

TRUSTWORTHY NETWORKS

**REN Group's  
Corporate Governance  
Report**

**08**

# REN Group's Corporate Governance Report

# 08

## **Unofficial Translation**

This is an unofficial translation of the proposal indicated below and it has been prepared for information purposes only. In the case of any discrepancy between this translation and the Portuguese version, the Portuguese version will prevail.

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## 0. Statement of Compliance

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. (hereinafter “REN” or the “Company”), being an issuer of shares listed in the NYSE Euronext Lisbon (Eurolist by Euronext) securities market, is subject to the corporate governance code approved by CMVM on September 2007, which is available to the public in CMVM’s website: [www.cmvm.pt](http://www.cmvm.pt).

Within this context, REN adopts in full all Portuguese Stock Exchange Commission (CMVM) recommendations on matters of corporate governance in CMVM’s Corporate Governance Code, with the exception of those in points I.4.1 and I.5.5 of Chapter II of the said code, which are not adopted due to the reasons mentioned below.

The chart below schematically identifies CMVM’s Recommendations provided in the Corporate Governance Code and mentions those that were fully adopted by REN and those that were not, indicating as well the place in this report where a more detailed description of their adoption may be found.



| Recommendation/Chapter <sup>1</sup>  | Degree of Compliance | Description in this Report |
|--|----------------------|----------------------------|
| <b>I. GENERAL MEETING</b>  |                      |                            |
| <b>I.1 OFFICIALS OF THE GENERAL MEETING</b>  |                      |                            |
| I.1.1 The Chairman of the general meeting shall have the necessary human and logistical resources, considering the company’s economic situation.   | Adopted              | 4.6                        |
| I.1.2 The compensation paid to the Chairman of the general meeting shall be disclosed in the annual corporate governance report.   | Adopted              | 6.1                        |
| <b>I.2 PARTICIPATION IN THE GENERAL MEETING</b>  |                      |                            |
| I.2.1 The period for depositing or blocking shares prior to participating in a general meeting imposed by the Articles of Association shall not exceed five business days.   | Adopted              | 4.5                        |
| I.2.2 If a general meeting is suspended, the company shall not oblige shareholders to block shares for the whole period until the session is resumed. The ordinary period required for the first convening date shall suffice. | Adopted              | 4.5                        |
| <b>I.3 VOTES AND VOTING RIGHTS</b>   |                      |                            |
| I.3.1 Companies shall not impose any restrictions on postal votes.   | Adopted              | 4.2                        |
| I.3.2 The time limit for receiving postal votes shall not be more than three business days prior to the meeting.   | Adopted              | 4.2                        |

<sup>1</sup> Chapter means that the reference is made to CMVM’s Corporate Governance Code

| Recommendation/Chapter   | Degree of Compliance   | Description in this Report      |
|--|--|---------------------------------|
| I.3.3 Companies' Articles of Association shall indicate that one share is entitled to one vote.  | Adopted  | 4.3                             |
| <b>I.4 QUORUM AND DECISIONS</b>  |  |                                 |
| I.4.1 Companies shall not establish a constitutive or deliberative quorum greater than that laid down by law.  | Not adopted (The constitutive and deliberative quorum for a first convening date general meeting is 51% and the deliberative quorum at a second session for decisions on amendments to the Articles of Association, demerger, merger, restructuring or dissolution is two-thirds of the votes cast in order to ensure that the shareholders are properly represented.) | 4.7                             |
| <b>I.5 MINUTES AND INFORMATION ON DECISIONS</b>  |  |                                 |
| I.5.1 The minutes of general meetings shall be made available to shareholders on the company's website within five days, even if they are not inside information, as required by law, and a history of attendance lists, agendas, and decisions made shall be maintained on the site for meetings of at least the previous three years.  | Adopted  | 4.8                             |
| <b>I.6 COMPANY CONTROL MEASURES</b>  |  |                                 |
| I.6.1 Measures adopted to prevent successful takeover bids shall respect the interests of the company and its shareholders.  | Adopted  | 5.9                             |
| I.6.2 The Companies' Articles of Association, which, under the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also set forth that, at least every five years, the maintenance or not of this provision shall be put to the vote by the general meeting – without the need for a quorum larger than the legal quorum – and that all the votes cast shall count in this decision without the limitation. | Non applicable   | 4.1                             |
| I.6.3 Defensive measures shall not be taken if they have the effect of automatically causing serious erosion of the company's assets in the event of transfer of control or a change in the membership of the Board of Directors thereby affecting the free transferability of shares and the free appreciation by shareholders of the performance of the members of the Board of Directors.   | Adopted  | 5.9                             |
| <b>II. MANAGING AND SUPERVISORY BODIES</b>   |  |                                 |
| <b>II.1. GENERAL MATTERS</b>   |  |                                 |
| <b>II.1.1. STRUCTURE AND POWERS</b>  |  |                                 |
| II.1.1.1 The management body's corporate governance report shall evaluate the model adopted, identify possible constraints on its functioning and propose measures that it considers appropriate for overcoming them.  | Adopted  | 1.1<br>5.1<br>5.2<br>5.3<br>5.4 |
| II.1.1.2 Companies shall set up internal control systems for effective detection of risks associated with the company's business activity to safeguard its assets and ensure the transparency of its corporate governance.   | Adopted  | 5.8                             |
| II.1.1.3 The managing bodies and supervisory bodies shall have their own operating regulations that must be posted on the company's website.   | Adopted  | 5.5                             |

| Recommendation/Chapter  | Degree of Compliance | Description in this Report |
|---|----------------------|----------------------------|
| <b>II.1.2 INCOMPATIBILITIES AND INDEPENDENCE</b>  |                      |                            |
| II.1.2.1 The Board of Directors shall include a number of non-executive members guaranteeing an effective capacity to oversee, supervise and evaluate the work of the executive members.  | Adopted              | 5.2                        |
| II.1.2.2 The non-executive directors shall include an appropriate number of independent directors, taking into account the company's size and shareholder structure. Under no circumstances shall there be less than one quarter of the total number of directors.  | Adopted              | 5.2                        |
| <b>II.1.3 ELIGIBILITY AND APPOINTMENT</b>   |                      |                            |
| II.1.3.1 Depending on the applicable model, the Chairman of the supervisory board, audit committee or financial committee shall be independent and have the appropriate competences for the job.  | Adopted              | 5.4                        |
| <b>II.1.4 POLICY ON THE REPORTING OF IRREGULARITIES</b>   |                      |                            |
| II.1.4.1 The company shall adopt a Policy on the Reporting of Irregularities for reporting alleged irregularities, with the following indications: i) the means by which whistle-blowing reports can be made within the company, including the people qualified to receive them; ii) the treatment to be given to reports, including confidentiality if the whistleblower so requires.  | Adopted              | 5.10                       |
| II.1.4.2 The general lines of this policy shall be described in the corporate governance report.  | Adopted              | 5.10                       |
| <b>II.1.5 COMPENSATION</b>  |                      |                            |
| II.1.5.1 The remuneration of the members of the Board of Directors shall be aligned with the interests of the shareholders. Thus: i) The remuneration of Directors carrying out executive duties should be based on performance and a performance assessment shall be carried out periodically by the competent body or committee; ii) the level of remuneration shall be consistent with the maximization of the long term performance of the company, and shall be dependent on sustainability of the levels of the adopted performance; iii) when the remuneration of non-executive members of the Board of Directors is not legally imposed, a fixed amount should be set. The general meeting shall also approve the main characteristics of the retirement benefit system of the members of the managing and supervisory bodies and of other managers, as set forth in Article 248-B.3 of the Portuguese Securities Code. | Adopted              | 6.2<br>6.3<br>6.4          |
| II.1.5.2 The remuneration committee and management body shall submit to the AGM a declaration on the compensation policy of the managing and supervisory bodies and other managers as set forth in Article 248-B.3 of the Securities Code. In this context, the criteria and main parameters for assessing performance in order to determine the variable component, be it in the form of shares, share options, annual bonuses or other components shall be explained to the shareholders.   | Adopted              | 6.4                        |

| Recommendation/Chapter  | Degree of Compliance   | Description in this Report |
|---|--|----------------------------|
| II.1.5.3 At least one representative of the remuneration committee shall attend the Annual general meetings.  | Adopted  | 6.5                        |
| II.1.5.4 A proposal shall be submitted at the General Meeting on the approval of plans for the allotment of shares and/or options for share purchase or further yet on the variations in share prices, to members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code. The proposal shall mention all the necessary information for its correct assessment. The proposal shall contain the regulation plan or in its absence, the plan's general conditions. The main characteristics of the retirement benefit plans for members of the Management and Supervisory Boards and other Directors within the context of Article 248/3/B of the Securities Code, shall also be approved at the General Meeting. | Non applicable   | 6.6                        |
| II.1.5.5 The compensation of the individual members of the managing and supervisory bodies shall be disclosed annually, indicating, if applicable, the different components received as fixed and variable compensation and compensation received from other group companies or companies controlled by shareholders with qualifying holdings.  | Not Adopted (Taking into consideration, namely the collegiate nature of these corporate bodies whose members are jointly and severally responsible for the corporate life, it is deemed that that one should not discriminate individually the respective compensations. In fact, REN considers that what matters for the shareholders and all further interested parties is a complete transparency in the disclosure of the remuneration policy regarding Directors, and a clear announcement of the full amount paid to the Board of Directors for their office, as well as disclosure of the rules that governed the fixing of the said amount and the respective splitting between executive and non executive members of the Board, specifying the global remuneration of the members of the Audit Committee.) | 6.7                        |
| <b>II.2. BOARD OF DIRECTORS</b>   |  |                            |
| II.2.1 Within the limits of the law for each managing and supervisory body and unless the company is very small, the Board of Directors shall delegate the day-to-day running of the company. The powers delegated shall be indicated in the annual corporate governance report.  | Adopted  | 1.6<br>1.7<br>5.3<br>5.4   |
| II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its powers to: i) define the company's general strategy and policies; ii) define the group's corporate structure; iii) take decisions that are considered strategic due to their amount, risk or special characteristics.   | Adopted  | 1.5                        |
| II.2.3 If the Chairman of the Board of Directors has executive duties, the Board shall find efficient mechanisms for coordinating the work of the non-executive members, so as to ensure that they can make independent, informed decisions and shall explain these mechanisms to the shareholders in the corporate governance report.  | Adopted  | 5.2                        |
| II.2.4 The company's annual report shall include a description of the work done by the non-executive directors and mention any constraints encountered.   | Adopted  | 5.2                        |
| II.2.5. The management body must ensure rotation of the financial director at the end of at least every two terms of office.  | Adopted (The Board of Directors was only elected in March 2007)  |                            |



| Recommendation/Chapter  | Degree of Compliance | Description in this Report |
|---|----------------------|----------------------------|
| <b>II.3 CEO, EXECUTIVE COMMITTEE AND EXECUTIVE BOARD</b>  |                      |                            |
| II.3.1 When asked to do so by other members of the corporate bodies, executive directors shall provide the information requested in a timely fashion and appropriate form.  | Adopted              | 5.3                        |
| II.3.2 The Chairman of the executive committee shall send the invitations to and minutes of its meetings to the Chairman of the Board of Directors and, as applicable, the Chairman of the supervisory board or audit committee.  | Adopted              | 5.3                        |
| II.3.3 The Chairman of the executive Board of Directors shall send the invitations to and minutes of its meetings to the Chairman of the general supervisory board and Chairman of the financial committee.   | Non applicable       |                            |
| <b>II.4. GENERAL SUPERVISORY BOARD, FINANCIAL COMMITTEE, AUDIT COMMITTEE AND SUPERVISORY BOARD</b>  |                      |                            |
| II.4.1 In addition to its supervisory duties, the general supervisory board shall act, advise, monitor and continuously assess the management of the company by the Executive Board of Directors. The matters on which the general supervisory board shall give opinions include: i) the company's general strategy and policies; ii) the group's corporate structure; iii) decisions that are considered strategic due to their amount, risk or special characteristics. | Non applicable       |                            |
| II.4.2 The annual reports on the activities of the general supervisory board, financial committee, audit committee and supervisory board shall be published on the company's website, along with the financial statements.  | Adopted              | 5.4                        |
| II.4.3 The annual reports on the activities of the general supervisory board, financial committee, audit committee and supervisory board shall include a description of their supervisory activities and mention any constraints encountered.   | Adopted              | 5.4                        |
| II.4.4 The financial committee, audit committee and supervisory board, depending on the applicable model, shall represent the company for all purposes in dealings with the external auditors. It is responsible for proposing providers for these services and their remuneration, ensuring that the right conditions exist in the company for the services to be performed and acting as the company's interlocutor and first recipient of their reports.               | Adopted              | 5.4                        |
| II.4.5 The financial committee, audit committee and supervisory board, depending on the applicable model, shall evaluate the external auditors every year and move that the general meeting dismiss them in the event of just cause.  | Adopted              | 1.7<br>5.4<br>Anexo IV     |

| Recommendation/Chapter  | Degree of Compliance | Description in this Report |
|---|----------------------|----------------------------|
| <b>II.5. SPECIALIZED COMMITTEES</b>   |                      |                            |
| II.5.1 Unless the company is very small, the Board of Directors and the general supervisory board, depending on the model adopted, shall set up any necessary committees to: i) perform a competent, independent assessment of the executive directors' performance and evaluate their own overall performance and that of the other committees; ii) reflect on the adopted system of governance, check its effectiveness and propose measures aimed at improving it to the competent bodies.   | Adopted              | 1.1<br>5.1<br>5.6          |
| II.5.2 The members of the remuneration committee or equivalent shall be independent from the members of the management body.  | Adopted              | 1.8                        |
| II.5.3 All committees must keep minutes of their meetings.  | Adopted              | 1.7<br>1.8<br>5.3<br>5.4   |
| <b>III. INFORMATION AND AUDITING</b>  |                      |                            |
| <b>III.1 OBLIGATION TO PROVIDE INFORMATION</b>  |                      |                            |
| III.1.1 Companies shall ensure permanent contact with the market, respect the principle of equality of shareholders and prevent imbalance in access to information by investors. In order to do this, the company shall have an investor relations office.  | Adopted              | 2.1<br>2.2                 |
| III.1.2 The following information on the company's website must be published in English:  | Adopted              | 2.3                        |
| <ul style="list-style-type: none"> <li>a) The company's name, status as a listed company, registered office and the other information mentioned in Article 171 of the Securities Code;</li> <li>b) Its Articles of Association;</li> <li>c) Names of the members of its corporate bodies and market relations representative;</li> <li>d) Investor Relations Office, its functions and forms of access to it;</li> <li>e) Financial statements;</li> <li>f) Six-monthly calendar of company events;</li> <li>g) Motions submitted for discussion and voting at general meetings;</li> <li>h) Invitations to the general meeting.</li> </ul> |                      |                            |

## Statement relating to compliance of the independence criteria

Taking the independence appraisal criteria provided in article 414(5) of the Portuguese Companies Code, REN's Board of Directors considers the following non executive Directors independent:

- José Isidoro d'Oliveira Carvalho Netto
- José Luís Alvim Marinho (Chairman of the Audit Committee)
- José Frederico Vieira Jordão (Member of the Audit Committee)
- Fernando António Portela Rocha de Andrade (Member of the Audit Committee)

Within the scope of the Board of Directors, only members of the Audit Committee comply with the requirements provided in article 414(A)(1) of the Portuguese Companies Code (with exception of paragraph b), which does not apply) regarding the inexistence of incompatibility for those members to hold their respective offices. One should note that the incompatibilities regime provided in article 414(A) of the Portuguese Companies Code only applies to members of the supervisory body, which comply with the requirements provided in the said legal provision.





