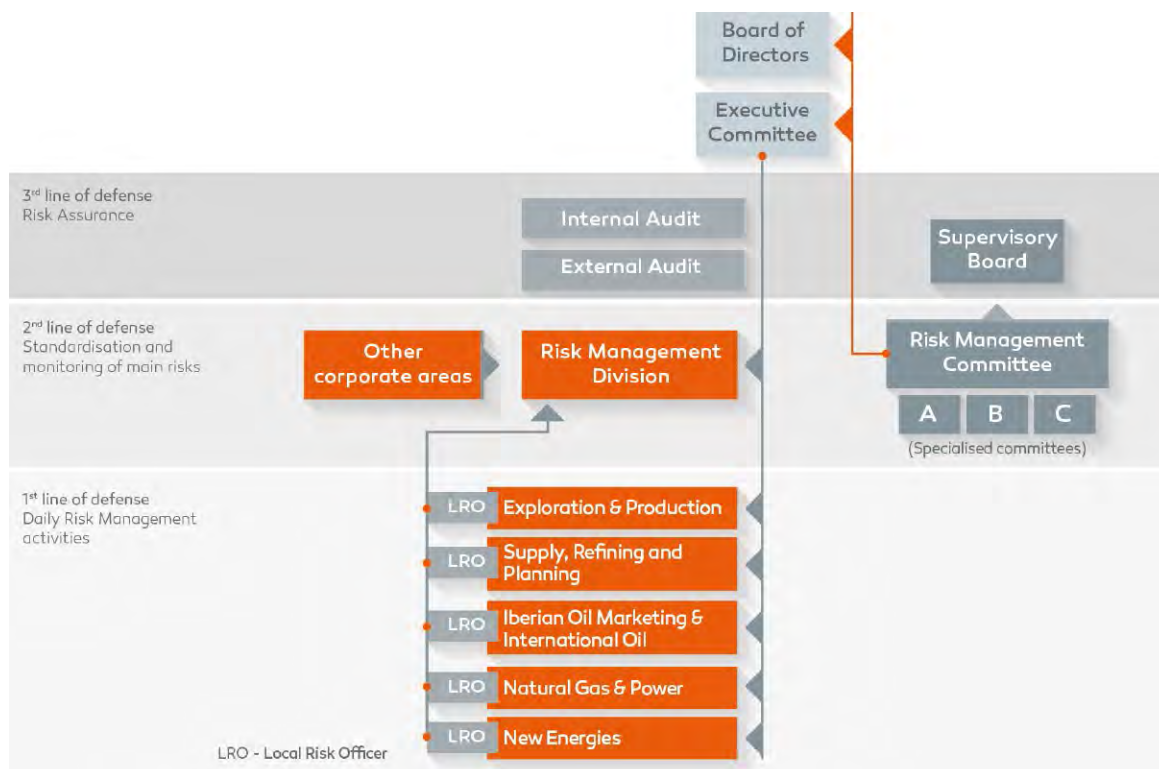
- Identification and understanding of the risk environment, evaluation, and communication of the potential value of risk exposure, definition, and implementation of the best means of capturing or mitigating this risk exposure – 1<sup>st</sup> line of defence.
- Monitoring of corporate risk level, definition of standards and regular reporting of risk and the status of action plans to the Risk Management Committee,

the Executive Committee, the Supervisory Board and the Board of Directors – 2<sup>nd</sup> line of defence.

- Supervision and evaluation, through independent internal and external entities, of the effectiveness of risk management and the internal control process – 3<sup>rd</sup> line of defence.

The Board of Directors has ultimate responsibility for establishing the risk level that Galp is prepared to accept – risk tolerance and appetite – and for guaranteeing alignment of the strategy with this risk level.

Find out more about the risk management model in the Annual Report and Accounts 2015, chapter 6 Risk management.



## Internal Control System

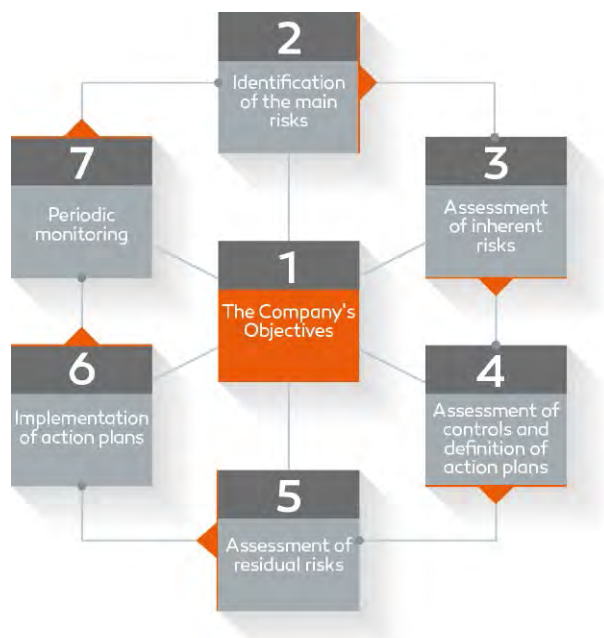
We have implemented an internal control system. It is based on a set of policies and procedures and reflects the guidelines of the “Committee of Sponsoring Organizations of the Treadway Commission” (CoSO). This system addresses key aspects of the internal control of our Company: control environment, risk assessment, monitoring, information, and communication.

We therefore apply the Galp radar concept to guarantee the integrated and systematic management of the various risks we face. The radar objective is as follows:

- To record and monitor the major risks and mitigation actions.
- To set up risk assessment at Group level.
- To provide an alignment document (Executive Committee, Risk Management Division and Business Units).

As part of the activity of the Risk Management Committee, a working group addresses issues related to environment, quality and safety, compliance and regulatory changes. This guarantees that these issues are properly integrated into the Company's risk management system.

### GALP GROUP RISK EVALUATION AND MANAGEMENT METHODOLOGY



### MISSION OF THE RISK MANAGEMENT DIRECTORATE



## Major risks and mitigation methods

At Galp, we have identified the following as the major significant risks, particularly for the purposes of supervision by the Board of Directors and relevant committees for 2016:

### Major risks

- Disruptive events;
- Failures information Systems and Cyber-Security;
- Project execution;
- Geopolitical risks;
- Regulatory and compliance uncertainties (including climate change).

### Other relevant risks

- Attraction and retention of qualified human capital;
- Competition;
- Credit;
- Discovery and development of oil and natural gas resources and reserves;
- Funding and liquidity needs;
- Trading losses;
- Dependence on business partners;
- Price and market volatility.

See Annual Report and Accounts, chapter 6 Risk management, for further details on these risks and their mitigation.



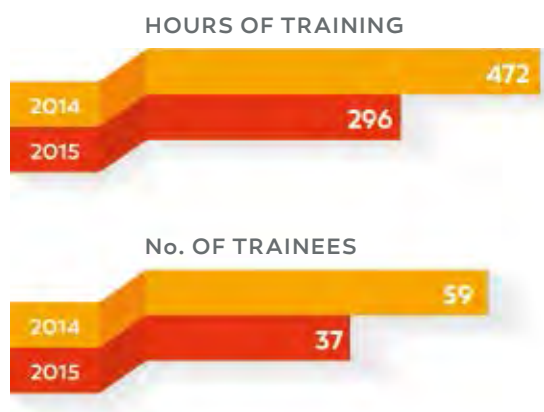
## Risk management qualifications

At the Academia Galp (described in detail in section 6.3.7 Development of human capital), we offer internal training courses on risk management. Our goal is to provide our employees with tools for the:

- Identification of risks to the Group and their impacts;
- Definition and monitoring of risk KPIs;
- Identification of risk management and mitigation measures;
- Dissemination of the risk structure and culture in the Company.

In 2015, we continued to provide training in risk management:

### RISK MANAGEMENT TRAINING (AS PART OF THE ACADEMIA GALP'S FORMAG RISK MANAGEMENT MODULE)



In addition to the above (as described in detail in section 6.1.3 Ethics and Compliance), our Compliance manager was awarded a diploma in Governance, Risk and Compliance (GRC), thus enhancing our risk management skills and its particular relationship with compliance and governance issues.

#### Thematic conference on “Galp Risk Management”

The theme was presented by the Risk Management manager. The session was devoted to our approach to risk and emphasized that it must be addressed not only as a threat but also as an opportunity. Some examples were highlighted to illustrate our position, such as refusal to enter into partnerships in particular countries that are associated with activities such as exploitation of minors.

## 6.1.3

# Ethics and Compliance

At Galp, we are committed to being governed by the highest standards of ethics and compliance. To make good on this commitment, we have developed and implemented various control and monitoring tools, in particular policies, standards and procedures.

The Company has developed critical skills in matters of compliance. Our compliance manager attended the advanced multinational programme delivered by the International Compliance Association (ICA), endorsed by the Manchester Business School, resulting in the award of an International Diploma in Governance, Risk and Compliance (GRC). Since January 2016, the compliance manager has been a member of the ICA, with the Company therefore classed as a corporate member with the associated benefits.

## Ethics and Conduct

In line with our commitment, in 2015 we reviewed our Code of Ethics and Conduct. This reflects our current approach to these issues and takes account of the standards applicable to us, together with our experience. We therefore tailor the processing of issues of ethics and conduct to the new contexts and challenges of geographical expansion and diversification of our business.

Built based on the values that characterize our Company identity, the Code's principles and commitments are part of the definition of a corporate culture that rewards merit, standards, and performance accountability, to strengthen transparency and develop trust in relationships with our stakeholders.

Our Code therefore outlines the fundamental ethical guidelines of the Company's operations in a context of ethical commitments and conduct in relation to the:



The Code establishes, for each of the themes listed therein, commitments and responsibilities and, no less importantly, how they are to be implemented.

There are several matters covered in our new Code, particularly: non-retaliation; additional expectations for managers; non-discrimination; coercion; equal opportunities; privacy and protection of personal data; transparency and integrity; bribery and insider influence; compliance with the law and regulation; payments to private/public entities and their employees; money laundering; conflict of interest; use of business information; control of import/export and penalties; non-solicitation; competition law; human rights; environment and corporate responsibility, among others.

By the end of 2016, we will send the Code to be accredited by a third party, to ensure alignment with the benchmark and its continuous improvement.

Communications regarding irregularities are now addressed to the Ethics and Conduct Committee ("CEC"), through the written communication channel: ✉ [opentalk@galpenergia.com](mailto:opentalk@galpenergia.com), the ethics line that ensures that the information conveyed remains confidential. The CEC, established in late 2015, is the independent and impartial internal structure responsible for monitoring the implementation and interpretation of the Code. It succeeds, in its purpose, the Ethics Code Compliance Verification Committee and the Anti-Corruption Policy Monitoring Committee, which have been formally wound up.

The Code of Ethics and Conduct was published in December, together with the new whistle blowing procedure. To ensure that its provisions are understood and internalized, in addition to the inclusion of a set of "questions and answers" in the Code itself, the document is currently being rolled out in line with international best practices that will involve, for example, the following:

- Workshop: Training session for first line Company staff, with the aim of cascading the basic structure and aspects of the Code to their Divisions.
- E-learning: Training through e-learning for all employees with an attendance certificate and grade. In this exercise, employees declare that they understand the Code, and the declaration is attached to each employee's Human Resources file.

See our Code of Ethics and Conduct in our website [☺](#).

## Respect for Human Rights

Through our Human Rights Policy, we take on the commitment of promoting, respecting and enforcing internationally recognised human rights. Furthermore, we are committed to developing actions to ensure that none of our management and business activities cause, directly or indirectly, human rights abuses or violations. This commitment covers any geographical location, context, and situation, in addition to our value chain and area of influence with stakeholders.

The policy is aligned with internationally recognised standards, particularly the ten principles of the Global Compact, the United Nations Universal Declaration of Human Rights, the Code of Conduct of the International Labour Organization (ILO), among others. The policy is also coordinated with other internal instruments and

policies that address, in more general terms, human rights issues such as the Code of Ethics and Conduct, Corporate Responsibility Policy and the Health, Safety and Environment policy, the Purchasing Policy and the Community Investment Policy, among others.

We are also committed to the actual implementation of this policy in our strategy and activities, with a permanent due diligence process to guarantee evaluation of the impact of the Company's activities in the area of human rights. We also have the objective of integrating the results of this evaluation in our internal procedures, in order to guarantee effective impact prevention and mitigation responses, monitor their effect, and report the approach for their management.

We are developing, at Galp, a project to design and implement a sustainability standard, including aspects related to human rights, with the aim of:

- Ensuring that sustainability criteria are considered over the entire life cycle of O&G projects/assets;
- Setting the minimum requirements in terms of sustainability in order to minimize the risks and impacts and promote operational excellence;
- Establishing and strengthening international best practice on sustainability in the O&G projects life cycle;
- Promoting and sharing knowledge across the Organization on sustainability issues.

On what explicitly concerns social issues, we will address international references related to:

- Human rights and relations with indigenous communities;
- Engagement with stakeholders;
- Investment in the community;
- Socioeconomic baseline assessment;
- Risk assessment and social impacts;
- Cultural heritages;
- Social investment.

### Ethics and human rights – our suppliers

As provided in our Code of Ethics and Conduct and in line with our Purchasing Policy, we seek to promote the alignment of our suppliers and business partners with the principles and requirements applied in our Company. We do this by defining behavioural practices with which our suppliers must comply in their business. The following areas are covered:

These practices are verified in supplier audits which cover aspects of corporate social responsibility (as described in section 6.2.6 Engagement with suppliers).

See our website for the Galp Purchasing Policy [↗](#).



#### Human and labour rights

- Child labour
- Forced labour
- Freedom of speech and association
- Non-discrimination
- Bullying and harassment
- Remuneration and social benefits
- Working day
- Safety, health and hygiene at work



#### Ethics and transparency

- Legal compliance
- Code of ethics
- Confidentiality, privacy and intellectual property
- Encourage and protect whistle-blowers
- Competition (antitrust)
- Audits



## Anti-corruption

Our anti-corruption practices are regulated and clearly express the fact that the Company has zero appetite for this risk in relationships with employees, business partners, suppliers and other stakeholders.



***“(...) such acts are ethically reprehensible and to be rejected and GALP therefore prohibits any corrupt practice, in any passive or active form, including frustrated attempts at corruption, through acts and omissions and through the creation and maintenance of favourable or irregular situations.”***

in Anti-corruption Policy, NR-002/2011

### Anti-Corruption Policy and related standards

The Anti-Corruption Policy has been in force since 2011. It is based on a reference management system, broken down into auxiliary implementation and execution procedures. The policy applies to the Group, corporate bodies, employees, clients, and suppliers.

All corrupt practices, both active and passive, are qualified and considered prohibited, including attempted corruption.

### Management of relationships with government agencies

Guarantees full compliance with the basic irrevocable principles of professional and behavioural ethics, in complete correspondence with the principles of transparency and cooperation, responsible business development, professional excellence, client service and respect for people.

### Third party entertainment expenses

Regulates benefits such as gifts, expenses and fees incurred for receptions, meals, travel, outings and shows, offered to clients or suppliers or any other persons, including family members and public or private entities with which our Company has a relationship.

### Contributions and donations

Establishes the corporate rules for the allocation of grants and payment of contributions by the Group. Ensures the allocation of donations in accordance with Company policies.

See our corporate website for the Galp Anti-Corruption Policy [↗](#).

### Code of Ethics and Conduct

Our Code of Ethics and Conduct, insofar as it guides our stakeholders in matters of payments to public and private bodies and their employees, and matters of hospitality, entertainment and deals, addresses corruption issues.

View this policy on our corporate website [↗](#).

### Corporate Responsibility Policy

Our Corporate Responsibility Policy sets guidelines for daily application in our operations and seeks to achieve levels of excellence in the implementation of our strategy. In matters of corruption, we are committed to implementing operational practices that seek to combat it in all its forms, including extortion and bribery, and to encourage responsible procedure involvement and fair competition.

View this policy on our corporate website [↗](#).

### Whistle Blowing Procedure

This procedure seeks to regulate whistle blowing in line with the relevant recommendation provided in the corporate governance code of the Securities Market Commission. Its aim is to enable any shareholder, employee, client or supplier freely to report any irregularities in Galp or in its affiliates that they detect or become aware of or any well-founded suspicions thereof.

View this procedure on our corporate website [↗](#).

### Purchasing Policy

Our Purchasing Policy promotes the alignment of our suppliers and business partners with the principles and requirements applied in our Company. We do this by defining behavioural practices with which they must comply in their business. It covers matters relating to irregularities, illegal practices and antitrust.

View this policy on our corporate website [↗](#).

### UN Global Compact (2013)

In 2013, we formally signed up to the United Nations Global Compact. Through this endorsement, we are committed to respecting the ten universal principles, including the anti-corruption principle, through the definition of policies, setting objectives and targets and implementing and monitoring measures.

For more information on Galp's endorsement of the UN Global Compact, see the relevant website [↗](#).

We have also implemented a set of counterparty analysis mechanisms procedures (KYC – Know Your Counterparty and KYT – Know Your Transaction), to ensure, among other things, that our relationships with counterparties do not inadvertently involve us in corruption, money laundering or terrorist financing, among other things.

To this end, we have software for the compilation of a dataset in relation to companies and individuals for analysis of compliance. Furthermore, we have developed a questionnaire (for suppliers and business partners) on third party due diligence. This was prepared following the guidelines of the International Chamber of Commerce for Due Diligence and, in late 2015, was in its launch phase.

One of the criteria of this third party due diligence questionnaire is the Corruption Perception Index (CPI), an indicator that we intend to use, in part and following this method, for counterparty evaluation.

## Prevention of conflicts of interest

At Galp, we have the instruments necessary to avoid conflicts of interest. Directors are severely restricted in their business with the Company, including strict limitations on share purchases and sales (because they have inside information about the company). Moreover, in line with applicable legislation, directors are not permitted to carry out functions in competitor activities.

Beyond this, in line with international recommendations and practices in corporate governance, we have adopted a set of internal control rules and procedures for transactions with related parties, i.e. shareholders, members of the Board of Directors/supervision bodies, companies owned by partners, spouses and other family members, etc. Accordingly, the oversight body (Supervisory Board) checks for conflicts of interest in transactions with related parties, with Company transactions with related parties being subject to the prior opinion of this body.

Furthermore, where necessary, our internal regulations take account of appropriate prevention of conflicts of interest. For instance, our Purchasing Standard.

Consult the corporate website for further information on the regulations applicable to Galp Group transactions with related parties <sup>↗</sup>.

## Compliance and tax transparency

At Galp, we are aware that there is a series of risks and opportunities associated with company tax strategy. We therefore recognize the importance of adopting management policies to prevent disputes and, at the same time, avoid negative effects on value creation. However, above all, we believe that any tax strategy must be based on a commitment to transparency, which

we see as essential for creating and maintaining trust in relationships with our stakeholders.

To this end, we have defined policies and processes to measure, manage, and monitor our tax exposure and we meet all of our tax obligations in our different jurisdictions of operation.

Our tax department based in Lisbon works continuously and in close coordination with employees of all Group companies and subsidiaries, so that synergies can be developed with the relevant company departments, for identification of and compliance with the legal requirements in tax matters specific to each geographical area. This enables us to align our procedures with the best international practices in tax transparency.

For information on tax risks and the mitigation methods we employ, see the Annual Report and Accounts 2015, chapter 6 Risk management <sup>↗</sup>.

## Fiscal lines of action

- 1 Submission of all the required forms in compliance with the local tax law.
- 2 Follow up and proactive approach regarding opportunities to obtain fiscal benefits.
- 3 Monitoring of changes in relevant changes in fiscal legislation and risk analysis in order to adopt mitigation measures to deal with any negative impact.
- 4 Management of compliance matters.

In order to encourage good relationships with the tax authorities, local government and other stakeholders, we interact in a professional, polite, and timely manner.

## Principles of relationships with the diverse stakeholders

- 1 Manage relationships with the tax authorities in order to reduce reputation risks derived from matters addressed inadequately.
- 2 Take part in formal consultation procedures held by the tax authorities.
- 3 Take part in conversations with national and international entities contributing for the development of fiscal proposals.
- 4 Promote transparency and a proactive approach in all the interactions with stakeholders.

To demonstrate our commitment to transparency, in 2010 we joined the EITI (Extractive Industries Transparency Initiative). Accordingly, we proceed to disclose the sums delivered to the state agencies in Mozambique and East Timor and report payments to the States of Brazil and Angola, even though they are not signatories of the EITI. This matter became law in the European Union (EU), through transposition into national legislation of the 2016 transparency directive.

See Galp's statement of support for the EITI [↗](#).

Payments to States	2013	2014	2015
<b>Brazil</b>	<b>113,649,526 €</b>	<b>193,752,055 €</b>	<b>126,762,734 €</b>
Corporate income tax	44,903,707 €	100,225,298 €	62,648,615 €
Royalties	27,104,901 €	46,357,972 €	42,258,660 €
Fees	762,139 €	427,001 €	294,169 €
Bonuses	-	-	-
Other significant bene	40,878,779 €	46,741,784 €	21,561,290 €
<b>Mozambique</b>	<b>989,564 €</b>	<b>317,899 €</b>	<b>154,730 €</b>
Corporate income tax	-	-	-
Royalties	-	-	-
Fees	-	-	-
Bonuses	-	-	-
Other significant benefits	989,564 €	297,767 €	154,730 €
<b>East Timor</b>	<b>16,385 €</b>	<b>Na</b>	<b>Na</b>
Corporate income tax	1,793 €	Na	Na
Royalties	14,592 €	Na	Na
Fees	-	-	-
Bonuses	-	-	-
Other significant benefits	-	-	-
<b>Angola</b>	<b>23,103,943 €</b>	<b>29,134,127 €</b>	<b>13,503,864 €</b>
Corporate income tax	23,103,943 €	29,134,127 €	13,503,864 €
Royalties	-	-	-
Fees	-	-	-
Bonuses	-	-	-
Other significant benefits	-	-	-





## 6.1.4

# Guarantee of compliance and conformity

In order to guide, guarantee, evaluate, and demonstrate compliance with Company codes and policies, we have a set of instruments:



## Compliance commitment

Employees declare that they understand the Code of Ethics and Conduct and the declaration is attached to each employee's Human Resources file. We shall include a heading on compliance with our Code of Ethics and Conduct in the performance assessment system.

Standard clause that binds counterparties – in particular business partners, suppliers and others – to the provisions of our Code of Ethics and Conduct in their contract documents.

Declaration of awareness and acceptance of the Code of Ethics and Conduct by our suppliers and business partners.



## Ethics and Conduct Committee

Committee consisting of three members appointed by the Galp Supervisory Board, as proposed by the Executive Committee.

It is charged with monitoring the implementation of the Code of Ethics and Conduct, monitoring, clarifying questions, receiving, and processing information respecting the alleged irregularities. Its task is also to promote employee training in these matters.

All stakeholders can contact this committee by email:

✉ [opentalk@galpenenergia.com](mailto:opentalk@galpenenergia.com)



## Whistle Blowing channel

In accordance with our Whistle Blowing Procedure — Ethics Line, irregularities may be reported by any stakeholder, by letter or email, sent to:

✉ [opentalk@galpenenergia.com](mailto:opentalk@galpenenergia.com)



## Training and Awareness

Training and awareness in these areas during the integration of trainees, on the Conhecer + training programme, in thematic conferences and through other internal communication channels.

Workshops and e-learning training on the Code of Ethics and Conduct cover the themes described in section 6.1.3 Ethics and Compliance, Ethics and Conduct.



## Internal Auditing

Internal audits address matters of compliance with the regulatory documents in force in the Organization, the provisions of the Code of Ethics and Conduct, the principles of the anti-corruption policy and human rights, employments rights and corporate responsibility matters.



## Disciplinary procedure

Failure to comply with the general rules of conduct established in the Code of Ethics and Conduct and the Anti-Corruption Policy is deemed a serious fault, subject to disciplinary procedure and with direct impact on performance assessment. Likewise, abusive or bad faith whistle blowing shall also be subject to disciplinary action.

## Internal Auditing

At Galp, we have a structure that is fully dedicated to internal auditing activity. Its task is the independent and systematic evaluation of the Group's activities, promoting performance improvement and the fulfilment of the strategic objectives. This is achieved by identifying opportunities for optimization of management processes and of internal control and governance systems.

The internal auditing department reports directly to the Chairman of the Board of Directors and has a functional reporting line to the Supervisory Board and an administrative reporting line to an executive director, thus ensuring managerial and functional independence in relation to the services audited.

Internal auditing plans are established taking account of the following:

- The main risks that we face (see section 6.1.2 Risk management);
- Our business strategy.

Indeed, in order to respond to business diversification and internationalization, the internal auditing area has adapted its auditing plans to the new challenges faced by the Group. In 2015, it completed a very significant part of the work outside the Iberian Peninsula.

Internal audits address matters of compliance with the regulatory documents in force in the Organization, the provisions of the Code of Ethics and Conduct, the principles of the anti-corruption policy and human rights, employments rights and corporate responsibility matters.

Beyond auditing oriented towards business development and value creation, one of the area's objectives is to enhance the culture of continuous follow-up on key audit recommendations. We therefore facilitate their implementation and operate as an active partner.

## Requests for clarification, irregularities, and complaints

In 2015, 25 cases were reported to the Supervisory Board, under the whistle blowing policy, which were duly registered in the database created for this purpose. Of these cases:

- 18 were related to the provision of the service "Galp On", and were forwarded to the reserved address concerning natural gas customer complaints, informing the complainant of it, as stipulated in paragraph 3 of Article 5 of the Regulation on the Office of Support to the Supervisory Board;
- One had as object the alleged lack of thermal conditions in the employee's workplace. The situation was subjected to an internal investigation, and the complainant was properly informed of its results, having not confirmed subsequently the terms of his complaint;
- One other concerned the purchase of a product through Galp Bonus, having been forwarded to the relevant area;
- The remaining cases related to the service "Galp On" and were sent to the Supervisory Board only for information.

# 6.2

## Engaging with the community and other stakeholders and encouraging the creation of shared value



### COMMITMENT II

#### Objectives

- Guaranteeing a stakeholder engagement process, based on the relevant mapping, regular consultation plans, the organizational strategy and the external context and trends.
- Ensuring that engagement initiatives undertaken seek to create shared value and measure the resulting impacts (positive and negative) for the Company and for its stakeholders.
- Ensuring the existence, actual implementation and control/monitoring of instruments and policies that ensure management of relationships and commitments between the Company and its stakeholders.
- Ensuring that all projects include a stakeholder engagement plan and social impacts assessment, in order to mitigate adverse impacts and risks regarding operations and the Company's reputation.
- Honour external commitments (e.g. United Nations Global Compact).



## 6.2.1

# Dialogue with stakeholders

## Who are our stakeholders?

At Galp, we characterize, manage, and involve ourselves with a wide range of stakeholders, who, in accordance with the mapping carried out in 2014, are members of the following groups:



The most recent mapping of our stakeholders took place in 2014, a year in which we undertook a detailed profile characterization of them:

### STAKEHOLDERS PROFILE

- Stakeholders group and sub-group
- Management model
- Communications channels
- Relationship SWOT analysis
- Relevant sustainability matters
- Influence and dependency
- Consultation strategy

## How and why do we consult our stakeholders?

The above-mentioned mapping took place as part of the most recent stakeholder consultation, in late 2014. This involved a survey on sustainability that covered about 1,500 entities and provided us with more than 600 replies. We therefore believe that we have reached a representative level of understanding of the position of our stakeholders in relation to a wide set of issues, in the different business segments and in the different geographical areas in which we operate.

At Galp, we understand that the consultation results are very important. They have contributed to closer relationships with our stakeholders, realignment of engagement strategies and evaluation of materiality (as outlined in chapter 5. What are the material issues?).

We will conduct a further stakeholder consultation, of similar size, to ensure that this is a regular process, taking place every three to six years or in the event of evidence of new trends, expectations, or contexts for our operations.

For the fourth consecutive year, Galp's website won 1<sup>st</sup> place in Portugal in Comprend's webranking 2015-2016. In the O&G section, we achieved 8<sup>th</sup> place out of the 47 websites analysed. The sustainability sections have the highest score on our website, with 8.3 out of 10.

The APCE (Portuguese Association of Corporate Communication) Grand Prize also recognised us in the category "Management Report".

These awards demonstrate our attention to communication with stakeholders and the provision, over public channels, of information to support their decisions.

6.2.2

# Creating shared value

To create shared value it is essential to define a strategy oriented towards our priorities, which addresses the costs and benefits of engagement processes and initiatives, either for our Company or for stakeholders.

At Galp, we believe that we create value, not only for shareholders, but also for a wider range of stakeholders: we create direct and indirect employment; we value our human capital; we develop local economies; we stimulate

the suppliers' chain; we distribute and reinvest the wealth that we create.

Our involvement with different stakeholders and the creation of shared value are part of our sustainability strategy. We believe that they are essential for maintaining the relationships on which the longevity of our Company depends.

### STAKEHOLDER'S NET AND ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED



## 6.2.3

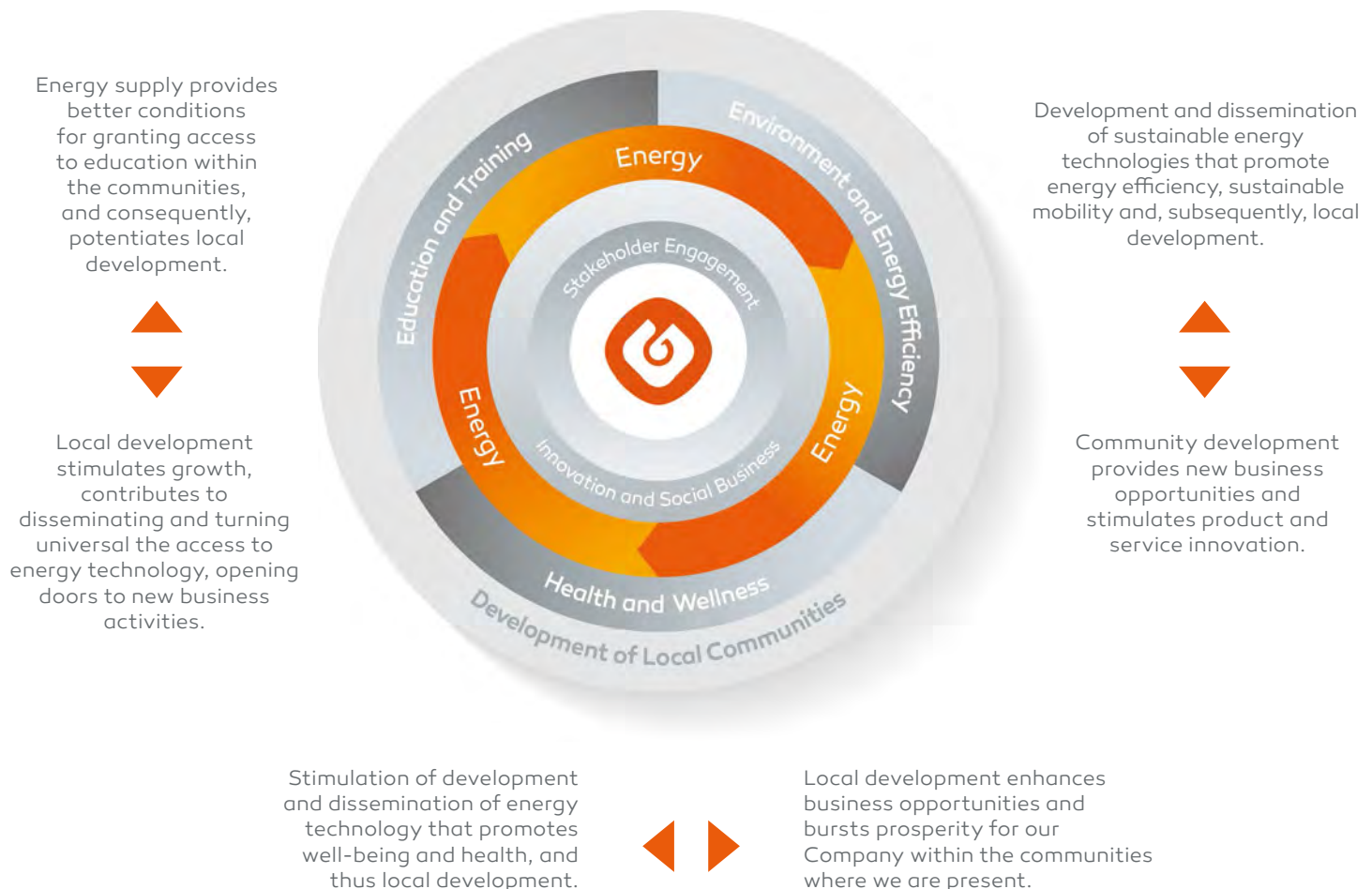
# Involvement with the community

## Community Investment Policy

Our social responsibility strategy is aligned with our mission and values. We seek to profit responsibly and transparently from the use of available resources and we identify priorities, objectives to be achieved and expected benefits.

The core of this strategy is the structuring of initiatives taking account of the situation in the countries where we operate and the activities we develop in each geographical area. Accordingly, we believe that we are having permanent and transforming effects that are aligned with the needs and priorities of the communities in question and integrated in local and national strategies and policies.

Our Community Investment Policy is based, therefore, on three spheres of action: i) education and training; ii) health and well-being; iii) environment and energy efficiency. In this way, we recognize our responsibility to the surrounding communities, to promote their economic and social development. Beyond this, we are aware that, in healthy developing communities, our operations, and business can flourish and prosper, thus feeding a virtuous circle of sustainable growth.





The report of our investment in the community has been produced, since 2012, using the LBG (London Benchmarking Group) model. The amounts invested in 2015 were:

Motivation	2015 (€)	%
Charitable gift	1,141,148	31
Community investment	2,225,731	61
Commercial initiative	261,202	7
<b>Total</b>	<b>3,628,082</b>	
<b>Total including management costs</b>	<b>3,947,980</b>	

Subject focus	2015 (€)	%
Education	864,415	24
Health	347,074	10
Economic development	51,481	1
Environment	14,485	0
Arts & Culture	308,500	9
Social welfare	2,031,806	56
Emergency relief	10,320	0
Other	0	0
<b>Total</b>	<b>3,628,082</b>	
<b>Total including management costs</b>	<b>3,947,980</b>	



## Volunteering in our Company

In 2011, we created Galp Voluntária to promote the culture of social responsibility and citizenship in our Company. Accordingly, we invite all employees to participate in and contribute actively to the well-being and development of communities through corporate volunteering.