REN 

## Corporate Governance Structure



## 1. Corporate Governance Structure

### 1.1. Corporate Governance Model of REN – Redes Energéticas Nacionais, SGPS, S.A.

REN's corporate governance structure, as a form of organizing and running the company, is a relevant, stimulating factor in the pursuit of the goals and objectives of the company and its business group, in line with its social and economic position in the energy sector and the public service status of most of its activities under the concessions granted to it.

The recent public offer for sale of REN's share capital in mid-2007 in the first phase of its reprivatization and consequent admission to trading of 49% of this capital, thereby making REN a listed company, was a reason and particularly important opportunity to foster reflection on the company's corporate organization model.

The different organizational models in the company's life in Portugal and abroad and the best practices recommended by the capital market regulators were monitored and considered. The purpose was to define a model that would not only abide by legal and regulatory criteria and requirements applicable to companies with shares quoted on a regulated market but would also take into account the specificities of REN's positioning in the energy sector.

REN's shareholders therefore decided to approve amendments to the company's Articles of Association prior to its acquisition of the status of a listed company. This involved adopting the basic principles of good corporate governance, such as transparency, separation of functions, prevention of conflicts of interest and specialization of supervision and control.

These amendments resulted in a corporate governance model by which the Board of Directors is responsible for directing the company, the Executive Committee is in charge of its management and the Audit Committee is charged with supervising and monitoring its activity. The statutory auditor examines the company's financial statements.

The model is based on a corporate balance that takes into account the shareholders' role in choosing the management body and supervisory bodies and the need for efficient, professional management that will enable the company's business to thrive. The shareholders are jointly responsible for electing the Board of Directors, from which

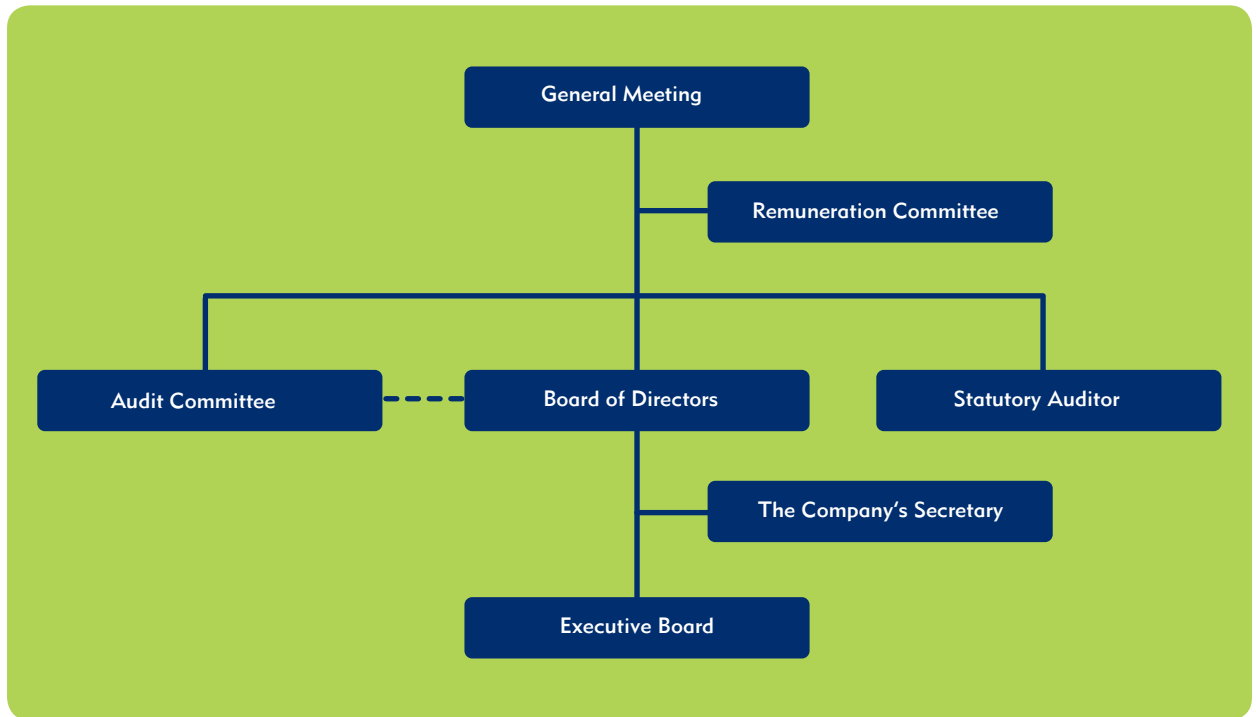
the Audit Committee is chosen, and for appointing the Chairman of the managing and supervisory bodies. The Board of Directors is responsible for appointing the members of the Executive Committee, including its Chairman.

The year of 2008 provided the first opportunity to verify the adequateness and the balance of the corporate governance model that REN specifically applied to the Group's operational requirements in the areas of electric power and gas in which it is involved. There were no reasons to justify introducing any changes during the relevant term of Office in the said organization model.

In order to provide a better understanding of the way REN is organized and operates in respect of corporate governance, the Company has made available to the general public the updated Articles of Association, as well as the corporate bodies' regulations in its website, at [www.ren.pt](http://www.ren.pt).



## 1.2. The Group's Corporate Bodies



## 1.3. General Meeting

A The General Meeting is the company's maximum authority and is made up of all the shareholders. The General Shareholders' Meetings is responsible for electing and dismissing its Chairman and Vice-Chairman, the members of the managing and supervisory bodies, the statutory auditor and the members of the Remuneration Committee. It also approves the annual report and accounts, the proposal for appropriation of profits and the Audit Committee's opinion, decides on amendments to the company's Articles of Association, authorizes the Board of Directors to purchase or sell assets, rights or shareholdings with an economic value higher than 10% of the Company's fixed assets and to authorize the Board of Directors to purchase and sell the Company's own shares. In general, the General meeting also decides on any matters for which it has been convened, all matters for which it is responsible by law or under the company's Articles of Association and those that do not fall within the remit of the company's other bodies.

For the General Meeting to be able to meet and make decisions, shareholders owning at least 51% of the share capital must be present or represented at the first convening date. At the first or second session, amendments to the company's Articles of Association, demerger, merger, transformation or winding-up of the company are only deemed to be approved if they obtain two-thirds of the votes cast.

The 2008 Annual General Meeting elected José Manuel Ribeiro Sérvulo Correia as Chairman of the General Meeting, to hold office until the term of the ongoing mandate (2007-2009). Following the resignation of Paulo Miguel Garcês Ventura, Vice-Chairman of the General Meeting in the General Meeting of 24 October 2008, it was decided to elect Duarte Vieira Pestana de Vasconcelos as Vice-Chairman of the General Meeting, in order to hold office until the term of the mandate (2007 - 2009). Pedro Cabral Nunes, Company Secretary, shall act as Secretary of the General Meeting.

## 1.4. Membership of the Board of Directors

The Board of Directors consists of thirteen members, three of whom are on the Audit Committee.

The Board of Directors which is holding office until the term of the mandate (2007-2009) includes the members elected at REN's General Meeting of 28 March 2007, and the members elected at the 2008 Annual General Meeting. The members of the Board of Directors are the following:



| Nome  | Idade | Cargo                           |
|---|-------|---------------------------------|
| José Rodrigues Pereira dos Penedos              | 63    | Chairman                        |
| Aníbal Durães dos Santos                        | 61    | Executive Director              |
| Victor Manuel da Costa Antunes Machado Baptista | 56    | Executive Director              |
| Rui Manuel Janes Cartaxo                        | 56    | Executive Director              |
| Fernando Henrique Viana Soares Carneiro         | 59    | Executive Director              |
| Luis Maria Atienza Serna                        | 51    | Director                        |
| Gonçalo José Zambrano de Oliveira               | 38    | Director                        |
| Manuel Carlos Mello Champalimaud                | 62    | Director                        |
| José Isidoro d'Oliveira Carvalho Netto          | 63    | Director                        |
| Filipe de Botton                                | 50    | Director                        |
| José Luís Alvim Marinho                         | 56    | Chairman of the Audit Committee |
| José Frederico Vieira Jordão                    | 63    | Member of the Audit Committee   |
| Fernando António Portela Rocha de Andrade       | 37    | Member of the Audit Committee   |

The 2008 AGM elected Fernando António Portela Rocha de Andrade as a new Director who became as well a member of the Audit Committee.

Annex I contains a more detailed description of the members of the management body.

## 1.5. Responsibilities of the Board of Directors

The Board of Directors is responsible, particularly, for:

- setting the company's management goals and policies;
- drafting annual financial and business plans and submitting and approving investment plans and budgets and forming partnerships with all subsidiaries;
- managing our business affairs and performing all

the acts and operations relating to the corporate purpose that do not fall within the functions of other corporate bodies of REN;

- representing REN in or out of court, as plaintiff or defendant, in which capacity it may discontinue, reach a compromise or accept liability in any legal proceedings, and execute arbitration agreements;
- acquiring, selling or by any manner transferring or creating encumbrances over rights or real state and any other types or assets;
- incorporating companies and subscribing for, acquiring, creating encumbrances over and transferring stakes;
- presenting to the general meeting proposals on long and medium term financing;
- presenting to the general meeting proposals on the acquisition of treasury stock, in accordance with the applicable legal restrictions;



- establishing our technical and administrative organization and the standards for our internal operation, notably concerning personnel and their remuneration;
- appointing the Company Secretary and the substitute;
- granting powers of attorney, as deemed appropriate, including those of sub-delegation;
- performing any other duties conferred on it by law or by the general shareholders' meeting.

Under Article 15 no. 2 of REN's Articles of Association, The Board of Directors shall submit to the prior approval of the general shareholders' meeting the acquisition and transfer of assets, rights or shareholdings with an economic value higher than 10% of the Company's fixed assets.

REN's General Meeting of 24 October 2008 approved alterations in the Company's Articles of Association (article 6), in order to enable REN's entry in the capital market, with the purpose of obtaining financial resources to further develop its corporate businesses. Thus, the Board of Directors is entitled to decide the issue of bonds or other securities, whatever the type or mode, and shall fix amount and all further conditions of such issue.

The Chairman of the Board of Directors is chosen by the general shareholders' meeting, among the elected directors, and holds casting vote. The Board of Directors designates which of its members replaces the Chairman, in case of absence or impairment. The director that acts in replacement of the Chairman also holds casting vote.

Under Article 17 of REN's Article of Association, the Chairman of the Board of Directors is incumbent to:

- represent the Board of Directors;
- coordinate the activity of the board and convene and preside the respective meetings;
- oversee the correct execution of the approved resolutions.

## 1.6. Executive Committee

The Executive Committee is REN's management body. Its membership and management powers are established by the Board of Directors. Under Article 407(3) and 407(4) of the Portuguese Securities Code and Article 16 of REN's Articles of Association, the Board of Directors decided on April 4th, 2007 to delegate the company's day-to-day management to a five-member executive committee.

The members of the Executive Committee for 2007-2009 are the following:

|   |          |
|---|----------|
| José Rodrigues Pereira dos Penedos              | Chairman |
| Aníbal Durães dos Santos                        | Member   |
| Victor Manuel da Costa Antunes Machado Baptista | Member   |
| Rui Manuel Janes Cartaxo                        | Member   |
| Fernando Henrique Viana Soares Carneiro         | Member   |

Under the decision to set up and delegate powers to the Executive Committee, the everyday management powers, within the limits fixed every year in the operating budget and strategic plan submitted by the Executive Committee and approved by Board of Directors, include the following:

- establishing the company's functional and administrative organization, in-house rules, including those governing human resources and their compensation, and internal control systems and procedures;
- implementing operating budgets and medium and long-term investment and development plans;
- negotiating, signing, amending and terminating any contracts, including, among others, contracts for the purchase or sale of assets or rights, service contracts, employment contracts and bank contracts, such as those for finance for REN or group companies except for medium- or long-term loan contracts);



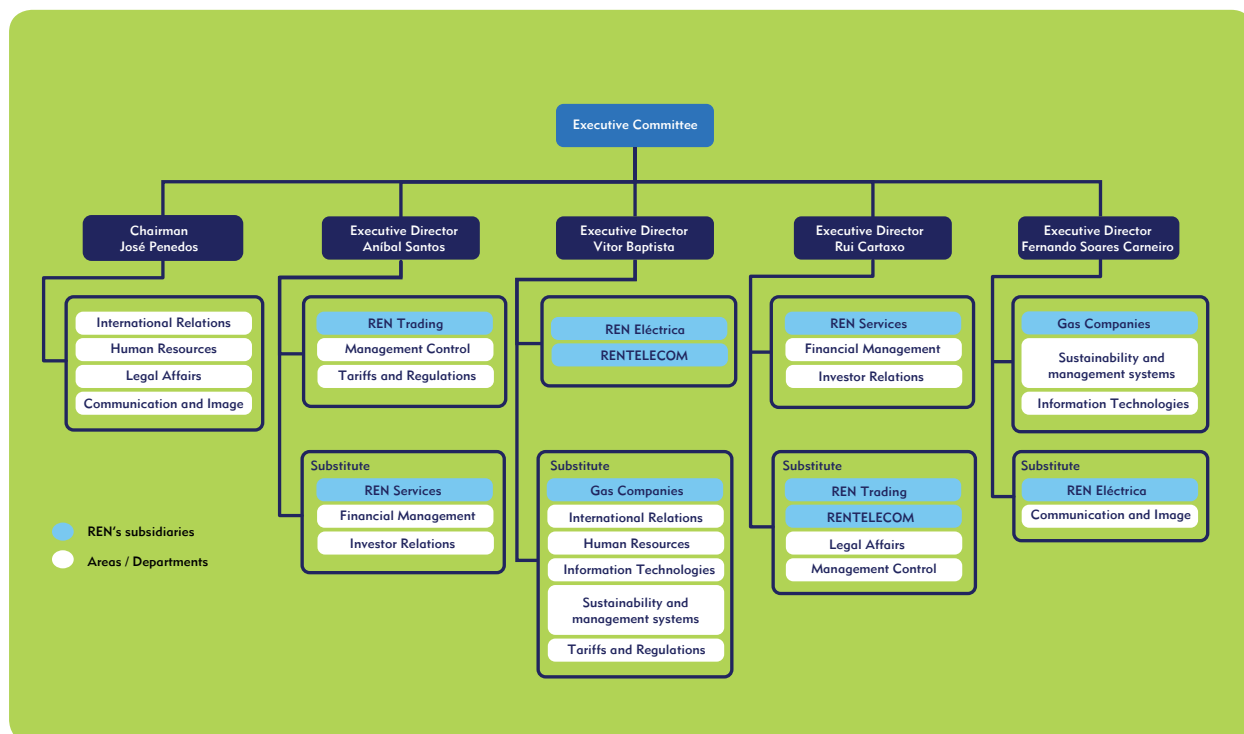
- purchasing, selling or encumbering (except in the case of real guarantees) the company's fixed assets;
- leasing or letting any property or parts thereof;
- coordinating the activity of REN's subsidiaries and issuing binding instructions under the law to those owned 100%;
- managing the shareholdings owned by REN, including appointing representatives to management bodies and laying down guidelines for their actions;
- representing the company actively and passively in and out of court, proposing and pursuing lawsuits or arbitration, with the power to concede, acquiesce and plead in any suits and to sign arbitration agreements;
- opening, using and closing bank accounts and;
- appointing proxies with the powers that it sees fit.

Under the terms provided for in article 407, no. 4 and 407, no. 8 of the Portuguese Companies Code and the mentioned resolution, delegation of powers to the Executive Committee does not, exclude the power of the Board of Directors to resolve in delegated matters, nor does it

cover the following matters:

- appointment of the Chairman of the Board of Directors;
- co-optation of directors;
- the request of notice to convene of the general shareholders' meetings;
- the approval of the report and annual accounts to submit to the general shareholders' meeting;
- the approval of semi-annual and quarter accounts to be published under the terms applicable by law;
- the lodging of securities and personal or in rem guarantees by the Company;
- the transfer of the registered office and the performance of social capital increases;
- the approval of merger, demerger and transformation of REN.

In view of the optimization of the management efficiency, the members of the Executive Committee distributed among themselves the responsibility by the direct accompaniment of specific performance areas of the company, under the terms presented in the following graphic:



## 1.7. Audit Committee

The supervision of the company's business is the responsibility of an Audit Committee with three members who also belong to the Board of Directors.

The current members of the Audit Committee are:

Chairman: José Luís Alvim Marinho

Member: José Frederico Vieira Jordão

Member: Fernando António Portela Rocha de Andrade

Fernando António Portela Rocha de Andrade was elected at the 2008 Annual General Meeting simultaneously as member of the Board of Directors and member of the Audit Committee, pursuant to the resignation from his office submitted by Carlos Manuel Baptista Lobo on 31 January 2008.

The audit committee has the powers and the duties provided for in law and in the articles of association. The audit committee shall in particular be responsible:

- to supervise the management of the company and oversee the compliance with the law and the articles of association;
- to verify the accuracy of the accounting documents and auditing the respective revision;
- to supervise the preparation and disclosure of financial information;
- to propose to the general shareholders' meeting the appointment of the statutory auditor;
- to call the general shareholders' meeting whenever the Chairman of the board of the general shareholders' meeting does not do it, despite being its obligation.

The audit committee shall prepare annually the activity report and shall give opinion concerning the Board of Directors' report.

## 1.8. Remuneration Committee

The Remuneration Committee proposes to the Shareholders' the principles of the remuneration policy of the corporate bodies, as well as to establish the respective annual remunerations, including the respective remuneration supplements.

The members of the Remuneration Committee elected until the term of office (2007-2009) are: João Manuel de Castro Plácido Pires, Chairman, Francisco

Manuel Marques Bandeira and José Alexandre de Oliveira. The Chairman and one of the Members of the Remuneration Committee, Eduardo de Almeida Catroga and Vítor José Lilaia da Silva respectively, elected at the General Meeting of 30 March 2007, resigned from their offices. As it was necessary to fill those places, the 2008 Annual General Meeting elected the Chairman and the Members of the Remuneration Committee. Accordingly, a statement on pay policy for the management and supervisory bodies and for the remaining managers pursuant to article 248(B)(3) of the Securities Code shall be submitted in the Annual General Meeting convened to approve the 2008 Corporate Governance Report.

The Remuneration Committee's members are independent from the management. It therefore does not include any members of the corporate bodies for which it sets compensation. The two current members have no family ties, up to three times removed, with members of the other bodies.

Minutes will be kept of every meeting of the Remuneration Committee.

## 1.9. Statutory Auditor

The statutory auditor is responsible for conducting the necessary examinations and checks for the legal auditing and certification of the accounts.

The company's current statutory auditor is J. Monteiro e Associados, SROC, a certified auditing firm registered with the Statutory Auditors Association under no. 169 and at the CMVM under no. 9155, represented by José Manuel Carlos Monteiro (licence no. 592), appointed on May 30th, 2007.

The substitute statutory auditor appointed on May 30th, 2007 was Salvador Figueiredo Vás e Lima, registered with the Statutory Auditors Association under no. 543.

## 1.10. Company Secretary

The Company Secretary and his/her substitute are appointed by the Board of Directors and their office ceases with the term of office of the members of the Board of Directors that designated him/her. The Secretary keeps the minutes of the meetings of the corporate bodies, certifies their acts and the powers of their members, answers shareholders' requests for information

and certifies copies of the minutes and other company documents.

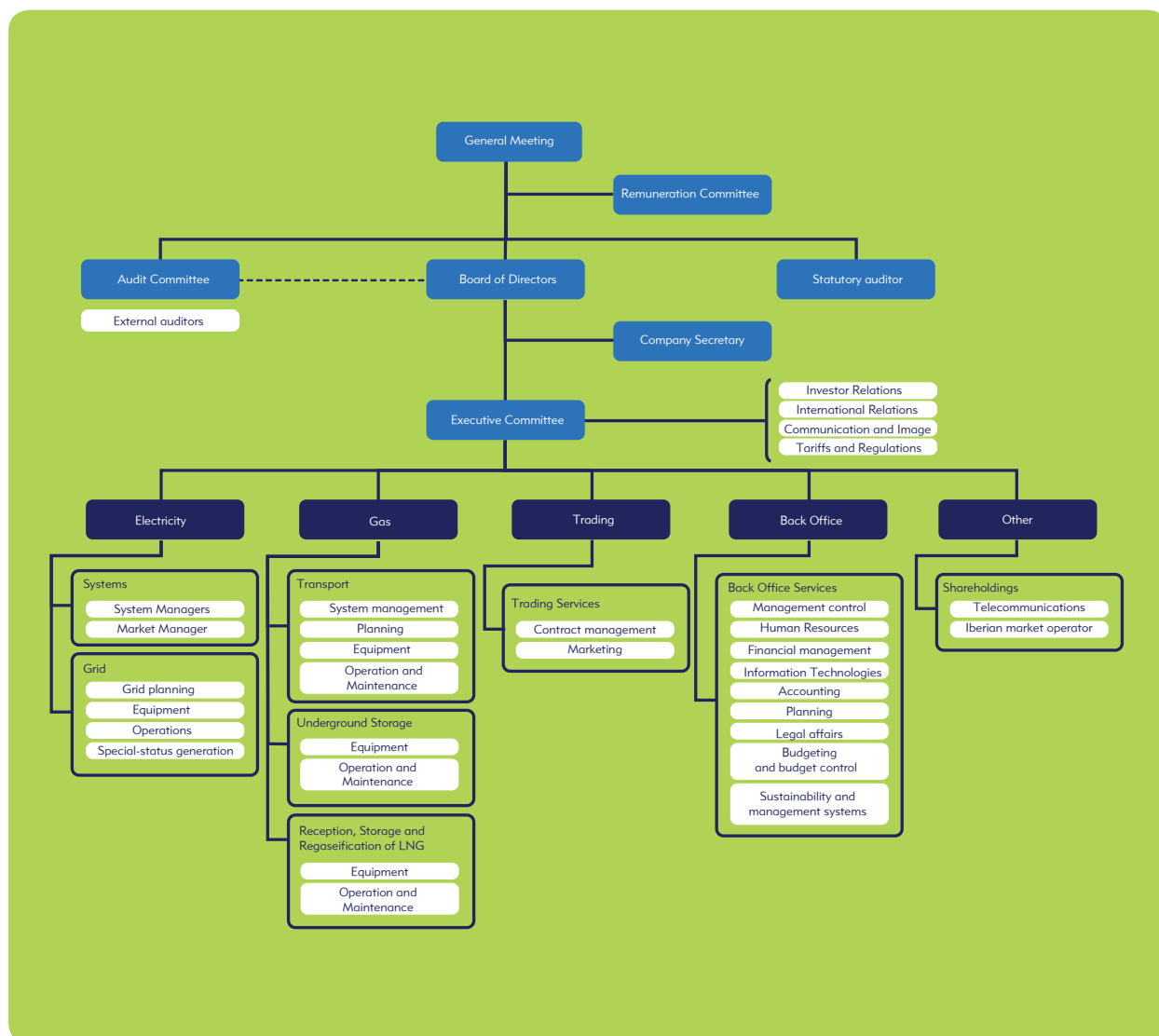
During the year of 2008, the Secretary, Óscar Emanuel de Magalhães Ribeiro, resigned and was replaced by Pedro Cabral Nunes, effective until the term of the present office.

Thus, the Secretary and substitute for 2007-2009 are:

Secretary: Pedro Cabral Nunes

Substitute: Daniela Alexandra Pinto Pizarro de Sá

### 1.11. Organisation chart



## Market Relations

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## 2. Market Relations

### 2.1. Obligation to provide Information

REN ensures permanent contact with the market, abiding by the principle of equality of shareholders and preventing asymmetries in access to information by investors.

REN therefore endeavours to provide all relevant information on the progress of its activities and results achieved transparently and consistently through constant contact with shareholders, capital market investors and financial analysts.

REN pays particular attention to the criteria used when providing periodic information so that it can easily be compared for different reporting periods.

REN considers that investors must have at their disposal all information that may influence their investment (or disinvestment) decisions. Within this context, the availability of easy to access and transparent information constitutes a basic principle for REN, that will allow a general knowledge on the Company's real situation and activity.

Therefore, REN uses its website, at [www.ren.pt](http://www.ren.pt), is a vehicle of that information, which is regularly updated.

### 2.2. Investor Relations Office (IRO)

The Investor Relations Office (IRO) was set up in July 2007, following REN's IPO. It is solely responsible for relations with investors and the market in general, under the coordination of the representative for the relationships with the market, Rui Manuel Janes Cartaxo, the financial director (CFO) of the Company.

The office reports directly to the CFO and its main duties are:

- a) To guarantee punctual fulfilment of obligations to the Portuguese Stock Exchange Commission and other financial authorities;
- b) To coordinate, prepare and release all information provided by the REN Group, in the form of disclosure of relevant circumstances and other market communications or the publication of periodic financial statements;
- c) To pass on feedback to the Executive Committee from institutional investors on operational or strategic issues and potential implementation;

- d) To systematically monitor analysts' research to ensure a correct assessment of the company's strategy and results;
- e) To prepare and constantly monitor competitors' and the peer group's financial and operating benchmarks;
- f) To attract potential institutional investors and more financial analysts;
- g) To develop and maintain the investor relations page on the company's website.

### Activity in 2008

In 2008, besides the usual calendar for the presentation of results, the Company was rated by Standard & Poors and by Moody's, in connection with its first issue of bonds in the London Stock Exchange, under the programme Euro Medium Term Note (EMTN). Furthermore, a new regulatory framework for the electricity business was announced by ERSE for the regulatory period of 2009/2011. All presentations of results were followed by conference calls moderated by the Investor Relations Office, where analysts and investors had the possibility to discuss the group's results directly with the CFO, or at meetings in the company's offices.

The IRO's activity also includes attending several events that take place in Portugal and in major financial markets like London, Paris, Dublin, Frankfurt, Madrid or New York.

In total, more than 70 meetings were held in twelve events carried out by eight different promoters, with more than a hundred national and foreign investors. Furthermore, a road-show relating to the issue of debt under the EMTN programme and countless conference calls were organized, and more than two hundred explanations were given to investors and shareholders by email or in the company's offices.