In 2015, also under the signature Galp Voluntária, *a nossa energia vai longe (our energy goes a long way)*, we developed several campaigns with commitment, not only to the involvement of volunteers, but also to the creation of excitement. We orient our activities towards enhancing their impact, through the number of beneficiaries and the number of volunteers. We witnessed a clear geographical decentralization of the initiatives, from an Iberian perspective, and a broadening of the volunteer base with direct contact with pre-retired and retired Company staff, in order to promote inter-generational sharing.

The regular participation of our employees in various activities and the growing number of hours dedicated to volunteering reflect our ongoing commitment to the engagement of our employees with the communities. In 2016, our aim is to continue developing these kinds of initiatives.

**In 2015 we celebrated the 4<sup>th</sup> anniversary of Galp Voluntária**

Galp Voluntária teamed up with the “fast card” programme on a special campaign that was supported by the participation of our employees and customers. With the help of volunteers, we chose a partnership under which it was possible to make donations through an exchange of “fast” points. The campaign was successful and Aldeias de Crianças SOS (SOS Children’s Villages) was the institution selected.

## VOLUNTEER WORK



average 2011/2013

**3,327h**

2014

**10,100h**

2015

**33,720h**

## VOLUNTEERS



average 2011/2013

**384**

2014

**1,189**

2015

**1,798**

## VOLUNTEER ACTIVITIES



average 2011/2013

**262**

2014

**692**

2015

**382**

## Take your knowledge to school

Galp Voluntária and Clube Galp (Galp Club) follow our Company's strategic priorities for social responsibility. We once again joined efforts with EPIS – Empresários pela Inclusão Social (Entrepreneurs for Social Inclusion). An invitation was sent to all employees to become tutors in mathematics and Portuguese. Students with levels of social risk were identified and offered weekly sessions lasting one and a half hours.

## Internships for EPIS students

In the Vocações de Futuro (Future Vocations) project, seven volunteers served as tutors to nine EPIS student interns. Conducted in different areas of our Company, the internships were assigned to students from professional courses.

## Sines North Coast beach cleanup

Galp Voluntária and Brigadas do Mar (Sea Brigades) combined efforts to support the cleanup of beaches on the northern coast of Sines. With volunteers on the ground and fuel provided for necessary support travel, we succeeded in cleaning up more than 15 kilometres of beach in a four-day span.

## Solidarity is strength: 2015 Christmas initiative

Some of our employees teamed up and answered the wishes of ten severely ill children through the Make-A-Wish program. The challenge was not simple, but the team of volunteers planned a very special day in the lives of these children.

This initiative underscores our commitment to investing in the community and involving our employees in corporate volunteering initiatives.

## Movimento 1 euro (One Euro Movement)

We asked our employees to donate one euro of their pay for 12 months to help charitable organisations. Month by month, employees actively participated in voting on causes to be supported.

## Academia Galp and Associação de Reformados (Pensioners Association) teamed up on a volunteer initiative

**Gerações Academia (Generations Academy): Share – Inspire – Create**

Academia Galp and Galp Voluntária collaborated on an unprecedented initiative that also involved Associação de Reformados da Galp Energia (ARGE) and CORE – Consultoria em Responsabilidade Empresarial. With some 90 participants, the initiative was part of celebrations surrounding the five-year anniversary of Academia Galp. The initiative followed the “world café” model, allowing all participants to participate in a debate focusing on four main themes. Through this initiative, we wanted to give a voice to our employees and retirees with the aim of developing new ideas and solutions capable of facilitating intergenerational dialogue and knowledge management.

## Banco Alimentar Contra a Fome (Food Bank Against Hunger) – Uma ajuda que não pesa, mas vale (A small help that makes a big difference)

Between 30 May 2015 and 7 June 2015, we supported and developed the campaign Uma ajuda que não pesa, mas vale (A small help that makes a big difference) in 80 service stations. This year, we had a record 587 volunteer operators, 239 more compared to 2014.

This campaign allowed contributions to be made to all of the food products delivered to the 2,650 charities supported by 21 food banks across Portugal.

## Galp Voluntária helps refugees

In yet another successful initiative, we teamed up with Conselho Português para os Refugiados (Portuguese Refugee Council) to collect goods in the cities of Lisbon, Matosinhos, and Sines. We helped in sorting and organizing various donations and more than 3,000 pieces were collected.

## Fundação Galp

We do not believe that community involvement begins and ends with corporate volunteering. Fundação Galp Energia is also an important driver of social, cultural, and environmental intervention and development. Created in January 2009, our non-profit organisation operates in the following realms:

Social  
Development

Culture

Energy and  
Environment

During 2015, Fundação Galp Energia maintained social and cultural partnerships that have been developed over the years, while also establishing new relationships (e.g., Associação Novo Futuro – New Future Association).

Under these partnerships, it has been actively involved in joint projects, all in support of children and youth as well as the social inclusion of these age groups and the fight against poverty, in addition to the promotion of academic success and access to culture and the arts through music.

### Partnership between Fundação Galp and Casa da Música

The Serviço Educativo da Casa da Música (Casa da Música Educational Service) and Fundação Galp Energia developed several initiatives, together with Matosinhos Association in Support of the Deaf (Associação de Apoio a Surdos de Matosinhos).

in a social support initiative. It succeeded in helping approximately 14,000 citizens with the recovery of seven highly degraded social spaces and benefited from an investment of 3,840 volunteer hours from Galp employees.

Some months after the recovery, we determined that our investment led to significant changes in the lives of residents who use the remodelled facilities.

One of the recovered buildings was in the Alcântara Public Bathhouse, which is now considered the best in Greater Lisbon, with a monthly average of 800 baths in the first quarter of 2015. The Alcântara Parish and Social Centre also underwent changes to its interior and exterior space, with a new technical facility and a social space made available for 100 users. Another site involved was the Alcântara Stock Store and Social Workshops. The charity store was built from the ground up and receives community donations that are offered or sold at symbolic prices to low-income households. Various social projects were also performed at this site, such as the two projects known as Gentes de Alcântara (People of Alcântara) and Casa das Mães (House of Mothers).

The Santo Amaro nursery, the Santo Amaro Primary School, and the Santo Amaro Barracks of the Lisbon Fire Brigade were also revamped by our employees, with the work contributing to substantial improvements in the lives of students, teachers, firefighters and the community.

All of this was made possible by the dedication of Galp employees, who worked hard to change the community life of the Parish of Alcântara.

### Fundação Galp Solidária Collective Agreement (North and South)

Committed to its social commitment and mission, Fundação Galp Energia developed a collective project to respond to social emergencies. This is part of its commitment to the fight against poverty, exclusion, and social inequality, as well as to helping at-risk citizens.

The Fundação Galp Solidária initiative involved two projects: Fundação Galp Solidária – North and Fundação Galp Solidária – South. This was part of an ongoing social support partnership developed by the foundation aimed at supporting the most disadvantaged and vulnerable segments of society.

### Social contribution for flood victims in Mozambique

The floods that occurred in Mozambique between December 2014 and January 2015 left a significant number of victims and displaced persons, and we wanted to help!

Fundação Galp Energia, together with Galp Rovuma, delivered a total of 21 tonnes of cornmeal to Instituto Nacional de Gestão de Calamidades de Moçambique (Mozambican National Disaster Management Institute) in Quelimane. The donation of 855 cornmeal bags fed approximately 2,000 people over a two-month period.

### 2015 Christmas Initiative – Sines and Matosinhos Refineries

Under the motto “Together we support our community”, we have decided to expand the network of Stock charity stores in aiding the communities of Matosinhos and Sines.

In Matosinhos, we invited employees to participate in the revamping of the Casa do Caminho charity store, which is essential to the survival of this entity, which serves 60 children. In Sines, volunteers have helped to transform the charity store of Santa Casa da Misericórdia of Sines into a larger space that can generate better results.

### One parish six months later

A partnership between Fundação Galp Energia and Galp Voluntária involved more than 600 Galp employees



## Other initiatives

Our Company is aware that it is critical to maintain a sharing relationship with stakeholders as part of an organisational vision oriented towards social, environmental, and cultural concerns.

In 2015, in addition to the exclusive initiatives of Galp Voluntária and Fundação Galp Energia, we engaged in many other activities involving the community, including:

### In Portugal:

#### Galp Energia Solidária

In late 2013, we signed the Galp Energia Solidária protocol with Confederação Nacional das Instituições de Solidariedade (National Confederation of Charities), União das Misericórdias Portuguesas (Union of Portuguese Charities) and União das Mutualidades Portuguesas (Union of Portuguese Mutual Societies). This protocol is intended to provide discounts to these institutions in the supply of fuel, electricity, natural gas, technical services and energy efficiency.

In 2015, we established a new protocol with Federação Nacional de Cooperativas de Solidariedade Social (FENACERCI – National Federation of Social Solidarity Cooperatives), which now has approximately 60 members.

By November 2015, the overall value of discounts totalled €120 k, or rather, approximately €750 per year per member entity.

#### Missão UP and Missão Power Up (Up and Power Up Mission)

The 5<sup>th</sup> edition of Missão UP | Unidos pelo Planeta (United by the Planet), a project targeting students of basic education (1<sup>st</sup> and 2<sup>nd</sup> cycles), was carried out during the 2014-15 academic year. The project was included in our Corporate Responsibility Policy and is aimed at disseminating good practices concerning energy efficiency, sustainable mobility, and energy footprint through “energy classes”. Students may also participate in teams in the “Brigadas Positivas” (Positive Brigades) competition and develop specific missions dedicated to energy efficiency.

Due to its success, we have decided to expand the project to students attending lower secondary education during the 2014-15 academic year. The new project, called Missão Power UP, relies on an online teaching platform aimed at promoting the creation of multidisciplinary teams involving students and other members of the academic community, from school employees to Board members. Missão Power UP is also aimed at the adoption of attitudes and behaviours associated with more efficient energy consumption.

In both projects, we have established a partnership with the Directorate-General of Education of the Ministry of Education and Science, Agência para a Energia (ADENE – Portuguese Energy Agency), the National Commission of the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Directorate-General of Energy and Geology.

The project involved the following scope during the 2014-15 academic year:

2014-2015 academic year	MISSÃO UP	BRIGADAS POSITIVAS COMPETITION	MISSÃO POWER UP	MISSÃO POWER UP COMPETITION
Schools	2,052	212	38	8
Teachers	12,019	1.124	80	30
Students	192,171	17.302	267	175
Other members of the academic community			24	9
Energy Classes	591			
Energy Classes students	19,995			

## Kidzania

We have been involved in Kidzania since 2009. At this theme park for kids between the ages of 3 and 15, participants can “play adults” in a realistic and educational environment. Kids can choose from among 60 individual professions. The contents of the activities follow school programs and seek to educate kids on values and rules of citizenship, helping them to make healthy contributions to society.

We decided to establish a presence at Kidzania with a service station and washing station similar to their real-world counterparts. Youths get the opportunity to work as service station employees, including as gas pump attendants and even as drivers.

This presence allows us to communicate with more young people and diversify our points of contact with the public. In this playful context, we are able to convey the messages of sustainable mobility, energy efficiency, and corporate responsibility to this very special audience.

## Discounts for Large Families

We signed a protocol with Associação Portuguesa de Famílias Numerosas (APFN – Portuguese Association of Large Families) in order to offer such families with discounts for electricity and natural gas, as well as discounts for the purchase of energy efficiency services.

Discounts are as high as 42% in fixed terms for electricity and natural gas and 10% for the purchase of auditing services and energy certification.

We have solidified our social commitment with this protocol, supporting families that face significant household budgetary constraints.

## Paper for Food at Banco Alimentar Contra a Fome

At the Sines Refinery, we have contributed with more than six tonnes of paper of the total of 13,000 tonnes delivered to the food bank (corresponding to €1.3 k). We have thereby succeeded in helping many low-income families.

## Helping the Municipality of Santiago do Cacém

We have distributed grants to 17 institutions through the Sines Refinery. Charities were selected according to the protocol established between our Company and the Santiago do Cacém local government. It is important to help local institutions in the realm of social, cultural, and sporting activities within a municipality where a significant number of our employees live.

## Aldeias de Crianças SOS benefit from “fast card” points

Aldeias de Crianças SOS was chosen by employees and clients to be the beneficiary of the exchange of “fast card” points.

## Missão Ambiente (Environmental Mission) – VALORMED

VALORMED created an environmental awareness initiative called Missão Ambiente. The purpose was to educate and build awareness within the scout community concerning the importance of delivering empty containers and expired drugs to pharmacies. We have asked our employees to deliver such items to pharmacies, identifying the scout group corresponding to our head office's area of influence.

## Pirilampo Mágico (Magic Firefly) Campaign

We have teamed up with the Pirilampo Mágico Campaign promoted by FENACERCI through our Clube Galp. This cause supports children and young people with learning disabilities and/or multiple disabilities and facilitates their integration within society. We participated in the campaign by selling the Magic Firefly or Pin to employees.

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## In Spain:

### Concerts in the fight against cancer

In partnership with the radio station Cadena 100, we have helped to collect donations and organise two concerts in Barcelona and Madrid in support of the Spanish Association Against Cancer (AECC). The first concert was held at the Catalan Institute of Oncology and the second at the Puerta de Hierro Hospital in Madrid. Featuring a performance by singer Ruth Lorenzo, the main objective was to convey the power of music to patients, families, and volunteers.

### We run against hunger in Spain

In Spain, we are committed to contributing to the anti-hunger campaign and running for a good cause. The average kilometres run by our employees was the best in the competition, and we raised more than €2 k. The proceeds will pay for nutritional treatments for more than 50 children.

### We support difference through Galp Spain

We met in Spain to promote teamwork and social responsibility within our Company. Carpentry workshops, sporting activities and an educational visit were conducted with more than 200 people with disabilities. The objective was to bring the world of business to people with disabilities and strengthen the direct involvement of our employees in building a more inclusive society. Our partners at this meeting were the Aldaba Foundation, Grupo 5, Ande Foundation, Centro Ocupacional Valenzana (Valenzana Occupational Centre) and Grupo Amás.



## We help the Messengers of Peace through Galp Spain

Thanks to our employees, we have delivered approximately 500 kilograms of food to the Messengers of Peace.

## Doctors from the Fundación Theodora (Theodora Foundation) distributed smiles to Galp Spain

We teamed up with Fundación Theodora to commemorate the International Day of Happiness. We celebrated our support through a “smiling tour” at our facilities in Alcobendas, Madrid. The partnership thereby raised funds for hospitals and visited more than 125 children.

## “Fast” Points help Fundación Aladina (Aladina Foundation)

In Spain, we developed a campaign to exchange our “fast card” programme points for donations to Fundación Aladina. The foundation received approximately three euros for every 500 points earned on a client’s “fast card”. The funds collected were then invested in volunteer programs, as well as programs for psychological support of patients and family members, and, in general, in order to improve services and benefits that the foundation offers.

## We walked with the Discamino 15 Project

Developed by and for people with physical disabilities, the Discamino 15 project involved a walk along a stretch of the Camino de Santiago. The group had thirteen participants and nine professionals from Assistência Integral Personalizada (AIP – Personalised Comprehensive Aid), which aided participants along the route. We supported this initiative in collaboration with AIP.

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## In Brazil:

### Cartão Vermelho ao Trabalho Infantil (Red Card to Child Labour) Initiative

In order to commemorate Children’s Day, the Ministry of Labour and Employment (agency of the Brazilian Federal Government), promoted a national campaign with the theme “Red Card to Child Labour”.

Through Belém Bioenergia Brasil, a Group company, we have extended the campaign to our employees!

The Ministry distributed 900 pamphlets, four bands and two shirts, allowing us to develop a promotional action through workshops at our offices (Belém, Tailândia and Tomé-Açu) and in the field with employees and family farmers.

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### 4<sup>th</sup> edition of Belém Bioenergia Brasil Environment Week

Through Belém Bioenergia Brasil S.A., we promoted the fourth edition of the initiative: Environment Week, with the theme: "Water: Consuming carefully is preserving!" Our aim was to raise public awareness on the importance of saving water for the future sustainability of the planet, avoiding waste by adopting good practices.

The event was held at headquarters in Belém and at the Tailândia and Tomé-Açu complexes and was attended by our employees, family farming partners and the community surrounding the extraction unit in Tailândia.

Educational workshops and videos were presented on the subject, with participation by the Federal Institute of Education, Science and Technology of Pará (IFPA) – Castanhal, the Municipal Office of the Environment of Tomé-Açu (SEMMA) and Belém Bioenergia Brasil S.A.

## In Swaziland:

### "Orange Your Neighbourhood" campaign in Swaziland

In 2015, we resumed our sponsorship of the "Orange Your Neighbourhood" campaign in Swaziland. The campaign raises awareness towards the elimination of violence against women.

### We distributed food to more than 600 people

We participated in the distribution of food to 12 villages in southern Swaziland. The Esicojeni Foundation, of which we are members, and World Vision organised this initiative. The objective was to minimise the difficulties many families face with respect to the protracted drought that has affected that part of the country.

More than 600 people were assisted through the distribution of 7,188 kg of cornmeal, 2,196 kg of sugar, and 549 litres of cooking oil. Our employees in Swaziland, including the general director, wanted to help with the distribution of foods in villages.

### Sibebe Survivor

In order to promote health, well-being and team building, we participated in the annual walk to the top of the world's largest granite monoliths, the Rock in Mbuluzi.

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## In Cape Verde:

### “Abastecimento Solidário” (Solidarity Supply) Team

Through Enacol, a Galp subsidiary in Cape Verde, we collaborated with the Cape Verdean Red Cross and launched the “Abastecimento Solidário” campaign. The objective was to support victims of the Fogo Island eruption. The campaign involved the donation of one Cape Verdean escudo (CVE) to the Red Cross per litre of fuel sold at points of sale.

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## In Mozambique:

### Mozambique Investment Program

The economic difficulties and social reality of Mozambique have inspired us to design a major investment within this community.

The programme was designed based on the principles of our Community Investment Policy, and in the spirit of involvement and development of communities as part of our Corporate Responsibility Policy.

Through investment in Mozambique, we intend to create shared value and thereby respond to the expectations of our stakeholders. We have tried to respond to the economic, social, cultural, and environmental realities in each province and district based on indicators such as GDP, Human Development Index, Demographics, Illiteracy Rate, Distribution of Education and Health Infrastructure, among others.

Within the scope of an investment programme in Mozambique, we evaluated a total of 105 projects spanning 25 different entities in Mozambique. For such purposes, we developed a set of assessment project selection criteria, including:

- i) Alignment with the country strategy through the 2015-19 Government Plan, the Poverty Reduction Action Plan and Sustainable Development Goals of the United Nations (UN);
- ii) Alignment with our strategy in the provinces of Maputo and Cabo Delgado within the realm of energy, health and the environment;
- iii) Level of transformation and involvement of communities corresponding to the provinces of Maputo and Cabo Delgado;
- iv) Level of risk and sustainability of the project and capacity to generate social and inclusive businesses.

The selected initiatives will be implemented starting in 2016 and an investment of up to €300 k in two years is expected.

Based on experiences related to the development of this program, general criteria were defined for the assessment and selection of investment projects in the community for our Company. Such criteria are based on the following issues:

- Strategic alignment with the Company;
- Alignment with the country’s needs;
- Involvement of communities;
- Impact on communities;
- Risk and sustainability

and are evaluated through the application of matrices created for such purposes.

## 6.2.4

# Engagement with clients

Customers are an essential asset for our Company's progress and longevity. Accordingly, our involvement in this group of stakeholders is based upon listening, understanding, and meeting respective interests and expectations.

## Customer satisfaction

We continually develop a project that monitors and tracks the expectations and needs of our clients. Our objective is to ensure that the offering of products and services is adequate and satisfactory. Thus, we employ the European Customer Satisfaction Index (ECSI), a methodology that measures the quality of goods and services.

In 2015, results as well as the leaders in various markets in Portugal for 2014 were announced. Galp stood out in the regulated natural gas market as well as in the electricity market:

### LEADER IN THE REGULATED NATURAL GAS MARKET



### LEADER IN THE ELECTRICITY SECTOR



Apart from assessing several services and products in terms of images, expectations, loyalty, satisfaction, and other items, the study also provides us with a platform for comparison at the organizational, sector and country levels, respectively. The results represent an added value in the evolution and improvement of our Company, as well as an opportunity to increase our competitiveness and success: we establish priorities for action that subsequently trigger assessments that are more positive.

Our Company was graded as follows in several markets for 2015:

### CUSTOMER SATISFACTION INDEXES

Average indexes	Fuels	Bottled gas	Electricity	Natural Gas (regulated market)	Natural Gas (liberalised market)	Natural gas + electricity (dual offer)
Image	7.68	8.07	7.75	7.41	7.48	7.58
Expectations	7.62	8.00	7.51	7.43	7.45	7.66
Perceived quality	8.16	8.20	7.75	7.46	7.48	7.58
Perceived value	6.45	6.41	6.33	6.14	6.15	6.31
Satisfaction	7.38	7.87	7.25	7.27	7.15	7.14
Compliance	6.79	7.04	6.98	6.90	6.77	6.84
Loyalty	6.61	6.65	6.61	6.68	6.46	6.76

Scale: 1 (weak) - 10 (strong). From 6 the customer is considered as being satisfied.



Customer service is also one of our top priorities, so we have assumed a growing commitment towards training, quality auditing, and the implementation of continuous improvement actions. We therefore believe that our Contact Centre employees are increasingly aligned with our objectives and provide more satisfactory and effective contact with our clients.

In 2015, we were also recognised as the “Consumer Choice” in the Energy & Fuels sectors, namely for “Service Stations” and “Gas Containers”. This title is valid for 2016 and is awarded by ConsumerChoice – Consumer Satisfaction Assessment Centre. This entity recognises the brands that best meet the requirements and attributes defined and that were valued by consumers, thereby achieving the highest levels of satisfaction.

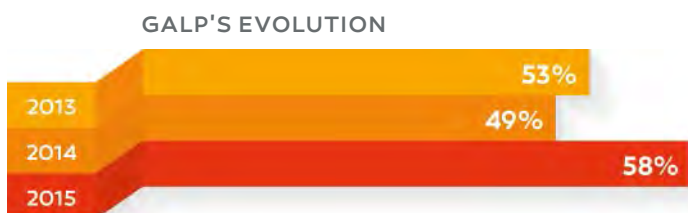
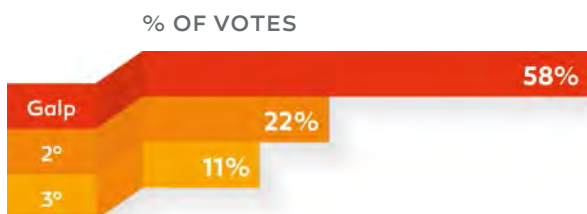


Also in 2015, we were recognised as a Trusted Brand in the Gas Station category in a Reader’s Digest study.

Since 2001, this study has assessed the trust of Portuguese citizens in brands in different product or service categories. We have a total of 58% of votes, garnering the highest assessment in the last five years. This study evaluated the following parameters on a scale from 1 to 5:



Brand	Features					
	% votes	Quality	Cost/benefit relationship	Strong image	Perception of client needs	Socially responsible
Galp	58.2	4.02	3.55	4.09	3.75	3.71



## Proximity to clients

The positive relationship that we maintain with clients is only possible if we continue to project our focus on our interests and expectations. Several initiatives are conducted throughout the year to provide them with positive experiences, promoting involvement initiatives, namely:

### Some examples of initiatives involving clients

#### Newsletters

B2B, Technical, Business, Prospects, LPG Auto, Galp contigo es + (Galp with you is +)

#### Strengthening of loyalty campaign: Galp and Continente together on a single card

We decided to expand our partnership of more than 17 years with Sonae through a merger of all loyalty programs corresponding to the Continente Card. This card has become the country's biggest discount card thanks to inclusion of the "fast card" on the Continente Card, with expanded benefits offered to participants in both loyalty programs.

#### New line of communication for B2B protocols channel

The G&P segment launched a new line of communication for specific use in different media (magazines, newsletters, websites, etc.) of business associations with which we have cooperation protocols. Under the slogan "Connect your business to Galp and save", members of these entities were invited to become Galp electricity customers under preferential terms that include energy discounts of up to 20.5%.

#### Online Continente purchases delivered to a Galp station

Continente, the supermarket chain of our partner Sonae, has joined forces with us on a pilot project. The goal is to allow clients to pick up purchases ordered online from Continente at facilities equipped for such purposes at our service stations.

#### Online G&P client guide

The objective is to underscore the commitment to transparency in client relations as well as compliance with information requirements provided by the sector's regulatory authority.

## Enhancement of Galp Taxi Fleet Card

We participated in three events:

- We celebrated the 40<sup>th</sup> anniversary of Autocoope – Cooperativa de Táxis de Lisboa (Autocoope – Lisbon Taxi Co-operative);
- “XII DIA DO TÁXI” (12<sup>th</sup> Taxi Day) event, with an exhibition centre open to the public dedicated to taxis;
- “FESTIVAL COOL TÁXI” event.

We are involved with the industry’s two main associations:

- ANTRAL – Associação Nacional dos Transportadores Rodoviários em Automóveis Ligeiros (Portuguese Taxi Association);
- FPT – Federação Portuguesa de Táxis (Portuguese Taxi Federation).

## Portugal Transport Networking holds its first event

The event was sponsored by the Wtransnet Foundation, a private non-profit organisation that mobilises economic resources for activities with the logistics and freight transport sectors. Our presence was highlighted by the promotion of Galp Business Fleet, Corporate, and Professional Cards. We have also succeeded in expanding our network of clients and/or national and Iberian partners.

## Participation in FILDA – Luanda International Fair

We participated institutionally in FILDA by hosting a stand with downstream and upstream business representation. This fair is a major international trade event in Angola and represented an opportunity to consolidate our Company’s presence in that market.

## Swaziland International Trade Fair

We hosted a stand at the fair. The objective was to develop new relationships with clients and learn more about our competition.

## Launch of Laranjinha Light bottle in Sal, Cape Verde

The objective was to promote the new bottle and expand the tare facility.

## Partnership with BCI – Banco Comercial de Investimentos

Installation of ATMs in convenience stores at our Galp stations in Mozambique.

## Atlantic Meeting ’15

Meeting with international marine clients, mainly traders and ship owners, in order to strengthen relations with these business partners.

## Services and products that we provide

The needs of our clients are the point of departure for development of new offers with the most advantageous and personalised conditions, simultaneously bolstering our market positioning. In a segmented fashion, we offer a set of energy services and structured products.

### Energy Services

#### Domestic Segment

Range of exclusive services for Galp, available 24 hours a day, 365 days a year.

#### Companies

Promotion of energy efficiency and minimising potential risks and damage. 24-hour assistance.

#### Energy Solutions

Integrated solutions tailored to clients. Provide the most rational and efficient use.

### Structured Products

#### Galp On

This is a solution that offers an energy plan adapted to each client's needs, combining electricity and natural gas services.

#### Cubed Energy Plan

Connects the three energies – electricity, gas and fuel – and offers major savings on customers' monthly bills. Continente is the brand partnering with us on this service.

At the company level, we provide the Galp Business, Corporate, and Professional Fleet Card; the car wash service with special terms for taxis, and, finally, the Galp Care line, which offers a full range of car care products.

Our Via Verde service allows users at service stations to pay comfortably through their Via Verde device, putting us at the forefront of innovation and constant improvement. Under the partnership established with Via Verde, we also launched the “Viagens e Vantagens” (Travel and Advantages) program, organised in

two dimensions: tourism and leisure, which offers recreational programs that include discounts on tolls and fuel vouchers corresponding to our brand; and Vantagens, which offers a set of discounts on automobile-related services.

Also see Galp Energy Solutions, presented in section 6.4.4 Performance of our projects (Energy efficiency of our clients).

### Electricity sector market shares

According to the monthly report of Entidade Reguladora dos Serviços Energéticos (ERSE – Energy Services Regulatory Entity) in reference to September 2015 (latest version available at the time of publication of the report), our market share in the electricity sector – industry segment – remained in double digits: we reached 13.9%, consolidating the trend from previous months. This segment includes all clients in a free-market regime connected to medium voltage (MV) grids.

The good result is further proof of our reputation as a leader in stability, quality of service and expertise in the enterprise market.

### Galp plays major role on day 1 of MIBGAS

The new Iberian natural gas market operator, MIBGAS, began operating on 16 December 2015 and represents a new (physical and organised) platform for daily natural gas purchase and sale transactions for the entire Iberian space, where this market's agents will operate.

We played an active role in the opening session: in a first round, under the auction phase, with purchase and sale offers (not fulfilled); in a second phase (in continuous session mode) with several effective transactions corresponding to the day-ahead (DA) product. By the closing hour of this first daily session, 80% of NG trading volume involved our Company.

Along with active participation in this new market, we continue to operate in the traditional market (bilateral OTC transactions), with this new trading platform used both for correction of portfolio balance positions and to capture market opportunities.

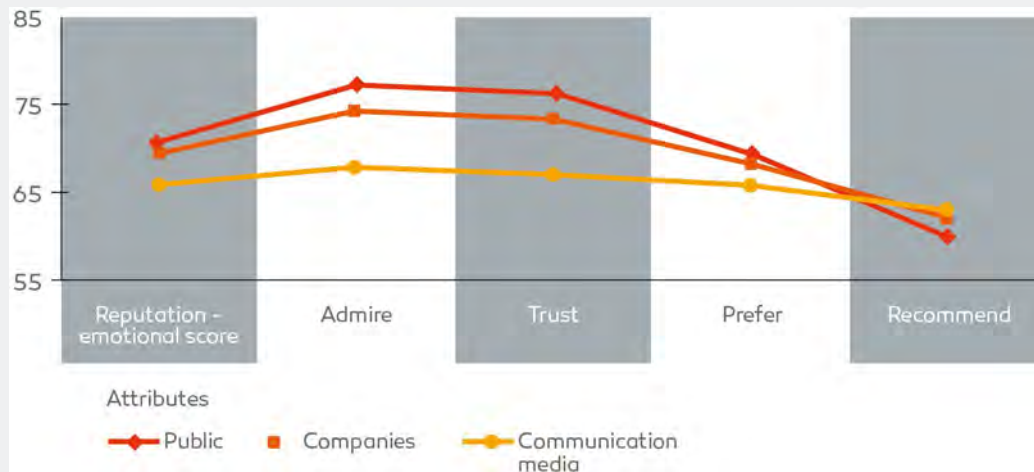


### Global RepTrak Pulse

Global RepTrak Pulse is the largest study of its kind in the world, measuring more than 2,000 companies across 25 industries in 40 countries, while also providing important information about market perceptions and behaviour. The study helps organisations to improve their relationship with stakeholders, while also recruiting companies, media, and the public. It uses a 0-to-100 scale, with 10 representing a very poor reputation and 80 or above indicating an excellent reputation.

Scale		
Excellent / Top tier	80+	
Strong / Robust	70-79	← Galp
Average / Moderate	60-69	← Portuguese energy sector average
Weak / Vulnerable	40-59	
Poor / Bottom tier	<40	

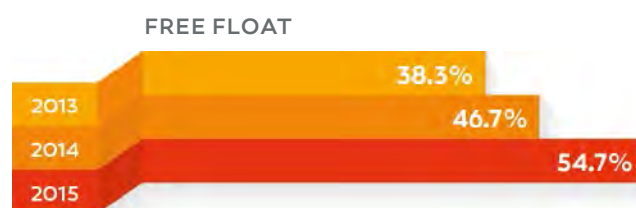
The average score for companies in Portugal according to Reptrak Pulse 2015 was 66.4. Our reputation stood at 70.6, the highest in the energy sector. In relation to results with respect to recommending, admiring, and preferring our brand, we scored between 60 and 77, depending on the stakeholder. The study also measures the brand’s dimensions and attributes. We have four attributes in 2015: attentive brand, leader, adventurous and winning. These symbolise our reputation as a trusted brand that reflects stability, control, and courage.



## 6.2.5

# Engagement with investors

There was a significant free-float increase in 2015 for our Company relative to the end of 2014, with the trend from recent years continuing to reflect our greater visibility on capital markets.



Indeed, several entities now have major equity holdings in our Company.

Find out more in our 2015 Annual Report and Accounts, chapter 4 Corporate Governance [↗](#).

At the end of the year, our shareholder base included investors from nearly 35 countries across four continents. Investors outside Europe accounted for 61% of the total free float, with the most representative base located in North America, where investors held 33% of the Company's free float.

At Galp, we attach great importance to the maintenance of an open and transparent relationship with shareholders, investors, analysts, market regulators and other participants in capital markets. Accordingly, we meet regularly with institutional investors: in 2015, we conducted approximately 250 meetings involving some 400 investment funds in Europe, North America, and Latin America.

Our Investor Relations (IR) team is the Company's interface with these stakeholders. It is responsible for ensuring that communications with capital markets are integrated and consistent with our Company's strategy and operations so that investors are capable of making informed decisions. In that vein, the IR department must provide relevant, clear, and accurate market information about the Company on a regular, transparent, and timely basis, also ensuring our response to requests for information, particularly by phone and email. Responses and clarifications are provided as quickly as possible, adjusting the response time to the nature and complexity of issues at hand, and always ensuring transparency, symmetry and consistency of available market information. The average response time in 2015 was one business day (in line with the target that we had defined).

Additionally, we recognise the need to understand the market's assessment and perception with respect to actions that we promote to encourage knowledge and interaction between our Company and the financial community. Accordingly, we engage analysts and

investors on an annual basis for purposes of such parties' assessment in line with the criteria of transparency, consistency and reliability, availability, objectivity, quality and prompt response.

We were recognised again by the financial community as a result of our efforts:

Our investor relations practices were considered the best in the energy sector in Europe, a distinction recognised in the Investor Perception Study – Europe 2015, compiled by IR Magazine. In terms of the overall European ranking, we improved our position, rising from 24<sup>th</sup> in 2014 to 11<sup>th</sup> place. For the second time in three years, we were ranked in the top 50 worldwide.

According to the European Investor Relations Perception Study 2015, conducted by Institutional Investor, our Company was awarded in the categories of "Best Investor Relations" and "Best CEO" in the European Oil & Gas Exploration & Production sector. The IR team was ranked among the three best in Europe by sell side analysts representing the most renowned investment banks in Europe and the United States. The criteria for the respective rankings include accessibility and response time of IR teams, the level of transparency in communications and the quality of work performed. Accounting for the voting of analysts based on the Iberian Peninsula, the IR team was ranked in first place. With respect to buy side voting, particularly fund managers, our Company's IR team improved its ranking compared to previous years.