REN regularly releases information before the opening or after the closing of Euronext Lisbon via the CMVM information system and on the REN website's investor relations page. Information is also provided by email to all those asking to be placed on the IRO mailing list, be they shareholders, investors, analysts, to news agencies or international mass media, such as Reuters or Bloomberg, or anyone requesting it through the email address posted on the website and indicated in all IRO publications. In 2008 more than 100 persons registered themselves in

REN's website through the option "receive alerts". It is also possible to ask the IRO for all public information on the REN Group through the website contact page, by telephone, email, fax or post.

### 2.3. Online company information

REN has a website, [www.ren.pt](http://www.ren.pt), devoted entirely to the disclosure of public information about the group. It is available in Portuguese and English and contains a section devoted entirely to investors, including:

- **REN Group**

This contains a description of the company's activity, recent history, organization, shareholder structure and the regulations on the electricity transmission and gas concessions, the main business areas and strategy (including the company name, the quality of an open company, the registered office and all further details mentioned in article 171 of the Portuguese Companies Code).

It also includes information on REN's quality, environment and safety certification, REN's investments in projects designed to improve the management and operation

- **Corporate Governance**

This contains the membership of the corporate bodies and of the Board of Directors, the company's regulations and Articles of Association and full information on general meetings, such as invitations, motions and participation and voting conditions. It also contains information on general meetings in previous years, the corporate governance report, the code of conduct and the Audit Committee's report.

- **Shareholder Information**

This contains all announcements of relevant circumstances and other communications (after publication in the CMVM information system), key indicators, annual, semi-annual and quarterly results and the respective results, consolidated accounts reports and shareholding structure.

- **Shares and Debt**

Information on REN shares' stock exchange performance, including a daily analysis of the session, performance versus PSI20, post-IPO changes in prices and volumes and Excel downloads of share prices.

Information on REN's shares, specifying the different share classes and the corresponding ISIN and the list of analysts that follow regularly REN's activity. In 2008 a new area was also created, namely to include information on the debt, in particular the base prospectus of the Euro Medium Term Note (EMTN) Programme, the technical information form relating to the most recent issue that took place in December 2008 and the rating granted by Moody's and Standard & Poors.

- **Calendar**

A list of the main dates for presentation of results and Conference Calls, Investor's Day and General Meetings.

- **Investor Relations Office**

Information on the IRO team, department's functions, market relations representative and contacts with the press.

REN's website abides by all CMVM recommendations on the use of the internet to disclose institutional information. From July 1st to December 31st, 2008 it had around 87 000 visitors, which represents an average of 240 visitors a day, and a total of 242 000 page viewings.

Out of the total visits, some 54% of the traffic went directly to the site, while 34% came in through search engines and the remaining ones through reference of other sites.

In order to stay in close contact with the financial community, REN's site makes it possible to receive announcements on REN's performance or to subscribe its mailing list to receive updated information on REN, which can be made by email to [ir@ren.pt](mailto:ir@ren.pt).

<sup>2</sup> A NYSE Euronext regulated market.





## Shares and Dividend Policy



## 3. Shares and Dividend Policy

### 3.1. Shares Description

REN's share capital, with a value of € 534 000 000 (five hundred thirty four million euros) is fully paid up. The shares of REN total 534 000 000 (five hundred thirty four million) with a face value of €1.00 (one euro), in the form of registered nominal shares, divided as follows:

- a) 261 660 000 (two hundred sixty one million six hundred sixty thousand) class A shares;
- b) 272 340 000 (two hundred seventy two million three hundred forty thousand) class B shares.

Class A shares are ordinary shares that grant their holders no special rights. Their main rights are as follows:

- The right to information;
- The right to vote at general meetings and impugn decisions made by the corporate bodies;
- The right to receive dividends;
- The right to a share of the assets in the event of liquidation.

Although there are no limitations to the assignment of

REN's shares, given that under the terms of the Securities Code the shares traded on freely transferable, holders of class A shares are still subject to the statutory protection regime concerning the non exercise of voting rights provided in article 12(3) of REN's<sup>3</sup> Articles of Association, applicable in case of acquisition of shares exceeding the legal limits provided in paragraphs (e) and (f) of article 25(2) of Decree Law no. 29/2006 of 15 February, and in paragraphs (e) and (f) of article 21(4) of Decree-Law no. 30/2006 of 15 February as well.

Class B shares are those which are still in the privatization process. They grant their holders all the rights granted to holders of class A shares plus a single special right, namely the fact that they or those who represent them are not subject to the statutory protection regime regarding the limitation of voting rights, applicable in the case of purchase of shares exceeding the legal limits provided in paragraphs (e) and (f) of article 25/2 of Decree Law no. 29/2006 of 15 February and in paragraphs (e) and (f) of article 21/4 of Decree Law no. 30/2006, also of 15 February.

On December 31st, 2008, code PTRELOAM0008 shares traded under the RENE symbol had been admitted to trading at Euronext Lisbon, to a total of 261 660 000 shares, i.e. 49% of the share capital of REN.

#### REN's Shares

REN - Redes Energéticas Nacionais, SGPS, S.A.

|                      |                 |                      |
|----------------------|-----------------|----------------------|
| Trading in:          | Euronext Lisbon | REUTERS RIC: RENE.LS |
| Share Capital:       | 534.000.000€    | Bloomberg: RENE PL   |
| Nr. of Shares:       | 534.000.000     |                      |
| Face Value:          | 1€              |                      |
| Admitted to trading: | 9-Jul-07        |                      |

In 31<sup>st</sup> December 2008

| ISIN         | Nr. of Shares | Description                                 | Type |
|--------------|---------------|---|------|
| PTRELXAM0009 | 272.340.000   | Capital por e CGD                           | B    |
| PTRELOAM0008 | 261.660.000   | Shares admitted to trade in Euronext Lisbon | A    |

<sup>3</sup> "...the votes inherent to class A shares shall not be cast if issued by any shareholder, on its behalf or as representative of any other shareholder,

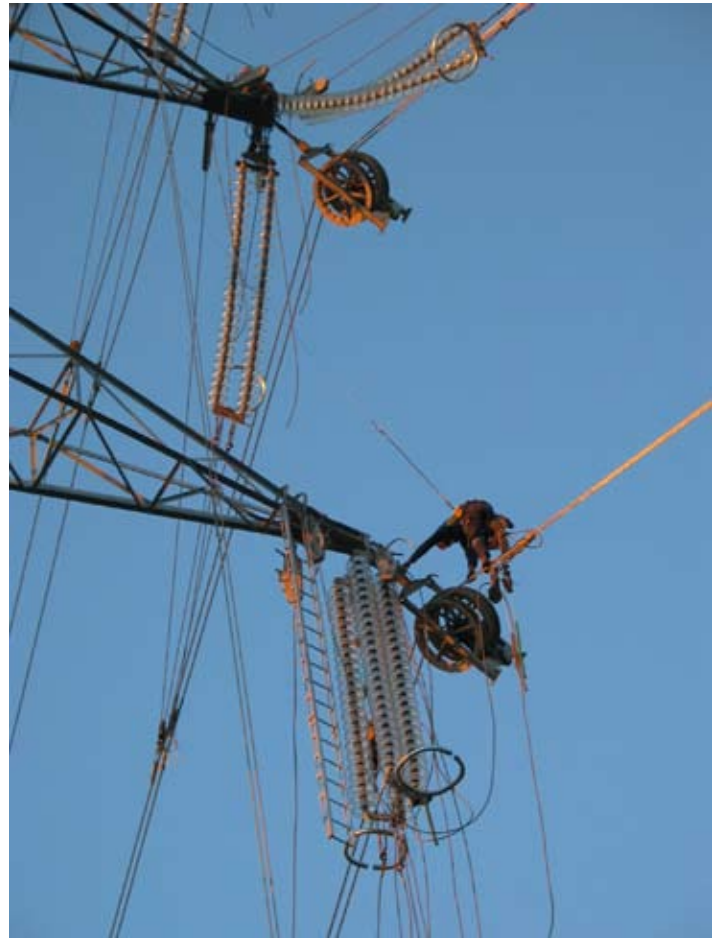
which exceed 10% or, in case of entities with activities or interests in the energy sector, 5% of the total votes corresponding to the share capital."

### 3.2. Evolution of Share Prices and Transactions

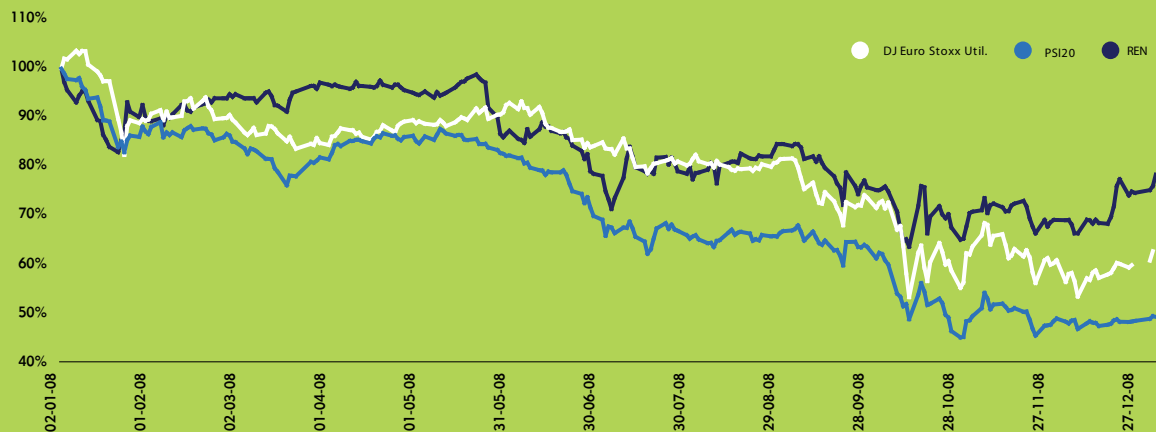
Between 1 January 2008 and 31 December 2008 REN's shares suffered a devaluation of some -21,7%, vis-à-vis PSI20's drop in the same period higher than -50%. Within this scope, one should highlight the fact that REN was the PSI20 company with the lowest drop in value in 2008. The maximum value of 3,65€ per share was reached on 2 January and the minimum value of 2,10€ on 10 October. The day the highest number of shares was traded in the stock exchange was on 11 January, on which day more than 4 million shares were traded.

#### Euronext Lisbon 02-Jan-2008 to 31-Dec-2008

|   |                                 |             |
|---|---------------------------------|-------------|
| Price                                     | Closing                         | 2,84        |
|   | Maximum                         | 3,65        |
|   | Minimum                         | 2,10        |
|   | Average                         | 3,02        |
| Market                                    | Volume (millions)               | 91,5        |
|   | Average daily volume (millions) | 0,357       |
|   | Accumulated transactions        | M€ 276,38   |
|   | Daily transactions (average)    | M€ 1,08     |
| Value                                     | Capitalization (31 Dec 08)      | M€ 1.513,89 |
| Variation since the beginning of the year |                                 |             |
| Δ%  | PSI 20                          | -50,81%     |
|   | REN                             | -21,69%     |



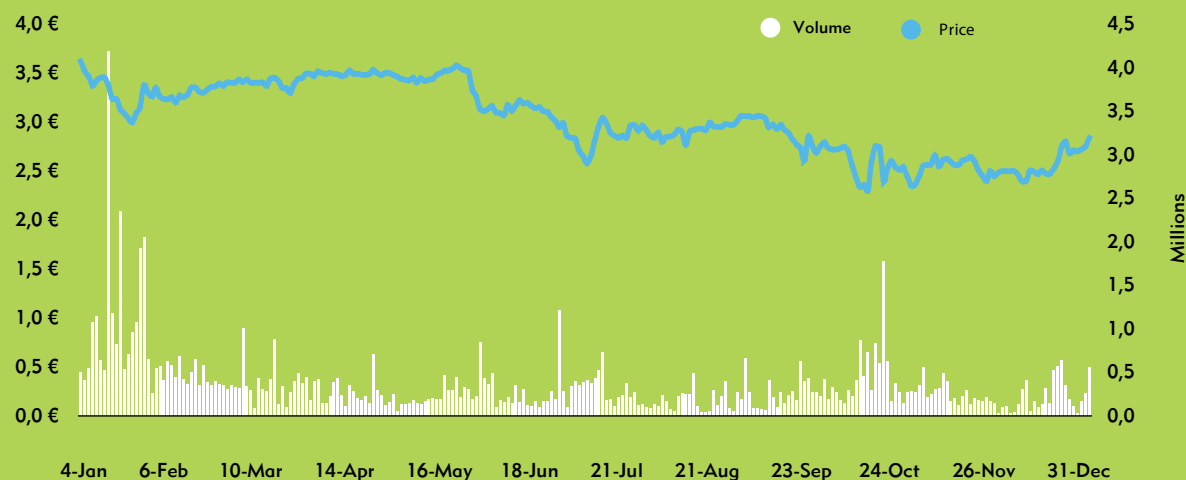
#### REN vs PSI 20 and Dow Jones Euro Stoxx Utilities



Source: Bloomberg

During the year, REN traded a total of 91.5 million shares, which corresponds to an average of 357 thousand shares a day and ended the year of 2008 with a market capitalization of 1,5 billion euros, being one of the companies listed in the PSI20 – thenational market’s reference index – with a weight of 1,967 percent.

### Evolutions and transactions of REN in 2007



Source: Bloomberg

In 2008, several announcements were made to the market regarding important events and other circumstances affecting REN’s share price. The graph and table below summarise the most significant ones.