In 2015, the study conducted by the magazine Institutional Investor examined 870 investors and 485 financial institutions, managing assets of approximately \$4.5 billion in shares of European companies, as well as 1,100 sell side analysts and 160 investment banks, reflecting the reach that we have achieved as well as the market's trust in us.

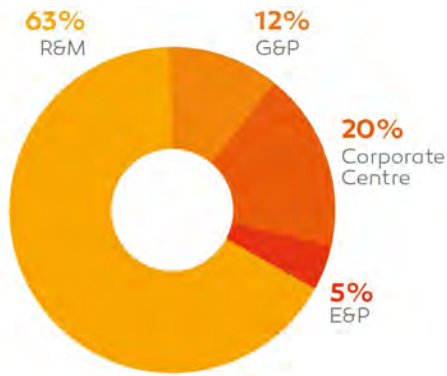
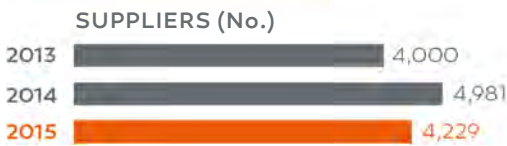
We were also recognised by Extel Pan-European Survey as the best company in Portugal for investor relations practices.

6.2.6

# Engagement with suppliers

## Our suppliers

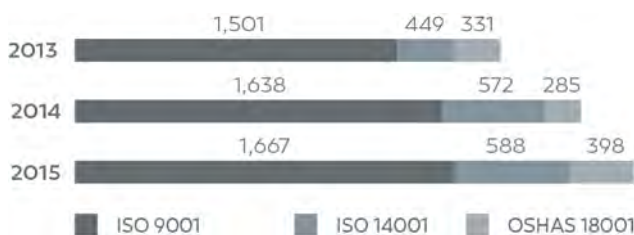
In 2015, we recorded approximately €410 m in purchasing, distributed by 4,229 suppliers, of which 1,930 are suppliers with contracts exceeding €5 k.



We use Achilles to monitor and manage risk related to our suppliers. This entity identifies, qualifies, assesses, and generates information about suppliers for buyers from the largest organisations in the world. Thus, according to this methodology, or rather, the assessment of our most critical suppliers in terms of corporate social responsibility with respect to risk:

Risk level	Description	N.º of suppliers with turnover in 2015
A+	Suppliers with a CSR classification above average	157
A	Suppliers with a CSR classification above average	233
B	Suppliers with a CSR classification above average	37

We also ensure that our suppliers are certified in order to guarantee their commitment. We maintain the following key certifications:



Besides, we do prioritise the local purchase of products and services:



## Purchasing Policy

Our Purchasing Policy seeks to promote the alignment of our suppliers and partners with the principles and requirements applied by the Group by defining conduct practices that suppliers and partners must observe in the development of their activities.

Accordingly, the policy states that the Company does not establish or maintain relationships with suppliers not aligned with the established procedures and adopts appropriate measures in cases where the ethical and professional conduct of suppliers is questionable.

The principles to be followed are organised according to four axes:



Human and labour rights



Ethics and transparency

- Child labour
- Forced labour
- Freedom of speech and association
- Non-discrimination
- Bullying and harassment
- Remuneration and social benefits
- Working day
- Safety, health and hygiene at work

- Legal compliance
- Code of ethics
- Confidentiality, privacy and intellectual property
- Encourage and protect whistle-blowers
- Competition (antitrust)
- Audits



Quality and excellence



Environment and sustainability

- Product and supply quality and safety requirements
- Focus on efficiency and continuous improvement
- Training and disclosure of procedures to staff
- Management systems
- Innovation

- Efficient management of waste and emissions
- Handling of chemical or toxic products
- Sustainable, efficient and rational use of resources
- Licensing of activities with environmental impact
- Compliance with applicable environmental standards and regulations

**“The selection and hiring of suppliers by the Galp Group meet objective and transparent criteria and not only adhere to commercial conditions but also to the respective ethical and professional conduct and its suitability to the principles established in this Policy.”**

in Galp Purchasing Policy

Yet in order to ensure the soundness of the conduct that we advocate, in early 2016, we will require that our suppliers submit a declaration that acknowledges and accepts our Code of Ethics and Conduct.

## Galp Supply 4 Platform

Our purchasing platform, known as Supply 4 Galp, includes a truly integrated relationship model. It is a collaborative solution that allows users to share all information related to supply chain and procurement management processes at our Company.

The platform covers the entire purchasing cycle, from the sourcing phase to management of supply and contracts, connecting all users and creating benefits of transparency, efficiency, and quality in the activities performed.



## Qualification of suppliers

The supplier qualification process represents an essential component in our Company's purchasing process and is present in various stages of the process.



Issues related to corporate responsibility arise in the very early stages of the process, i.e., pre-qualification.

## Supplier audits

At Galp, we are aware that our responsibility does not begin and end with our operations. Thus, we perform audits on suppliers in tandem with the aforementioned practices. These are based on previously defined requirements and comply with applicable law in the respective geographies.

Audits may be requested on suppliers in any activity corresponding to the qualification process, spanning the following areas:

- Financial;
- Technical;
- Corporate social responsibility;
- Security;
- Health;
- Environment.



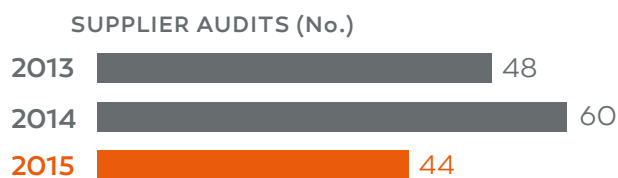
On the other hand, suppliers can also request an audit of our Company.

At the end of the audit process, the report presenting the main findings is sent to the supplier. The supplier then must submit a corrective action plan within 30 days, whether with respect to the auditing to be conducted by our Company or on our behalf by an external service provider. This plan must include clear execution deadlines that are monitored by our Company.

With the Achilles system, nonconformities are recorded in the respective audit management system, where the supplier also submits corrective actions and supporting documentation.

Thus, we believe that this contributes actively to minimising risks in our value chain, while also helping our suppliers to improve their performance.

The number of audits has increased since we implemented the supplier-auditing program. Therefore, we have also increased the rate of suppliers audited at least once in recent years.



### Star Programme – Positive Natural Gas Service in Portugal

“Programa Estrela – Serviço Positivo” (Star Programme – Positive Service) is a tool that facilitates the support of operating activities developed by nearly 500 professionals from our suppliers, serving more than one million natural gas (NG) customers.

Directed towards the improvement of quality of service provided to the client, the programme seeks to bolster communication, development of skills of critical agents in various “moments of truth” corresponding to interaction with clients and assessment of the performance of “NG Partners”.

This assessment recognises and awards the “NG Partner” of the year and highlights the best performances in various categories, including “Safe Team”, clearly reflecting the bolstering of safety values.

As such, this represents the consolidated experience of integrated, effective, and accessible management that strengthens the image of excellence of services provided by our Company.

#### 6.2.7

## Engagement with partners

At Galp, we work closely with our partners, monitoring projects in which we are not operators in order to mitigate possible risks and share best practices. Accordingly, we conduct periodic meetings in order to ensure the handling of essential issues. With respect to safety, health, the environment, and security (HSSE), we participate, for example, in subcommittee meetings on this subject for the BM-S-11 Block in Brazil and the construction of FPSOs:

#### BM-S-11 HSSE Subcommittee Meeting

**Frequency:** Bi-monthly

**Objective:**

- Monitor Petrobras projects corresponding to BM-S-11 with respect to HSSE (Health, Safety, Security and Environment).
- Answer questions, suggest improvements, and encourage the partner to adopt best industry practices.

**Agenda:**

- Monitoring of phases corresponding to environmental licensing and response to environmental requirements.
- Environmental compensation.
- Audits and evaluations.
- Accident indicators and investigation.
- Miscellaneous issues.

#### FPSO – R Construction HSSE Meeting

**Frequency:** Quarterly

**Objective:**

- Monitor the construction of replicant FPSOs from a HSSE perspective.
- Present HSE performance for the quarter in reference related to each shipyard.

**Agenda:**

- Presentation of accident indicators: accidents, actions implemented and best practices for each shipyard.
- Presentation by Petrobras of overall project accident rate indicators, and actions being implemented at each shipyard.
- Visit to host shipyard.

Beyond current activities, work meetings and audits, we also develop certain partner involvement initiatives of other kinds, such as:

## Institutional visit to Petrobras facilities

Representatives from the Environment, Sustainability, and Safety department of our Company, along with the Director of the respective corporate unit, have conducted an institutional visit to the facilities of our partner Petrobras. We therefore took the initiative of developing work sessions, informal discussions, and field visits. We exchanged experience, broadened relationships, and built new channels of communication.

In particular, the visit schedule involved:

- 1. Visit to City of Mangaratiba FPSO:** Presentation of City of Mangaratiba FPSO project, integration of environmental management and safety. Presentation of the main safety measures, best technologies implemented and HSE indicators – atmospheric emissions, management of CO<sub>2</sub> emissions, environmental and personal accident rates, process safety.
- 2. Corporate Meeting:** Sharing of experiences in the realm of HSE management and Management Systems. Sustainability and strategic vision of projects. Presentation of Crisis and Emergency Plans, particularly corresponding to the Santos basin. Organisation, resources, and system control.
- 3. Visit to Brasfels Shipyard –** Construction of FPSO – P66: Visit to shipyard, integration of HSE components. Interface with suppliers, HSE requirements. Sharing of experiences and lessons learned. HSE indicators.

## Meeting of resellers

Organisation of two meetings for retail and LPG resellers in order to broaden relationships between these business partners and Galp.

## Conference on energy efficiency

BCSD Portugal – Business Council for Sustainable Development promoted the conference organised under the theme “Economic and financial analysis on energy efficiency projects”, hosted at our head office.

We have been founding members of BCSD Portugal since 2001 and actively collaborate in the development of joint initiatives that create a platform for the sharing of knowledge related to sustainability issues. This conference was part of “AÇÃO 2020 – Soluções Empresariais para o Desenvolvimento Sustentável” (ACTION 2020 – Business Solutions for Sustainable Development), promoted by BCSD Portugal, and was aimed at promoting the sustainability of Portugal in coordination with public decision-makers and civil society actors.

## Saber +: Advanced Management Course for Resellers

### Promotion of business growth and success

At Galp, we believe that it is critically important to strengthen relationships with our key resellers. Therefore, we have developed the Saber + Advanced Management course, aimed at providing specific tools to spur the growth and success of our partners.

With this course, we aim to stimulate the involvement of resellers within the activities of our Company, preparing the renewal and re-qualification of the management model corresponding to their respective business, while also boosting leadership capacity on the part of new generations that may assume the helm of a family business in the area of fuels and LPG.

The three-week course consists of two modules:

**Module 1:** five days of classroom training taught by instructors from Católica Lisbon Business & Economics, as well as expert speakers from our Company.

**Module 2:** visits to our Company’s facilities and commercial monitoring.

We believe that we are preparing our future with our resellers.

### Galp E&P Management System

Aware of the challenges inherent to the management of projects associated with E&P projects not operated by Galp, in 2015 we established the GALP E&P Management System with the aim of managing the complexity and risk (technical and economic) affecting E&P projects through:

- Structuring of phases and “decision gates” from the E&P value chain;
- Definition of governance (roles, responsibilities and interfaces), validation and internal management of each project phase;
- Identification of standards and rules for decision support in accordance with:
  - o Relevant corporate policies (delegation of powers, purchasing, security, health and the environment);
  - o Functional process and approval rules in E&P Joint Ventures (JV);
  - o Joint Operation Agreements (JOA) and other JV contract provisions.

# 6.3

## Valuing human capital



### COMMITMENT III

### Objectives

- Offering good conditions for attracting and retaining talent in national and international contexts, reducing turnover and the associated direct costs and loss of value.
- Creating an organizational climate that promotes a sense of belonging and career opportunities and personal development, so that every employee feels motivated, has a sense of vocation in their work, explores his full potential and thus maximizes the Organization's ROI in its human capital.
- Ensuring that training and development programmes are in place to enhance our human capital and continually build capacity to implement the short, medium and long term strategy of the Company.
- Promoting a culture of autonomy, accountability and meritocracy that recognizes and rewards personal and professional virtues, performance, commitment and orientation to the Company's success.
- Combating discrimination and promoting diversity and equality to favour pluralism and skills in the performance of our functions and, particularly, in decision-making.
- Promoting local recruitment, to contribute to the development of the communities where we operate and to promote the social integration of the Company and its employees.

## 6.3.1

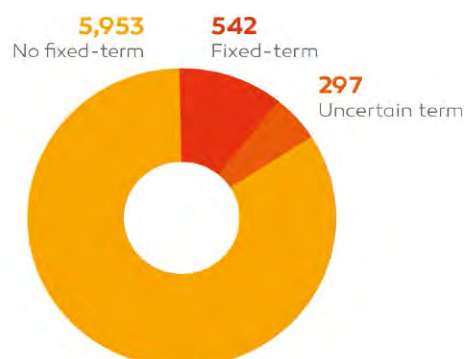
# Who are our employees?

As of 31 December 2015, we had 6,792 employees at Galp.

## Contract type

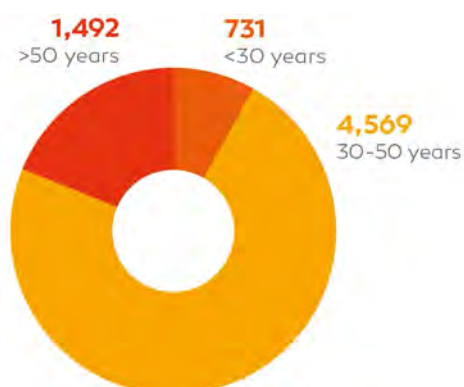
We are aware that we must provide stability and security as employers. Accordingly, we favour employment contracts of no fixed term, covering 88% of our employees.

The majority of fixed-term contracts and contracts of uncertain term correspond to employees in service areas, who account for 62% and 71%, respectively, of those two contract types.



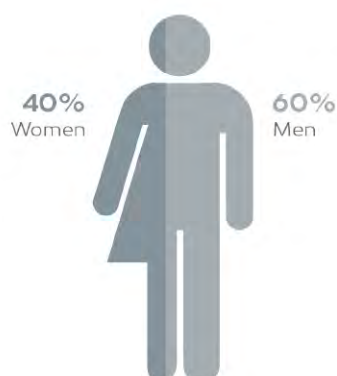
## Age distribution

The majority of our employees are in the 30-to-50-year-old age group.



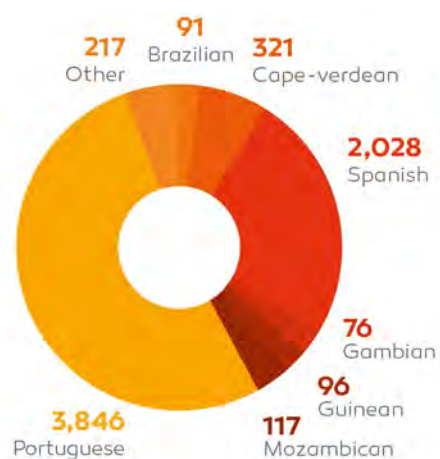
## Distribution by gender

In 2015, 40% of employees at our Company were women. The male predominance is largely explained by the nature of our industry.



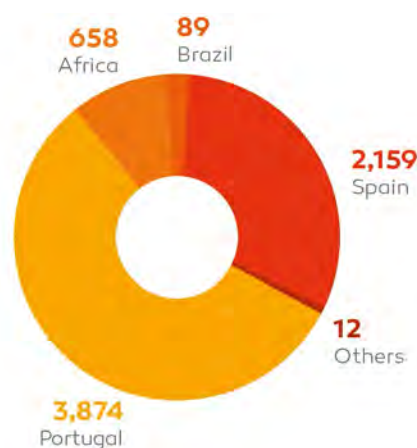
## Diversity of nationalities

Our cultural identity is diverse, as our employees span 48 nationalities based on our presence in 14 countries and the openness of Galp to different cultures.



## Geographical distribution

We have employees in the several countries where we are engaged in activity.





## Disabled employees

We seek to integrate disabled employees within our staff.

We have 61 employees with disabilities exceeding 60%, 36 of whom are men and 25 of whom are women.





## 6.3.2

# Non-discrimination, equality and local hiring

## Age, gender, and nationality distribution by professional category

At Galp, we combat any form of discrimination, whether based on gender, ethnicity, religion, or sexual orientation. We express this principle in all of our activities, particularly in recruiting and professional career development processes.

Professional category	Total	Age distribution			Distribution by gender		Distribution by nationality	
		<30 years	30-50 years	>50 years			Portuguese	Other nationalities
Top managers	57	0	28	29	52	5	45	12
Middle managers	196	0	106	90	152	44	157	39
First line managers	467	3	291	173	300	167	362	105
Specialists	1,754	193	1,153	408	1,108	646	1,177	577
Other	4,318	535	2,991	792	2,488	1,830	2,105	2,213
TOTAL	6,792	731	4,569	1,492	4,100	2,692	3,846	2,946

We are proud of our non-discriminatory policies and practices.

### Human Rights Policy

“Reject all forms of discrimination based on, among other things, racial or ethnic origin, colour, sex, sexual orientation, age, religious beliefs, nationality, family and socio-economic status, marital status, education, disability, political ideology, thus guaranteeing equal opportunities and equal treatment regarding career advancement and working conditions.”

### Corporate Responsibility Policy

“Respect and promote Human Rights, ensuring, whenever this is feasible, action plans and mechanisms for non-collusion and for the resolution of non-compliances as regards the discrimination of vulnerable groups, civil and political rights, and economic, social and cultural rights.”

### Code of Ethics and Conduct

“Non-discrimination:

Commitment of Galp and of the Personnel: We do not act in a discriminatory manner towards our personnel or any other person, whether based on race, religion, gender, sexual orientation, ancestry, age, language, place of origin, political or ideological beliefs, economic situation, social context, or contractual obligation.

Commitment of Galp: We assure the prevention of accidents and the upholding of safety, by complying and ensuring compliance with the rules in force in each geographic area.”

In order to promote the greater participation of women in the Company’s decision-making, we made a commitment to the Portuguese government on 30 June 2015 to develop measures aimed at achieving targets for representation by women of 30% on the Board of Directors by 2018 or at the start of the next term of office.

## Equality and justice in compensation between genders

There are no significant salary or compensation differences between men and women at our Company. When they exist, these differences are fundamentally due to the higher average age of men at the Company. Furthermore, wage differences are often offset in the opposite direction by differences in variable average pay.

The potential salary differences are therefore often reduced in average total compensation:



The ratios between average and median compensation of employees and CEO compensation are depicted in the following table:

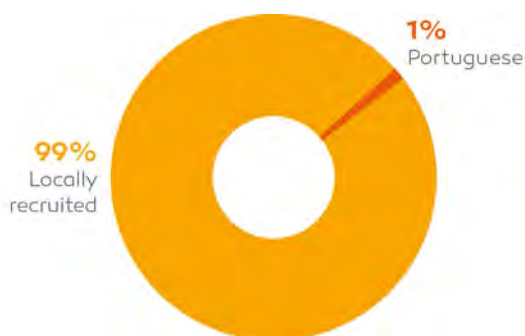
2015 Average base compensation of employees / CEO compensation	2015 Median base compensation of employees / CEO compensation
0.028	0.025

## Local hiring

At Galp, we guarantee that most of our employees are hired locally. This is aimed at promoting social integration and involvement of our Company in communities where we operate. Notwithstanding the above, we usually appoint Portuguese employees to country manager and other roles of particular importance. This practice reflects our commitment to ensuring proper corporate coordination with various affiliates, as well as promoting the cultural matrix and organisational values while at the same time respecting local identities and cultures.

Moreover, we have made a clear commitment to safeguarding equality of opportunity, including with respect to top management positions. The figure below shows the proportion of employees recruited locally for top management positions:

### LOCAL EMPLOYEES IN TOP MANAGEMENT POSITIONS



## 6.3.3

# Seniority, turnover, mobility and absenteeism

## Seniority and turnover

Galp employees average 12.6 years of service, with men and women averaging 11.8 years and 13.1 years, respectively.

The following figure depicts incoming and outgoing employees at Galp:

### Incoming and outgoing employees of Galp Group

In 2015, 1,019 employees joined the Company and 1,082 left the Company, 50%, and 48%, respectively, of whom were women.

Excluding service areas, 189 employees joined and 267 employees left the Company in 2015, 37% and 26%, respectively, of whom were women.

The difference between such figures is essentially due to the fact that many job contracts for employees in service areas are typically seasonal.

Countries	Age	Galp Group		Excluding service stations	
		No. recruited	Departures	No. recruited	Departures
Portugal	<30	249	172	77	19
	30-50	139	167	50	35
	>50	11	157	7	141
Spain	<30	154	136	5	1
	30-50	349	321	11	17
	>50	40	64	2	17
Africa	<30	18	20	7	3
	30-50	31	27	9	16
	>50	10	11	3	11
Brazil	<30	4	1	4	1
	30-50	10	2	10	2
	>50	3	4	3	4
Others	<30	0	0	0	0
	30-50	0	0	0	0
	>50	1	0	1	0

Turnover, reflected by voluntary departure of employees, is represented according to the following distribution:





## Guided mobility

The dynamic evolution of guided mobility continues to play a key role in human resources management in our Company’s current and future environment. An integral part of the overall scope of human resources development, mobility is a practice that facilitates diverse contexts and work processes, enabling the development of cross-functional knowledge and skills. We believe in guided mobility, therefore, as a vehicle for forgoing new approaches and opportunities for innovation and continuous improvement.

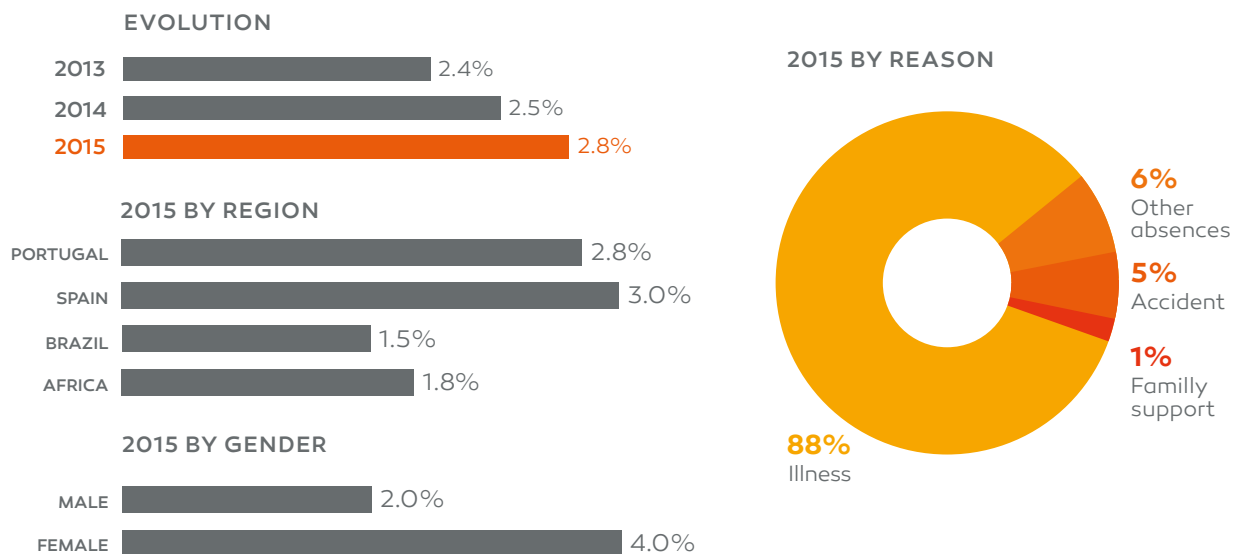
In spite the fact that mobility has remained largely stable in 2015 due to previous restructuring, a sequence of mobility processes were identified and implemented through various Business Units and geographies, with particular emphasis on the international area.

At the end of the year, the Mapping Potential programme (described below in section 6.3.7 Development of human capital), as well as career advancement planning prepared for entry-level R&M jobs, were both aimed at identifying guided mobility opportunities that are expected to service as a future mobility blueprint in the realm of career development and advancement.

## Absenteeism

The main reasons associated with absenteeism at Galp, which are particularly tied to variations observed by gender, are absences for family care, sickness, and accident.

The following charts show information about absenteeism at our Company:



## 6.3.4

# Our human capital strategy

Being aware of the importance of capturing and retaining talent in order to ensure our Company's ability to create long-term value and because we are convinced that our employees are an asset, we began in 2015 to reflect on our human capital strategy.

In doing so, we developed two strategic programs:



Strategic Programme 1, with the purview of promoting Galp culture, is subdivided into two complementary subprograms: one related to the objective of promoting a culture of autonomy, accountability, and meritocracy, and the other related to promoting a culture of innovation and entrepreneurship:

## Objective 1 of Programme 1

Promote a culture of autonomy, accountability and meritocracy

- Develop a culture of autonomy and accountability, identifying key factors of change
- Create adequate procedures that ensure that the culture of autonomy and accountability is effective (levels of competence, meritocracy)
- Review the incentive/award/compensation system that promotes pay for performance, proposing a new benefits system
- Create new compensation (i.e., non-financial) mechanisms that promote motivation vs. satisfaction

## Objective 2 of Programme 1

Promote a culture of innovation and entrepreneurship

- Create a platform for generating ideas (internal and/or external) that facilitates the management of innovation and knowledge applied to the O&G sector
- Define a communication plan in order to intensively communicate the creation of the platform as a form of encouraging its participation
- Define budget to invest in new ideas (financial and human resources) as well as awards for the best projects

Strategic Programme 2 accounts for the development of critical skills centred on priority areas:

## Objective of Programme 2

Development of critical skills centred on priority areas

- Identify critical skills and functions oriented towards the management/creation of value as well as quantitative and qualitative gaps
- Ensure critical skills, defining the respective recruiting and/or professional development plans
- Strengthen advanced training as a catalyst for personal and professional development of employees
- Implement a career development programme that the employee is responsible for managing (self-management of careers)
- Strengthen reputation and communications appropriate to the positioning of Galp as employer (namely in the recruiting of technicians in the E&P area)

### 6.3.5

# Human capital within the context of E&P

We have witnessed, once again in 2015, a twenty percent growth in the E&P personnel. From an organisational perspective, we have developed restructuring aimed at expanding and consolidating a matrix structure in which the need to clarify roles, responsibilities and interfaces is essential.

Similarly, and in conjunction with this restructuring, we introduced and implemented the E&P Management Manual, where we identified the roles, responsibilities, and activities coordinated between areas, as well as information and communications flows that strengthen and clarify the activities of all.

Our employees comprise of 17 nationalities in this business area, reflecting the true globalisation of the business, as well as required efforts of integration and cultural reception. Regular communication with the structure has become a habit, expressed through various, department-specific, “away days” initiatives, weekly inter-geographic meetings by project that rely on videoconferencing technology, the production of systematic reports and document management.

We also highlight (as described in section 6.2.7 Engagement with partners), the protocol for development of technical skills between Galp and ENH. In implementing this protocol, we received 24 trainees over a full year, with each trainee undergoing one quarter of vocational training.

Additionally, 2015 was the first year under the Generation Galp programme in which we received a trainee selected in Mozambique to undergo induction at our Company in the

E&P business area for purposes of subsequent assignment to the local structure in Mozambique. This was also a year of receiving and integrating the Petroleum Engineering master’s students, the outcome of the partnership programme between ISPG and Heriot-Watt University. We have 11 master’s students in our Portuguese operations and four in Brazil.

With a focus on Brazil, we also have strived to meet two very important milestones corresponding to the full implementation of human resources practices, processes, and policies. The first behavioural and technical skills assessment process was applied and, subsequently, we defined the training plan that will be implemented in 2016.

E&P witnessed another year of staffing growth, with 52 employees added to the payroll, 48 of whom were hired from abroad and four that were related to internal mobility processes from other business areas. During the same period, 16 employees left the Company due to retirement (three), death (two), on the initiative of the company (two) and on the initiative of the employee (nine).

## 6.3.6

# Performance management

## Performance management system

As a powerful management tool, the performance management system represents an essential component for the alignment of each employee's role with Galp's strategy, objectives, and values, respectively.

### Performance Management System (2015)

Essential component for alignment of each employee's role with the Company's strategy, objectives and values

#### Guiding principles:

Continuous improvement, commitment, integration and simplicity

#### Purpose:

- Align the individual objectives with the Company's strategic objectives;
- Reinforce a culture of value creation, reflected in the assessment of critical business values;
- Promote and strengthen cooperation and dialogue through the definition and assessment of shared objectives;
- Guide the professional development of employees;
- Recognise and reward good results, encouraging high levels of future performance.

#### Components:

- Assessment according to objectives, aimed at analysing sustained performance and variable remuneration;
- Skills assessment aimed at professional development, planning related to training and salary progression:
  - Behavioural skills;
  - Technical skills;

We have a Skills Dictionary that currently contains 124 technical skills across 16 knowledge clusters as well as 13 behavioural skills.



In 2015, the performance assessment process covered approximately 99% of the Company's employees. Additionally, approximately 88% of the 720 members of managerial staff were assessed according to the 360° Methodology, which has since been applied to all employees with subordinates, now totalling 820 employees as of 2015.

Meanwhile, in 2015 we began reviewing our performance assessment system for the purposes of full implementation in 2016. This project is intended to strengthen the capacity of the performance assessment process in order to:

- Promote and disseminate the Company's culture and values;
- Promote meritocracy, differentiation and recognition;
- Engage, motivate, empower and hold employees accountable;
- Improve performance and develop people.



The intention of the system review is also to yield a simpler model, supported in the definition of behavioural skills applicable to the entire organisation. In definition of the quantitative objectives (KPIs), we intend to strengthen coherence and fairness in terms of the implicit effort in the respective definition.

We also espouse the existence of an overall performance assessment, which, like the current system, will be composed of a (Company, staff and individual) goals component and a behavioural skills component (with different values, according to each

employee's functional group), serving as an input for determining the variable remuneration component.

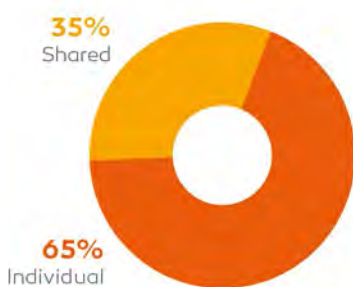
Additionally, and proceeding in line with the current model, personal goals and behavioural skills will represent an input for development, assessment of potential and salary progression.

## Remuneration and performance assessment

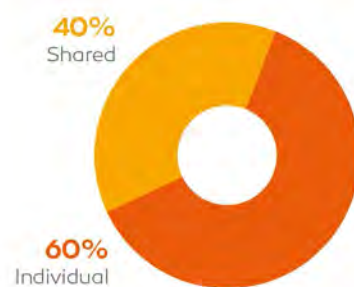
Carried out in 2015 with respect to 2014 performance, the goals assessment component yielded an increase in variable remuneration by an average of 11.2% relative to base remuneration.

The variable component exhibited the following dependency ratio between shared goals of the Group and the Management Unit on one hand and the individual goals of our employees on the other hand:

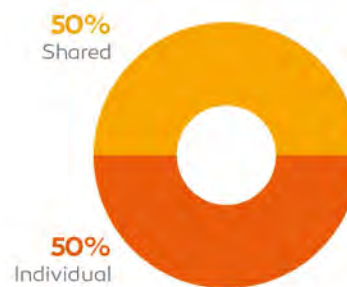
OBJECTIVES 2013



OBJECTIVES 2014



OBJECTIVES 2015



The path taken in recent years has been oriented towards the promotion of:

- Understanding the individual role in the collective creation of value;
- Solidarity between colleagues and teamwork;
- Alignment of various Business Units,

with the ultimate objective of leveraging the success of our Organisation and inviting all employees to participate in this success!

## Long-term and sustainability incentives

For years, we have considered sustainability factors at Galp in assessing the performance of employees, using the so-called QSES (Quality, Safety, Environment and Sustainability) Factor. In doing so, we have strengthened the management's efforts and encouraged the integration of sustainability issues in day-to-day activities. Under this framework, employees are rewarded or penalised according to their behaviours and results. These components are expressed in a set of indicators and monitored quarterly.

Top managers are also subject to long-term incentives (three-year schemes) that are based on financial and economic indicators. In turn, we have succeeded in retaining management talent and spurred our commitment to achieving the Company's strategic objectives.

Information related to performance and compensation of executive and non-executive directors is presented in section 6.1.1 Corporate governance.

## 6.3.7

# Development of human capital

## Human capital development programs

At Galp, we have a set of programs aimed at developing our human capital.

### Generation Galp

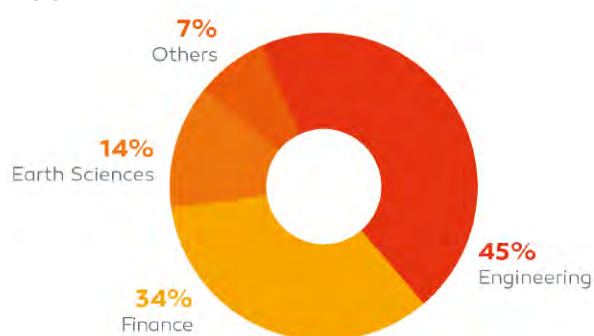
This program, aimed at recent college graduates with high potential whose ambition, merit and commitment to excellence in results, harnesses their potential to become employees of our Company through solid preparation.

The programme began in 2008 and the retention rate to date is 77%. In 2015, we received more than

9,000 applications for the program, demonstrating our Company's attractive image.

The trainee programme fosters diversity of opportunity, networking, and additional training.

### AREAS OF EXPERTISE IN THE 2015/16 PROGRAMME



### Mapping potential

Mapping the potential of young employees (25-35 years old) with non-management contracts. The program's objective is to ensure that such employees are monitored, developed, and retained.

With 418 participating, the "My Way" questionnaire was launched in 2015. Upon analysis of the results, a 1<sup>st</sup> group of 149 employees in the assessment phase was identified. The process will be completed by June 2016 with the production of individual reports and personal development plans.

### Leaders for the future

Identification of leadership potential of managers after completion of level of FormAG Programme and definition of Personal Business Plans.

In 2015, the assessment was conducted on 42 employees, with the respective Personal Development Plans also prepared. An individual training plan was outlined from the results obtained, accounting for each employee's needs of development. As a result, 22 advanced to FormAG Level 2, 15 have had a training path representing an alternative to Academia Galp.: in turn, for the first time, a specific executive skills development plan was designed for four of these employees,

consolidating the leadership profile outside of the context of Academia Galp.