### REN - Market Announcements and other facts



Source: Bloomberg

## List of Events

| Nr. of Event | Date of Document | Description  |
|--------------|------------------|--|
| 1            | 07/03/2008       | REN informs on the acquisition of 1% of Enagás   |
| 2            | 07/03/2008       | 2007 Annual Results  |
| 3            | 19/03/2008       | Notice of the Annual General Shareholders Meeting  |
| 4            | 14/04/2008       | REN informs on the payment relating to the amortization of the tariff deficit  |
| 5            | 28/04/2008       | REN informs on the credit rating   |
| 6            | 30/04/2008       | Payment of dividends relating to 2007  |
| 7            | 02/05/2008       | Results of the first quarter of 2008   |
| 8            | 23/05/2008       | Ex-dividend date   |
| 9            | 27/05/2008       | REN rated as "underperform" by Credit Suisse's research  |
| 10           | 29/07/2008       | Consolidated results relating to the 1st. semestre of 2008   |
| 11           | 10/09/2008       | Publication of the prospectus at the London Stock Exchange on the EMTN Programme   |
| 12           | 24/09/2008       | Notice of the General Meeting  |
| 13           | 02/10/2008       | Information on the qualified participations - reinforcement of Parpública's position   |
| 14           | 10/10/2008       | Alteration of the Rating   |
| 15           | 15/10/2008       | Beginning of the period to buy own shares  |
| 16           | 16/10/2008       | ERSE's Proposal of Electric Power Tariffs and Prices for 2009 and Parameters for the Regulation Period between 2009 and 2011 |
| 17           | 17/10/2008       | Conclusion of market promotion agreement   |
| 18           | 28/10/2008       | Consolidated Results relating to the first 9 months of 2008  |
| 19           | 28/11/2008       | Financing operation with the European investment Bank  |
| 20           | 03/12/2008       | Issue of debt instruments in the amount of 500 million Euros   |
| 21           | 16/12/2008       | Disclosure of Electric Power Tariffs and Prices for 2009   |
| 22           | 17/12/2008       | Announcement of investments anticipation   |
| 23           | 18/12/2008       | Information on investments plan  |
| 24           | 18/12/2008       | Information on transactions of own shares  |
| 25           | 29/12/2008       | Parpública assigns interest in REN to Capitalpor - Participações Portuguesas SGPS, S.A.                                      |

### 3.3. Shareholder Structure

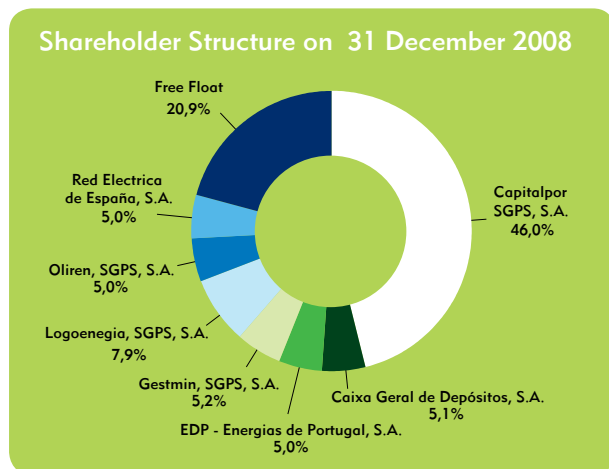
2008 was marked by the alteration of the interests ascribable to the Portuguese State, namely those held by Parpública – Participações Públicas SGPS, S.A. (Parpública) and by Caixa Geral de Depósitos, S.A. (CGD), as well as those resulting from the reorganization of Parpública's financial interests, namely:

On 1 October 2008, Parpública informed on the acquisition to Caixa Geral de Depósitos (CGD) of 80 100

000 shares, representing 15% of REN's share capital and in result of which it held 46% of the voting rights.

On 26 December 2008, Parpública communicated the assignment to Capitalpor - Participações Portuguesas, SGPS, S.A., whose share capital is fully held by that company, of 245 645 340 shares of REN, which correspond to 46% of the respective share capital and of the respective voting rights.

Thus, the shareholder structure on 31 December 2008 may be resumed as follows:



Qualified interests in REN's share capital as of 31 December 2008 are identified in Annex III, which also includes the identification of the shares held by members of the management and supervisory bodies and by the officials of the General Meeting, as well as the transactions performed by these members of the corporate bodies.

### 3.4. Dividend Policy

REN has been distributing annual dividends of between 50% and 70% of its net profits to shareholders. Its dividend policy depends on a number of factors, including REN's profits, financial situation, funding needs (in particular capital expenditure and investment plans) and prospects and other factors deemed relevant at time of distribution. Although REN has no reason to believe that there will be any significant change in the trends of recent years, it



plans to maintain an attractive dividend in line with those of its peers.

In 2008, REN distributed to its shareholders dividends totalling €87,042.00 euros, corresponding to a gross value of € 0.163 euros and to a net value of 0.1304 per share (independently of the class of the shares), in line with the previous years, if we exclude the extraordinary events occurred in 2006 in REN's activity.

#### Dividends' history

| Relating to year | Amount (M€) | Type                 | Year of payment | Net Result Year (M€) | Pay out ratio | Dividend per share (€) |
|------------------|-------------|----------------------|-----------------|----------------------|---------------|------------------------|
| 2005             | 66,40       | Ordinary             | 2006            | 110,7                | 60%           | 0,124                  |
| 2006             | 87,00       | Ordinary Anticipated | 2006            | 550,1                | 33%           | 0,3                    |
|                  | 97,00       | Ordinary             | 2007            |                      |               |                        |
| 2006             | 78,90       | Extraordinary        | 2006            | 550,1                | 52%           | 0,5                    |
|                  | 209,70      | Extraordinary        | 2006            |                      |               |                        |
| 2007             | 87,04       | Ordinary             | 2008            | 145,2                | 60%           | 0,163                  |

Note: The dividends per share in the above table are based on the share capital consisting of 534 million shares with a face value of 1 euro each.

## Shareholding Interest



## 4. Shareholding Interest

### 4.1. Voting and Voting Rights

Owners of shares with voting rights can be represented at a general meeting by power of attorney granted to persons with full legal capacity. Powers of attorney must arrive by 5 p.m. on the second day before the general meeting at the latest. Powers of attorney must be signed and are only valid for a single meeting.

From the legal point of view, there are legal limits in respect of ownership of REN's share capital, which result from the nature of the activities developed by the Group in the energy sector. As a matter of fact, requirements resulting from European Community Directives that apply to the electricity and natural gas sectors in respect of legal separation and ownership between transmission operators and operators in charge of the remaining activities of each sector, aimed to promote market competition and equal access of operator's to transport infrastructures, have been transposed to Portuguese law under terms that imply restrictions to ownership of interests in the share capital of the transmission operator.

In accordance with the provisions of paragraphs (e) and (f) of number 2 of article 25 of the Decree-law no. 29/2006, of February 15th, and of paragraphs (e) and (f) of number 4 of article 21 of Decree-law no. 30/2006, of February 15th, as long as the situations of holding shares in contradiction with those legal provisions are not declared invalid, without prejudice of other legally applicable consequences, votes inherent to class A shares shall not be cast if issued by any shareholder, on their behalf or as representative of another, which exceed 10%, or, in case of entities with activities or interests in the energy sector, 5% of the totally of the votes corresponding to the share capital.

Holders of class B shares or their representatives have a single special right in that they are not subject to the above limitation on voting rights. In order to calculate the votes corresponding to the percentage of share capital owned by participants in a general meeting, in addition to the voting rights inherent in the shares they own or use, the following are added:

- a) Those held by third parties in their own name but on the account of the participant;
- b) Those held by a company that is a subsidiary of or in the same group as the participant;

- c) Those held by owners of the voting right with which the participant has signed an agreement to exercise them, unless the agreement binds him to follow a third party's instructions;
- d) Those held, if the participant is a company, by the members of its managing or supervisory bodies;
- e) Those that the participant can acquire under an agreement signed with their holders;
- f) Those belonging to shares held as a guarantee or managed by or deposited with a participant, if he is entitled to the voting rights;
- g) Those held by owners of the voting rights that have granted the participant discretionary powers to exercise them;
- h) Those held by persons who have signed an agreement with the participant aimed at taking over the company or preventing a change of ownership or in any other way constitute an instrument of concerted influence over the company in question;
- i) Those belonging to any of the persons mentioned in the previous paragraphs as a result of applying a criterion set forth in any of the other paragraphs, with the appropriate adaptations.

Under Article 13 of the Articles of Association, shareholders must provide the Board of Directors with all the information it requests truthfully and objectively for the purpose of calculating the percentage of share capital that they own. If shareholders do not abide by this obligation, the voting rights belonging to their REN shares exceeding the limits of 5% or 10%, depending on whether or not they belong to the energy sector, cannot be exercised.

The owners of shares with voting rights may be represented at a General Meeting by power of attorney granted to persons with full legal capacity. Powers of attorney must arrive by 5 p.m. at least two business days before the relevant General Meeting takes place. Powers of attorney shall be signed and are only valid for a single meeting.

### 4.2. Vote by correspondence

Under Article 22 of the Portuguese Securities Code and Article 12 of the Articles of Association, REN shareholders are allowed to submit vote by correspondence. Under Article 377(5)(f) of the Company Code, public invitations



to general meetings must mention the possibility of submitting vote by correspondence and specify the procedures that shareholders must follow in order to do so, including a postal address and the deadline for receipt of votes. Presently, the possibility of exercise of vote by correspondence through electronic means is not established.

Under Article 12 of the Articles of Association, shareholders may submit vote by correspondence on each matter on the agenda, provided that they do so at least five business days prior to the date of the General Meeting by registered letter with recorded delivery addressed to the Chairman of the General Meeting at REN's registered office, signed with the same signature as on their identity card, enclosing a legible photocopy of the identity card of the signatory. In order to adapt its Articles of Association to CMVM Recommendation I.2.1 on the Corporate Governance, a reduction in the time limit for the delivery of postal votes to three business days is expected to be proposed.

Under Article 12(6) of the Articles of Association, the Chairman of the General Meeting is responsible for verifying the authenticity and conformity of vote by correspondence and ensuring that they remain confidential until the vote takes place. These votes are considered to be votes against for motions submitted after the date on which they were cast.

In order to facilitate postal votes, REN provides a voting slip on [www.ren.pt](http://www.ren.pt) and also sends shareholders a voting slip, envelope and additional information, on request.

### **4.3. The principle of “one share, one vote”**

Following recommendations and best practices regarding shareholder participation in listed companies, Article 12(2) of REN's Articles of Association enshrines the principle of one share one vote.

As mentioned above in point 4.1, that provided in article 12(3) of REN's Articles of Association does not limit this principle, given that holders whose interests are within the limits established by law regarding the ownership of the share capital of electricity and natural gas networks transmission operators are not subject to any restriction to the exercise of voting rights inherent to their interests.

### **4.4. General Meetings and participation therein**

A corollary of this principle is the right to attend, participate and intervene in general meetings of any person holding one or more shares registered in his or her name at least five business days prior to the date of the meeting.

### **4.5. Deposit or blocking of shares**

Shareholders must send to the Chairman of the General Meeting, at least five business days in advance of the date of the meeting, a certificate issued by a financial intermediary confirming that the shareholder owns the shares as on the date five days prior to the meeting and that the shares will be blocked from that date until that of the meeting.

Considering that no obligation in this respect is provided for in the Articles of Association provided for in the Articles of Association, and without prejudice to the General Meeting Chairman's decision in each case, the understanding set forth in CMVM Recommendation I.2.2 on the Corporate Governance Code that, in the event of suspension of a general meeting, shares do not need to be blocked for the whole period until it is reconvened, is accepted. The shares need only be blocked for the time required for the first convening date.

### **4.6. Supporting human and logistic resources**

The officers of the General Meeting have at their disposal the human and logistics resources that they need, considering the company's economic situation, using for such purpose the support of the Company's secretary, legal counsel from the internal cabinet and from an external law firm, as well as the voting counting services made available by a financial institution.

### **4.7. Constitutive or deliberative quorum**

The constitutive and deliberative quorum of a general meeting when first called to order is 51% of the share capital. When called to order for the second time, a general meeting may be constituted and deliberate irrespective of the number of shareholders present or represented. Nonetheless, when called to order for the

first or second time, decisions on amendments to the Articles of Association must be approved by two-thirds of the votes cast.

#### 4.8. Minutes and records of General Meetings

Considering that in July 2007 REN became a listed company with shares admitted to trading and taking into account CMVM recommendation in the Corporate Governance Code, the [www.ren.pt](http://www.ren.pt) website will carry in a 5 days period, the minutes and other documentation from general meetings as of the 2008 AGM in order to maintain records of attendance lists, agendas and decisions made.

#### 4.9. Shareholders' Agreements

The Board of Directors is not aware of any shareholders agreements in relation to REN that may result in any restrictions to the transfer of securities or voting rights.



# Management and Supervision System



## 5. Management and Supervision System

### 5.1. Structure, organisation and functioning

#### Overview

Within the framework of corporate governance models authorized by the Securities Code, REN has adopted an Anglo-Saxon management and supervision model with a Board of Directors and Executive Committee to manage the company's affairs and an Audit Committee to supervise and monitor the company's business activity.

Where managing the company is concerned, there is a clear delimitation between the competences of each body, thanks to the meticulous, objective delegation of powers by the Board of Directors on April 13th, 2007, as mentioned above. The fact that the Chairman of the Board of Directors is the same as the Executive Committee's Chairman ensures the coherence and transparency necessary to the company's management and its supervision by other members of the management body.

The Audit Committee acts as an internal control mechanism, independently supervising and monitoring the company's management.

These functions are laid down by law (Article 423F of the Securities Code) and REN's Articles of Association (Article 22) and include, among others, supervising the company's management, compliance with the law and Articles of Association, the preparation and release of financial information, the effectiveness of internal control systems and risk management. It monitors the work and ensures the independence of the statutory auditor and external auditors.

The dual capacity of the director sitting on the Audit Committee, as a member of both the supervisory body and management body, renders the control process even more transparent, in view of the special access afforded.

### 5.2. Structure, organisation and functioning of the Board of Directors

Under Article 14 of the Articles of Association, the Board of Directors consists of a minimum of seven and maximum of 15 members fixed by the general meeting that elects them.

The Board of Directors currently has 13 members. It includes six non-executive members, which guarantees its effective capacity to monitor and evaluate the work of the executive members

The non-executive directors include three independent directors, which is an appropriate number considering the company's size and shareholder structure, as it is no lower than one quarter of the total number of directors.

The members of REN's Board of Directors are elected (and dismissed) by the General Meeting, under the terms of article 14 of the Articles of Association. When Directors are elected, the Articles of Associations allow for a minority of shareholders voting against the winning proposal to appoint at least one director, provided that this minority represents at least 10% of the company's share capital.

Should it be necessary to replace a Director (who is not a member of the Audit Committee), then this replacement may take place according to one of the following procedures: whenever there are no substitute Directors, the Board of Directors will be entitled to co-opt a Director. This co-optation shall be subject to ratification in the first subsequent General Meeting; should the co-optation not take place within 60 days, then the Audit Committee shall appoint a substitute Director and this appointment shall also be subject to ratification in the first subsequent General Meeting; should that not occur, then the replacement shall be made out by electing a new Director in the General Meeting.

In accordance with its regulations, the Board of Directors holds ordinary meetings at least bimonthly, on dates fixed by agreement among its members for each calendar year, and extraordinary meetings whenever convened by its Chairman, any two directors or the statutory auditor. During the financial year of 2008, the Board of Directors had 10 meetings, from which 7 took place after the election of the current corporate bodies in 2008.

Any director may be represented at a meeting by another director, addressing a letter to the Chairman, which is only valid for the meeting in question. No director may represent more than one director at any one meeting.

The executive directors may not be represented by members of the Audit Committee and Audit Committee members may not be represented by executive directors.

Under Article 19 of the Articles of Association, REN's Board of Directors may not take decisions unless a majority of its members is present or represented.

Under Article 20 of the Articles of Association, the Board of Directors' decisions are passed by a majority of votes cast by directors present or represented.

The Chairman of the Board of Directors has the deciding vote. The Board of Directors appoints one of its members to stand in for the Chairman when s/he is unable to attend. The director replacing the Chairman also has the deciding vote.

The supporting documentation for meetings of the Board of Directors and decisions taken by the Executive Committee is passed on to the management body's non-executive members and there are no constraints on access to information by these members.

Under Article 7 of the Board of Directors' regulations the minutes of its meetings are kept by the Company Secretary and must be submitted to the Board of Directors for approval at the following ordinary meeting.

The Board of Directors acts in line with its objectives, which is why it does not delegate its powers to define the company's general strategy and policies or the group's corporate structure. In the same way, the Board of Directors does not delegate its power to approve strategic decisions if they involve added value or risks or have special characteristics.

Regarding the incompatibilities and the maximum number of offices that may be accumulated by the directors of REN incorporate bodies of other companies it is applicable the relevant rules of the Portuguese Companies Code, not existing, besides these latter, any limitations established internally.

Concerning the activity of non-executive directors during 2008, three of the non-executive directors, José Luís Alvim Marinho, José Frederico Vieira Jordão and Fernando António Portela Rocha de Andrade, have exercised their office as members of the Audit Committee. The remaining non-executive directors exercised their office not only within the scope of participating in the meetings of the Board of Directors which were held on a regular monthly basis, but also by following permanently the works of the Executive Committee, by presenting in a coordinated and efficient manner, additional information requests concerning matters which have been analysed by the Board of Directors, namely financial, governance and matters related to regulatory matters. Non-executive directors had no constraints in the exercise of their duties.

### 5.3. Structure, organisation and functioning of the Executive Committee

The Board of Directors can delegate the day-to-day running of the company to an Executive Committee, under Article 407.3 and 407.4 of the Portuguese Securities Code and Article 16 of the Articles of Association, naming its directors and appointing its Chairman.

The Executive Committee has five members.

Under Article 8 of the Board of Directors' regulations and Article 407.4 of the Securities Code, the following powers cannot be delegated: co-opting directors, requesting general meetings, approving the annual report and accounts to be submitted to the general meeting, approving the quarterly and six-monthly accounts to be published as required by law, providing performance bonds and personal or real guarantees for the company, changing the company's registered office or increasing the company's share capital as provided for in the Articles of Association and approving plans for merger, demerger or restructuring of REN.



The decision by the Board of Directors delegating powers to the Executive Committee must fix the limits thereof and the committee's membership, appoint its Chairman and establish the way it operates.

The powers delegated to the Executive Committee cease by decision of the Board of Directors or automatically in either of the following circumstances: replacement of the member of the Board of Directors appointed as Chairman of the Executive Committee or of the majority of its members and end of the term of office of the Board of Directors that delegated the powers.

The Chairman of the Executive Committee appointed by the Board of Directors may choose one of the committee members to replace him or her when s/he is unable to attend.

In accordance with the Executive Committee regulations, its meetings are convened and presided over by its Chairman and must be held once a week. Minutes are kept of each meeting.

During 2008, the Executive Committee held 53 meetings.

The Executive Committee may only make decisions when the majority of its members are present or represented. They can appoint a representative at meetings by another member of the committee in a simple letter addressed to its Chairman. The representation of more than one director is not allowed at any meeting.

If the executive directors are unable to attend an Executive Committee meeting and if the Chairman considers that the decision is urgent, they are allowed to address a letter with their vote to him/her, valid only for the meeting in question.

The Executive Committee's decisions are approved by majority vote of members present or represented. The Chairman and his/her substitute have the deciding vote in case of a tie.

Under the Executive Committee's regulations, at each meeting a member is appointed to monitor the implementation of each decision and take any necessary additional measures.

The Chairman of the Executive Committee sends invitations to and minutes of meetings to the Chairmen of the Board of Directors and of the Audit Committee. The Executive Committee provides timely, appropriate information to members of other corporate bodies on request.

The Executive Committee also prepares and proposes to the Board of Directors draft decisions on matters falling within its remit and submits important matters requiring

its approval. The Executive Committee provides timely, appropriate information to members of other corporate bodies on request.

## 5.4. Organisation and functioning of the Audit Committee

The Audit Committee must have three members elected (and their dismissal must be based on good and sufficient cause only) by the General Meeting. Its Chairman is appointed at the time of the election.

The Chairman of the Audit Committee, José Luís Alvim Marinho, and the incumbent member, José Frederico Vieira Jordão, are independent and appropriately qualified for their functions.

The Audit Committee has its own regulations on its organization and functioning. In particular, they lay down that it must hold monthly meetings at the company's registered office and that the Chairman must send out the invitation to the meeting with the agenda and supporting documents three days in advance. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or two members. Minutes are kept of each meeting.

During 2008, the Audit Committee held 14 meetings.

The Audit Committee is the company's main interlocutor and first recipient of reports from the external auditors, whose activity is monitored and supervised by it. The Audit Committee may obtain independent opinions or hire specialized consultancy services as it deems necessary. The Audit Committee can also have access to any REN resources required to do its duties.

Annual reports on the audit committee's activities are posted on the company's [www.ren.pt](http://www.ren.pt) website.

## 5.5. Publication of regulations of managing and supervisory bodies

The regulations of the Board of Directors, Audit Committee and Executive Committee of the Board of Directors are available on [www.ren.pt](http://www.ren.pt), in Portuguese, as well as in English.

## 5.6. Specialized Committees

Considering the corporate governance model imple-

mented by REN, which integrates an Audit Committee as an internal control procedure and which supervises and controls REN's management activity as well as its corporate businesses, it has been deemed that there was no room to create specialized committees with the single purpose of assessing the performance of executive directors or the activity of the existing committees, given that this is achieved through the assessment activity developed by the Audit Committee.

The assessment of the performance of the Executive Committee members is made by non executive directors, in order to create an adequate internal balance and an effective performance of non-executive tasks by all members of the Board of Directors and not only by some of them. Non-executive directors also follow the global performance of the Board of Directors and analyse the way the corporate governance system works.

## 5.7. Businesses with Related Parties

Annex II of this Corporate Governance Report contains the description of the main elements of the business and operations held between the company on the one hand, and holders of qualified interests or companies, on the other, which are in a control or group relation and that are deemed significant in economical terms: They neither correspond to businesses or operations at arm's length for similar operations, nor are part of the company's current activity.

There are no businesses between the Company and members of their social bodies or companies which are in a control or group relation.

## 5.8. Risk Management and Internal Control Systems

We feel that a control system should meet the following goals, among others:

- Guaranteeing and overseeing fulfilment of the goals set by the Board of Directors;
- Ensuring that information is reliable and complete;
- Producing and reporting complete, reliable, timely financial and accounting information and having an appropriate management information system;
- Safeguarding assets;
- Ensuring prudent, appropriate appraisal of assets and liabilities;
- Promoting the rational, efficient use of resources.

As a result, in order to monitor the main aspects of REN's activity and guarantee the compliance of procedures, regular evaluations are made of the main internal control systems of the different Group companies, based on the following principles:

- Timely identification of business and internal control risks with an impact on financial information;
- Analysis of the information processing system;
- Fraud risks;
- Control of risks arising from the Group's activity in areas with the most substantial operating risks;
- Compliance of the Group's operations and transactions with the law and applicable regulations and the company's general rules and policies.

The internal control and the accompanying of the control systems is carried out by the Executive Committee and, in last instance, by the Board of Directors. On thither hand, the Audit Committee contemplated in its plan of activities for the financial year of 2008, the performance of several diligences to accompany the control systems.

From the organic point of view, the coordination of the control systems is carried out by a general director that reports the results of his activity to the Executive Committee and to the Audit Committee.

## 5.9. Absence of defensive measures that automatically cause serious erosion of the company's assets in the event of transfer of control

REN has not adopted any defensive measures aimed at serious, automatic erosion of company assets in the event of transfer of control or a change in the membership of the management body preventing the free transferability of shares and shareholders' free appraisal of the performance of the members of the management bodies.

As far as the Board of Directors is aware, there are no any significant agreements to which REN is a party to and that would come into effect, be amended or terminated in case of change of control of the company following a public tender offer for its shares, neither there are no agreements between REN and the members of the management body or employees that would establish indemnifications in case of employees' resignation requests, dismissal without fair cause or termination of the working relationship following

a public tender offer for its shares.

Similarly, REN did not adopt any measure aimed at preventing the success of takeover bids.

However, one should highlight the existence of legal limits to the ownership of REN's shares, given that paragraphs e) and f) of no. 2 of article 25 of the Decree-Law no. 29/2006, from 15 February, and paragraphs e) and f) of number 4 of article 21 of the Decree-Law no. 30/2006, from 15 February, prohibit the ownership of shareholding interests above 5% or 10% of REN's share capital, depending on whether those entities are engaged, directly or indirectly, in activities in the energy sector.

### 5.10. Policy on the reporting irregularities

REN's employees are required to report to any of the managing or supervisory bodies, particularly the Audit Committee, any irregular practices of which they become aware or suspect in order to prevent irregularities liable to cause financial losses or harm REN's image.

Reports must be submitted in writing and contain all the information that the employee has and considers necessary to assess the irregularity. Employees may also ask for their identity to be kept confidential. Recipients of these reports must appraise the situation and decide what action should be taken.

### 5.11. External auditors

The Audit Committee represents the company for all effects before the external auditors. It is responsible for proposing providers for these services and their remuneration, ensuring that the right conditions exist in the company for the services to be performed.

In accordance with Article 3.2.2 of the Audit Committee's regulations, it monitors the activities of the external auditors and statutory auditor by analysing their periodic reports and overseeing audits. It also assesses any changes in procedures recommended by the external auditors or statutory auditor.

Annex IV indicates the annual fee paid to the external auditors, including the percentage for legal certification of accounts, other guarantees of accuracy and tax consultancy and other services.

Having in consideration the work developed during 2008, the Audit Committee has proceed to the evaluation of the activity performed by the external auditor to the

Company. Thus, the Audit Committee considers that the external auditor has performed its services in a positive way, with compliance with the applicable rules and regulations, including the international auditing standards in force, acting with technical accuracy.





## Remuneration of the Corporate Bodies



## 6. Remuneration of the Corporate Bodies

### 6.1. Compensation of the officials of the General Meeting

The officers of the General Meeting are remunerated on the basis of attendance slips. As the Chairman of the General Meeting resigned, only the work of the Vice Chairman was remunerated. He received EUR 1 500 and the secretary received EUR 1 000.

### 6.2. Compensation of the Board of Directors

Committee is the company body responsible for determining the annual compensation to be paid to the members of REN's corporate bodies.

The compensation paid to the executive directors at REN includes a fixed and a variable component, as decided by the Remuneration Committee on April 23rd, 2007. The non-executive directors received fixed compensation. It is made available to the Executive Directors the use of a vehicle and a cell phone for the performance of their functions. The non executive directors receive a fixed remuneration. No complementary pension regime or anticipated retirement plans are available for directors.

The fixed and variable compensation were designed to come into effect as:

- (i) Policies of other companies in the sector, while taking different specificities and sizes into account;
- (ii) the need to adopt a model that encourages improvements in performance and the creation of value, with a fixed and a variable component.

The members of the Board of Directors do not receive extra compensation for their positions as directors of other REN Group companies.

### 6.3. Performance-based and variable component and fixed amount

The maximum variable compensation paid to the Chairman of the Board of Directors/Executive Committee and the executive directors is the same as the fixed component.

### 6.4. Statement on pay policy

Taking into consideration the competence provided under article 26 of the Articles of Association of REN – Redes Energéticas Nacionais, SGPS, S.A. (REN), REN's Remuneration Committee has the responsibility to determine the fixed and variable remunerations of each director, as well as the remuneration of the members of the remaining social bodies.

Therefore, within the scope of its duties, the Remuneration Committee approved the Statement on pay policy of REN's social bodies attached to this report. This policy is based on the following assumptions:

- a) Members of the General Meeting are remunerated on the basis of attendance slips.
- b) Members of the Audit Committee receive a fixed payment, which is carried out in 12 monthly payments during the year.
- c) Remuneration of the members of the Board of Directors is essentially based on four factors: (i) competitiveness, taking Portuguese market practices into consideration; (ii) equity, bearing in mind that the remuneration practice must be based in uniform, consistent, fair and balanced criteria; (iii) performance assessment, according to the duties and responsibilities of the relevant person; and (iv) alignment of the directors' interests with the company's interests.
- d) Remuneration of the members of the Board of Directors comprises exclusively a fixed amount and, in the case of the members of the Executive Committee, it comprises as well a variable amount.
- e) The Remuneration Committee determines the granting of a fixed amount in the remuneration of executive and non executive directors, bearing in mind the policies followed in other companies in the sector, safeguarded the different specificities and sizes.
- f) The annual value of the variable amount of Executive Committee Members' remuneration is limited to a value corresponding to 100% of the fixed amount remuneration, and it is calculated based on a technical study and a model which includes the definition of the parameters and a goal to be applied based on the pursuit of strategic objectives, namely the creation of value for shareholders, efficient management of the Group, uninterrupted

electricity and gas services and the maintenance and development of a favourable image and sustainability.