Throughout 2015, some 288 employees have participated in FormAG Level 1. In 2015, an individual training plan was designed for 29 employees based on previous years (2013 and 2014).

### Developing leaders @Galp

Programme conducted at the end of FormAG Level 2 with the objective of analysing the progress of staff with respect to the leadership profile assessed in the Leaders for the Future Program, furthering the definition of Personal Business Plans, and deciding on advancement to FormAG Level 3.

In 2015, 45 employees participated in this program, with both results and definition of development plans currently under analysis. With the respective development plans defined, 110 employees participated in previous versions of the program.

### Maturing leaders @Galp

Personalised monitoring of top-level senior managers.

Through 2015, 36 employees have participated in FormAG Level 3, with the respective development plans currently subject to consolidation.

# Training

At Galp, we understand the importance of providing training to our employees.



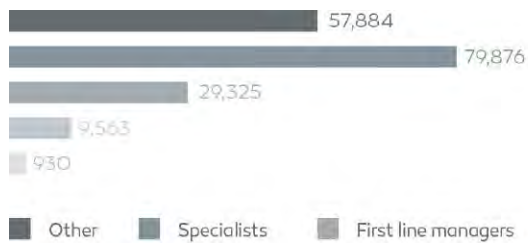
TOTAL TRAINING HOURS



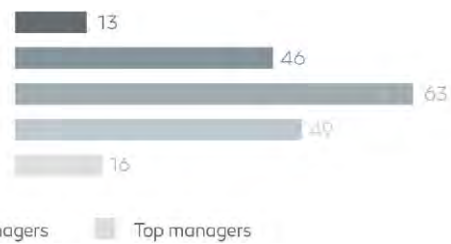
AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE



BY PROFESSIONAL CATEGORY IN 2015



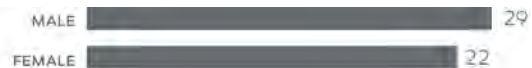
BY PROFESSIONAL CATEGORY IN 2015



BY GENDER IN 2015



BY GENDER IN 2015



Academia Galp represents one element of our Company's current training scheme. At this centre, we promote integrated, innovative, stable, and structural training projects that are oriented towards the development of managerial, technical, and behavioural skills. We work in partnership with prestigious institutions of higher education, contributing to the maximisation of the Company's human potential and sustainable growth.

In parallel with advanced training courses, we also apply two important aspects: the organisation of high-level seminars, workshops and conferences, and Galp case studies.

Through this training offer, Academia Galp is structured to respond to our Company's cross-functional needs and the specific needs of an area, division or job.

## ACADEMIA GALP COURSES



### FormAG

Curso de Formação Avançada em Gestão

#### Objectives

Provide supplementary training to managers and young employees with high potential throughout the Company in the context of advanced management, energy, and behaviours, orienting their preparation towards the exercise of leadership functions.

#### Partnerships

Católica Lisbon School of Business & Economics and Porto Business School, the latter in partnership with the University of Aveiro and Instituto Superior Técnico.

#### 2015 Indicators

In 2015, 16,472 hours of training were administered to 336 employees.

**Rodrigo Virgílio:** *"This is an innovative educational model with the appropriate format and an excellent organisation that combine to meet the conditions necessary for effective, successful learning."*

**Rita Santos:** *"This experience has allowed me to deeply reflect on my professional career and think about how I can enhance my contribution and commitment to the Company, resulting in an effective shift in my activities within Galp."*



### EnglQ

Programa de Doutoramento em Engenharia da Refinação, Petroquímica e Química

#### Objectives

Train highly qualified professionals in the Refining, Petrochemicals and Chemicals area, promoting knowledge of excellence and human capital at the Company through three programs: Doctoral Program, Advanced Training, and Customised Modules.

#### Partnerships

Member companies of Associação das Indústrias de Petroquímica, Química e Refinação (AIPQR – Association of Petrochemicals, Chemicals and Refining Industries) and five prestigious Portuguese universities.

#### 2015 Indicators

The 6<sup>th</sup> edition was completed and the 7<sup>th</sup> edition began in 2015. During the same year, 4,100 hours of training were administered to 30 employees.

**Diana Branco:** *"The EnglQ programme was the ideal training for being able to expand my knowledge and skills in order to complement my previous training (...)."*

**Marta Smith:** *"There is a very positive, mutually supportive component between the students of the course (with very different training backgrounds), facilitating the establishment of contact/relationships with colleagues that normally lack much interaction, especially between the Refineries and Lisbon."*





### Objectives

Train geologists, geoscientists, and engineers in the E&P area with distinct technical expertise, skills, and research methods within the realm of geoengineering of reservoirs.

### Partnerships

Strategic partnership between Galp and Petrobras, in tandem with five Portuguese universities and two Brazilian universities.

### 2015 Indicators

The 3<sup>rd</sup> edition of this programme began in 2015 with four Galp employees participating and a total of 2,400 hours of training.

**José João:** *“This GeoER course was ultimately a very rich and unique experience for me (...) It has been a privilege to be on this professional track, which would be coveted by any professional in the oil industry.”*

**Diogo Costa:** *“This course provided a unique opportunity to exchange experiences with colleagues from other companies and with professors who are leaders in their areas of knowledge.”*



### Objectives

Train sales staff in Portugal and Spain to become truly specialised in the sales process and with awareness of the full cycle, including the after-sales phase, focusing on profitable sales objectives, loyalty, and the building of sustainable relationships with clients.

### Partnerships

Porto Business School.

### 2015 Indicators

In 2015, the course was delivered to a total of 162 sales staff in Portugal and Spain, corresponding to a total of 9,038 hours of training.

**Luís Branco:** *“This experience was the most valuable training that the Company has provided me with throughout my professional career. In this context of learning and knowledge, I have integrated the added value and also have been motivated to add value to the Company, putting to use my experience and acquired knowledge. I am grateful to Galp, and particularly to Academia Galp, for the opportunity that I was provided with and am pleased to see that my Company remains committed to the personal and professional development of its employees, a factor reflecting the DNA of companies of excellence.”*

**Carlos Belinchón:** *“The opportunity to advance to higher levels of Academia Galp is a reward for individual and group work and stimulates the competitiveness, efforts, and motivation of the program’s participants.”*



### Objectives

Offer a learning experience strongly based on the development of applied R&D experience that responds to the specific needs of the oil and gas industry at worldwide centres of excellence in the realm of petroleum engineering education, training, and research.

### Partnerships

*Instituto do Petróleo e Gás (Institute of Oil and Gas) and Heriot-Watt University, in scientific cooperation network of Approved Learning Partners.*

### 2015 Indicators

The 2<sup>nd</sup> edition was attended by 31 Galp trainees among an overall body of 52 students. A total of 8,174 hours of training were administered to Galp employees.

**Leonardo Fragoso:** *“My expectations were exceeded. It has been an incredible experience in all aspects (...) I hope to become a qualified petroleum engineer and contribute to Galp’s future.”*

**Elysio Nogueira:** *“To me, the fact that the course is integrated in Galp’s E&P structure creates an unparalleled development environment.”*



### Objectives

The first edition of the CFO Simulator was totally focused on the financial fields. This course responds to the need to equip our Company’s staff with skills that allow them to manage the respective financial resources. It offers the opportunity to experience the impact of financial decisions on value creation.

### Partnerships

Católica Lisbon School of Business & Economics

### 2015 Indicators

In 2015, the first class was composed of 25 employees at the Company. The course had a total of 500 hours of training.

**Alexandre Rezende:** *“The use of the simulator not only allowed the application and strengthening of theoretical concepts, but also real-time verification of the impacts from financial decisions on the Company’s value.”*

In 2016, we are continuing to develop Academia AQSS (QSES Academy).

Learn more about this project in chapter 6 How do we tackle them? (Promoting a culture of sustainability and ensuring employee and management training).

## Academia Galp awarded at 2015 Masters of Human Capital

### Best Personal and Professional Training and Development Strategy

Academia Galp was recognised for the Best Personal and Professional Training and Development Strategy at the 2015 Masters of Human Capital. This was all the more remarkable because we have received this accolade for three straight years since 2013.

The Masters of Human Capital recognises and rewards the innovative practices of professionals and companies that stand out because of their results in the strategic management of people, the performance of tasks and their contribution to development of the sector.

At Academia Galp, the benefits of networking are particularly significant considering that trainees are employees of our Company. The following aspects are effectively promoted:

- The development of cross-functional processes within the Organisation;
- Teamwork;
- Understanding of strategic objectives within the Organisation;
- Culture and values;
- The exchange of knowledge and experiences;
- Internal mobility;
- A cooperative and socially healthy work environment is stimulating.

In addition, Academia Galp courses are completely customised, as reflected by the respective programs. We can therefore optimise our Company's interests and needs in the training of employees for the exercise of their current and future job responsibilities. This customisation is guaranteed by a set of internal specialists who align course and module content with university professors, also serving as internal, on-the-job, tutors.

In effect, within the scope of several Academia Galp course modules, trainees perform various tasks whose goals, statements, and assessment are prepared jointly by instructors and internal tutors. In that context, trainees encounter actual problems and challenges of our Company, frequently capitalising on analysis, research, ideas, reflections, and strategies arising from some assignments.

In addition, Academia Galp affords us with knowledge that would otherwise be beyond our reach! Some training elements can only be provided when our Company has created them, as in the case of EngIQ and GeoER.

In addition to Academia Galp courses, some other training initiatives will be applied over the next few years:

#### Customised learning methodologies:

##### Example 1: Human Resources Management (8 hrs.), FormAG

#### Knowledge assessment:

Research work on "The Human Resources function at Galp", including the following items, among others:

- Structure of human resources function;
- Recruitment and selection policies/practices;
- Performance management and assessment policy/practices;
- Training and development policies/practices;
- Career and rewards policies/practices;
- Policies/practices for safety and quality of life in the workplace.

##### Example 2: Coordination of teams and 360° leadership (12 hrs.), FormAG

#### Knowledge assessment:

Research work on "Galp Leadership Practices: current reality and future evolution."

		2013	2014	2015
<b>Conhecerc+</b>	Hours	16,182	12,316	9,843
	(Meet +) No. participants	328	243	193
<b>OPEX</b>	Hours	11,058	6,957	9,506
	No. participants	588	345	182
<b>Conferences</b>	Hours	2,956	2,683	1,858
	No. participants	1,478	1,325	1,087
<b>AQS</b>	Hours	43,348	28,215	27,558
	No. participants	8,903	5,414	7,415

### CONHECER + PROGRAM

**Objective:** systematically provide contact with the Company's values and the development of essential behavioural skills to a broad set of employees.

**Program:** 51 hours of training/action, seven days in one month, three modules.

- Module I and II: more than 20 internal speakers address issues in their areas of activity.
- Module III: two outdoor days to acquire hands-on experience with behavioural skills, such as teamwork, communication, and conflict management.

### Galp Conferences

Critical factors for Galp's success in the long term (Galp 2030+)

Information and Communication Technologies in distribution as a critical success factor

Citizenship and Cultural Dynamism – the changing world

Modern Parents: the benefits of parenting

Development and Production of Hydrocarbons: Technological Trends and Challenges

3D project evolution and modelling

The importance of corporate volunteering

The secrets to avoiding occupational injuries and diseases

Seeking information beyond Google

Tupi and the logic of the black swan

Risk management at Galp

*A Case Study of the Pitu Discovery, Potiguar Basin, Brazil*

*FLNG: Offshore Natural Gas Monetization*

The competitiveness of utilities through innovation in Information Systems

MS – Messaging and Switching

*E-Marketing opportunity or essential business tool?*

## “Technical Day” in the service areas

Through the Iberian Technical Division, we organised meetings with site managers and customer managers under the banner “Technical Day”.

These initiatives are focused especially on Safety, Environment and Quality, which are tied to management of service areas.

Periods of debate were productive to all involved and for that reason we intend to transform this experience into a good practice, promoting periodic repetition.

## Somos Galp (We are Galp) – Working visits

The program's main objective corresponds to the development of the culture of compliance in the area of natural gas distribution.

This programme is accompanied by an internal distribution plan through communications issued to all Natural Gas Distribution employees. The sending of teasers and FAQ will maintain awareness of compliance throughout the program. Above all, the training is intended to reduce the risk of regulatory non-compliance and to protect our employees and our Company.

## 360° Compliance Training

The program's main objective corresponds to the development of the culture of compliance in the area of natural gas distribution.

This programme is accompanied by an internal distribution plan through communications issued to all Natural Gas Distribution employees. The sending of teasers and FAQ will maintain awareness of compliance throughout the program. Above all, the training is intended to reduce the risk of regulatory non-compliance and to protect our employees and our Company.



## 6.3.8

# Benefits provided to employees

At Galp, we believe that satisfied employees are an essential asset for us to successfully achieve our goals. Thus, we provide a set of benefits that promote employee satisfaction and facilitate the retention of talent.

## Benefits in addition to those set forth in the Labour Code

Performance bonuses	As described in 6.3.6 Performance management
Insurance	- Health insurance that covers immediate family - Life insurance for our employees and pensioners
Social benefits	Social benefits that supplement those provided by the public health systems, particularly in cases of illness and maternity, as well as child protection, for employees and pensioners covered by collective bargaining instruments.
Post-employment systems	Systems that supplement the social security welfare system, particularly pension funds that guarantee the payment of supplementary pensions corresponding to retirements resulting from age limits, invalidity and survival.
Benefits of Clube Galp membership	Benefits and advantages of a cultural, sporting, and social nature obtained from Clube Galp membership, promoting the valorisation of members (Galp employees and pensioners).

## “Disfruta de la vida” (Enjoy life) plan

For our employees in Spain, we have created a plan that encompasses a set of health, personal assistance, and advice services. These services are available 24 hours per day, 365 days per year and are provided by the Alares Social Special Employment Centre, which offers employment opportunities to people with disabilities.

In addition to benefits provided to new employees, we hereby support the workforce integration of people with disabilities not exceeding 33%.

## Working from home is already possible in Spain

In 2015, we decided to take another step in our commitment to reconcile the family and professional lives of our employees: we launched a work-from-home program.

Eight employees who signed up have stated that the programme is supportive and productive.

### Marisol Nieto:

*“To me, Galp’s implementation of this programme has been the best way to enjoy working, and I’ve improved in all aspects. Everyone in my family is happier since we’ve been able to structure our lives differently. I get to enjoy being with them more and also have more time to do activities I enjoy, because I don’t waste time commuting. Being able to telecommute improves your life and health since you avoid the stress and getting up at the crack of dawn. Also, you save time and the organisation is stronger.”*

At Galp, we also understand the importance of providing well-being and health to our employees. Accordingly, we have developed several health initiatives.

Find out more about these initiatives in section 6.5.5 Health.

## 6.3.9

# Investment in human capital

At Galp, we monitor investment in human capital, the amount invested per employee, as well as the so-called return on investment (ROI) from human capital:



ROI is derived from:  $(\text{Operating Income} - \text{non-HR Operating Expenses}) / \text{HR Operating Expenses}$ .

As one can conclude from the two previous charts, the ROI trend is not due to significant variations in the HR operating expenses: it is due to changes in the operating incomes and non-HR operating expenses.



6.3.10

# Involvement with employees

## Labour relations

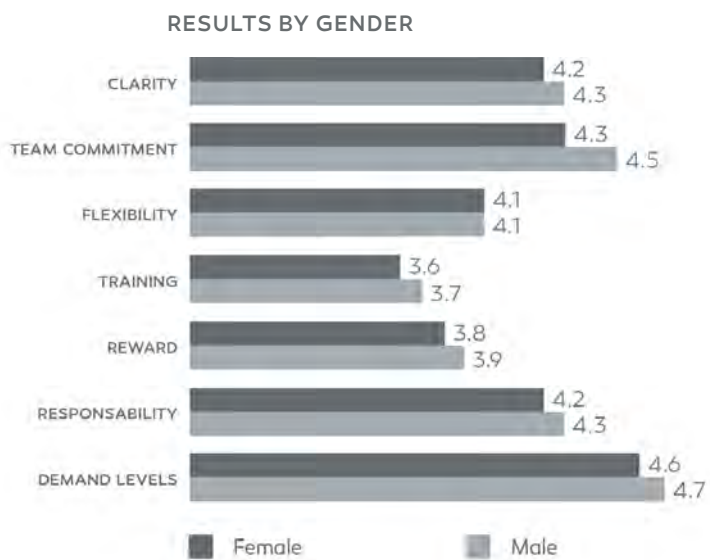
Management representatives meet monthly with employee representatives of Group companies that elect Committees to represent them. These meetings correspond to the presentation, analysis, discussion, and clarification of professional issues and situations that are relevant in the life of the Company and our employees.

At companies covered by union agreements, Company representatives meet annually with various unions to review and negotiate any changes to subject matter defined in collective bargaining agreements.

## Diagnosis of organisational climate

At Galp, we understand the importance of creating channels of communication with our employees, enabling them to express their opinions and viewpoints with respect to the environment that they experience within our Company.

Accordingly, without prejudice to practices established concerning labour issues and contact with HR managers, we conduct an annual diagnosis of the organisational climate. The latest survey was released in early 2015 and examines the organisational climate in 2014. The results are presented in the following table, which depicts perceptions concerning the evolution of the main topics analysed.



Key: 1 – Very unsatisfied; 6 – Very satisfied

Once obtained, these results were reported to and discussed with the Executive Committee and all Units of the Organisation. Most of these Units were responsible for preparing and enhancing action plans with the objective of improving the perception of aspects with less positive results.

Factor	Action plan / initiative
Clarity	Meetings with areas that interact with the business to clarify goals and adequacy of resources
	Fortnightly meetings between the Unit head, teams and customers
	Meetings with teams to communicate the results analysis strategy
Team commitment	Involvement of employees in strategic business activities and participation in specific projects outside of day-to-day activity
	Promotion of debates on opportunities for improvement in interfaces between several areas
	Study on extending the Galp Fleet card to family members and friends under the same conditions offered to employees
Training/Development	Meetings with Human Resources Division to clarify career plans
	Meetings with employees to assess strategic performance/orientation and career development
	Identification of training modules tied to career development and mobility processes
Reward	Implementation of new employees induction plan
	Meeting with Human Resources Division to present salary policies
	Coaching meetings on performance management





## Staff Meetings

At Galp, we regularly conduct Staff Meetings to promote internal networking, align the culture and values, and to promote the Company's business strategy. Below are some examples of the staff meetings that have been conducted in 2015:

### ***“Think Digital” was the theme of the 2015 Annual Commercial Oil Management Meeting***

The annual meeting of the Commercial Department was conducted at the Estoril Congress Centre and was attended by approximately 450 employees. The main messages were as follows: “The Impossible... it just takes a little longer”; “Sell more, sell better”; “Business as UNusual”; “From Share to Size”; “United in Service of Excellence” and “For Efficient and Sustainable Technical Support”.

### ***“Challenging Limits” was the theme of the annual staff meeting for G&P and Trading Oil & Gas***

In order to present the business plan corresponding to the Business Unit and challenges for the future, our CEO reminded employees of our Company's ambitions for 2020, ranging from efficient development of business; financial discipline and creation of value; organisational effectiveness; and critical development of human capital.

Success requires ambition, initiative, talent, and teamwork, which involves cooperation in all areas.

### **R&M Planning and Control in general meeting**

The meeting started with a team building activity, followed by a meeting in which several teams provided an annual breakdown while also presenting the major challenges for 2015.

### **Annual Galp Spain Meeting**

The meeting analysed the annual results and goals in different business areas. One of the objectives of these actions has been to make the business world accessible to people with disabilities, improving their social and communication skills, while also facilitating their future integration into the workforce.

The country manager's message was that direct involvement of our employees demonstrates how we apply all of our positive energy to the construction of a more inclusive company and reflects the high level of commitment and solidarity that exist in our organisation.

### **“Doing better” was the theme of the annual G&P Marketing Meeting**

Working groups represented five areas comprising G&P Marketing and presented their views on the main challenges and priorities for 2015. This informal and creative session enabled working groups to share their perspectives.

### **Meeting of Environment, Quality, Safety and Sustainability Division**

The Environment, Quality, Safety and Sustainability Division met at a Lisbon hotel to promote strategic reflection, stimulate an environment of cooperation, and align objectives. Facing real challenges and establishing commitments, the team also embraced its creativity and created a division slogan: Together we support Galp's future!

## Internal communication

At Galp, we understand the importance of:

- Sharing information;
- Disseminating important messages;
- Promoting alignment with the Company's culture and values;
- Motivating and recognising employees and providing them with a space to express themselves among their colleagues.

Accordingly, we have a series of internal communication tools:



### Employee Portal

With the design and construction phase of the Employee Portal in 2014, we began implementing the portal into the group's daily operations in 2015. We progressively rolled out the use of the portal to various areas of our Company. By the end of 2015, approximately 1,300 employees were already using the Employee Portal on a regular basis.

The delivery of the Portal to employees was always preceded by the introduction of a series of initiatives concerning its functionality, encompassing a total of more than 3,000 hours of training to date.

The Portal has contributed to the acceleration, simplification, and dematerialisation of most of the operational HR processes. Accordingly, we have increased productivity, quality and the level of the service provided. The Portal is a web solution for the decentralisation of functions and an access to information contained in back-end HR operational systems, providing an important set of benefits, including the following:

- Provides employees with autonomous access to services and information through an intuitive and simplified interface;
- Provides managers a set of tools to improve the efficiency and effectiveness of team work management, simultaneously reducing the administrative burden;
- Ensures the modernisation and simplification of processes, the increase of efficiency/effectiveness and the rationalisation of operating costs;
- Allows human resources professionals to direct their attention toward activities with greater strategic impact on the Organisation, minimising their involvement in tasks with lower added value.

# 6.4

## Helping to satisfy future energy needs and minimising the intensity of the carbon footprint



### COMMITMENT IV

#### Objectives

- Guaranteeing that the Climate Change risks and opportunities are considered in the strategic formulation of the Company's portfolio development.
- In particular, interpreting the European and United Nations climate-energy policy contexts to assess the risks and opportunities for the Company's portfolio in relation to carbon fuels and oil and gas reserves, downstream activity and renewable energies.
- Promoting the inclusion of energy outlooks in strategy development.
- Encouraging research and development into solutions that minimize risks and maximize opportunities related to energy-climate.
- Promoting energy efficiency and innovative solutions to minimize the carbon footprint of our operations and move our entire operational chain in the direction of the best references and benchmarks.
- Planning adaptations to climate change, by mitigation of the operational risks resulting from extreme climate phenomena.
- Coordinating social responsibility programmes with climate change strategy.

## 6.4.1

# Our climate change strategy

At Galp, we continuously analyse the conditions facing our industry, seeking to meet future energy needs and supplying energy in a socially fair and responsible manner, while also recognising the need to reduce the carbon intensity of our activities and products.

Aware of the international development and framework related to energy consumption and climate change, we identified and assessed the following variables in our strategy:

- Renewable and unconventional energy will have a growing share in the energy mix, driven by a global agreement to curb global warming and GHG emissions;
- Energy efficiency undeniably impacts our business strategy;
- With the focus on natural gas and renewable energy, portfolio diversification will help offset our exposure to carbon prices.

***“The World is changing and climate change is recognised as a global and real problem. At Galp, we play an active and responsible role in the management of this subject, since we strive to serve as a structural contributor to the national economy and social activity in general.”***

Carlos Costa Pina, Executive Director of Galp

In order to ensure the cross-functional commitment and involvement throughout the Company, we published the Galp climate change vision and policy in 2014. According to these internal rules, we have assumed that the reduction of effects from climate change must be oriented towards promoting the most innovative solutions, minimising the carbon intensity of activity, and contributing to meet energy demands in a sustainable manner.

Our climate change strategy is based on the four following areas of action:

- Axis I – Responsible exploration and production;
- Axis II – Efficient refining and marketing;
- Axis III – Innovation, research and development, and promotion of efficient technologies;
- Axis IV – Anticipating trends and expectations of stakeholders with regard to energy and climate.



## AXIS I

### Responsible exploration and production

#### Strategic objective

- Consider criteria related to climate change in the investment phase, enhancing natural gas resources in the E&P portfolio.
- Achieve the best market benchmarks in terms of emission intensity in the operation phase.
- Link social responsibility programmes with E&P and climate changes strategies.
- Incorporate an assessment of infrastructure exposure to the physical risk of climate change into the decision-making process.





## AXIS II

### Efficient refining and marketing

#### Strategic objective

- Gradually evolve towards the best market benchmarks in terms of emission intensity and energy efficiency.
- Identify and mitigate impacts associated with trends and regulatory requirements, particularly with regard to emission limits in the refining phase.
- Identify exposure, in the medium term, to the physical risk of climate change and draw up plans or adaptation measures.
- Link social responsibility programmes with R&M and climate change strategies.



## AXIS III

### Innovation and research as well as development and promotion of efficient technologies

#### Strategic objective

- Ensure that innovation and research strategy includes areas of activity related to climate change.
- Monitor emerging technologies and understand their impact on business and the various markets.
- Promote biofuel research and production, maximising its position in the value chain where it is most relevant.
- Promote the research, development and implementation of innovative services and solutions in order to improve energy efficiency in operations, clients and business partners.



## AXIS IV

### Anticipating trends and expectations of stakeholders in the area of energy and climate

#### Strategic objective

- Ensure that the topic of climate change is included in the development and monitoring process of relevant stakeholder's expectations.
- Anticipate the impact of industry trends and ensure active participation in political decision processes in the context of climate change.
- Monitor and report Galp's carbon footprint and promote the adoption of practices that minimise its emissions.

Strategic action plans for climate change are defined for the strategic horizon (2014-2020). In 2015, we achieved an average level of execution of 83%.

In order to cope with evolving conditions and the mid- to long-term challenges that we currently face, we have established the commitment to review our 2016 climate change strategy. Along the same lines, we began a strategic plan in 2015 that will define our Company's footprint to new energies.

This program's objectives include:

- Improve the monitoring method of new trends in the energy sector;
- Re-analyse the Group's positioning with respect to new solutions in the energy mix throughout the value chain;
- Reformulate the process for promoting / developing / financing new energy projects.

Thus, we have begun analysing the technological and regulatory trends, as well as the various scenarios and main strategic drivers, identifying the main risks and opportunities associated with new energies. We expect that the programme will be concluded during the first half of 2016 and we are currently analysing lines of action, particularly in the realm of:

- Sustainable mobility;
- Biofuels;
- Renewable energy production;
- Energy efficiency and energy solutions.

### We have been recognised as leaders for our initiatives and strategies related to climate change

Our Company was ranked in The Climate 'A' List of CDP – Driving sustainable economies. For the fourth consecutive year, we were recognised by CDLI, achieving the maximum score of 100 points.

Performance band	
Galp	A
CDP Average	C*

\* For companies that qualified in a performance band.

CDP, which promotes the mitigation of risks inherent to energy use and the identification of opportunities associated with a more responsible approach in relation to the environment, recognised our Company for the actions aimed at reducing GHG emissions and managing risks and opportunities related to climate change. The CDP questionnaire is carried out at the request of 822 institutional investors representing USD 95 billion in assets.



**Adoption of the initiative entitled The World Bank: “Zero Routine Flaring by 2030”**

In 2015, we have endorsed, as E&P operators, the Zero Routine Flaring by 2030 initiative.

As previously stated, we have set the goal of scaling to zero flaring of new E&P projects, under normal operating conditions. Thus, in 2015 we were able to reinforce this commitment by endorsing this World Bank initiative for E&P activities, aimed at promoting the development of operations without routine flaring. The commitment intends to reduce the flared gas (in normal operating

conditions), as this contributes to Greenhouse Gas emissions, among other pollutants, and, cumulatively, to climate change. This goal has a 2030 timeline and the initiative has already achieved the support of many institutions, government entities and O&G companies, amongst which is our company



In 2015, in order to contribute to the management and reporting of methane emissions in the O&G industry, we participated in the Methane Workshop organised jointly by IPIECA and the Oil and Gas Climate Initiative (OGCI). Indeed, we recognise that there are opportunities within the industry to maximise the benefits of methane as a low-carbon fuel.

Additionally, we joined the IPIECA/IOGP Methane Task Force. The objective of our participation in this group was to contribute to the development of practical guidelines for understanding and managing methane emissions in our industry in order to standardise approaches and terminology, generating greater confidence in the information provided to peers and other stakeholders.



6.4.2

# Galp’s current and future role in a sustainable society



# Galp's current and future role in a sustainable society

## R&D Programmes in the E&P

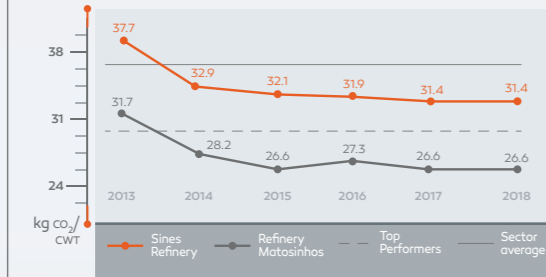
We have in place four technological programmes regarding oil production in carbonate reservoirs holding fluids with high percentage of CO<sub>2</sub>, modelling of carbonate reservoirs, flow assurance and production and equipment facilities.

## Maritime transport

At Galp, we intend to ensure a visible presence in the market and in the development of cleaner technologies in maritime transport.

## Refining

Our objective is to minimise the impact of our operations, sustainably reducing the carbon intensity of activity. In doing so, we want to be leaders in energy efficiency for Western Europe, reaching the first quartile in the refining sector.



## Aviation fuels

We develop cleaner fuels for aviation transport.

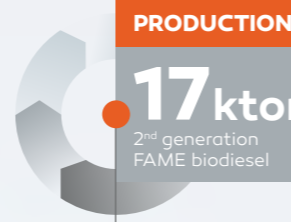


## Self-consumption renewable production

Projects to produce renewable energy aimed at self-consumption in our facilities.

## Biofuel production from waste

At Enerfuel, the biofuel production plant in Sines, we produced approximately 17 kton of second-generation FAME (Fatty Acid Methyl Ester) biodiesel.

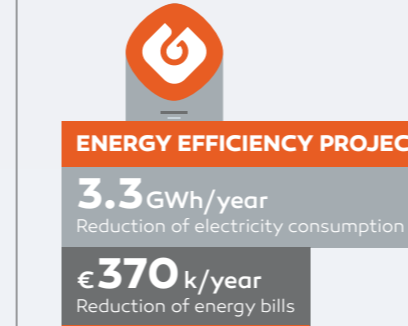


## Renewable feedstock production

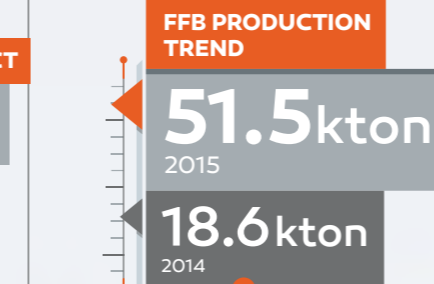
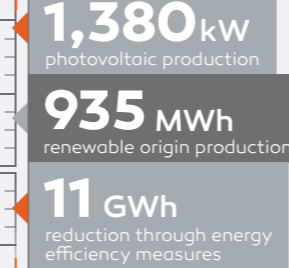
Under the sustainable palm oil production project, Belém Bioenergia Brasil, in which we have a 50% stake, completed the fresh fruit bunches (FFB) production process.

## Sustainable Mobility

At Galp, we position ourselves as a benchmark in road mobility, implementing solutions as VNG, electric mobility, incorporation of biofuels and developing cleaner fuels.



## INDUSTRY AND SERVICES



## Energy efficiency and low-carbon solutions for our customers

Through our investment in energy efficiency and low-carbon projects for our customers, we have already avoided 7.9 GtCO<sub>2</sub>e/year.

## Sustainable Hotel

At Corinthia Hotel, we implemented energy efficiency measures both by replacing equipment and by optimising behaviours and processes, achieving a reduction of 4 GWh/year.

## Energy efficiency in our buildings

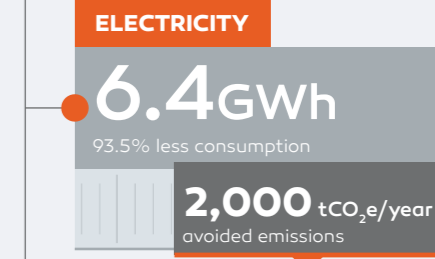
Since 2006, we have achieved 1 GWh/year of reduction in electricity consumption, the equivalent of €100 k/year. In 2016, we expect to reduce Tower C heat consumption by 404 MWh/year, which is expected to yield savings of €7 k/year.

## Sustainable Campus

In partnership with three universities spanning a total covered area of 300,000 m<sup>2</sup> in 100 buildings. Installation of five solar thermal plants corresponding to a total of 900 kW, and four photovoltaic plants with maximum annual production of 1 GWh.

## LED traffic lights in Lisbon

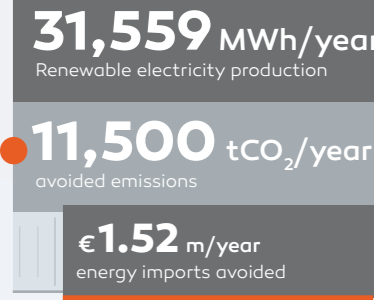
Replacement of 20,000 bulbs with LED bulbs at 8,500 traffic lights in Lisbon.



## Renewable energy – wind

Ventinveste, a partnership between Galp (50%) and Martifer (50%), focuses its activity on the wind portfolio with 12 MW in production and a 50% stake in the Ancora Wind project, with 176.1 MW under construction for entry into production starting in 2016.