- g) The weighing of objectives such as the uninterrupted electricity and gas services and the maintenance and development of a favourable image and sustainability in the determination of the variable amount of the remuneration of the members of the Executive Committee enables promoting an adequate alignment with the medium and long term interests of the company and of the shareholders.

On the other hand, definition of the remuneration policy of the managers (according to that provided under no. 3 of article 248-B of the Portuguese Securities Code) which are not members of the Management and Supervisory bodies falls to the Board of Directors.

Within this scope, the Board approved the said remuneration policy of managers who are not members of the Management and Supervisory bodies, under the terms contained in an attachment to this report. Such remuneration policy is based on the following factors:

- The adopted policy for the determination of the remuneration of REN's managers which are not members of the Management and Supervisory bodies is similar to the one defined for the majority of the company's employees;
- Under these terms, the remuneration of Company managers which are not members of the Management and Supervisory bodies is made of a fixed remuneration on the one hand and, on the other, of a possible performance premium;
- The quality assessment / performance quantification is established according to previously defined assumptions by the Board of Directors;
- Under these terms, for the definition of the possible performance premium for managers who do not integrate the Management and Supervisory bodies, one shall take into consideration not only the behaviour of each worker, namely taking into account both the level of responsibility of his/her duty and the worker's capacity to adapt to the Company and its procedures, as well as the economical and financial performance of the business area in which the worker is integrated and REN's economical performance.

## 6.5. Evaluation by the General Meeting regarding the Company's pay policy and the evaluation of the corporate bodies' performance

The General Meeting is responsible for appointing the Remuneration Committee and the Board of Directors, which are responsible for the submission of Statements on the Remuneration Policy of the Corporate Bodies and other company's managers, which are attached hereto and which will be analysed by the General Meeting.

On the other hand, and under the terms of article 455 of the Portuguese Companies Code, the General Meeting also has the duty to assess the performance of the corporate bodies, and shall adopt an annual resolution concerning the maintenance of its confidence in members of the corporate bodies.

One should highlight the fact that at least one representative of the Remuneration Committee attended the Annual General Meeting, and it is provided that this will always happen.

## 6.6. Proposal on approval of share or share option allocation plans or plans based on changes in share prices

There are no variable compensation plans consisting of the allocation of shares or share options or any other incentive system with shares.

There is also no retirement benefit system for the members of the managing and supervisory bodies and other managers, as provided in article 248-B.3 of the Portuguese Securities Code, except for the benefits resulting from the Collective Agreement in force in REN's activity area, which applies only to managers who are not members of REN's Management and Supervisory bodies.

## 6.7. Annual disclosure of individual compensation of members of the managing and supervisory bodies

Taking into consideration, namely the collegiate nature of these corporate bodies whose members are jointly and severally responsible for the corporate life, it is deemed that that one should not discriminate individually

the respective compensations. In fact, REN considers that what matters for the shareholders and all further interested parties is a complete transparency in the disclosure of the remuneration policy regarding Directors, and a clear announcement of the full amount paid to the Board of Directors for their office, as well as disclosure of the rules that governed the fixing of the said amount and the respective splitting between executive and non executive members of the Board, specifying the global remuneration of the members of the Audit Committee.

In 2008, fixed and variable remunerations received by executive and non executive directors were the following:

| Remunerations                        | Euros            |                  |                  |
|--------------------------------------|------------------|------------------|------------------|
|                                      | Fixed            | Variable         | Total            |
| Executive Directors <sup>1</sup>     | 1.867.404        | 1.412.552        | <b>3.279.956</b> |
| Non-Executive Directors <sup>2</sup> | 274.900          | -                | <b>274.900</b>   |
| <b>Total</b>                         | <b>2.142.304</b> | <b>1.412.552</b> | <b>3.554.856</b> |

<sup>1</sup> Remunerations received for duties performed, not only in REN SGPS, but in all companies with which REN has a control or group relation, including remunerations received by the Directors of other REN Group companies (REN - Rede Eléctrica Nacional, SA, REN Armazenagem, SA and REN Trading, SA) which do not exercise executive duties in REN –

There are no agreements between the Company and members of the managing and supervisory bodies providing the granting of indemnities in case of a director's resignation or dismissal.

## 6.8. Fees of the Statutory Auditor

The fees of the statutory auditor are based on the tariff of the Statutory Auditors Association.

In its supervisory activities, the REN Group uses the services of two statutory auditors, one for REN SGPS, REN Trading and REN Serviços and the other for the remaining companies. The statutory auditors were paid a total of EUR 195 750 in 2008, according to the following distribution:

- J. Monteiro & Associados SROC, Lda. - EUR 145.815,29  
 - Luis Borges de Assunção ROC- EUR 49.935,60

Redes Energéticas Nacionais, SGPS, SA., in the amount of 360 620 Euros, concerning the fixed remuneration, and 73 802 Euros concerning variable remuneration.

<sup>2</sup> Includes compensation received by members of the Audit Committee in the amount of EUR 144 400.



## Sustainability and Social Responsibility



## 7. Sustainability and social responsibility

There follows a brief description of REN's recent contribution to and involvement in sustainable development and of some of the most important aspects of its economic, environmental and social performance in 2008 and future prospects. In the first half of 2009, REN will be publishing its 2008 Sustainability Report containing much more detailed information. This report is available at the Company's website.

### 7.1. Quality, environment and safety management systems

Following a policy of continuous improvement of its activity and of harmonisation of requirements and performance guidelines in all group companies, REN has successfully achieved the goal set for 2008, namely the renewal of the certification of the Quality, Environment, Health and Safety Management System of Rede Eléctrica Nacional and its extension to REN Serviços and REN Trading. This project will continue in 2009 with the extension of the system – which has already started – to the three natural gas concessionaires.

The existence of a single integrated system in the quality, environment and safety strands will provide the companies with a common approach to the different business procedures, enabling synergies in a significant set of business procedures and common practices within an entrepreneurial context.

### 7.2. Environmental impact assessment

REN benefits from a wide experience in assessing its investment projects' environmental impact, notably through its concessionaire Rede Eléctrica Nacional.

Bearing in mind the important investment program to expand and improve the National Electricity Transmission Grid, a total of 10 Environmental Impact Studies and 12 Environmental Incidence Studies were made in 2008 concerning power lines and substations. Following the application of the measures defined in the Environmental Impact Evaluation, a total of 34 monitoring actions of several environmental descriptors were carried out, namely regarding the sound environment (noise), avifauna and electric and magnetic fields. In 2008 the development of a group of compensation measures in the Alqueva-Brovalles lines at 400 kV (Portuguese track of the Alqueva – Balboa

Line), Tunes-Estói, Sines-Portimão 3 and in the branch line between Mogadouro - Valeira Line, and the Substation of Macedo de Cavaleiros was continued.

In the end of 2008, REN integrated the Conselho Consultivo de Avaliação de Impacte Ambiental (AIA) (Consulting Committee on Environmental Impact Evaluation), an entity under the responsibility of the Ministry of Environment, which shows the importance of the company's contribution for the development of this issue in Portugal.

Within the scope of improving REN's environmental performance, one must highlight the implementation of the Plano de Promoção do Desempenho Ambiental (PPDA) (Plan for Promotion of Environmental Performance), a voluntary mechanism promoted by ERSE to improve the performance of regulated companies in this area. The PPDA has been successfully used by Rede Eléctrica Nacional since 2002, and it has become a chosen vehicle for the materialisation of projects promoting good environmental practices. 2008 is the last year for the implementation of Rede Eléctrica Nacional's PPDA for the period from 2006 to 2008, which will mark the end of a tariff period. The next PPDA of the Rede Eléctrica Nacional (2009-2011), the proposal of which was submitted to ERSE in October 2008, presents several innovations in comparison to the previous editions, namely regarding concerns the specific regulation applicable to this instrument. REN participated actively in the public discussion of the new regulation, during public sessions organised by ERSE for that purpose.

In 2008 ERSE also approved the PPDA of the three natural gas concessionaires for the period of 2008 to 2010, which corresponds to the first exercise of these companies in this area. Additional information concerning REN's execution and experience with the PPDA is available at REN's and ERSE's websites.

### 7.3. Biodiversity management

In March 2008, REN signed a memorandum of understanding with the Instituto da Conservação da Natureza e da Biodiversidade (ICNB) (Institute for the Conservation of Nature and Biodiversity), having in view establishing a partnership in the field of biodiversity, within the scope of the Business & Biodiversity initiative. One of the projects included in this memorandum provides the development of conservation initiatives focused on three steppe bird species (Great Bustard, Little Bustard, and Lesser Kestrel) in three "Rede Natura 2000" areas, identified as "Zonas de Protecção Especial (ZPE)" (Special Protection Areas).

In 2008, REN had the opportunity of to publicly disclose

its activities within the scope of this initiative having participated namely in the First Meeting of Adherent Companies and in the First Thematic Meeting on Linear Infrastructures. Additional information concerning REN's participation in this project can be obtained at ICNB's website.

#### 7.4. Entrepreneurial citizenship

The importance of REN's contribution to the Portuguese society's development seems unquestionable, not only for the direct benefit resulting from its activity, as for the its responsibility in the field of entrepreneurial citizenship. Projects like the REN Prize, which awards every year works in the field of engineering associated to the distribution of electricity and natural gas, the support to a significant number of Research & Development projects and the initiatives of social and cultural patronage, of which one should highlight the maintenance of the support to the Teatro Nacional de São João (S. João National Theater) of Porto, as its exclusive patron, and the granting of 14 batches of Fernando Pessoa's property to the National Library are good examples of REN's actions in this field.

We should highlight as well the "real" partnership between REN and the pupils of the 2nd and 3rd grade of the Basic School/ Kindergarten of Vitorino dos Piães. This "real" partnership started when pupils of the BS/K published a collective text in their blog "Eco-Ferixinhos" in which they warned against the danger of extinction of the golden eagle, which was also associated to the existence of high voltage posts. In face of this concern, REN not only sent information regarding this specie as it also sent information regarding all its ongoing projects to preserve it. From this "partnership" resulted 16 drawings that were offered by the pupils in appreciation to REN, which used them to illustrate one of the batches of its Christmas cards. In October 2008, within the scope of this partnership, REN carried out an information session at the BS/K addressed to some 170 pupils, 3 to 9 year old, on the cycle of energy. The Company is planning to extend this type of sessions to other themes, like, for the instance, the noise.

REN recognizes that the promotion of Human Rights and the right to non discrimination are basic principles in a modern developed society, which, therefore, should constitute fundamental values within an entrepreneurial context. To illustrate this recognition, REN underwrote in 2008 the a Code of Practice on HIV/AIDS and the World

of Work, an initiative of the Platform of Action on HIV/AIDS in the context of the World of Work that seeks to "lead companies to actively cooperate in preventing the HIV infection in the workplace in its three strands: Non discrimination; Prevention; and Access to treatment".

#### 7.5. Monitoring and Involvement with the interested parties

In 2008, in order to be regularly accountable to its main interested parties in respect of sustainability, REN maintained the sustainability report. Its 2007 edition comprised for the first time the performance of the gas companies during a whole year. 2008 was also the first year in which the REN Group's Corporate Governance Report was published and which dedicated one chapter to the company's contribution and involvement in sustainable development.

In fact, it was in the context of complying with this duty to be accountable – deemed as an "obligation" for companies that claim to have a responsible behaviour – that REN was awarded the 3rd place in the "Accountability Rating Portugal 2008", the first appraisal made in the country of the main national companies in respect of accountability. In 2008, REN was also awarded the merit certificate in the "Grande Prémio APCE 2007" for its 2006 Report and Accounts, which was awarded in the category of best management report.

Within the framework of the risks and opportunities analysis in the field of sustainable development, REN was one of the listed national companies that participated in the study carried out by the international consulting company KPMG. The main results of this first study were that 89% of listed companies already have a sustainability strategy and 68% already integrate the themes of sustainable development in their business process. Furthermore, 75% already have a risk management model that includes ethic, economical and social themes and action plans to mitigate risks.

Aware that dialogue with the interested parties is one of the main ways to induce comprehension and acceptance of its mission, REN promoted public presentation and discussion of its investment projects and developed in 2008 for the first time a Strategic Environmental Evaluation of the Development and Investments Plan for the National Electricity Transmission Grid by carrying out three public sessions and by hearing some three hundred public and private entities.

In addition to that, REN developed in 2008 several initiatives, of which we must highlight the bioCEM Symposium, a cycle of training actions on “Electromagnetic Fields and Dialogue with Landowners” targeted to Company co-workers and service providers. Furthermore, at the level of its avifauna protection policy, REN launched a white stork awareness campaign with the publishing of the leaflet “While You Were Out (I changed the nest)”. All these initiatives are aimed to inform and appease the minds of all those that have shown concern regarding the possible effects on health created by the electromagnetic fields generated by electrical power lines.

In the field of the relations and the involvement of the interested parties, REN carried out a session in May to present the results of the first “Evaluation Study of the Perceived Quality and Customers’ Satisfaction” in respect of the Electrical Grid. In the end of the year, it started the second edition of this study, which involved clients/ users of the natural gas infrastructures and the official entities with whom REN is related in the development of its activity.

The Company has developed some initiatives internally to hear its co-workers, namely by making a Diagnosis to internal Communication. It promoted a session to present and to make a preliminary analysis of the results of the study “The best companies to work in Portugal” conducted by the magazine “Exame”, which encompassed a broad spectrum of companies, including REN. In result of this study, projects within the scope of internal communication, development of human resources and career management won a new meaning. REN adopted this new human capital management tool that will allow it to measure regularly the satisfaction degree of its co-workers, as well as the effectiveness of its management methodologies. In the end of 2008 REN joined again this study, the results of which will be published in the first quarter of 2009.

2008 is also marked by the implementation of a new internal communication strategy, which translated into the development of an Intranet reformulation Project based on a model of participative contents management model and of knowledge sharing between all co-workers. In the end of 2008 the Company launched as well a new channel to disclose internal information, namely REN TV.