## RENEWABLE ENERGY



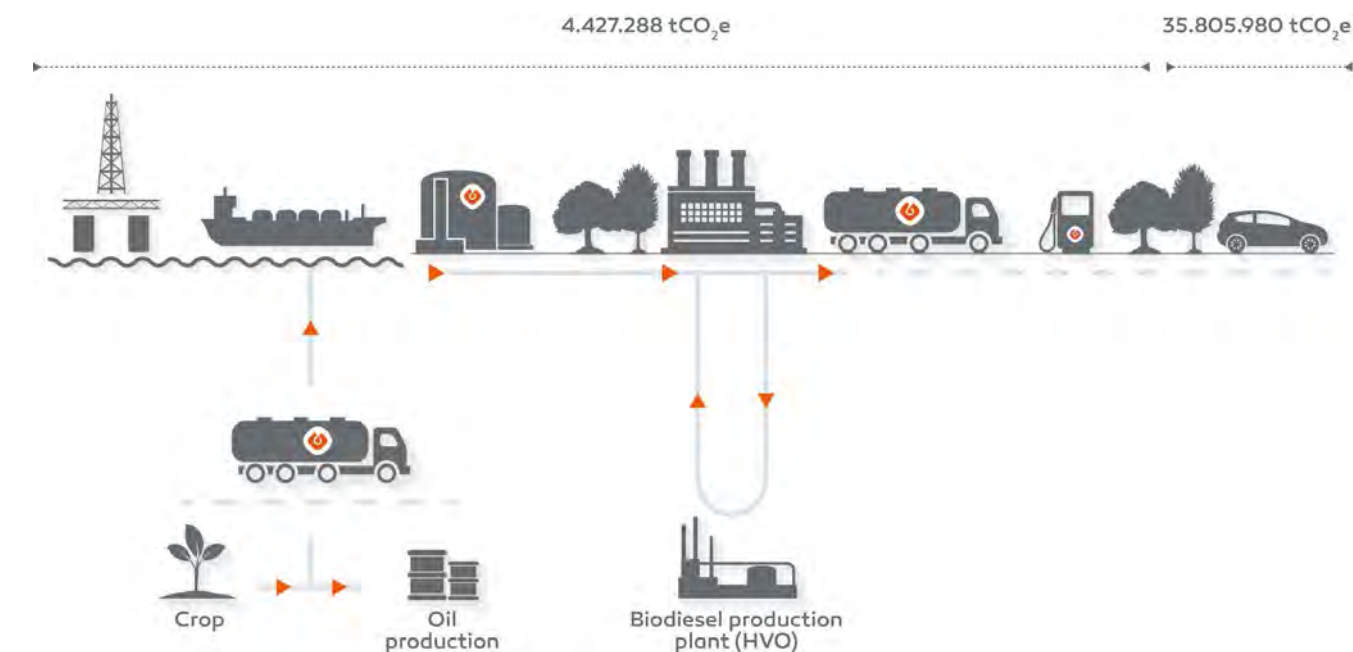


## 6.4.3

## Our carbon footprint

Carbon footprint reduction, particularly through reduction of emissions and the carbon intensity of operations, represents a challenge, especially within the context of expanding our activities. To this end, the monitoring of the carbon footprint is essential, and we therefore regularly and systematically engage in this activity. In effect, we believe that the results and evolution of the main indicators represent relevant elements when defining the strategy and our objectives and goals.

## LIMITS OF THE CARBON FOOTPRINT IN 2015



## SUMMARY OF EMISSIONS

unit: ton CO <sub>2</sub> e	S1	S2	S3	Total 2015	% without the use of products
Total WITHOUT using products	3,758,365	273,458	395,464	4,427,288	100%
Total WITH using products	3,758,365	273,458	36,201,444	40,233,267	-
E&P (operated)	2,562	0	0	2,562	0.1%
Refining	3,459,768	232,948	0	3,692,716	83.4%
Power	28,049	525	0	28,574	0.6%
Supplies & Logistics	4,352	12,276	337,859	354,487	8.0%
Distribution & Retail (oil)	0	24,069	54,945	79,015	1.8%
Distribution & Trading (gas)	252,021	354	0	252,375	5.7%
Other	7,362	1,872	2,660	11,894	0.3%
Biofuels	4,252	1,413	0	5,665	0.1%
Use of products	0	0	35,805,980	35,805,980	-
E&P (non-operated)	366,800	0	0	366,800	-

Notes on methodology in Annex IV

## 6.4.4

## The performance of our projects

### Energy efficiency and specific emissions (CO<sub>2</sub>/CWT) at refineries

We define ambitious objectives and goals for our refineries, with the Eco-efficiency and Evolutionary Modularity serving as basis for our strategy. This reflects a clear commitment to energy efficiency and the implementation of innovative solutions aimed at minimising the carbon intensity of our activities, evolving towards the best models and benchmarks throughout our operational chain and the implementation of evolutionary solutions in which the subsequent phase is not contingent upon the previous phase.

Success is monitored by the evolution of the positioning of Galp's refining system with respect to two main indicators: Availability and Energy Efficiency. The objective is to reach the first quartile for Western Europe.

We defined five performance axes and prepared an action plan through the year 2020:



1. + Reliability
2. + Energy Efficiency
3. + Efficiency of Processes
4. + Flexibility and Innovation
5. + More Conversion (short, medium and long term)

Simultaneously, and according to the development philosophy of Evolutionary Modularity, we are studying the development of the future post-2020 refining system.

In 2015, the **Matosinhos Refinery** accomplished its mission: sustaining positioning in Energy Availability and Efficiency while maintaining its leadership in Western Europe in terms of these indicators. The measures set forth in the Action Plan for Improvements to the Metropolitan Region Energy System were implemented under ISO 50001, which facilitated a 3.4% reduction of the Energy Intensity Index (EII).

Matosinhos remains in the first quartile for the refining sector with respect to these indicators. Now the goal is to ensure the maintenance of proper levels and to continue to work on eco-efficiency of operations and reduce the impact from the use of products.

The **Sines Refinery** continues to pursue the established objective, also working to achieve leadership in Western European Energy Availability and Efficiency, having adjusted the targets for the value creation investments that are

underway. Based on a significant investment, it is our goal to reach the first quartile in Western European Energy Efficiency by 2019, a year that coincides with the Sectorial Shutdown at the end of the cycle, occurring every 5.5 years of operation.

The measures set forth in the Energy Efficiency Plan were implemented in 2015, reducing the EII by 2.2%.

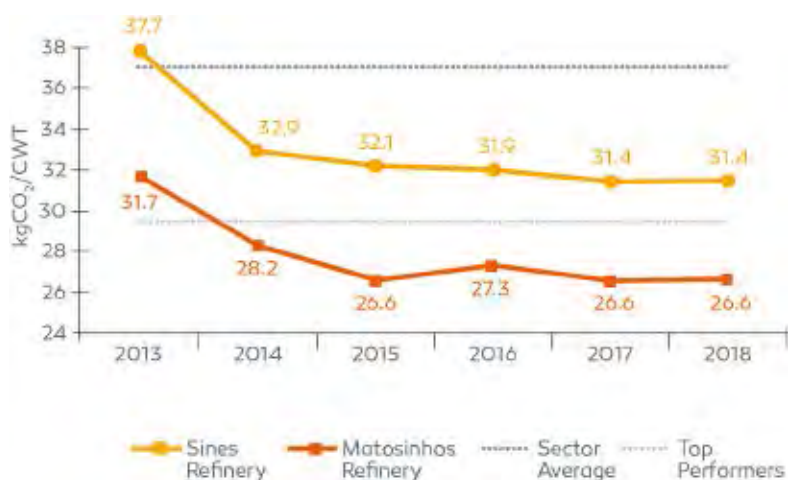
At the Sines Refinery, we launched the project for implementation of the Reliability Centred Maintenance (RCM) methodology, which yielded visible outcomes and resulted in a positive trend throughout the second quartile. The goal is to reach the first quartile in Western Europe Availability in 2016.

RCM is a structured approach that allows for improved availability of facilities through the reduction of untimely breakdowns. Accordingly, the reliability and availability of equipment is promoted, also contributing to improved energy efficiency.

The project began this year at the Sines Refinery, resulting in publication of the first Refinery Reliability Databook. The implementation of this methodology began in 2008 at the Matosinhos Refinery, delivering positive results that positioned Matosinhos as a Western European leader for this indicator.

With the implementation of various action plans, we estimate a 31% energy intensity reduction at the Sines Refinery between 2008 and 2019 and a 21% reduction at the Matosinhos Refinery between 2008 and 2015, which places both refineries within the first quartile for the sector. The impact will also be felt in terms of CO<sub>2</sub> emissions. At Matosinhos, the CO<sub>2</sub>/CWT in 2015 was 26.6 kg CO<sub>2</sub>/CWT, surpassing the already ambitious

target of 27.3 kg CO<sub>2</sub>/CWT. The Sector Shutdown planned for 2016, coinciding with the end of the Fuels Cycle (Line II), will affect this indicator. Matosinhos leads the top performers. Sines can only join the group of top performers in 2019, in line with the energy intensity indicator, after completing a major investment in its Topping.



As a means of strengthening our relationship with BCSD and sharing our best practices with the industry, we were honoured to accept the invitation and shared a case study with other stakeholders related to steam optimisation at the Sines refinery.

Indeed, our commitment to maximising steam production at the Sines refinery was applied to steam production at plants that were able to produce steam – like the hydrocracker unit –, to production optimisation and to ensuring hot loads for units

subject to such requirement – such as the hydrobon unit. The optimisation of the steam network has not involved the modification of equipment and enables CO<sub>2</sub> emissions reduction of more than 50,000 tonnes.

### Our position with respect to European energy and climate policies and their relationship with the refinery

We believe that the focus of the climate policy must be GHG emissions reduction, as opposed to definition of the specific targets for production of energy and consumption.

A strong and competitive refining system ensures flexibility, safety, and resilience in the supply of energy products, which are particularly important in scenarios of international crisis and in cases of potential disruptions. Only in this way is it possible to create options to choose from and to provide value to consumers.

At the EU level, we believe that a realistic target for GHG reductions must be the central thread of climate and energy policies, supporting the most cost-effective path to decarbonisation of the

European economy. In this regard, we support the European Union Emission Trading Scheme (EU ETS) as a “flagship instrument” of the EU within the scope of its energy and climate framework. We view this framework as an effective market mechanism for emissions reduction in the electricity sector and industry, but include appropriate mechanisms to protect against carbon leakage, with the objective of protecting EU industry after 2020.

In addition, we support the development of technologically neutral policies that are conducive to changing long-term consumer behaviour with a view to achieving more efficient consumption of available energy resources and responsibly using all energy sources.



## Energy efficiency in service areas

With the objective of minimising the carbon intensity of our activity and promoting awareness among our customers with respect to energy efficiency and sustainable development, we decided to implement a set of 17 measures aimed at reducing energy consumption across a total of 87 service areas in Portugal.

The implemented measures achieved a reduction of electricity consumption of 3.3 GWh/year, the equivalent of 1 ton CO<sub>2</sub> avoided, as well as a reduction of billing by €370k/year. The main measures implemented include:

- Lighting power reduction;
- Modification of air conditioning operation conditions;
- Installation of photovoltaic cells and presence sensors;
- Installation of capacitor banks.

We intend to replicate these measures in 170 of our service areas within Spain, estimating a reduction of €200 k/year in energy consumption.

Additionally, for the next few years we are studying a set of other measures that we have classified as second-phase measures. These cover 60 service areas in Portugal as well as 170 in Spain and are more intrusive than their phase-one counterparts because of modifications to the infrastructure and configuration of the equipment.

## Biofuels

At Galp, we are aware of the importance of biofuels in the reduction of GHG emissions associated with the transport sector.

Our strategies allow us to comply with national and European plans for energy efficiency, renewable energy, and climate change, including the targets for biofuel market incorporation.

In 2015, at Enerfuel, the biofuel production unit in Sines, we produced approximately 17 kton of second-generation FAME (“Fatty Acid Methyl Ester”), 55% more than the previous year. As such, we contributed to an 83% reduction in GHG emissions from use of traditional mineral diesel fuel, which is replaced by biodiesel. Incidentally, this Unit produces biofuel from residual raw materials, particularly used cooking oils and animal fat, which only enhances its merits.

At the facility itself, we have highlighted the improvements introduced that have led to a 20% reduction in CO<sub>2</sub> emissions related to the production of steam, replacing the diesel in boilers with natural gas.

In view of the good performance, we have received, at Enerfuel, the “International Sustainability Carbon Certification (ISCC)”, which consists of the voluntary implementation of a system that seeks to ensure the sustainability of materials involved in the biodiesel production chain.

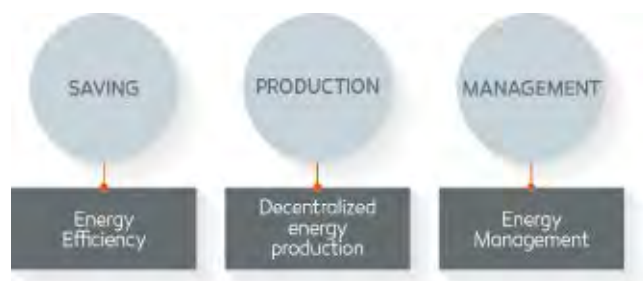
Also in the Biofuels sector, under the palm oil production project, Belém Bioenergia Brasil, in which our Company holds a 50% stake, concluded the production of fresh fruit bunches (FFB) was concluded, increasing yields from 18.6 kton produced in 2014 to approximately 51,5 kton in 2015 on more than 40 km<sup>2</sup> of planted area.



## Energy efficiency of our customers

Galp Energy Solutions is a unit of our Company geared towards supporting our customers in the implementation of energy efficiency and renewable energy projects. Its origin is based on the idea of capitalising the knowledge and expertise developed in project management of this nature at our own facilities, employing them in the marketplace. Our activity is directed primarily at B2B markets: service, transport, and industrial buildings, corresponding to sectors that represent the largest share of energy consumption in Portugal.

We work together with our customers in the following areas:



Our business model is based on energy performance contracts, entered into between our Company and the customer, that include definition, financing, implementation of measures and project operation. Savings achieved throughout the project are divided amongst our customers. Thus, our Company rewards them for their investment, which is felt from day one, without the need for them invest.

Savings are presented (measures), and the actual value observed is billed to Customers.

In this vein, we apply defined and tested methodologies, including IPMVP – International Performance Measurement and Verification Protocol. This is an international protocol developed for this purpose that can be downloaded free of charge on the website EVO – Efficiency Valuation Organization [↗](#).



# 6.5

## Ensuring the protection of the environment, people and assets



COMMITMENT V

### Objectives

- Guaranteeing the adoption of HSE and Security policies and standards to enable our commitment to the protection of people, the environment and assets to be implemented.
- Guaranteeing continuous management of the HSE and Security risks of our installations and operations.
- Ensuring legal compliance and the adoption of benchmark practices in terms of design, operation and maintenance.
- Promoting eco-efficiency to reduce the consumption of resources, thus guaranteeing the preservation of biodiversity and the protection of soil and water resources.
- Promoting Best Available Techniques and more efficient technologies to reduce impacts and risks.
- Reaching the goal of zero personal, material, environmental and security accidents.

## 6.5.1

# Context and major goals

At Galp, we are committed to continually improving HSE performance, reducing the negative impact, and maximising the positive effect of our activities. We believe that we have an obligation to our people, our assets, and our stakeholders who give us the licence to operate and it is essential that we retain their trust.

Our people (employees and contractors) represent a very special form of capital – human capital – and have the right to return to their families safely and healthily at the end of each workday.

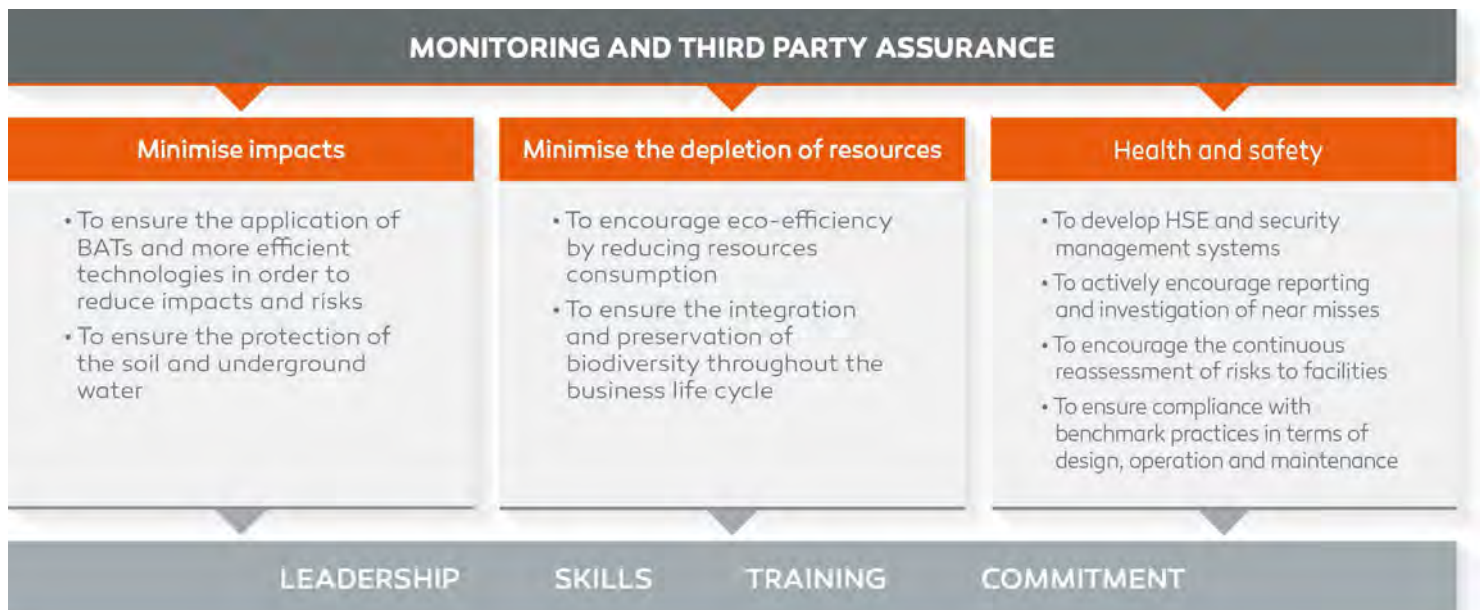
Our assets must be safeguarded in order to ensure their operational availability as well as productive and efficient operations. The environment, which affords us our resources, must be protected and managed sustainably.

We also are reliant upon our stakeholders in this realm, as they also promote and benefit from the protection of these three areas: people, assets, and the environment.

Thus, our strategy to ensure the protection of the environment, people and assets was designed in order to allow us to achieve the main targets and objectives in these realms through:

- Implementation of management practices regarding HSE and security;
- Incident reporting and investigation, particularly near misses;
- Continual assessment of the risk at facilities throughout the life cycle of activities, products and services;
- Ensuring compliance with best practices in terms of design, operation and maintenance;
- Promotion of BAT and the most efficient technologies for reducing impacts and risks;
- Protection of soil and water resources;
- Promotion of eco-efficiency, reducing the consumption of resources;
- Integration of biodiversity preservation throughout the life cycle.

The commitment, training, skills, and leadership represent critical success factors that have been identified to reach our goals.



The following continue to be the primary HSE goals and objectives at Galp:

- Zero personal, material and environmental accidents\*
- Becoming a leader in the sector in terms of accident frequency rate (LTIFR) by 2020.
- Ensure the implementation of the G+ system in all of our operations.
- Consolidate the trend of reducing the consumption

of resources by activity level.

- Maintain the trend of reducing atmospheric emissions by activity level.
- Increase the awareness of recoverable waste.
- Reduce containment losses, maintaining zero accidents with environmental damage.

\* (with significant impact – classes 3 and 4)

HOW WE DO IT



Exploration & production



Refining & marketing



Gas & Power

**EXECUTE:** execute projects/plans on time and to budget and safely

**EXTRACT:** maximize the value of existing assets and businesses

**EXPLORE:** develop new projects and markets

- Acting responsibly
- Applying the best references in terms of QSE management
- Minimizing risk

- Maximizing energy efficiency
- Applying the best references in terms of QSE management
- Promoting eco-efficiency
- Minimizing risk

Galp contributed to the proposal set forth by the Global Forums of Sória, Lisbon, and Oporto for the Paris Conference of the United Nations Framework Convention on Climate Change, highlighted by the following aspects:

- Creation of a **World Agency for Sustainability**. We therefore support the creation of an international organisation with open decision-making practices that is capable of uniting institutions, companies, and citizens in the sharing of experiences that foster the best practices. In that light, we promote commitments that effectively integrate sustainability within society while also encouraging, supporting and monitoring respective implementation.

- The creation of the **World Water Agency** as aggregator of all international bodies, in order to ensure coherence, cooperation, and effectiveness in the management of water.
- Recognition of **Culture as the fourth pillar of sustainability**, understood as the pillar of dialogue with the society concerning sustainability, with a view to the construction of a new development model, with the creation of the **Iberian Culture and Sustainability Observatory**.



## 6.5.2

# Management System

## Health, Safety and Environment Management

Galp's Health, Safety and Environmental Vision reflects our ambition to become a leader in the energy sector with respect to these issues. This is the point of departure and our HSE Policy, in tandem with the corporate guidelines developed in that context, defining the accompanying management guidelines.

In practice, the G+ System is applied as an internal benchmark to the management of these issues, including the social component from the perspective of direct impact on operation. The framework embodies and regulates the overall guidelines for activity that are presented in our HSE Policy. Our system is composed of cultural and operational elements that allow us to identify, manage, and minimise risks and impacts inherent to operation across the entire life cycle of our activities, products, and services.

The elements that form the basis of the G+ System are applicable to all operations and activities for that we

are responsible for, and to business and management units that have action plans and KPI defined for the implementation thereof. Senior management monitors the level of execution of these plans, which are also verified through internal system audits.

The commitment of management and responsibilities throughout the organisation are explicitly expressed in the two elements of the G+ System, safeguarding the integration of safety, health and the environment with strategy and decisions applied on a daily basis at Galp.

With respect to fuel quality, our management systems, such as the G+ System and Q2C, reflect the Company's commitment to develop an Environmental, Quality and Safety culture oriented towards operational excellence. In fact, performance excellence is a very high-level goal that our Group undertakes.

### Integration of management systems

In order to develop an integrated architecture of our Company's management systems, we are currently executing the DRIVER project. DRIVER is aimed at designing an Integrated Management System that tracks all management systems currently deployed within our Company. We strive for simplicity, reflecting the state of the art with regard to systems management. Through DRIVER, we will ensure:

- A single framework;
- A process model;
- A document structure;
- An audit management model;
- A strategy for third-party qualification;
- A global transitional plan for current certifications for the Integrated Management System, ensuring the continuity thereof.



## Audits and compliance

At Galp, environment, quality, safety and energy (EQSE) auditing continues to be shown to be a highly relevant management tool in terms of controlling risk and the impact from our activity.

On a quarterly basis, auditing results are reported to senior management, along with the respective key performance indicators that make up the balanced scorecard (BSC) of business and management units.

In 2015		
42 EQSE auditing	75 participation of internal auditors	24 participation of external auditors
383 findings	144 non-conformities	239 improvement opportunities
457 actions	193 actions arising from non-conformities	264 actions arising from improvement opportunities

In 2015, we maintained our focus on the effectiveness of the follow-up process for actions arising from audits. Some of the main management indicators related to this process revealed a positive evolution in the results achieved, particularly the following indicators:

- Ratio of actions subject to delay (RAD), which was 7% in 2015 (compared to 13% the previous year), and
- Level of execution of auditing actions, which in 2015 was 90%, presenting the most favourable values since these indicators were measured, surpassing the level of 88% achieved in 2014.

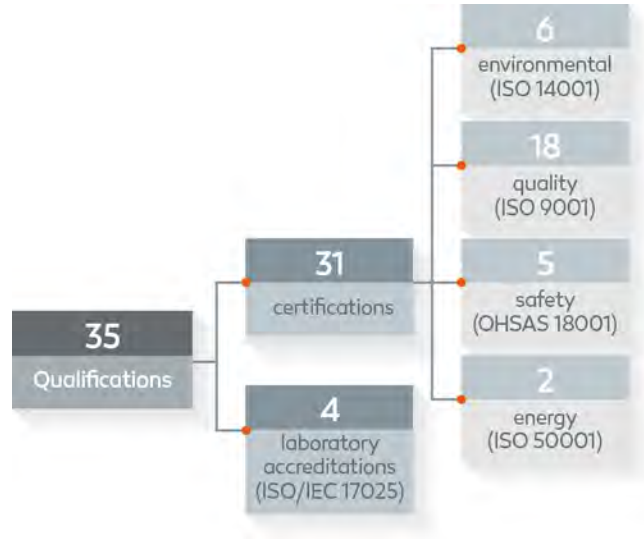
### DEGREE OF EXECUTION OF ACTIONS RESULTING FROM AUDITS



This trend reflects the growing involvement of management and the inclusion of these indicators in the BSC of units, confirming recognition of the importance of auditing processes in minimising risks, and improving performance.

## Certifications

We maintained our certifications in 2015 and created a new Quality system that integrates two previously valid Retail systems. We now have 35 qualifications:



The maintenance of these qualifications and the execution of regular auditing, carried out by a group of qualified internal auditors according to rigorous criteria, reflect our Company's commitment to the continual improvement of activities. We are developing a strategy under the DRIVER project for third-party qualification.

In 2015, we also renewed voluntary 3R6 certifications at the Sines Refinery and our offices in Lisbon, as well as at our subsidiary in Aveiras – Companhia Logística de Combustíveis (CLC). The purpose of joining the Ponto Verde Serviços programmes to promote an increase in the rate of multilateral separation, increasing the use of recycling in the blue (paper), green (glass) and yellow (plastics and metals) classes at our facilities.

## 6.5.3

# Environmental protection

## Reduction of refining atmospheric emissions

With the continuous implementation of measures aimed at improving the performance of our refining system, along with the unwavering commitment to environmental protection, we concluded the year with the following reductions in atmospheric emissions relative to the 2005 values:

-75%	-66%	-83%
of NO <sub>x</sub> emission	SO <sub>2</sub> emissions	of particulate matter emissions

At Galp's refineries in Sines and Matosinhos, we have followed the EU atmospheric emissions reduction trends. In effect, we have reduced the impact from our activity on the air quality and the environment through the application of BAT and a commitment to technological innovation.

We compared our performance values with the values available at the European Environment Agency (EEA <sup>1</sup>),

particularly in the context of the refinery industry average in the 28 Member States. From 2005 to 2013, successive improvements at our facilities allowed us to reduce total NO<sub>x</sub>, SO<sub>2</sub>, and particle matter emissions by 71%, 58%, and 76%, respectively. Therefore, we are poised to meet or exceed industry trends in the geography in which we operate.

### PERIOD 2005-2013

	EU	Galp
NO <sub>x</sub>	-65%	-71%
SO <sub>2</sub>	-59%	-58%
Particulate matter	-33%	-76%

## Impact Assessment and Management

Under our G+ System, we believe that knowing, controlling, and mitigating risk is fundamental, from the investment stage to decommissioning through every stage of the life cycle of our activities, products, and services.

The ESIA is, for our Company, a tool that enables risks and impacts to be identified, and mitigation measures (reference practices in the O&G sector), and their method of management, to be implemented.

Our activities are based on recommendations and plans developed in the ESIA. The overall view of environmental and social impact necessarily requires the involvement of stakeholders such as project-related local bodies and communities.

Public disclosure of these studies, as well as the promotion of public consultation rounds involving the communities are part of the Company's process and approach to the ESIA.

The Environmental and Social Impact Assessment on seismic acquisition activity associated with the latest investment in E&P in São Tomé and Príncipe began in 2015. ESIA practice is sound in the Company: E&P projects are subject to ESIA's, not only in those situations where we are operators, but also when

we are minor business partners. As active non-operators, our project teams monitor the studies carried out and the ensuing recommendations for safety, social impact and the environment.

The promotion of the ESIA throughout the life cycle of the activities, products, and services follows the procedure outlined in the figure below.



## Soils and water resources

### Soil decontamination procedure in our Company:

We have interviewed Graça Brito, assistant professor at the Department of Earth Sciences of the Science and Technology School (FCT) of Universidade Nova de Lisboa, and a researcher at Geobiotec. She leads one of the teams that often cooperate with Galp in soil and groundwater decontamination and remediation work. This teacher and researcher believes that our Company identifies problems in good time and has environmental concerns. Look at the main ideas Graça Brito shared with us:

*Galp often uses independent experts to conduct studies at various levels, especially of an environmental nature. Its connection to academia enriches its expertise and work, ensuring the necessary impartiality in procedures.*

*Professor Brito said that she considered the conduct of oil companies in Portugal to be positive. Under the umbrella of APETRO, they promoted the preparation of a specific guide to assess soil contamination and remediation, which demonstrates environmental concerns. Professor Brito also mentioned that Galp, in particular, has shown great responsibility and proactivity.*

*She also reported that the Company provides training and gives autonomy to its technicians, so that they can engage in the swift assessment of contaminated areas. "The technicians are well trained in this field and they know the products involved in the processes, which is of great help when contamination is being assessed". "In work in the field, where fast decisions are sometimes required, this is a major asset".*



In 2015, we continued the monitoring control programme for soils and underground water begun in 2010 at the E&P facilities of Petrogal Brasil, a Group company. To this end, water samples have been collected from site piezometers to assess the level of quality in soils and groundwater over the last five years. Lab results revealed that the situation remains equivalent to the baseline situation (2010), which was to be expected, as there is no record of spills in the onshore areas that we operate in Brazil.

During the 2015 campaign, a number of piezometers were installed at the new sites, to map the baseline situation near the most recent wells.

## Biodiversity

At Galp, we are committed to safeguarding biodiversity in all geographies in which we operate and to ensuring its preservation over the entire life cycle of the projects. This takes on particular significance in the context of expansion of our activities.

Over the years, we have developed corporate guides, which consolidate and strengthen the ultimate commitment to minimising the impact of our activities on biodiversity. These include:

- "Guide to Good Practice on Biodiversity Management", comprising of two supplements:
  - "Integrating Biodiversity in the Environmental and Social Impact Assessment Processes for Upstream Projects";
  - "Integrating Biodiversity in the Site Selection Processes for Upstream Projects";
- Document "Assessment and management of the environmental and social impact of activities, products, and services".

In E&P activities, we guarantee that all new projects developed, operated or not operated by us, are subject to ESIs, and incorporate biodiversity as one of the relevant aspects evaluated.

We annually update the mapping of biodiversity protection and conservation areas in the surroundings of our facilities, applying the Integrated Biodiversity Assessment Tool (IBAT) tool. In 2015, 100% of our activities as operators (85 sites) were examined under this system. We considered the most important areas in terms of biodiversity conservation, such as the protected areas of the International Union for Conservation of Nature (IUCN), and the UNESCO World Heritage sites.

In order to ensure biodiversity risk management, we aim to continue assessing 100% of the sites in which we operate.

Every year, we set up provisions for environmental liabilities. These are usually established in order to provide resources for soil and groundwater decontamination processes, and for decommissioning activities regarding E&P projects. In the financial year 2015, the amount for provisions to meet these requirements was €131,003 k.

Provisions (€ k)	2013	2014	2015
Environment	3,781	2,021	2,208
E&P block decommissioning	88,227	111,360	128,795

At Galp, we view as a challenge the anticipation and understanding of regulatory trends and emerging issues related to the theme of biodiversity.

During 2015, we attended the "Biodiversity and ecosystem services peer to peer workshop" organised by IPIECA. Our participation enabled us to cement our knowledge of good practices and deployment tools, and to develop case studies related to the management of biodiversity and ecosystem services in the O&G sector.

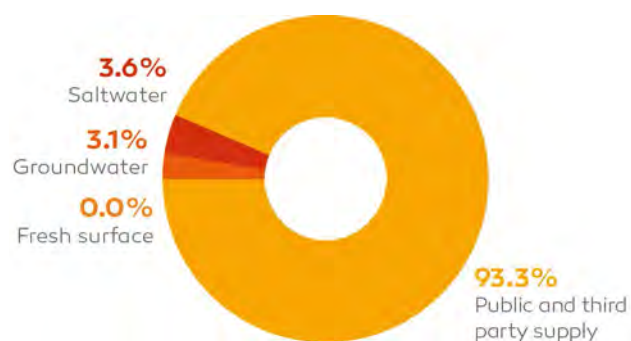
Through participation in such initiatives, we aim to improve and deepen our knowledge of how to recognise and manage the impact of biodiversity and ecosystem services on oil and gas operations. At the same time, we guarantee the involvement and communication with all stakeholders on issues related to biodiversity conservation.

### FACILITIES / OPERATIONS LOCATED IN IMPORTANT AREAS REGARDING BIODIVERSITY

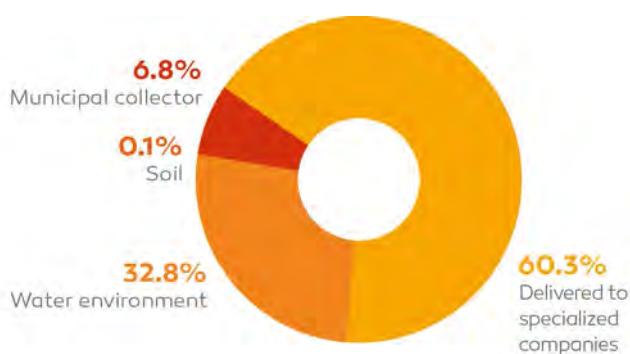
Spain	Uruguai	Morocco
0	0	0
Namibia	Angola	Cape Verde
0	0	0
Guinea-Bissau	Swaziland	Mozambique
0	0	0
East Timor	Gambia	
0	0	
Portugal		Brazil
2	Each year, an Environmental Impact Monitoring Report is presented to the authorities	2
		Projects subjected to environmental and social impacts assessment and monitoring

## Environmental performance

### WATER SOURCES



### WASTEWATER FINAL DESTINATION



### WASTE FINAL DESTINATION



Indicator	2013	2014	2015	Δ equivalent 2014	Refining*
Direct energy consumption by primary sources (TJ) (Scope 1)	48,919	44,922	49,286	10%	97.6%
Purchase of electricity (TJ) (Scope 2)	1,781	1,862	2,008	8%	86.8%
Total consumption of raw water (10 <sup>3</sup> m <sup>3</sup> )	12,342	10,058	10,535	5%	88.3%
Waste water (10 <sup>3</sup> m <sup>3</sup> )	5,691	5,562	6,543	18%	89.0%
Waste produced (ton)	20,631	22,680	25,434	12%	79.6%
Number of primary containment losses discharged into the environment	20	11	8	-27%	-
Volume of primary containment losses discharged into the environment (m <sup>3</sup> )	30	10	99	>100%	-
GHG emissions under EU-ETS (ton CO <sub>2</sub> )	3,874,161	3,211,746	3,487,817	9%	-
NO <sub>x</sub> emissions – scope 1 (ton)	2,145	1,295	1,691	31%	-
SO <sub>2</sub> emissions – scope 1 (ton)	7,508	5,134	6,008	17%	-
Particulate matter emissions – scope 1 (ton)	350	243	250	3%	-
Gas Flaring – E&P (m <sup>3</sup> )	1,638,336	1,360,737	967,854	-29%	-
CO <sub>2</sub> emissions – Flaring E&P (ton)	4,039	3,354	2,386	-29%	-

\*Refining is the most relevant segment on what regards the environmental performance of our Company.

## 6.5.4

# Safety

## Personal accidents

At Galp, we aim to achieve zero accidents in our operations, so it is necessary to ensure that we all work safely. We take care to act in accordance with the best safety practices in order to protect our employees and service providers, as well as preserve our assets and the surroundings in which we undertake our activities.

We feel the need to stimulate a culture of prevention and we want to increase the reporting of near-accidents. As such, we have developed a mobile application for reporting these (near-accidents application), with the

aim of facilitating the process and thereby increasing the reporting rate of near-accidents, which could be potentially serious.

This app enables any employee, via a smartphone, tablet, or computer, to report essential information in a simple way, such as a description of the event, and the GPS location, and even to upload photos.

### Slips, trips and falls in retail

In order to reduce the incidence of slips, trips and falls, particularly in retail activities, we have created the "Alert" programme.

We were chatting about this in a kind of interview with Javier Sotillo, manager of the Cobeñas service station on the outskirts of Madrid. What follows summarises the substance of what we asked him and what Javier shared with us:

#### What is the "Alert" program?

The programmes structured in two stages:

##### Phase 1, involving:

- Safety analysis of the task;
- Emergency diagrams;
- Definition of responsibility for managing the programme at various filling stations;
- Registration and monthly analysis of incidents to prevent recurrences.

##### Phase 2, involving:

- Performance of preventive environment and safety observations (PESOs);
- Periodic safety meetings;
- Emergency drills.

#### How was the programme received by employees?

Initially it was viewed as one more task to perform, an increase in workload. Even so, the goal was understood, by some faster than by others. One of our colleagues, for instance, has become a true ambassador for the programme, strictly following all procedures.

Once people began to understand its usefulness, the tasks were integrated into our daily routines.

#### Do you think the programme has been a success?

No doubt! There's a general awareness that these measures serve to help us work safely and this has been shown in the results: we've had no accidents for a long time.

#### What about the interaction between service station managers and employees?

We've given a lot of support in the programme implementation phase, in order to clarify its features. We felt that employees realised exactly what was intended.

#### And the interaction with the management of the Company?

They ran initial training. However, we have sometimes felt the need to refresh learning.

#### What were the biggest difficulties encountered during the implementation of the programme?

We had a lot of difficulty in performing PESOs, particularly with how to conduct them. Otherwise, there were no major problems at almost any stage. All the instructions were clear.

#### Do you think that if the programme were to end, the culture of safety would remain rooted?

It seems to me that employees who have had contact with the programme are already aware, while newcomers will begin "from scratch". That said, and given the high turnover rate at service stations, I think there are advantages in keeping the programme in place.

#### What message would you send to employees of service stations where the programme will be implemented in Portugal?

"Alert" is a working tool that helps us to avoid accidents, and it works!

It takes some initial effort, but then it results in advantages and makes the work simpler. It's easy to adapt and become acclimatised to the new tasks.

### Preventive Environment and Safety Observations (PESOs)

In order to mitigate the risks and impact of our activity, we carry out PESOs throughout the Organisation. As a result of these, we record non-conformities so that corrective and preventive actions can be implemented and the root causes of potential incidents eliminated. In 2015, in Portugal, the non-conformities are shown in the following graph, from which it can be seen that there has been a reduction in the number of non-conformities between 2014 and 2015.

NO. OF NON-CONFORMITIES (PORTUGAL)



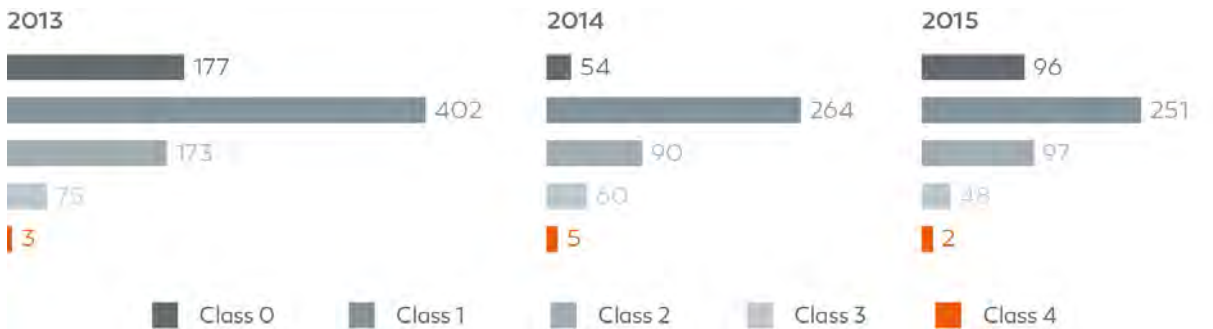
In 2015, there were two Class 4 accidents. Despite our efforts to ensure safe working conditions, we deeply regret the death of a service provider in Cape Verde. The accident occurred due to an explosion during a maintenance operation.

The second Class 4 accident was a road accident. This was properly investigated and it was subsequently

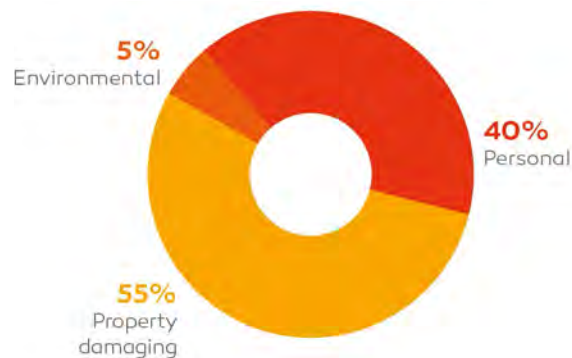
concluded that no liability could be attributable to our Company.

Note, however, that the number of occurrences in the more severe classes (Classes 3 and 4) continues to show a decrease.

NO. OF INCIDENTS BY CLASS



TYPE OF ACCIDENT





Below, we present the evolution of the Accident Frequency Index (AFI), which is favourable compared to the previous year, and its variation by type and region in which we undertake our activities:

#### LOST TIME INJURY FREQUENCY RATE (LTIFR) (NO. OF ACCIDENTS PER MILLION HOURS WORKED)

	Employees	Contractors	Total
<b>2015 BY REGION</b>			
Brazil	0.0	0,0	0,0
Africa	2.0	1.4	1.8
Iberia	1.9	0.3	1.2
<b>2015 BY GENDER</b>			
Male	2.3	0.5	1.4
Female	1.2	0.0	1.0
<b>TREND</b>			
2013	1.4	0.5	1.0
2014	2.0	0.8	1.4
2015	1.9	0.4	1.3

### Human factors

Bearing in mind that the accident levels in our Company in 2015 did not register the downward trend experienced in the last years, we have strengthened our focus on the incorporation of human factors in our safety management practices.

In this context, and given the weight that personal accidents involving lost workdays in the retail sector assume in the total LTIFR of our Company, we launched a pilot project in the area of human factors, including operations in Portugal in this activity segment.

The project involves the development of key skills, particularly in the areas of well-being and stress management through the identification of psychosocial risk factors that may be contributing to these particular accidents. The programme provides:

- Enhanced knowledge of psycho-social risks, particularly in terms of the main psychological and social variables involved;
- A set of new tools for employees for evaluating emerging psycho-social risks in the workplace;
- Identification of psycho-social indicators that contribute to an increase in accidents in certain areas of retail;
- Evaluation of recovery rates and risk of recurrence for the employees involved in Class 3 accidents;
- Intervention at primary prevention level in order to promote individual and organisational safety and well-being for the prevention of accidents at work;
- Highlighting of our Company's best practices in the prevention of personal workplace accidents.

From a methodological point of view, the programme involves service station managers in two training actions and a contextual interview in their service area. Employees involved in accidents involving lost workdays also benefit from individual intervention in order to identify vulnerability factors and their recovery. All employees in selected areas respond to a diagnosis of risks, in order to identify the most critical in these areas.

The initiative is based on our interest in developing a culture of safety throughout the Organisation.

The results of this project will be available in 2016.



## Safety of process and loss of containment

At Galp, the safety of assets, people, and the environment is a critical goal, so we operate the facilities in order to reduce and minimise risk.

### Risk Based Inspection (RBI)

Inspection and maintenance activities are crucial in preventing the potential off events to having an impact on safety and the environment as well as the continuity and profitability of production.

As an example of a prevention barrier, we present RBI. This is an assessment of risks and management processes (related to the operation and life cycle of the processing units), focused on the loss of containment from equipment under pressure, due to problems of mechanical integrity. It is a methodology that has been implemented since 2004 in the Sines refinery, which allows not only a systematic analysis of the condition of static equipment, but also the planning of maintenance work, to ensure its mechanical integrity.

This methodology (RBI) enables the criticality of equipment to be determined and the type and

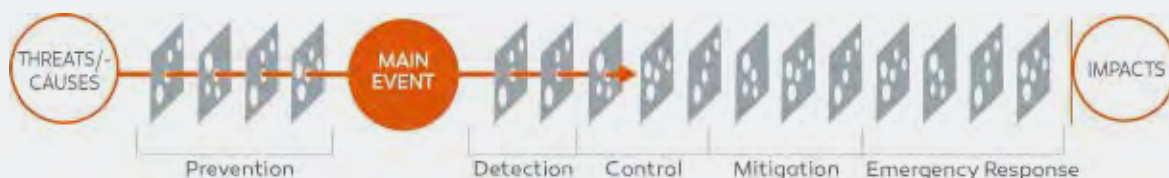
extent of future inspection activities during operation and shutdowns to be defined; it also includes the analysis of risk arising from the history of inspections for each item of equipment.

Amongst the many advantages of the RBI methodology, we emphasise:

- Reduction of costs associated with carrying out programmed shutdowns for periodic maintenance and inspection;
- Increasing the reliability of the equipment, as well as its operational availability, avoiding production losses occurring through failure/events with an impact on safety, health and the environment.

RBI contributes to the prevention of accidents and must act with other measures setting effective barriers to avoid significant impacts.

#### SAFETY - BARRIERS ACIDENT



We conduct audits of safety processes within the Company in order to ensure that the risk mitigation measures are implemented. We then evaluate the effectiveness of the prevention and safety management measures and clearly identify any vulnerabilities and possible deficiencies in the facilities or their operation, in order to minimise the possibility of an accident.

The corrective action plan associated with the findings of the audits and their prioritisation according to the associated level of risk is one of its major gains, because it makes it possible to ensure the continuous improvement of the safety of our employees and assets, as well as the preservation of the environment.

We also recognise other benefits associated with audits of safety processes, such as:

- Increasing the intrinsic safety of the processes;
- Improving and increasing the response capacity in emergency situations;
- Ensuring alignment with new legal requirements;
- Preparing the facilities for inspections and/or statutory audits;
- Standardising safety management amongst different facilities within our Company.

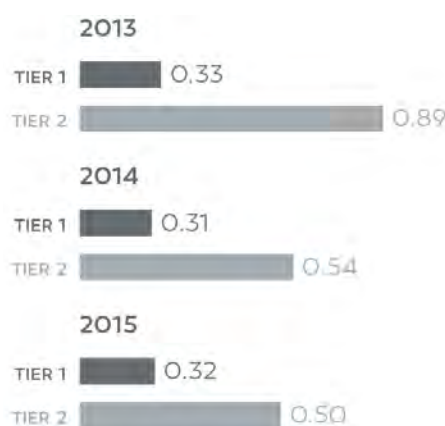
At Galp, we began a comprehensive audit programme to verify the safety of our assets and the intention is to make this a regular exercise. The aim is to verify the suitability of the protection, prevention, control and implemented mitigation systems in order to prevent incidents and/or to mitigate their consequences.

Our strategy for the management of containment losses relies on four courses of action:

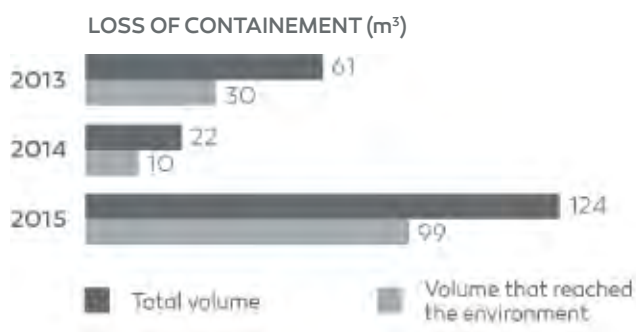
<b>Awareness and recognition that it is a material topic</b>	We recognise this topic as material (Learn about the materiality matrix in chapter 5 What are the material issues?)
<b>Prevention of occurrence of containment losses</b>	We establish principles and guidelines to ensure the mapping of risks and proper maintenance and inspection of equipment. We reinforce prevention by way of our operations at the level of process safety, preventive maintenance, etc.
<b>Emergency response preparation</b>	We update emergency scenarios, and Emergency Plans and Instructions for the premises. We perform drills and emergency response training exercises. We use Oil Spill Contingency Plans (OSCP) in offshore operations in E&P activities.
<b>Action in the event of containment losses</b>	We immediately mobilise people and equipment to respond to and control the occurrence.
<b>Accountability</b>	We act responsibly and in our G+ System we anticipate top management commitment and line management accountability. We hold financial guarantees to respond to our potential liability for environmental damage.

Based on considerable prior knowledge of the facility being audited, this type of work includes field checks and interviews with the people involved in the management of the operation and the safety of the facility. We believe that such an assessment should be carried out in a systematic and rigorous manner, preferably by independent organisations with expertise and a broad knowledge of the facilities to be audited.

In terms of process safety, we can see a positive trend. The rate of events per million hours worked, whether for tier 1 or tier 2, has been decreasing.



In 2015, we remained committed to preventing and minimising loss of containment events. We believe that our reporting practices and, subsequently, incident investigations, continue to be vital for monitoring this type of event and to improve our performance.



Given the monitoring carried out, we expected to carry out a better performance in 2015. Meanwhile, we remain committed and will make additional efforts, in particular in the auditing programme of process safety and the maintenance plan for the pipelines in the Sines terminal, to reduce the trend observed in 2015.

## Product safety

The reviewing of safety data sheets and the labelling of the products we sell are continuous and extremely demanding activities. It is not only about complying with the legislation in force, namely the Classification, Labelling and Packaging (CLP) regulations. We believe it is our responsibility to inform users about the hazards and how they should handle products safely in order to cope with the risks arising from their various uses.

In terms of internal management of product safety, we have guidelines to ban and/or ensure proper management of hazardous substances. We provide, at the sites where products are handled, appropriate safety information, and warn our employees and contractors of the hazards and impacts resulting from their use. We also have a specific procedure to ensure that we receive updated safety information whenever we purchasing hazardous substances from our suppliers.

## Road Safety Plan for the region of the Sergipe-Alagoas basin

Based on the recognition that the number of fatalities on Brazilian roads is the second highest cause of death in this country, the transportation of hazardous substances, and the risks inherent in driving that involve higher risks to people and the environment due to the nature of the products transported, our company Petrogal Brasil has drawn up a Road Safety Plan for the region of the Sergipe-Alagoas basin.

In this plan we have established a set of actions and responsibilities in order to minimise the risk of road accidents and so avoid personal injury as well as, and environmental and material damage.

With this plan, we regulate:

- The procedure for identifying oil transport routes and their associated risks;
- The responsibilities for the actions of each party involved in the transport process;
- Training for personnel involved;
- The interface with the Sergipe-Alagoas Internal Emergency Plan.

We have also established the responsibility for defining route schedules. These consist of sheets containing all the relevant information on the route to be followed, and should be carried in the vehicles. They must provide at least the following information: description of the route, distance, estimated duration, critical points on route, filling stations, rest places, hospitals, and mechanical assistance.



## Security

In the area of security, we recognise the importance of evaluating the threat level in the countries in which our Company holds assets, making use of international experts in the field. This service is particularly important in countries where political and social instability is part of the day-to-day situation. The Security area of our Company contributes, therefore, to the monitoring of:

- Travel security, issuing alerts for the greatest cautions to be taken in each location;
- Risk analysis for each country and on a regular basis, concerning the geopolitical situation in the countries in which Galp has an interest;
- Support in crisis situations;
- Regular risk analysis concerning security, also by location;
- Analysis of health risks and regular monitoring of their evolution, particularly in Africa.

One of the key aspects to consider is the threat of kidnapping, which, particularly in Africa, still exists. In order to ensure an adequate response if need arises, we have the capacity to handle undesirable events of this nature. In parallel, we have gone ahead with a training programme in places where the risk is obvious, in order to prepare employees to prevent and act against this threat.

Due to its nature, the O&G industry is constantly exposed to political, and consequently security risks. The way to mitigate them is through direct collaboration with international experts in the field, which guides our strategic actions for providing accurate and timely information on the situation at any time in countries and regions where we operate. At the same time, we maintain close contact with the authorities and we participate in the Security Committee of the International Association of Oil and Gas Producers (IOGP).

Information management in the context of security is also crucial. All areas of the Organisation that, in one way or another, may have needs regarding security will have a training programme suitable to their requirements.

Galp also participates in activities led by the UE relating to critical infrastructures.

Moreover, it has also carried out the first crisis management simulation following a security event. This simulation exercise, of the "table top" type, involved the Company's top management and simulated a very wide range of events: bombing, kidnapping, espionage, and cyber-attacks. During the drill, which lasted eight hours, the main areas of improvement were identified. We would emphasise the active collaboration of all employees, who have been regularly informed about the progress of the drill using informative pop-ups on their computers.

## 6.5.5

# Health

Our strategy for the effective management of the health of our employees is based on the application of the best practices, as indicated by international bodies and in compliance with a set of normative regulations and internal guidelines.

In 2015, we began the process of reviewing our corporate health strategy, a process that will be completed in 2017. We will take into account the identification of new risks, which will be analysed for all countries, the development, and implementation of an integrated plan for health surveillance, and monitoring of various indicators.

In this context, and considering the different challenges we face in the various countries, in 2015, we started the development of a malaria and HIV prevention campaign, whose target audience is our employees in African countries. The goal of this campaign is to raise awareness about risk behaviours and alert people to the precautions to be taken in order to prevent the spread of these diseases. The campaign will be launched in the first quarter of 2016 and will be supported by a set of materials prepared in the meantime.

## Occupational disease prevention campaign

The "Health and comfort at work: postures in the office" campaign was developed and launched by our Company as part of our health promotion efforts. It is one of the strategic priorities linked to the management of corporate health.

In addition to the distribution of leaflets that provide a range of advice about working better at the computer, a specific awareness-raising action was

also carried out for the E&P business unit: "Office Ergonomics".

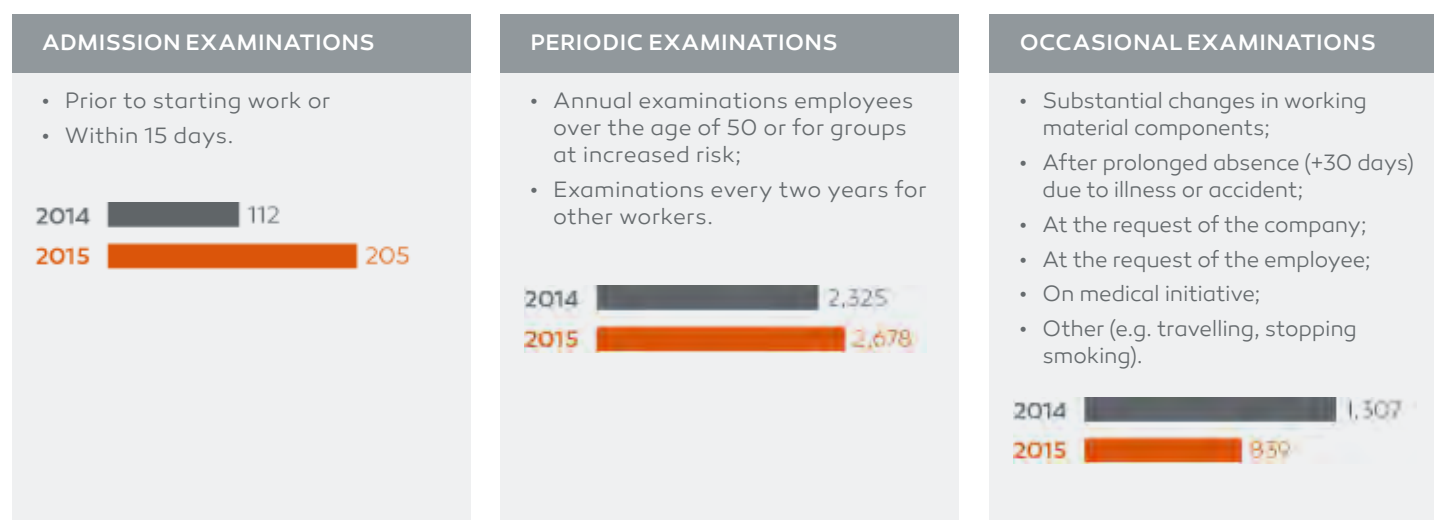
A large proportion of our employees work in an office environment. It is therefore essential to inform and raise awareness of the fact that injuries resulting from inadequate ergonomic postures can be prevented.



We have also developed a set of health promotion and well-being initiatives:

- Training sessions on "Healthy Lifestyle Habits";
- Thematic conference: "How to adopt healthy eating on a day-to-day basis";
- Wellness week in Spain;
- Nutrition consultations;
- Presentation on psychosocial risks and stress management;
- First games Galp Spain;
- Conferences for an active and positive lifestyle with the European Institute of Health and Welfare.

One of the main features associated with health surveillance is subjecting our employees to medical checks. In fact, we develop medical examinations for three different circumstances:



The health examination standard protocols involve:

- Biometrics (weight, blood pressure, body mass);
- Hearing tests;
- Eye tests;
- Electrocardiogram (ECG);
- Blood analyses;
- Consultation and medical evaluation; and
- Teachings (posture, healthy lifestyle habits, vaccination).

Alongside the development of a culture and operating procedures relating to health, safety, and hygiene at work, health monitoring has contributed to our performance in terms of the incidence of occupational diseases. Indeed, in recent years we have had no cases of occupational diseases in our Company.

#### OCCUPATIONAL DISEASES

2013	2014	2015
0	0	0

Even so, we believe that a number of challenges still lie ahead. Through the corporate strategy for health management, therefore, we have defined the following main areas for 2016:

- Review/implementation of the regulation on alcohol and drugs;
- Review of the annual corporate health monitoring plan;
- Prevention of occupational diseases.

## How we protect the environment, people and assets in E&P

Our E&P activity is expanding rapidly, especially in Brazil, Angola, and Mozambique. We want to reach the production targets we set ourselves, based on responsible action, cemented in the best E&P technologies and benchmarks in the industry in terms of HSE.

The implementation of the Galp strategic management system has made great strides in this business unit, as shown by the examples presented below.

### Protecting our employees on their business travels

Our employees have to travel frequently in the performance of their duties. Given this fact, we believe it is our responsibility to ensure their safety and welfare. Periodically, therefore, we distribute the content of our Travellers' Guide, which includes not only the main rules for preparing and planning a trip, but also the attitudes and behaviours we must adopt considering the destination in question.

However, there are a number of destinations that carry in principle increased risks in terms of safety and/or health. Thus, we publish the risk rating of the countries where we operate and to which our employees most often travel.

For countries with a pre-defined risk, it is mandatory for employees to fill out the Journey Management Plan prior to every journey, in which the risks and measures to eliminate or minimise them are identified. The goal is to keep up with the location of each traveller at key, predetermined moments of their trip.

It is important that we ensure that our employees take appropriate protective measures in relation to the environment in which they find themselves, but it is also important that they have permanently available contacts that they can use in an emergency. Before a trip, these numbers are therefore identified and made available to the traveller.

In specific situations, due to the number or frequency of journeys to a particular destination, we not only provide a written package of additional information, but also briefing sessions on the behaviour we expect (and also to be avoided) of every employee.

### Process safety and classification of incidents

At Galp, we strive on a daily basis to run a safe operation to protect people, assets, the environment, and the community at large. We believe that all accidents can and should be

avoided. Furthermore, we are aware that the Safety, Health, and Environment performance is a requirement in order to have long-term operating licences.

We are an active non-operator and we work with various operators, which allows us to identify the best practices implemented in the sector. Every day we monitor the process safety indicators we receive from each operator, in order to actively participate in ensuring the protection of people, assets and the environment, as well as in activities that we do not operate.

Based on the principles established in internationally recognised standards (API 754), we have created an internal process incident rating that enables us to process and compare this data in a structured and coherent manner. Through its critical analysis, we define actions and make decisions leading to the identification of barriers that must be created or improved, such as improvements in design, training and education, and emergency response procedures.

After we make a critical analysis and identify aspects to be improved, we interact constructively with the various operators in order to contribute to a safer operation.

The process safety performance data for the non-operated blocks demonstrates the success of this approach. However, we are aware that this is a daily task, forever unfinished, which requires the commitment of all stakeholders.



### Emergency Management in Petrogal Brasil - Onshore activity

In Petrogal Brasil, a Group company, where the management of operational risks is concerned, possible accident scenarios arising from operating activities have been identified. Through the development of Emergency Plans, responsibilities, communication flows, forms of action, and the means necessary for emergency action in each of the identified scenarios have all been defined.

When it comes to the fight against environmental emergencies, we rely on the provision of a specialised service company: SEGURA LTDA.

SEGURA has its headquarters in Mossoró, in the state of Rio Grande do Norte, where its main base is located, and it has a second support base in Maruim, in the state of Sergipe. SEGURA's standard permanent team consists of five people at each base: an emergency coordinator and four members of the fire brigade, working 24 hours a day, all year round, prevention basis. Each SEGURA base has the physical means to combat pollution, such as pumps, booms, floats, absorbing mats, absorbent powder, reservoirs, etc.

The SEGURA team promotes hard work on a daily basis, supported by inspections and tests to keep its equipment in top condition and readily available to act in case of emergency. The team participates in weekly drills and training activities to ensure that all members are properly trained, qualified, and committed to the emergency response work.

In Petrogal Brasil, the emergency first response is provided by the on-site operating personnel. In situations where the environmental emergency event reaches a scale that cannot be controlled and contained by local means, the services of SEGURA are triggered.

SEGURA works directly with the operational staff of Petrogal Brasil, ensuring that all ongoing activities are properly mapped and that, in an emergency, they know exactly where to go. Moreover, drills and training exercises are performed annually in Petrogal Brasil locations, with the support of all contractors, including SEGURA, to ensure that the chain of command and response times are tested. The aim of the analysis and processing of the results of these drills is to ensure that, in the case of a real emergency, the actions of the various parties involved will be quick and efficient, ensuring maximum reduction of its effects.

### Development of Lianzi offshore field in Angola and the Republic of Congo

The Lianzi project is one of great importance, since it represents the first cross-border unitisation to occur in West Africa. In this process, the Governments of two countries – Angola and the Republic of Congo – have agreed to explore, develop, and produce the hydrocarbons present in this geographical area, based on the responsible use of natural resources and good environmental management principles.

This project was the subject of an Environmental and Social Impact Study, which identified and assessed the potential environmental and socio-economic impacts related to the project in order to identify and enhance the potential positive impacts and opportunities arising from its development.

The following objectives were established for the Lianzi project:

- To operate the Lianzi development project and all the operations of the unit safely and in an environmentally responsible manner;
- To contribute to the promotion of the oil industry through the innovative application of technology and professional training and development;
- To confirm compliance of the project with the legislation in force.

# 6.6

## Promoting innovation, research and technological development



### COMMITMENT VI

#### Objetives

- Promoting a culture of innovation, not only in terms of technology, but also of process, product, services, and business model, creating the environment and stimulus for both sustained and disruptive innovation.
- Maintaining a network with the academic and scientific systems to promote awareness on the technological state of the art and enable the creation of competitive advantages in the medium and long term.
- Ensuring the integration of research and development practices in the strategic formulation of the businesses, empowering and differentiating the Company technologically and enhancing its preparedness to respond to emerging challenges.
- Contributing to the reflection on the diversification of Galp's business portfolio, through the dissemination of knowledge within the Company on new trends in the energy sector and their respective potential for value creation.

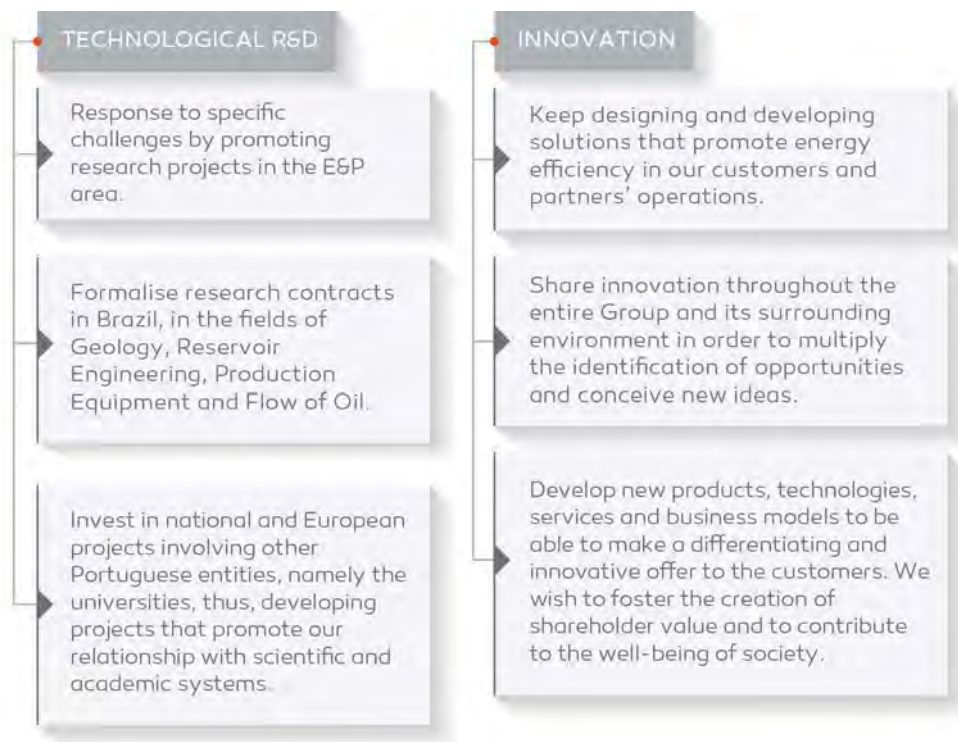
## 6.6.1

# Strategic plan for innovation, research and technological development

According to the International Energy Agency (IEA), global energy demand is expected to grow by 35% between 2005 and 2030, so one of the current energy challenges for companies in the O&G sector is focused on developing new technological solutions.

Against this background, and with the commitment to generate sustainable value by promoting innovation, research, and technological development, we have established a strategic plan aligned with our business vision. In this context, we expect the following commitments:

In partnership with other agencies and organisations, we have promoted several Innovation and R&D projects. Indeed, given the structural transformation of the demand for energy in the global economy, we understand the need for sustainable, innovative, and technological solutions to be created in the economic, environmental, and social dimensions.



## The area of innovation and energy efficiency

The area of innovation and energy efficiency, part of our Research and Technology Division, designs projects aimed at developing new solutions in three main areas of activity, namely:

ENERGY EFFICIENCY	RENEWABLE ENERGY	SUSTAINABLE MOBILITY
<ul style="list-style-type: none"> <li>Designing solutions to improve energy efficiency in our customers' facilities and in internal project implementation. We work towards the goal of turning our company into a reference in its sector.</li> </ul>	<ul style="list-style-type: none"> <li>Our value proposal resides in our commitment to offer integrated sustainable energy. This offer comprises of renewable energy and better energy efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Presence in four axis:               <ol style="list-style-type: none"> <li>Energy Chain;</li> <li>Vehicle Technology;</li> <li>Mobility Management;</li> <li>Behavioural change.</li> </ol> </li> </ul>

Our strategy of innovation, research, and technological development is based on the promotion of research and innovation that is embodied in the implementation of different projects in different areas, and that involves various stakeholders.

## 6.6.2

# Involvement of the scientific and technological community

***“The Academia Galp provides closer ties between academia and Galp, thereby making it more competitive and aligned with the best in Europe’s science and technology system.”***

António Santos, student at Academia Galp, EngIQ.

## Institute of Oil and Gas

In 2013, we created the Institute of Oil and Gas (ISPG), in partnership with six of the largest and most prestigious Portuguese higher education institutions. Our aim was to establish a link between academia and business, through an initiative that was unprecedented in both its size and its objectives.

The ISPG’s mission is the development, transfer, and dissemination of science and technology applied to the activities of the energy sector, especially oil and gas.

Its activity aims to create value for its members through the development of technology programmes and projects focused on the challenges posed by the oil and gas E&P, especially in our operations.



### **Master of Science in Petroleum Engineering**

The ISPG has introduced the Master of Science in Petroleum Engineering, a higher education programme developed in conjunction with Heriot-Watt University (HWU).

This master’s degree is a higher education programme promoting the advanced training of technical staff, the development of projects that create added value within the consortia in which we take part and the creation of a network of cooperation between consortia, universities and other research organisations in the O&G sector.

Learn more in section 6.3.7 Development of human capital (Training).

## Oil & Gas Industrial Observatory

We are a member of a consortium led by IN+, the research centre of Instituto Superior Técnico (IST), in partnership with Carnegie Mellon University (CMU). The aim of this consortium is the development and promotion of an international observatory to stimulate the analysis of emerging risks and new dynamics of innovation. The attention is focused on the exploration of the South Atlantic and sub-Saharan Africa, setting a new agenda for R&D and for technological and industrial optimisation.

So called “+Atlantic: Science and Technology Policy and Innovation Analysis to Maximize the Economic, Environmental and Social Benefits of Deep Sea Exploration and Oil and Gas Development in the South Atlantic Region”, the initiative had its kick-off meeting on 4 December, 2015. The aim is to stimulate and encourage domestic technological capability through a programme targeting industrial enhancement, based on the sustainable exploitation of the Atlantic. This is because the effects of the new energy context of the Atlantic – growing US oil independence and the emergence of large producers of hydrocarbons in the southern hemisphere – are not yet fully understood.



The activities developed by the "+Atlantic" observatory include the promotion of new technology-based industrial activities with greater added value around the opportunity created by the extension of the continental shelf of Portugal, as well as the facilitation of the expansion and diversification of this opportunity for the sustainable exploitation of the South Atlantic.

The observatory also includes the promotion of a particular forum, the N3 Forum: New Business, New Technologies, and New Jobs for Sustainable Exploration of the Atlantic. The aim is to enhance the technological, social, and economic build-up of scientific and technological capabilities, as well as to ensure the role of new technology-based industries and their structuring effect on the economies. Emphasis should be given to opportunities for emerging industries to respond to systemic risks in the Atlantic.

Besides IST, CMU, and Galp, the following organisations are also involved:

- CEIIA – Centre for Excellence and Innovation in the Automotive Industry;
- Action Modulers (start-up in modelling and safety);
- Task Group for Maritime Affairs (EMAM);
- Institute for Welding and Quality (ISQ);
- Technip Portugal;
- ONIP – National Organisation of the Petroleum Industry (Brazil);
- MITI – Madeira Interactive Technologies Institute;
- Steinbeis Advanced Risk Technologies (R-Tech) (Germany);
- Wavec/Offshore renewables Offshore Energy Centre;
- Laboratory of Robotics Systems in Engineering and Science (LARSyS).

## Agreement with the National Council for Scientific and Technological Development (CNPQ)

Through Petrogal Brasil, and under the Brazilian Science without Borders programme, we have signed an agreement with CNPQ to fund international scholarships at Post-Graduate, Masters and Doctorate levels. The post-graduate scholarships, in particular, are entirely financed by Galp.

This partnership aims to offer Brazilian students an excellent education at an international level in the fields of engineering and new technologies. The period for applications began at the end of 2015 and extends until 2016. In the first stage, 10 scholarships were awarded for Master's degrees in Petroleum Engineering, 10 Masters Scholarships in Naval Engineering and six PhD scholarships.

## Fuel R&D Unit (University of Coimbra)

We have established a partnership with the University of Coimbra for the creation of a fuel R&D unit, whose main objective is to develop cleaner and more eco-efficient liquid fuels, thereby enhancing our focus on innovation.

## Galp Innovation Network

The Galp Innovation Network is a web-based platform networking the national system of science and technology, to collect ideas for the set-up of new processes, innovative products, and services to create added value for our stakeholders.

This platform enables a set of bidirectional activities, including:

- Meeting our challenges for business innovation;
- Submitting proposals for innovative projects to be developed with us;
- Disseminating technologies and knowledge in the Scientific Communities of the Galp Innovation Network;
- Learning to generate innovation in energy.

## Scientific and Technological Forum

The aim of the Scientific and Technological Forums is to identify and establish working ties with the national and international scientific community. The most recent forum took place in 2014, and aimed to share and discuss information about new technologies that can contribute to addressing challenges and improving our activities. The work focuses on four areas:

Technologies and Markets	Modelling, Optimisation and Efficiency
Exploration and Production	Systems and Processes

In 2015, we embarked on a diagnosis to identify the difficulties and needs in support activities for the technology management process. The results of this diagnosis will lead to the definition and stimulation of initiatives that will contribute to the improvement of the "Technology Management" function.

To keep up with technological advances, our Research and Technology department develops and uses technological intelligence tools that enable access, analysis, processing and sharing of information on technology research from all relevant sources worldwide.

### HydraGTS Project: Capture, Separation and Conversion of CO<sub>2</sub> for methane hydrates

The consortium established between Galp, the Faculty of Engineering at the Oporto University (FEUP) and FEUP's Institute of Science and Innovation in Mechanical, and Industrial Engineering (INEGI) has initiated a project whose aim is the capture and conversion of CO<sub>2</sub> into hydrates.

The idea is to develop marketable modules that transform gas into an aqueous slurry, to be safely transported by pipeline, or turned into solid pellets of methane hydrates, transportable by sea or by land.

The initiative, under KIC InnoEnergy, is funded with EU resources from the European Institute of Innovation and Technology, and the project has an estimated budget of €3 m in the initial phase. The technology under development will reduce the costs and risks of transporting CO<sub>2</sub>, creating a positive environmental impact.



## 6.6.3

# R&D Programmes in the E&P field

In order to overcome the technological challenges posed by our E&P activities in areas where we operate, we consider it essential to invest in technological research and development, particularly in exploring Brazilian pre-salt reserves.

The implementation of the R&D programme in Brazil, launched in 2014, started with four technological programmes:

<b>1. Oil Production in Carbonate Reservoirs Holding Fluids with High Percentage of CO<sub>2</sub></b>	Reducing CO <sub>2</sub> emissions is one of the most important global challenges. In this context, the technology for the capture, separation, and storage of carbon has been the subject of research and development, since it allows the impact of these emissions to be minimised. Of the projects initiated, seven are designed to capture and reuse CO <sub>2</sub> , and they have a total budget of approximately USD 6m.
<b>2. Modelling of Carbonate Reservoirs</b>	The modelling of the geomechanical response of carbonate reservoirs has become particularly important in recent years, due to the geological heterogeneity that characterises carbonate reservoirs.
<b>3. Flow assurance</b>	The hydrocarbons flow is one of our biggest operational challenges.
<b>4. Production and Equipment Facilities</b>	Our focus within E&P is the deep offshore production of hydrocarbons. It is therefore vital to invest in technological innovation of production facilities and equipment.

To find out more about these programmes and their various axes of development, visit our website [🌐](#).

Ten research projects have already begun with a budget of approximately USD 10m. These are scheduled to continue for three years.

Our commitment in this respect is to invest a total of USD 100m by 2020.

## “Evolution of 3D modelling projects” – Thematic Conference

During the thematic conference on the evolution of 3D modelling projects, a presentation was made on examples of applications in hydrocarbon processing, storage and handling facilities.

The speaker, from the Engineering and Project Management Division, outlined what may be the future development of 3D techniques with visual simulations of objects in three dimensions and holograms.

## “Development and Production of Hydrocarbons: Trends and Technological Challenges”- Thematic Conference

The guest speaker was Galp’s head of development and production for E&P. He addressed the current challenges and technological trends that are contributing to shaping the future of hydrocarbon production.

He stressed that there has been constant innovation in conquering new frontiers and, through a brief historical overview, presented the various stages of technological development in this industry.

He also highlighted that our challenges are centred on a higher growth rate for organic production in the industry, the materialisation of contingent resources and expanding a unique positioning.

## 6.6.4

## R&M focused projects

### ENGIQ

The PhD programme in Refining, Petrochemical, and Chemical Engineering is the result of a unique partnership in Portugal between AIPQR companies (the Association of Petrochemical, Chemical, and Refining Industries) and the best universities in the country. This Advanced Training and PhD programme has three different strands, whose aims are to train highly qualified professionals in different individual training needs, to promote a knowledge of excellence and the human capital of companies, and to reinforce skills in these areas.

Within this field, we are undertaking the following projects:

- Extraction of mercaptans using ionic liquids;
- Optimisation of the Parex unit;
- Development of the hydrodemetallisation catalyst;
- Oligomerisation of Olefins C5 – C8;
- Improved Alkylation;
- NMR technology in the characterisation of crude oils and some procedural currents.

To find out more about these projects, visit our website [↗](#).

### TOP REF

The TOP-REF project started in 2014, as result of a "business case" funded by the 7<sup>th</sup> Framework Programme of the European Commission.

This project aims to increase energy efficiency in the Sines Refinery, through the development and validation of specific indicators, methodologies, and non-invasive tools.

The highlights of the main results of the project are:

- The development of key resources indicators (KRI) to implement the methodology and normalise the eco-efficiency of industrial processes that will help to measure the dissociation of environmental impacts from economic growth and the use of resources;
- The creation of an eco-label based on the KRIs.

### Efficiency in service areas

Since 2012, we have made efforts to reduce the carbon footprint in our service areas. This is a systematic approach for the retail segment, which aims to implement a set of energy efficiency measures.

In 2014, for example, we saw the reconversion of the M24 shops into Tangerina under the direct management network, incorporating the energy efficiency project that included, amongst other things, replacing 16 car wash units.

Retail modernisation and efficiency also rely on the development and application of TIGER, a technology renewal programme for the infrastructure of the business information support systems in our Iberian network. The focus on the improvement of the overall performance of the communication solution is on the automation of equipment maintenance at filling stations and the availability of a Wi-Fi service in certain service areas.

Our aim is to continue to meet client expectations, innovating and developing technological solutions that enable the optimisation of their future needs. Some ideas include:

- The mobile payment option;
- Energy resources management systems;
- Central monitoring of the energy supply;
- Cloud-based points of sale and mPOS (Mobile Point of Sale), which allow the mobile point of sale to be used, avoiding the need to wait in queues.

One of our priorities for the future is thus to increase operational efficiency, optimising the forecourt, quick payment systems and offering additional services.



### "We All Build Quality" Competition

Through the "We all build quality" competition, which we promoted internally in 2015, we believe to have contributed to stimulating innovation. The winning idea, "Receipts with advertising on the back", proposes to use the back of receipts issued at filling stations for advertising, media campaigns, and institutional information. We are going to examine its viability, as we could, in this way, create added value associated with the billing process in service stations.

### E-Marketing: An opportunity or an indispensable business tool? – Thematic Conference

Since technology and the digital world are changing people and businesses, bringing a new generation of clients, posing new challenges to relationship models and new opportunities for services and products, it is important for us to maintain an innovative stance on technological advancement.

The Director of Iberian Marketing Oil presented priority initiatives in implementing a digital strategy and its relevance to the B2C and B2B client experience.

## The Innovate Idea

The Innovate in Refining initiative, whose phase one of which is starting at the Matosinhos refinery, is based on a value chain model, where tools are used to manage support and project activities. We believe this can consolidate our culture of open innovation in a stimulating and competitive environment.

This project seeks to bring us closer to our clients, encouraging the participation of all employees and business partners and being open to new challenges and different approaches.

We highlight below some of the ideas that we are already implementing:

- Organisational innovation – analysis certificates platform;

- Product innovation – modification of bitumen with cork derivatives;
- Innovation in the integrated Environment, Quality, Safety, and Energy System (EQSE) – interconnections with Purchasing, Human Resources and Training;
- Cooperation with a Chinese University – preparation of a case study on an innovation relating to air monitoring.

Through the Matosinhos refinery and within the framework of this initiative, we celebrated the World Day of Creativity on 17 November, appealing to all our employees to share their innovative ideas.

### "The search for information beyond Google" – Thematic Conference

The conference on the theme "The search for information beyond Google" addressed advanced competitive, technological intelligence search tools in Galp.

The speakers, from the Research and Technology Division, highlighted the internal service we provide within the Company using advanced IT smart tools based on text mining techniques.

They use statistical techniques and algorithms suitable for determining the relevance of, and the relationship between concepts and trends.

This technique can be used to try to establish statistical patterns, using information that is available in digital format and accessible for downloading in an organised format.

## 6.6.5

## Projects with our clients

In addition to the projects developed with our clients as part of Galp Energy Solutions (as described in section 6.4.4 The performance of our projects (Energy efficiency in our clients)), we promote some other initiatives worth mentioning.

### Galp 20-20-20

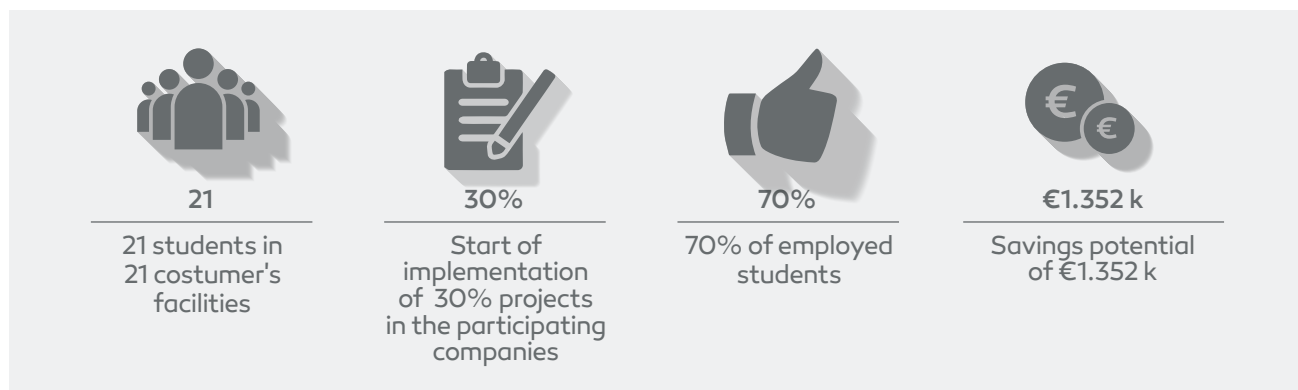
Taking as inspiration the 20-20-20 targets set out by the European Commission, we established in 2007 the Galp University Cooperation Programme 20-20-20.

In 2015, we held the ninth edition of Galp 20-20-20, considered the biggest Portuguese programme for research into energy efficiency. It is an initiative that annually promotes the development of 21 studies on the identification of rational energy systems and behaviours, applicable in industry and buildings.

The programme aims to transfer knowledge and innovation between businesses and academia, based on a shared mentoring system between our Company, the client company, and the university concerned.

Each year, we award 21 research scholarships under this programme, each worth €3k, for the development of projects. Our role is to monitor the implementation of these studies, with the aim of contributing to their execution in concrete energy efficiency projects.

#### GALP 20-20-20



Since 2007, we have already covered 189 grantees in 189 companies and public bodies under the auspices of this project and 30% of the projects have been implemented in the participating companies.

The projects that have been implemented have resulted in average reductions of 9%-12% in primary energy consumption and 12%-15% in CO<sub>2</sub> emissions, with an average return on investment time of four years.

We talked to two recent winners of the Galp 20-20-20 programme, who now work within our Organisation and the host companies: Palácio do Gelo Shopping Centre and CUF-QI. Learn about their experiences.

#### About the companies:

Palácio do Gelo Shopping Centre belongs to Visabeira Group, a company with businesses in various industries, including the Tourism and Real Estate sectors.

CUF-QI is a company in the area of industrial chemicals, a reference in the production of chlorine and aniline. Its products are designed for sectors as diverse as the chemical, pharmaceutical, food, textile, water treatment, and paper industries.

#### **João Carlos Silva, who conducted the project in the Visabeira Group:**

*“The programme gave me the opportunity to apply concepts acquired during my academic career and to understand the limitations and possibilities of working in a real environment. (...) I now have a better sense of the importance energy efficiency has for the competitiveness of companies. (...)”*

*(...) it enabled Visabeira to gain knowledge of the best practices in energy efficiency applied to the sector of public commercial buildings and how energy efficiency measures should be implemented without affecting their proper functioning (...). And therefore to make progress in terms of efficiency, competitiveness and sustainability.”*



#### **Representative of the Visabeira Group's Palácio do Gelo Shopping Centre:**

*“The implementation of the project gave us the opportunity to know in detail the energy consumption of each area of intervention. This knowledge allows us to take decisions on future investments aimed at reducing energy consumption, so has cost benefits.*

*Our participation in the Galp programme has been extremely positive. It has allowed us to have access to studies and analyses carried out by a highly competent and dedicated expert.”*

#### **Tiago Couchinho, who conducted the project in CUF-QI:**

*“It enabled me to grow, develop skills, and adopt postures that we don't find "in books"(...), to get to know the structure of a manufacturing plant, how a chemical industry works and its importance in people's day-to-day lives. (...) it has proved to be important in my professional career, both through recognition by this prestigious programme and in terms of satisfaction, confidence and professional and personal motivation.*

*For the company, the results highlighted that in secondary processes, the so-called utilities, even if they do not concentrate on the largest share of energy costs, is a sector that has considerable potential for investment, which can improve the energy and environmental performance of the company.”*



#### **Representative of CUF-QI:**

*“The project implemented proved to be an asset for the company in enabling us to deepen our knowledge about a facility that has been in operation for some years. This study allowed us to analyse the facility using the new energy efficiency paradigms and to propose measures aimed at reducing the specific energy and water consumption in addition to improving the processes themselves, providing environmental and financial gains.”*

## SmartGalp: tri-fuel approach

The Smart Galp project is an innovative solution for monitoring energy consumption. It allows residential clients to access a monitoring service for electricity, natural gas, and fuel consumption through an interactive online portal. The project began in 2010 and was funded by the Support Fund for Innovation (FAI), and is the result of a partnership between Galp, MIT Portugal, the CGI, and the ISA.

By monitoring the results, it was found that SmartGalp is a tool that enables real savings to be made, achieving a reduction of up to 8% on energy consumption.

From the perspective of users, the portal is very interesting and innovative, attractive in appearance and user friendly, and is considered a crucial help in understanding consumption and managing invoices.

## Sustainable Mobility

In a time of economic difficulties and an increasing awareness of sustainability, we promote sustainable mobility for our clients, seeking to reduce their energy bills and their carbon emissions. To do this, we research sustainable solutions and make clients aware of the need to adopt new behaviours.

In 2009, we launched the Sustainable Mobility Programme, a long-term project that indicates our involvement in the four pillars of sustainable mobility:

- Energy chain;
- Vehicle technology;
- Mobility management;
- Behavioural change.

This programme involves several innovative initiatives dedicated to the promotion of sustainable mobility, such as:

- GalpShare, a platform for sharing transport;

- Providing the community with cycling and walking routes;
- Initiatives related to electric mobility;
- Promotion of sustainable mobility through training to clients in defensive and economic driving, in partnership with Carris.

To find out more about these projects, visit our website [☺](#).

We also have a partnership agreement with the Institute of Mechanical Engineering at the Instituto Superior Técnico, whose annual action plan involves the following activities:

- Incorporation of CO<sub>2</sub> emissions in the fleet management platform;
- Implementation of a manual of good practice in sustainable mobility with an assessment on the road of the effect of the type of fuel on consumption and emissions.



## 6.6.6

## Competitions and Awards

### Art, design and advertising film competitions for creative young people

Gas bottles and Tangerina stores were at the heart of the Galp Create challenges. This initiative was the result of the competition for the gas bottle design held in 2014, and its novelty was the introduction of a competition for video advertising.

The advertising film entrants prepared the storyboard for the film's script and the winner received a cash prize of €5k and a trip for two to Cannes.

In the art competition, the challenge was a completely free style artistic interpretation for our 13 kg bottle of butane gas. The winner received a cash prize of €4k.

The design competition aimed to introduce illustrations on 13 kg butane gas cylinders. The prize for the winner was €3 k, and the three best proposals will be used in gas bottles marketed in Portugal and Spain.



The award ceremony for the prizes in the Galp Create art, design, and advertising competitions was held at the Mude – Museum of Design and Fashion in Lisbon. Attending the ceremony were the competitors, the Director of the Museum, the Presidents of the National Association of Designers (AND) and the Portuguese Association of Marketing Professionals (APPM), who were also members of the competition jury.

### IDC CIO Awards 2015

In the fifth edition of the IDC CIO Awards prize, we were one of the winning brands in the initiative launched by IDC, a global leader in the area of Market Intelligence.

This award recognised and honoured our projects in the area of information and communication technologies.

The awarding of the prizes fell to a panel of judges, and our "Asset Management System in Natural Gas Distribution" was chosen as one of the top 10 national technological projects in terms of innovation, return on investment, ability to improve and optimise business processes.

### Bridge over the Lisbon Ring Road amongst the world's best

Designboom, an influential website in architecture and design, elected the bridge over the Lisbon Ring Road, inaugurated by the Fundação Galp in February 2015, as one of the world's best. It emphasised the provision of access ramps for bicycles and the absence of piers.

The award classifies this bridge as a dynamic structure that promotes a healthy lifestyle.



# 7

## Aneexes

## 7.1. Annex I – Assurance letter



To the Board of Executive Directors of  
Galp Energia, SGPS, S.A.

**Independent verification  
of the sustainability information**  
(Free translation from the original in Portuguese)

### Introduction

In accordance with the request of Galp Energia, SGPS, S.A. (Galp Energia), we performed an independent verification of the "Sustainability Report 2015" (Report). Independent verification was performed according to instructions and criteria established by Galp Energia, as referred in the Report, and according to the principles and extent described in the Scope below.

### Responsibility

Galp Energia's Board of Directors is responsible for all the information presented in the Report, as well as for the assessment criteria and for the systems and processes supporting information collection, consolidation, validation and reporting. Our responsibility is to conclude on the adequacy of the information, based upon our independent verification standards and agreed reference terms. We do not assume any responsibility over any purpose, people or organization.

### Scope

Our procedures were planned and executed using the International Standard on Assurance Engagements 3000 (ISAE 3000) and having the Global Reporting Initiative, version GRI G4 (G4) as reference, in order to obtain a moderate level of assurance on both the performance information reported and the underlying processes and systems. The extent of our procedures, consisting of inquiries, analytical tests and some substantive work, was less significant than in a full audit. Therefore, the level of assurance provided is also lower. Part of the information required by G4 is available on the "Annual Report and Accounts 2015" and the "Corporate Governance Report 2015", documents that should be used to obtain a full understanding of the developed activities, the corporate governance and the Group's performance.

The following procedures were performed:

- (i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the Report;
- (ii) Identify the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
- (iii) Testing the efficiency of process and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned;
- (iv) Confirming, through visits to sites, that operational units follow the instructions on collection, consolidation, validation and reporting of performance indicators;
- (v) Executing substantive procedures, on a sampling basis, in order to collect sufficient evidence to validate reported information;

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- (vi) Comparing technical data related to greenhouse gas emissions and primary energy consumption validated by the independent assurer under the European Emission Trading Scheme;
- (vii) Comparing financial and economic data with those in the “Annual Report and Accounts 2015” audited by PwC, to appraise the external validation of the reported information
- (viii) Comparing data related to refineries with previous data verified by PwC in the scope of the assurance of Sines and Matosinhos Data Books;
- (ix) Validation of the material themes included in the Report based on the materiality principle of standard AA1000APS and G4, through the comparison of the Report’s content with the content of peer companies’ Sustainable Reports;
- (viii) Verify the existence of data and information required to comply with the G4 version, option ‘In Accordance - Comprehensive’, taking into account the supplement to the oil & gas industry.

#### **Confidentiality and Independence**

Internally, PwC SROC is governed by ethical and deontological rules of confidentiality and independence quite rigid. Thus, in all aspects of our collaboration, the Firm and its employees maintain strict confidentiality of information obtained in the performance of their duties and complete independence regarding the interests of the companies of Galp Energia Group.

Additionally, we develop our work in line with standard ISAE 3000 independence requirements, including compliance with PwC’s independence policies and code of ethics of the International Ethics Standards Board of Accountants (IESBA).

#### **Conclusions**

Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control related to the collection, consolidation, validation and reporting of the performance information referred above is not effective, in all material respects.

Based on the assumptions described on the scope, we conclude that the Report includes the data and information required for option ‘In Accordance - Comprehensive’, according to G4. As external auditors of Galp Energia, our opinion about financial data is expressed in the “Annual Report and Accounts 2015”.

Lisbon, April 5<sup>th</sup>, 2016

PricewaterhouseCoopers & Associados, S.R.O.C., Lda.  
Represented by:

António Joaquim Brochado Correia, ROC



## 7.2. Annex II - GRI table: Sustainability KPIs

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
<b>Strategy and analysis</b>				
G4-1	1.1 Messages.	NA	NA	✓
G4-2	1.1 Messages; 4 What is the strategic framework?; 5 What are the material issues?	NA	NA	✓
<b>Organisational profile</b>				
G4-3	1.2 About this report; Galp Energia, SGPS, S.A.	NA	NA	✓
G4-4	2.2 Our operational chain; 2.3 Where we have reached; 6.2.4 Engagement with clients.	NA	NA	✓
G4-5	2.1 How we arrived here:the new millennium; 2.2 Our operational chain; 2.3 Where we have reached.	NA	NA	✓
G4-6	2.3 Where we have reached.	NA	NA	✓
G4-7	R&A 2015 (1.2 Galp in the capital market – Shareholder structure).	NA	NA	✓
G4-8	2.2 Our operational chain; 2.3 Where we have reached.	NA	NA	✓
G4-9	2.2 Our operational chain; 2.3 Where we have reached; 6.3.1 Who are our employees?	NA	NA	✓
G4-10	6.3.1 Who are our employees?; 6.3.2 Non-discrimination, equality and local hiring. 97.5% of our employees work full-time.	NA	NA	✓
G4-11	69%.	NA	NA	✓
G4-12	6.2.6 Engagement with suppliers.	NA	NA	✓
G4-13	R&A 2015 (1.2 Galp in the capital market – Shareholder structure).	NA	NA	✓
G4-14	6.1.2 Risk management.	NA	NA	✓
G4-15	6 How do we tackle them?	NA	NA	✓
G4-16	6 How do we tackle them?	NA	NA	✓
<b>Identified material aspects and boundaries</b>				
G4-17	1.2 About this report.	NA	NA	✓
G4-18	1.2 About this report.	NA	NA	✓
G4-19	5 What are the material issues?	NA	NA	✓
G4-20	5 What are the material issues?	NA	NA	✓
G4-21	5 What are the material issues?	NA	NA	✓
G4-22	1.2 About this report; Annex V – Notes on methodology.	NA	NA	✓
G4-23	1.2 About this report.	NA	NA	✓
<b>Stakeholder engagement</b>				
G4-24	6.2.1 Dialogue with stakeholders.	NA	NA	✓
G4-25	6.2.1 Dialogue with stakeholders.	NA	NA	✓
G4-26	6.2.1 Dialogue with stakeholders. In recent years, we have held formal consultations with stakeholders biannually. In the last session, given the expansion of the company, our entry into other markets and our strategic readjustment, we updated the characterisation and mapping of the stakeholders. We are currently restructuring the corporate plans for our engagement with stakeholders and we have kept the characterisation and mapping of them up-to-date. A new formal consultation will be held as soon as there is evidence of new trends, expectations or framework within our activities, or when three to five years have elapsed since the last process.	NA	NA	✓

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
G4-27	6.2.1 Dialogue with stakeholders; 6.2.3 Engagement with the community; 6.2.4 Engagement with clients; 6.2.5 Engagement with investors; 6.2.6 Engagement with suppliers; 6.2.7 Engagement with business partners.	NA	NA	✓
<b>Profile of report</b>				
G4-28	1.2 About this report.	NA	NA	✓
G4-29	1.2 About this report.	NA	NA	✓
G4-30	1.2 About this report.	NA	NA	✓
G4-31	1.2 About this report.	NA	NA	✓
G4-32	1.2 About this report; Present GRI Table.	NA	NA	✓
G4-33	1.2 About this report; Present GRI Table; Annex I – Assurance letter.	NA	NA	✓
<b>Governance</b>				
G4-34	6.1.1 Corporate governance.	NA	NA	✓
G4-35	6.1.1 Corporate governance.	NA	NA	✓
G4-36	6.1.1 Corporate governance.	NA	NA	✓
G4-37	6.1.1 Corporate governance. The processes for consulting stakeholders are approved by top management, presented, and discussed in the Sustainability Committee, involving the entire Company and constituting KPIs in the performance assessment of employees directly involved in the process.	NA	NA	✓
G4-38	6.1.1 Corporate governance.	NA	NA	✓
G4-39	6.1.1 Corporate governance.	NA	NA	✓
G4-40	6.1.1 Corporate governance.	NA	NA	✓
G4-41	CGR 2015: PART I, B. Corporate bodies, and committees, II. Board of Directors and Supervision, point 26; PART I, E. Transactions with related parties, I. Control mechanisms, and procedures. 6.1.3 Ethics & Compliance (Preventing conflicts of interest).	NA	NA	✓
G4-42	6.1.1 Corporate governance. Find out more at our website <a href="#">🔗</a> .	NA	NA	✓
G4-43	6.1.1 Corporate governance. Find out more at our website <a href="#">🔗</a> .	NA	NA	✓
G4-44	6.1.1 Corporate governance (Assessment of performance and remuneration). CGR 2015 (PART I, D. Remuneration, III Remuneration structure).	NA	NA	✓
G4-45	6.1.2 Risk management. R&A 2015 (6. Risk management).	NA	NA	✓
G4-46	6.1.1 Corporate governance.	NA	NA	✓
G4-47	6.1.1 Corporate governance; 6.1.2 Risk management.	NA	NA	✓
G4-48	6.1.1 Corporate governance.	NA	NA	✓
G4-49	6.1.4 Guarantee of compliance and conformity. CGR 2015 (PART I, C. Internal organisation, II Communication of irregularities). Other critical concerns can be addressed through orders between the Directors of the organisational units and their respective executive directors, who propose and take issues to the Executive Committee. On the other hand, the teams from the organisational units may table draft resolutions for decisions to be taken by the Executive Committee, who shall discuss and communicate the subsequent decision.	NA	NA	✓
G4-50	6.1.4 Guarantee of compliance and conformity.	NA	NA	✓
G4-51	CGR 2015 (PART I, D. Remuneration).	NA	NA	✓
G4-52	CGR 2015 (PART I, D. Remuneration).	NA	NA	✓
G4-53	CGR 2015 (PART I, D. Remuneration).	NA	NA	✓
G4-54	6.3.2 Non-discrimination, equality and local hiring.	NA	NA	✓

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
G4-55	Due to the nomination of a new Board of Directors in 2015, and, specifically, of a new CEO, this indicator cannot be quantified in this Report. However, the CEO's remuneration in 2015 is reported in the CGR 2015 (PART I, D. Remuneration).	NA	NA	✓
<b>Ethics &amp; Integrity</b>				
G4-56	2.3 Where we have reached; 6.1.3 Ethics and Compliance.	NA	NA	✓
G4-57	2.3 Where we have reached; 6.1.3 Ethics and Compliance; 6.1.4 Guarantee of compliance and conformity.			✓
G4-58	2.3 Where we have reached; 6.1.3 Ethics and Compliance; 6.1.4 Guarantee of compliance and conformity.			✓
<b>Category: Economic</b>				
Aspect: Economic Performance*				
G4-DMA	2.3 Where we have reached; 4 What is the strategic framework?; 5 What are the material issues?; 6 How do we tackle them?; 6.2.2 Creating shared value.			✓
G4-EC1	6.2.2 Creating shared value.			✓
G4-EC2	6.4 Contributing to satisfying future energy needs and minimizing the carbon footprint of our operations. See additional information the CDP site <a href="#">CDP</a> .			✓
G4-EC3	R&A 2015 (Appendix Consolidated Financial Statements – Liability for retirement benefits).			✓
G4-EC4	Galp does not consider this indicator to be material.			✓
Aspect: Presence in the Market*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.3.2 Non-discrimination, equality and local hiring (Local hiring).			✓
G4-EC5	Portugal: 166%; Spain: 144%; Brazil: 408%; Africa: 204%.			✓
G4-EC6	6.3.2 Non-discrimination, equality and local hiring (Local hiring).			✓
Aspect: Indirect economic impact*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.2.2 Creating shared value; 6.2.3 Engagement with the community; 6.2.6 Engagement with suppliers.			✓
G4-EC7	6.2.2 Creating shared value; 6.2.3 Engagement with the community (Community investment policy); 6.3 Valuing human capital; 6.6.1 Strategic plan for innovation, research and technological development.			✓
G4-EC8	6.2.2 Creating shared value; 6.2.3 Engagement with the community; 6.2.4 Engagement with clients.			✓
Aspect: Purchasing practices*				
G4-DMA	2.3 Where we have reached; 5. What are the material issues?; How do we tackle them?; 6.2.6 Engagement with suppliers.			✓
G4-EC9	6.2.6 Engagement with suppliers.			✓
Aspect: Reserves *				
G4-DMA	2.3 Where we have reached; 6.1.2 Risk management. R&A 2015 (3.1 Exploration & Production; 6.3 Principal risks).			✓
G4-OG1	2.3 Where we have reached; 2.3 Our operational chain. R&A 2015 (3.1 Exploration & Production (Evolution of reserves and resources).			✓
<b>Category: Environment</b>				
Aspect: Materials*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.5.2 Management system; 6.5.3 Environmental protection.			


GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
G4-EN1	Crude oil processed at Matosinhos Refinery: 4,588,317 ton. Crude oil processed at Sines Refinery: 9,309,397 ton.			✓
G4-EN2	Galp does not use recycled materials.			✓
Aspect: Energy*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.4 Contributing to satisfying future energy needs and minimizing the carbon footprint of our operations; 6.5.2 Management system (Certifications); 6.5.3 Environmental protection (Air emissions: importance of the refining sector in society; Environmental performance).  Galp's activities are covered by certain policies and regulations about energy and emissions, including: • Buildings: European Directive on the energy performance of buildings and Energy Certification System for Buildings; • Transport: Regulation on energy consumption management for the transport sector (RGCEST); • Refining: European Union Emissions Trading System; Intensive Consumption of Energy Management System (SGCIE) and the Industrial Emissions Directive.  Compliance with these policies and regulations is subject to internal audits, and audits by official entities and independent external parties.			✓
G4-EN3	6.4.4 The performance of our projects; 6.5.3 Environmental protection (Environmental performance).			✓
G4-EN4	1.068.693 GJ (corresponds to the service providers' energy consumption).			✓
G4-EN5	6.4.4 The performance of our projects (Energy efficiency and specific CO <sub>2</sub> /CWT emissions in our refineries). E&P – non-operated blocks: Brazil – 0.83 GJ/t crude produced; Angola – 4.72 GJ/t crude oil produced.			✓
G4-EN6	6.4 Contributing to satisfying future energy needs and minimizing the carbon footprint of our operations.			✓
G4-EN7	6.4 Contributing to satisfying future energy needs and minimizing the carbon footprint of our operations.			✓
G4-OG2	Non-material indicator for Galp.			✓
G4-OG3	6 How do we tackle them?; 6.4.4 The performance of our projects (Energy efficiency and specific CO <sub>2</sub> /CWT emissions in our refineries).			✓
Aspect: Water*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.5.1 Context and major objectives; 6.5.2 Management System; 6.5.3 Environmental protection (Assessment and impact management; Soil and water resources; Environmental performance).			✓
G4-EN8	6.5.3 Environmental protection (Soil and water resources; Environmental performance). E&P – non-operated blocks: Brazil - 0.39 m <sup>3</sup> /t crude produced; Angola - 2.58 m <sup>3</sup> /t crude oil produced.			✓
G4-EN9	According to its knowledge to date, Galp has no activities where water consumption significantly affects water sources.			✓
G4-EN10	In 2015, we re-used 1,726,276 m <sup>3</sup> of water, which corresponds to an overall 16.4% of the water consumed.			✓
Aspect: Biodiversity				
G4-DMA	See an interactive map of biodiversity and water resources on our website <a href="#">☺</a> .			✓
G4-EN11	100% of Galp sites are analysed in terms of biodiversity risks. None of the E&P blocks held by Galp is located within areas classified as UNESCO World Heritage or in IUCN category I to IV protected areas.			✓



GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
Aspect: Emissions*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.4 Contributing to satisfying future energy needs and minimizing the carbon footprint of our operations; 6.5.2 Management system (Health, Safety and Environment Management; Certifications); 6.5.3 Environmental protection (Air emissions: importance of the refining sector in society; Environmental performance). Galp's activities are covered by certain policies and regulations about energy and air emissions, previously referred to under the material aspect of Energy;			✓
G4-EN15	6.4.3 Our carbon footprint.			✓
G4-EN16	6.4.3 Our carbon footprint.			✓
G4-EN17	6.4.3 Our carbon footprint.			✓
G4-EN18	6.4.4 The performance of our projects (Energy efficiency and specific CO <sub>2</sub> /CWT emissions in our refineries). E&P – non-operated blocks: Brazil - 56 ton CO <sub>2</sub> e/10 <sup>3</sup> ton crude produced; Angola - 344 ton CO <sub>2</sub> e/10 <sup>3</sup> ton crude oil produced			✓
G4-EN19	6.4 Contributing to satisfying future energy needs and minimising the carbon footprint of our operations.			✓
G4-EN20	Galp does not manufacture or sell products that emit substances that damage the ozone layer. On the other hand, it ensures compliance of equipment containing such substances with applicable regulations, verifying such compliance through auditing. Finally, the Company has a regulatory guide – Management of substances that deplete the ozone layer. We thereby guarantee the absence of significant emission sources of these substances.			✓
G4-EN21	6.5.3 Environmental protection (Environmental performance).			✓
Aspect: Effluents and waste*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.5.1 Context and major objectives; 6.5.2 Management System; 6.5.3 Environmental protection (Assessment and impact management; Soil and water resources; Environmental performance).			✓
G4-EN22	6.5.3 Environmental protection (Environmental performance). E&P - non-operated blocks: Angola – 1.32 m <sup>3</sup> / ton crude oil produced.			✓
G4-EN23	6.5.3 Environmental protection (Environmental performance).			✓
G4-EN24	6.5.4 Safety (Safety of process and loss of containment)			✓
G4-EN25	Not applicable.			✓
G4-EN26	Wastewater discharges are subject to licensing and we assume that compliance with standards guarantees the absence of impacts biodiversity. On the other hand, at the main facilities we monitor the quality of groundwater and carry out quantitative risk analyses (as described in SR 2009, page 87 <sup>(8)</sup> ), which confirm that surrounding ecosystems are not affected by our activities.			✓
G4-OG5	E&P - non-operated blocks: Angola - 1,32 m <sup>3</sup> / ton crude oil produced.			✓
G4-OG6	E&P - non-operated blocks: Brazil - (9.8 ton/10 <sup>3</sup> ton crude produced; Angola (13.2 ton / 10 <sup>3</sup> ton / crude oil produced). Data on vented gas from non-operated blocks is not available. In non-operated blocks, we do not carry out venting.			✓
G4-OG7	E&P - operated blocks: Brazil - 376.38 ton.			✓
Aspect: Products & services*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.5.1 Context and major objectives; 6.5.2 Management System; Safety (Product safety).			✓

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
G4-EN27	6.5.2 Management System; Safety (Product safety).			✓
G4-EN28	The total weight of the declared packages in 2015 was 1,218 tonnes.			✓
G4-OG8	See SR 2013, page 73 <sup>1</sup> .			✓
<i>Aspect: Compliance*</i>				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.2 Risk management; 6.5.1 Context and major objectives; 6.5.2 Management System.			✓
G4-EN29	0 sanctions. €0.			✓
<i>Aspect: Transport*</i>				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.2.6 Engagement with suppliers (Supplier audits); 6.4.3 Our carbon footprint.			✓
G4-EN30	6.4.3 Our carbon footprint; 6.5.4 Safety (Safety of process and loss of containment).			✓
<i>Aspect: Environmental assessment of suppliers*</i>				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.2.6 Engagement with suppliers.			✓
G4-EN32	6.2.6 Engagement with suppliers (Purchasing Policy). All our suppliers are assessed based on environmental criteria. See supply4Galp <sup>1</sup> .			✓
G4-EN33	No tier 1 (critical and non-critical) suppliers with high environmental sustainability risk were identified. 6.2.6 Engagement with suppliers.			✓
<b>Category: Social</b>				
<b>Subcategory: Labour practices and decent work</b>				
<i>Aspect: Employment*</i>				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.3 Valuing human capital.			✓
G4-LA1	6.3.3 Seniority, turnover, mobility, and absenteeism (Seniority and turnover).			✓
G4-LA2	6.3.8 Employee benefits. There is no distinction in employee benefits for part-time and full-time status. Besides the benefits described in chapter 6.3.8, Galp's employees enjoy the conditions set out in the Labour Code: <ul style="list-style-type: none"> <li>• Job security/prohibition of unfair dismissal;</li> <li>• Maximum working time;</li> <li>• Minimum break periods;</li> <li>• Paid holidays and respective allowance;</li> <li>• Christmas bonus;</li> <li>• Minimum wage and overtime;</li> <li>• Conditions for occasional secondment of workers;</li> <li>• Vocational training;</li> <li>• Health and safety at work;</li> <li>• Workplace accident Insurance/ right to compensation for damages arising from work-related accidents;</li> <li>• Parental leave;</li> <li>• Protection against child labour;</li> <li>• Student employee status;</li> <li>• Equal treatment and non-discrimination;</li> <li>• Protection from harassment;</li> <li>• Respect for personal rights;</li> <li>• Respect for the right to privacy in personal and family life.</li> </ul>		✓	

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE												
G4-LA3	Right to take leave: 100% Rate of return: 100%* Retention rate: 100%* * No causal relationship is found between parental leave situations and leaving the Company.			✓												
Aspect: Labour/management relations*																
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.3.10 Involvement with employees (Labour relations; Internal communication tools).			✓												
G4-LA4	There is no minimum advance notice with regard to operational changes. Employees are notified of any such changes in a manner deemed timely and appropriate by management.			✓												
Aspect: Occupational health & safety*																
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.5.1 Context and major objectives; 6.5.2 Management System; 6.5.4 Safety (Personal accidents); 6.5.5 Health. "At Galp, the protection of the life and safety of our personnel and assets is a top priority of our activity, both in terms of safety and security, providing the necessary resources for this purpose and adopting the industry's best practices." In Code of Ethics and Conduct.			✓												
G4-LA5	44.07% of the employees are represented within health and safety committees.			✓												
G4-LA6	6.3.3 Seniority, turnover, mobility, and absenteeism (Absenteeism). 6.5.4 Safety (Personal accidents).			✓												
	<table border="1"> <thead> <tr> <th>No. of lost time injuries</th> <th>2013</th> <th>2014</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td>16</td> <td>26</td> <td>24</td> </tr> <tr> <td>Service providers</td> <td>5</td> <td>8</td> <td>3</td> </tr> </tbody> </table>	No. of lost time injuries	2013	2014	2015	Employees	16	26	24	Service providers	5	8	3			✓
No. of lost time injuries	2013	2014	2015													
Employees	16	26	24													
Service providers	5	8	3													
G4-LA7	6 How do we tackle them?; 6.5.5 Health. We have internal regulations, under the G+ System, for task safety analyses, in order to prevent potential situations that may cause injury to persons, property, or the environment. Task safety analysis (TSA) is a tool that provides a systematic and effective methodology to identify hazards and determine preventive control actions at each stage of the task, to ensure safety during implementation. We also have an internal standard that defines the minimum requirements for occupational health programmes, covering three key areas: safety and hygiene at work, ergonomics, and occupational medicine.			✓												
G4-LA8	Information available on our website <a href="#">↗</a> .			✓												
Aspect: Training and education*																
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.3.4 Our human capital strategy; 6.3.5 Human capital in the context of E&P; 6.3.6 Performance Management; 6.3.7 Development of human capital; 6.6.2 Engagement with the scientific and technological community. "Galp provides adequate training to its personnel, including with regard to this Code." In Code of Ethics and Conduct.			✓												
G4-LA9	6.3.7 Development of human capital (Training).			✓												
G4-LA10	6.3.4 Our human capital strategy; 6.3.7 Development of human capital.			✓												
G4-LA11	6.3.6 Performance management. There is no differentiation between genders with regard to performance assessments processes. We have and will continue to conceive and create new personal development plans.			✓												

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
Aspect: Diversity & equal opportunities*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.3.1 Who are our employees?; 6.3.2 Non-discrimination, equality and local hiring. "At Galp, the personnel are held accountable and valued for their merit, that enabling every member thereof to undertake the autonomy and responsibilities associated with its capability and dedication." In Code of Ethics and Conduct.			✓
G4-LA12	6.3.1 Who are our employees?			✓
Aspect: Equal remuneration for men and women*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.3.1 Who are our employees?; 6.3.2 Non-discrimination, equality and local hiring. "At Galp, the personnel are held accountable and valued for their merit, that enabling every member thereof to undertake the autonomy and responsibilities associated with its capability and dedication." In Code of Ethics and Conduct.			✓
G4-LA13	6.3.2 Non-discrimination, equality and local hiring (Equal and fair remuneration for men and women).			✓
Aspect: Supplier assessment for labour practices*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.2.6 Engagement with suppliers.			✓
G4-LA14	6.2.6 Engagement with suppliers (Purchasing Policy). All our suppliers are assessed based on social criteria. See supply4Galp  .			✓
G4-LA15	The number of tier 1 (critical and non-critical) suppliers where a high social sustainability risk was identified is 28. 6.2.6 Engagement with suppliers.			✓
Aspect: Labour practices grievance mechanisms*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.3.10 Involvement with employees (Labour relations).			✓
G4-LA16	6.3.10 Involvement with employees (Labour relations). There were 0 registered cases.			✓
<b>Subcategory: Human rights</b>				
Aspect: Investments				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance; 6.2.6 Engagement with suppliers (Purchasing Policy); 6.3.7 Development of human capital (Training). "We commit to provide and contract the provision of goods and services only to those that we consider, to the best of our knowledge, to have respect for human rights in a manner equivalent to that undertaken by Galp." In Code of Ethics and Conduct.			✓
G4-HR1	6.1.3 Ethics and Compliance (Respect for human rights); 6.2.6 Engagement with suppliers (Purchasing Policy). Fulfilling the commitment made in the past, we introduced a standard clause binding counterparties, including business partners, suppliers and others, to the provisions of the Galp Groups Code of Ethics and Conduct, in all its contract templates referring to the safeguarding of human rights.			✓
G4-HR2	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance; (Ethics and conduct; Respect for human rights; Anti-corruption); 6.3.7 Development of human capital (Training).			✓



GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
Aspect: Non-discrimination*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.1.4 Guarantee of compliance and conformity; 6.3.1 Who are our employees?; 6.3.2 Non-discrimination, equality and local hiring. "We do not act in a discriminatory manner towards our personnel or any other person, whether based on race, religion, gender, sexual orientation, ancestry, age, language, place of origin, political or ideological beliefs, economic situation, social context, or contractual obligation." In Code of Ethics and Conduct.			✓
G4-HR3	0 cases. "We do not act in a discriminatory manner in relation to our employees or any persons, particularly on the basis of race, religion, gender, sexual orientation, ancestry, age, language, place of origin, political or ideological beliefs, economic situation, social context, or contractual relationship." "Galp promotes policies and measures to prevent discriminatory situations, including strengthening the gender diversity within the organisation." In Code of Ethics and Conduct.			✓
Aspect: Freedom of association and collective bargaining*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct); 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy); 6.3.10 Involvement with employees (Labour relations).			✓
G4-HR4	No occurrences. 6.3.10 Involvement with employees (Labour relations).			✓
Aspect: Child labour*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy).			✓
G4-HR5	6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy). Galp considers that there is, in its activity, no risk of child labour amongst its employees. As regards suppliers and other business partners, through its Purchasing Policy, it prohibits and condemns any type of practice related to child labour and does not establish or maintain relationships with suppliers not aligned with the principles established.			✓
Aspect: Forced labour*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy).			✓
G4-HR6	6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy). Galp considers that there is, in its activity, no risk of forced labour amongst its employees. As regards suppliers and other business partners, through its Purchasing Policy, it prohibits and condemns any type of practice related to forced labour, and does not establish or maintain relationships with suppliers not aligned with the principles established.			✓
Aspect: Security practices*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.2.6 Engagement with suppliers (Purchasing Policy); 6.5.4 Security.			✓

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
G4-HR7	The Galp security service is essentially contracted from external entities, and their alignment with Company principles in the field of human rights is ensured by the Purchasing Policy.			✓
Aspect: Indigenous rights*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.2.3 Engagement with the community; 6.5.3 Environmental protection (Assessment and management of impacts). "In the communities where we develop our activities, we commit to minimise the negative impact that they have or might have on the place where we operate. At Galp, we respect the right of the communities to be heard before we begin any activity that might have this impact. We commit to provide and contract the provision of goods and services only to those that we consider, to the best of our knowledge and to have respect for human rights in a manner equivalent to that undertaken by Galp." In Code of Ethics and Conduct.			✓
G4-HR8	0 cases.			✓
G4-OG9	We did not register any such situation in 2015. In 2014, we published a guide for the Assessment of Environmental and Social Impacts in the area of E&P, which is duly directed at identifying and mitigating possible negative impacts, covering topics such as the identification of impacts on indigenous peoples, identification of alternatives, amongst others. 6.5.3 Environmental protection (Assessment and management of impacts).			✓
Aspect: Evaluation*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance; 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy).			✓
G4-HR9	6 How do we tackle them?; 6.1.3 Ethics and Compliance; 6.5.3 Environmental protection (Assessment and management of impacts).			✓
Aspect: Evaluation of suppliers' record of human rights*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.2.6 Engagement with suppliers. "In the communities where we develop our activities we commit to minimise the negative impact that they have or might have on the place where we operate. At Galp, we respect the right of the communities to be heard before we begin any activity that might have this impact. We commit to provide and contract the provision of goods and services only to those that we consider, to the best of our knowledge, to have respect for human rights in a manner equivalent to that undertaken by Galp." In Code of Ethics and Conduct.			✓
G4-HR10	6.2.6 Engagement with suppliers (Purchasing Policy). All our suppliers are assessed based on social criteria. See supply4Galp <sup>en</sup> .			✓
G4-HR11	The number of tier 1 (critical and non-critical) suppliers where a high social sustainability risk was identified is 28. 6.2.6 Engagement with suppliers.			✓
Aspect: Mechanisms for claims and complaints about human rights*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.1.4 Guarantee of compliance and conformity.			✓
G4-HR12	0 cases.			✓

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
<b>Subcategory: Society</b>				
Aspect: Local communities*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.2.1 Dialogue with stakeholders; 6.2.2 Creating of shared value; 6.2.3 Engagement with the community; 6.5.3 Environmental protection (Assessment and management of impacts). "In the communities where we develop our activities we commit to minimise the negative impact that they have or might have on the place where we operate. At Galp, we respect the right of the communities to be heard before we begin any activity that might have this impact." In Code of Ethics and Conduct.			✓
G4-SO1	6.2.1 Dialogue with stakeholders; 6.2.3 Involvement with the community.			✓
G4-SO2	6.5.3 Environmental protection (Assessment and management of impacts). In 2014, we published a guide for the assessment of environmental and social impacts in the area of Exploration and Production, which is duly directed at identifying and mitigating possible negative impacts, covering topics such as engagements with stakeholders, identification of secondary and cumulative impacts, identification of alternatives, amongst others.			✓
G4-OG10	We did not register any such situation in 2015.			✓
G4-OG11	At Galp, we have a standard procedure - NPG-038 –, which establishes the minimum HSE requirements applicable for the decommissioning of establishments/facilities in the Galp Group, proposing structures for decommissioning plans and content to be developed by business/management units and Group companies, tailored to the characteristics and the establishments/facilities risk levels. We did not register any such decommissioning situation in 2015. Note: The end of drilling is not regarded as decommissioning given that these activities generally last between 20 and 45 days, removal of equipment and site clearance being considered stages of activity.			✓
Aspect: Anti-corruption*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Anti-corruption); 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy).			✓
G4-SO3	6.1.2 Risk management (Internal Control System). At Galp, we created a group, under the Risk Committee, which meets bi-monthly to identify and assess a number of risks, including the risks of corruption in the jurisdictions to which the Company is subject. At these meetings, the risk drivers and the potential consequences are identified and updated, and responses and mitigation initiatives are addressed to the appropriate managers.			✓
G4-SO4	6 How do we tackle them?; 6.1.3 Ethics and Compliance (Anti-corruption); 6.1.4 Guarantee of compliance and conformity.			✓
G4-SO5	Galp recorded no cases of corruption in 2015.			✓
Aspect: Anti-competitive behaviour*				
G4-DMA	2.3 Where we have reached; 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Anti-corruption; Compliance and fiscal transparency); 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing Policy). "Without prejudice to not performing other anticompetitive practices, at Galp, we do not collude to set sale prices or collude to fix resale prices, we do not divide the market by geographic areas, products, or customers, and we do not coordinate our proposals in bids and tenders with competitors. We are aware that agreements between competitors for fixing revenues or for reducing or stabilising production, logistics activities, or their respective capacities are prohibited. At Galp, we do not adopt commercial practices that are prone to discriminating our customers, excluding our competitors from the market or preventing the entrance of new competitors." In Code of Ethics and Conduct.			✓

GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
G4-SO7	No cases were recorded in 2015. In meetings where colleagues from competitor companies are present, including meetings with ConCawe and FuelsEurope working groups, clear instructions are given in order to prohibit conversation on sensitive issues such as pricing, and a brochure is being distributed with 'Dos and Don'ts'.			✓
Aspect: Compliance*				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.1.2 Risk management; 6.1.4 Guarantee of compliance and conformity.			✓
G4-SO8	0 sanctions. There was no payment of fines.			✓
Aspect: Evaluation of suppliers' impact on society				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.2.6 Engagement with suppliers.			✓
G4-SO9	6.2.6 Engagement with suppliers (Purchasing Policy). All our suppliers are assessed based on social criteria. See supply4Galp <sup>en</sup> .			✓
G4-SO10	The number of tier 1 (critical and non-critical) suppliers where a high social sustainability risk was identified is 28. 6.2.6 Engagement with suppliers.			✓
Aspect: Mechanisms for claims and complaints about impact on society*				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.1.4 Guarantee of compliance and conformity.			✓
G4-SO11	There were 0 cases of this nature in 2015.			✓
Aspect: Involuntary resettlement*				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.1.4 Guarantee of compliance and conformity; 6.5.3 Environmental protection (Assessment and management of impacts).			✓
G4- OG12	Galp did not register any such situation in 2015.			✓
Aspect: Asset integrity and process safety				
G4- DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.5.4 Safety (Safety of process and loss of containment).			✓
G4- OG13	6.5.4 Safety (Safety of process and loss of containment).			✓
<b>Subcategory: Responsibility for the product</b>				
Aspect: Health & safety of the client *				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.5.4 Safety (Product safety).			✓
G4- PR1	6.5.4 Safety (Product safety).			✓
G4-PR2	0 cases in 2015.			✓
Aspect: Labelling of products & services*				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.2.4 Engagement with clients; 6.5.4 Safety (Product safety).			✓
G4-PR3	6.5.4 Safety (Product safety).			✓
G4-PR4	0 cases in 2015.			✓
G4-PR5	6.2.4 Engagement with clients			✓
Aspect: Marketing communications *				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.1.4 Guarantee of compliance and conformity; 6.2.4 Engagement with clients.			✓



GENERAL STANDARD DISCLOSURES	PAGE, LINK OR CONTENT	OMISSION	JUSTIFICATION FOR OMISSION	EXTERNAL ASSURANCE
G4-PR6	Galp has no record that its products are banned in any of the markets where it operates.			✓
G4-PR7	6.1.4 Guarantee of compliance and conformity. There were 0 cases in 2015.			✓
Aspect: Client privacy *				
G4-DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct).			✓
G4-PR8	Galp has no record of violations of its client's privacy in 2015. Through its Privacy Policy, Galp respects the privacy of its clients and protects the personal information entrusted to it. Whenever it is necessary to request personal information from users and data holders for the purpose of providing services, the use of this information is described in terms of that document and in accordance with data protection legislation. "At Galp, we give particular importance to the protection of our customers' data. We commit to assure that our customers' personal data is not used without their consent, provided such consent is not legally required or its use is made in accordance with applicable law." in Code of Ethics and Conduct.			✓
Aspect: Compliance *				
G4- DMA	2.3 Where we have reached? 5 What are the material issues?; 6 How do we tackle them?; 6.1.2 Risk management; 6.1.4 Guarantee of compliance and conformity.			✓
G4- PR9	0 cases in 2015.			✓

\*Material Aspect

### 7.3. Annex III - Global Compact Table

	PRINCIPLE	REFERENCE
	<b>Commitment to the Global Compact</b>	6. How do we approach them? (By taking on external commitments) 6.1.3 Ethics and Compliance (Anti-corruption)
<b>HUMAN RIGHTS</b>	1. Respecting and protecting internationally recognised human rights	2.3 Where we have reached; 5. What are the material challenges?; 6. How do we tackle them?; 6.1.3. Ethics and Compliance (Ethics and Conduct; Respect for human rights); 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing policy); 6.3.2 Non-discrimination, equality and local hiring; 6.5.3 Environmental protection (Assessment and management of impacts)
	2. Guaranteeing non-participation in human rights violations	
<b>LABOUR RELATIONS</b>	3. Guaranteeing freedom of association and effective recognition of collective bargaining	2.3 Where we have reached; 5. What are the material challenges?; 6. How do we tackle them?; 6.1.3. Ethics and Compliance (Ethics and Conduct); 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing policy); 6.3.2 Non-discrimination, equality and local hiring; 6.3.10 Employee engagement (Labour relations)
	4. Abolishing all forms of forced and mandatory labour	
	5. Full abolition of child labour	
	6. Eliminating discrimination in employment	
<b>ENVIRONMENTAL PROTECTION</b>	7. Supporting a preventive approach to environmental challenges	2.3 Where we have reached; 5. What are the material challenges?; 6. How do we tackle them?; 6.1.2 Risk management; 6.2.6 Engagement with suppliers; 6.4 Helping to satisfy future energy needs and minimizing carbon footprint; 6.5 Guaranteeing the protection of people and the environment and the security of our assets; 6.6 Promoting innovation, research and technological development
	8. Carrying out initiatives to promote environmental responsibility	
	9. Promoting the development of environmentally friendly technologies	
<b>ANTI-CORRUPTION</b>	10. Combating all forms of corruption, including extortion and bribery	2.3 Where we have reached; 5. What are the material challenges?; 6. How do we tackle them?; 6.1.3 Ethics and Compliance (Ethics and Conduct; Anti-corruption; Prevention of conflicts of interest; Tax Compliance and transparency; 6.1.4 Guarantee of compliance and conformity; 6.2.6 Engagement with suppliers (Purchasing policy)

## 7.4. Annex IV – Methodological notes

### ENVIRONMENTAL PERFORMANCE - METHODOLOGY

Direct consumption of primary energy in the Organisation, by energy source (fuel or form of energy).

TYPES OF COMBUSTION	FUELS USED
Stationary	Endogenous: procedural fuel waste, fuel gas, flaring gas Exogenous: NG, LPG, fuel oil, gasoline, diesel fuel
Mobile	Exogenous: fuel oil, gasoline, diesel fuel

#### Definitions

- Endogenous fuels: non-commercial fuels - by-products of industrial processes.
- Exogenous fuels: commercial fuels - not by-products of industrial processes.
- Stationary combustion: burning fuel to generate electricity, steam or heat in stationary devices, such as boilers, furnaces, etc.
- Mobile combustion: burning fuels through vehicles or other mobile equipment (e.g. forklifts).

FUEL	LHV		DENSITY		NO <sub>x</sub> EMISSION FACTOR		SO <sub>2</sub> EMISSION FACTOR		% S		PARTICLE EMISSION FACTOR	
	AMOUNT	UNIT	AMOUNT	UNIT	AMOUNT	UNIT	AMOUNT	UNIT	AMOUNT	UNIT	AMOUNT	UNIT
Natural Gas	38.44	GJ/(10 <sup>3</sup> Nm <sup>3</sup> )	-	-	48	g/GJ	-	-	0	%	0.8	g/GJ
Fuel oil / hydrocarbons	40.28	GJ/t	-	-	160	g/GJ	-	-	1.0	%	53	g/GJ
Fuel Oil - maritime transport	40.28	GJ/t	-	-	79.3	kg/t	20	kg/t	-	-	6.2	kg/t
Gasoline - light vehicles	44	GJ/t	0.745	kg/l	0.12	kg/GJ	0.002	kg/GJ		%	0.004	kg/GJ
Stationary combustion equipment	43.07	GJ/t	0.837	kg/l	60	g/GJ	-	-	0.005	%	69.9	g/GJ
Light vehicles	43.07	GJ/t	0.837	kg/l	0.262	kg/GJ	0.002	kg/GJ	-	-	0.019	kg/GJ
Heavy vehicles / mobile equipment	43.07	GJ/t	0.837	kg/l	0.703	kg/GJ	0.002	kg/GJ	-	-	0.023	kg/GJ
Maritime transport	43.07	GJ/t	-	-	78.5	kg/t	20	kg/t	0.1	%	1.5	kg/t
Road - maritime transport	43.07	GJ/t	-	-	78.5	kg/t	0.2	kg/t	10	ppm	1.5	kg/t

Note: The application of the constants cannot be fully extended to Refineries and Cogeneration (e.g. ascertaining emissions is based on specific methodologies agreed with the competent authority).

#### References

##### LHV:

European Emissions Trading Scheme (CELE) 2013-2020. Updated in 2013 Lower Heating Value, Emission Factor and Oxidation Factor.

[http://www.apambiente.pt/\\_zdata/DPAAC/CELE/tabela\\_PCI\\_FE\\_FO\\_2013.pdf](http://www.apambiente.pt/_zdata/DPAAC/CELE/tabela_PCI_FE_FO_2013.pdf)

##### Density:

CELE - Density values of fuels used under the CELE scheme, in 2013.

[http://www.apambiente.pt/\\_zdata/DPAAC/CELE/tabela\\_densidades\\_combustiveis\\_2013.pdf](http://www.apambiente.pt/_zdata/DPAAC/CELE/tabela_densidades_combustiveis_2013.pdf)

##### NO<sub>x</sub> / SO<sub>2</sub> / Particle emission factor and sulphur content (%S):

Portuguese Informative Inventory Report. IIR (Informative Inventory Report).

[http://www.apambiente.pt/\\_zdata/DPAAC/INERPA/IIR\\_20130515.pdf](http://www.apambiente.pt/_zdata/DPAAC/INERPA/IIR_20130515.pdf)

##### Maritime transport NO<sub>x</sub> / SO<sub>2</sub> / Particles emission factor:

EMEP/EEA emission inventory guidebook 2013 (Pg.13)

<http://www.eea.europa.eu/publications/emep-eea-guidebook-2013>

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##### IFA

Ratio between the number of lost-time accidents (excluding commuting accidents) and number of hours worked, in millions

##### Absenteeism index

Total days' absenteeism / average staff No. x 11 (months) x 22 (days).

#### Carbon footprint

**Direct emissions (S1)** - can be monitored directly by the company and refer to emissions due to fuel consumption in the company's facilities: furnaces, heat or steam generators, company vehicles.

**Indirect emissions (S2)** - caused by Company activity but using resources from other organisations: use of power grid, heat or steam, produced in non-company facilities.

**Indirect emissions (S3)** - emissions from consumption of fuel in non-Company facilities: hire cars, aeroplanes, waste burning, logistics, services.

Galp's Carbon Footprint 2015 was calculated using the methodological framework established by The Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard, supplemented by the relevant industry adaptation promoted by the International Petroleum Industry Environmental Conservation Association (IPIECA) – Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industries.

As in 2014, the calculation of Galp's Carbon Footprint 2015 did not take account of sales to operators and oil exports or NG trading volumes in the "Product Use" category, as the intention is merely to account for emissions associated with consumption of Galp products marketed through sale to end consumers.

## 7.5. Annex V – Abbreviations and acronyms

<b>1P:</b> Proven reserves	<b>CSC:</b> Portuguese Commercial Companies Code
<b>2P:</b> Proven and probable reserves	<b>CWT:</b> Complexity Weighted Tonne
<b>3P:</b> Proven, probable and possible reserves	<b>DJSI:</b> Dow Jones Sustainability Index
<b>ADENE:</b> Energy Agency	<b>E&amp;P:</b> Exploration and Production
<b>AECC:</b> Spanish Association Against Cancer	<b>EBITDA:</b> Earnings before interest, taxes, depreciation and amortization
<b>AEE:</b> Association of Energy Engineers	<b>EC:</b> Executive Committee
<b>AFI:</b> Accident Frequency Index	<b>ECSI:</b> European Customer Satisfaction Index
<b>AGU:</b> Autonomous Gas Unit	<b>EEA:</b> European Environment Agency
<b>AIPQR:</b> Association of Petrochemicals, Chemicals and Refining Industries	<b>EII:</b> Energy Intensity Index
<b>AND:</b> National Association of Designers	<b>EIS:</b> Environmental Impact Study
<b>APA:</b> Portuguese Environmental Association	<b>EITI:</b> Extractive Industries Transparency Initiative
<b>APCE:</b> Portuguese Association of Corporate Communication	<b>ENH:</b> National Hydrocarbons Company of Mozambique
<b>APETRO:</b> Portuguese Association of Petroleum Companies	<b>EPIS:</b> Association of Businessmen for Social Inclusion
<b>APFN:</b> Portuguese Large Families' Association	<b>EQSE:</b> Environment, Quality, Safety and Energy
<b>APPM:</b> Association of Marketing Professionals	<b>EQSS:</b> Environment, Quality, Safety and Sustainability
<b>ARGE:</b> Association of Galp Energia Retirees	<b>ERSE:</b> Portuguese energy market regulator
<b>B2B:</b> Business to Business	<b>ESI:</b> Ethibel Sustainability Index
<b>B2C:</b> Business to Consumer	<b>EU ETS:</b> EU emissions trading system
<b>BAT:</b> Best available techniques	<b>EU:</b> European Union
<b>bbbl:</b> Barrel of oil	<b>FAI:</b> Support Fund for Innovation
<b>bcm:</b> Billion cubic metres	<b>FCT:</b> Faculty of Sciences and Technology
<b>BCSD:</b> Business Council for Sustainable Development Portugal	<b>FENACERCI:</b> National Federation of Social Welfare Cooperatives
<b>BSC:</b> Balanced scorecard	<b>FEUP:</b> Faculty of Engineering, University of Porto
<b>CA:</b> Board of Directors	<b>FPSO:</b> Floating production storage offloading
<b>CDLI:</b> Climate Disclosure Leadership Index	<b>G&amp;P:</b> Gas & Power
<b>CEC:</b> Ethics and Conduct Committee	<b>GHG:</b> Greenhouse gases
<b>CEIIA:</b> Centre for Excellence and Innovation in the Automotive Industry	<b>GRC:</b> Governance, Risk and Compliance
<b>CGS:</b> Corporate Governance Code (of the Portuguese Securities Market Regulator)	<b>GRI:</b> Global Reporting Initiative
<b>CLC:</b> Fuel Logistics Company	<b>GRID:</b> Performance Indicators Management and Reporting
<b>CLP:</b> Classification, Labelling and Packaging	<b>GSM:</b> General shareholders meeting
<b>CMU:</b> Carnegie Mellon University	<b>GVA:</b> Galp Value Added
<b>CMVM:</b> Portuguese Securities Market Regulator	<b>GWT:</b> Global Water Tool
<b>CNPQ:</b> National Council for Scientific and Technological Development	<b>HR:</b> Human Resources
<b>CO<sub>2</sub>:</b> Carbon dioxide	<b>HSE:</b> Health, Safety and Environment
<b>CO<sub>2</sub>e:</b> Carbon dioxide equivalent	<b>HWU:</b> Heriot-Watt University
<b>CORE:</b> Corporate Responsibility Consultancy	<b>IAP:</b> Personalised Comprehensive Aid
<b>CoSO:</b> Committee of Sponsoring Organizations of the Treadway Commission	<b>IBAT:</b> Integrated Biodiversity Assessment Tool
<b>CPI:</b> Corruption Perception Index	<b>ICA:</b> International Compliance Association
	<b>IEA:</b> International Energy Agency
	<b>IFPA:</b> Federal Institute of Education, Science and Technology of Para
	<b>ILO:</b> International Labour Organization

## What are the material issues?

## How do we tackle them?

**IMS:** Integrated Management System

**INEGI:** Institute of Science and Innovation in Mechanical Engineering and Industrial Engineering

**INGC:** National Disaster Management Institute of Mozambique

**IOGP:** International Association of Oil & Gas Producers

**IPIECA:** Global oil and gas industry association for environmental and social issues

**IPSS:** Private social security institutions

**IR:** Investor Relations

**ISCC:** International Sustainability & Carbon Certification

**ISPG:** Institute of Oil and Gas

**IST:** Instituto Superior Técnico

**IUCN:** International Union for Conservation of Nature

**JOA:** Joint Operating Agreements

**JV:** Joint Ventures

**KPI:** Key performance indicators

**KRI:** Key resources indicators

**KYC:** Know your counterparty

**KYT:** Know your transaction

**LARSyS:** Laboratory of Robotics and Systems in Engineering and Science

**LBG:** London Benchmarking Group

**LNG:** Liquefied natural gas

**LNG:** Liquefied natural gas

**LPG:** Liquefied petroleum gas

**MITI:** Madeira Interactive Technologies Institute

**mmboe:** Million barrels of oil equivalent

**MSc:** Master of Science

**MSDS:** Safety datasheet

**NG:** Natural gas

**NO<sub>x</sub>:** Nitrogen oxide

**O&G:** Oil & Gas

**OGCI:** Oil and Gas Climate Initiative

**ONIP:** National Organization for the Oil and Gas Industry of Brazil

**OPAS:** Preventive environmental and safety observations

**OSCP:** Oil Spill Contingency Plan

**OTC:** Over the counter

**p.p.:** Percentage points

**R&A:** Report and Accounts

**R&D:** Research and Development

**R&M:** Refining & Marketing

**RBI:** Risk Based Inspection

**RCM:** Reliability Centred Maintenance

**RGS:** Corporate Governance Report

**ROI:** Return on investment

**S4G:** Supply4Galp

**SEIA:** Social and Environmental Impacts Assessment

**SEMMA:** Tomé-Açu Municipal Secretary of the Environment

**SME:** Small and medium enterprises

**SO<sub>2</sub>:** Sulphur dioxide

**SO<sub>x</sub>:** Sulphur oxide

**TSR:** Total Shareholder Return

**UN:** United Nations

**UNESCO:** United Nations Educational, Scientific and Cultural Organization

**UNGC:** United Nations Global Compact

**VNG:** Vehicle Natural Gas





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