## 7.6. Codes of Conduct

These principles, among others, and the ethical values governing the relationship among employees and between employees and third parties are set forth in a Code of Ethics and three codes of conduct applicable to specific jobs – system manager, commercial agent and account adjustment. Operating Codes of Conduct are documents required by the energy sector regulations, whose application will be verified through an audit. They were last revised in 2009 by a well recognized external entity.





## Annexes

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## 8. Annexes

**Annex I.** Description of the Board of Directors, namely concerning: a) names of its members, distinguishing between executive and non-executive members and between independent and non-independent non-executive members; b) positions that its members hold in other companies, listing those in other companies in the same group; c) their qualifications, previous positions held in at least the last five years, the number of company shares that they own, the date of their first appointment and the end of their term of office.

**Annex II.** Description of the main details of the transactions and operations between the company and the members of its managing and supervisory bodies who own qualifying shareholdings or subsidiary or group companies, provided that they are of monetary significance to any of the parties involved, with the exception of transactions or operations that are not only carried out in normal market conditions for similar operations but are also part of the company's current activity.

**Annex III.** Qualified interests in REN's share capital as of 31 December 2008 and shares held by members of Board of Directors, Audit Committee and General Shareholders Meeting Board.

**Annex IV.** The annual fee paid to the auditor and other natural or legal persons belonging to the same network borne by the company or subsidiary or group companies and a breakdown of the percentage paid for the following services: a) legal audits, b) other services guaranteeing accuracy, c) tax consultancy services, d) services other than legal audits.

**Annex V.** Statement on the remuneration policy regarding members of the managing and supervisory bodies by the Remuneration Committee

**Annex VI.** Statement on the remuneration policy regarding managers (pursuant to article 248(B)(3) of the Portuguese Securities Code) that are not part of the managing and supervisory bodies



## Annex I

## Description of the Board of Directors

At the time of writing of this report, the membership of the Board of Directors is as follows:

| Name  | Age | Position                                      | First elected | Date of term of office |
|---|-----|---|---------------|------------------------|
| José Rodrigues Pereira dos Penedos              | 63  | Chairman                                      | 2001          | 2009                   |
| Aníbal Durães dos Santos                        | 61  | Executive Director                            | 2001          | 2009                   |
| Victor Manuel da Costa Antunes Machado Baptista | 56  | Executive Director                            | 2001          | 2009                   |
| Rui Manuel Janes Cartaxo                        | 56  | Executive Director                            | 2007          | 2009                   |
| Fernando Henrique Viana Soares Carneiro         | 59  | Executive Director                            | 2007          | 2009                   |
| Luís Maria Atienza Serna                        | 51  | Director                                      | 2007          | 2009                   |
| Gonçalo José Zambrano de Oliveira               | 38  | Director                                      | 2007          | 2009                   |
| Manuel Carlos Mello Champalimaud                | 62  | Director                                      | 2007          | 2009                   |
| José Isidoro d'Oliveira Carvalho Netto          | 63  | Director                                      | 2008          | 2009                   |
| Filipe de Botton                                | 50  | Director                                      | 2008          | 2009                   |
| José Luís Alvim Marinho                         | 56  | Chairman of the Audit Committee (Independent) | 2007          | 2009                   |
| José Frederico Vieira Jordão                    | 63  | Member of the Audit Committee (Independent)   | 2007          | 2009                   |
| Fernando António Portela Rocha de Andrade       | 37  | Member of the Audit Committee (Independent)   | 2008          | 2009                   |

#### José Rodrigues Pereira dos Penedos

Holds a degree in Electrotechnical Engineering from the Instituto Superior Técnico. Between 2003 and 2006, Mr. Penedos was a board member of Galp and between 2004 and 2006, board member of GDP S.A. Since 2004, Mr. Penedos has been Chairman of the Portuguese National Committee in CIGRE - Conseil International des Grands Réseaux Électriques. Since 2006 Mr. Penedos has been Head of the Union for the Co-ordination of Transmission of Electricity ("UCTE"). Between 1995 and 1996, Mr. Penedos held government positions, as Secretary of State for the areas of "Energy", of "Industry and Energy", up to November 1997, and of "Defence", up to October 1999.

#### Aníbal Durães dos Santos

Holds a degree in Finance from ISCEF and a PHD in Economics from Universidade Católica Portuguesa ("UCP"). Professor Santos is a member of REN SGPS's Board of Directors, has been a member of the Board of Directors of ELECPOR since December 2006 and a member of the Consultative Board of Portugal Telecom SGPS, S.A. Professor Santos has also been a board member of several companies, Director-General of European Affairs at the Ministry of Industry and Energy, President of the Portuguese Section of CEEP and European Vice-President. A former Director of the Department of Economics of the Universidade Católica Portuguesa (1987-1993), Professor Santos has been a Professor at the Economics Department of this University.

#### Victor Manuel da Costa Antunes Machado Baptista

Holds a degree in Electrotechnical Engineering from

Faculdade de Engenharia da Universidade do Porto ("FEUP"), as well as advanced studies in Energy Planning from the University of Chicago and the Argonne National Lab (USA) as well as advanced studies from USW Universitätsseminar der Wirtschaft Burg Disternich in Germany. Mr. Baptista has been working with us since January 2001, is one of the non executive members of the Board of Directors of OMIP, is member of the Board of Directors of ELECPOR and is our representative in ASAE - the Association of the External Agents of the Spanish Electric System and in IESOE - Interligação Eléctrica do Sudoeste da Europa.

#### Rui Manuel Janes Cartaxo

Holds a degree in Economics from the Universidade Técnica de Lisboa. Between 2002 and 2006, he was an executive director of Galp Energia, director of several companies of the GALP group, since 1997, and Chairman of the Board of Directors of Lisboagás and GDP Distribuição. From 1992 to 1995 he was executive director of CN - Comunicações Nacionais SGPS. In the early stages of his professional career he was economist at Banco de Portugal.

#### Fernando Henrique Viana Soares Carneiro

Holds a degree in Mine Engineering from IST. Mr. Carneiro is an independent director of the board of PT SGPS, S.A., Mr. Carneiro has been Chairman of the Board of Directors of Somincor, Sociedade Mineira de Neves-Corvo S.A. and of EDM, Empresa de Desenvolvimento Mineiro S.A. Mr. Carneiro was a member of the Board of Directors of The European Bank for Reconstruction and Development (EBRD) and of the World Bank group.

**Luís Maria Atienza Serna**

Holds a degree in Economic and Company Sciences from the Universidad de Deusto. Among other positions, Mr. Serna is now the Chairman of the Board of Directors of Red Eléctrica de España, S.A. and member of the Board of Directors of Red Eléctrica Internacional Unipersonal, S.A.

Mr. Serna has been Spanish Minister of Agriculture, Fishing and Food, General Secretary of Energy and Mineral Resources of the Spanish Ministry of Industry and Energy and General Secretary of Agriculture Structures of the Spanish Ministry of Agriculture, Fishing and Food. Mr. Serna has also acted as Chairman of the Spanish Institution for Energy Diversification and Investment.

**Gonçalo José Zambrano de Oliveira**

Holds a degree in economics and finance from the Bentley College and a MBA from the University of Miami. Mr. Oliveira is presently a director of Esconesões, SGPS, S.A., Ipodec Portugal - Gestão de Resíduos, Lda. and of Auto-Vila - Reciclagem Resíduos, S.A. Since 2000, Mr. Oliveira has been a director of Sociedade Central de Cervejas e Bebidas, S.A. and of Sociedade de Aguas do Luso, S.A. and since January 1999 has been an executive director of Olinveste, SGPS, Lda. Mr. Gonçalo de Oliveira has also been Chairman of the Board of Directors of Medios del Pacífico, S.A.

**Manuel Carlos de Mello Champalimaud**

Is currently the Chairman of the Board of Directors of Gestmin SGPS, S.A., of Prodimed, S.A. and of Sogestão, S.A., is Member of the Board of Directors of Winreason, S.A. and Executive-Manager of the companies Da Praia - Promoção Imobiliária, Lda., Sogolfe - Empreendimentos Turísticos, Lda. and Agrícola São Barão, Lda.

**José Isidoro d'Oliveira Carvalho Netto**

Holds a degree in Mechanical Engineering from the Instituto Superior Técnico (6 year degree). Has been a Director of Transgás and of GDP, SGPS, S.A. and Chairman of the Boards of Directors of the natural gas distribution companies – Dianagás; Duriensgás; Medigás; e Paxgás. He held several positions in then called Directorate General for Energy, where he was technically responsible for the coordination of the base Works of the National Energy Plans of 1982 and 1984. From 1984 to 1988, by dispatch of the Prime Minister, he held a position in the Secretariate of the International Energy Agency of OECD. Between 1988 and 1995 he was a high ranking officer of the Directorate General for Energy of the European Commission. In 2002 he held office in ERSE. From 2005 to 2007 he was Assessor for the energy area of the Deputy Secretary of State for Industry and Innovation (2005-2007) and for the Minister of Economy and Innovation (2007-2008). He lead several international projects of which resulted the publishing of several articles on energy matters.

**Filipe de Botton**

Holds a degree in Business Management from the Universidade Católica Portuguesa. He is Director of Logoenergia SGPS, SA, and founding partner of

LOGOPLASTE (CEO), of NORFIN and of INVESFIN (Manager) and of the companies LOGOVINHA and LOGOHOTÉIS. He was also a founding partner and Director of INTERFINANÇA and FONSECAS & BURNAY - Sociedade Gestora de Patrimónios. From 1990 to 1994, he was Director of Hotel da Lapa. He also acts as Chairman of ELO – Associação Portuguesa para o Desenvolvimento Económico e Cooperação and Director of the Entrepreneurial Council of CPLP. He is also Foreign Trade Counsellor of France e Member of the Strategic Council of the University of Minho and of the Management of Sporting Clube de Portugal.

**José Luís Alvim Marinho**

Holds a degree in Economics from the Faculdade de Economia do Porto and, since November 2008, has been (non-executive) Chairman of the Board of Directors of Microprocessador – Sistemas Digitais, Sa. Since March 2007, he has been a non-executive director of CUF-SGPS and teaches in Escola de Gestão do Porto – Business School of the University of Porto. Mr. Marinho was a director of Banco Pinto e Sotto Mayor, S.A., of Chemical Finance, of Totta e Açores, S.A., and of Banco Santander de Negócios Portugal, S.A. During his career he was also director of IAPMEI and of several companies and groups of companies (Amorim and Tabaqueira).

**José Frederico Vieira Jordão**

Holds a degree in Finance from the Instituto Superior de Ciências Económicas e Financeiras. Mr. Jordão has held, among other positions, those of Director of RAR (Holding) and of Chairman of the boards of directors of Iberholding, RAR Imobiliária, RAR (Geneve), and RAR (London). Mr. Jordão was Director of Finantipar (holding which controls the Finantia group) and Member of the General Counsel and Chairman of the General Meeting of the insurance companies Global and Global Vida. Mr. Jordão also acted for Shell Portuguesa, Cuf Group, Mobil Oil Portuguesa and Dow Chemical, among other companies.

**Fernando António Portela Rocha de Andrade**

Master in Law in the area of legal and economic sciences from the Law School of the University of Coimbra. Assistant Professor of the Law School of the University of Coimbra since 1995. He acted as Home Affairs Undersecretary of State from March 2005 to 1 February 2008. He was Assistant of the Minister of Justice (2001-2002), Assessor of the Chairman of the Constitutional Court (1999-2000) and Assistant of the Minister of Parliamentary Affairs (1995-1999). He has been author and co-author of books and articles covering areas like taxes, public finances and electoral law.

The professional address of each of these members of the Board of Directors is that of REN's registered office at no. 55 Avenida Estados Unidos da América, parish of Alvalade, Lisbon.

There are no family ties between the members of the Board of Directors or between the statutory auditor and the members of the Board of Directors.

The following table shows the positions held by the members of the Board of Directors in managing or supervisory bodies in the last five years. Their present positions have been highlighted.

| Name  | Position   |
|---|--|
| José Rodrigues Pereira dos Penedos              | <p><b>Chairman of the Board of Directors of REN SGPS</b><br/> <b>REN Rede Eléctrica Nacional – Chairman of the Board of Directors</b><br/> <b>REN Gasodutos – Chairman of the Board of Directors</b><br/> <b>REN Atlântico – Terminal de GNL – Chairman of the Board of Directors</b><br/> <b>REN Armazenagem – Chairman of the Board of Directors</b><br/> <b>RENTELECOM – Chairman of the Board of Directors</b><br/> <b>REN Serviços – Chairman of the Board of Directors</b><br/> <b>Gasoduto Braga-Tuy – Chairman of the Board of Directors</b><br/> <b>Gasoduto Campo Maior-Leiria-Braga – Chairman of the Board of Directors</b><br/> <b>CIGRÉ – Chairman of the Comité Nacional Português</b><br/> <b>UCTE – Chairman</b><br/> <b>REN Trading – Chairman of the Board of Directors</b><br/> <b>APE – Associação Portuguesa da Energia – Chairman</b><br/> <b>Galp Energia – Member of the Board of Directors</b><br/> <b>GDP, S.A. – Member of the Board of Directors</b><br/> <b>ETSO – Member of the Steering Committee</b></p>  |
| Aníbal Durães dos Santos                        | <p><b>Member of the Board of Directors of REN SGPS</b><br/> <b>REN Rede Eléctrica Nacional – Member of the Board of Directors</b><br/> <b>REN Gasodutos – Member of the Board of Directors</b><br/> <b>REN Atlântico – Terminal de GNL – Member of the Board of Directors</b><br/> <b>REN Serviços – Member of the Board of Directors</b><br/> <b>Member of the Board of Directors of Elecpor</b><br/> <b>Member of the Professional Discipline Committee of the Economists Association</b><br/> <b>Member of the Consulting Council of Portugal Telecom, SGPS, S.A.</b><br/> <b>RENTELECOM – Member of the Board of Directors</b><br/> <b>REN Trading – Member of the Board of Directors</b></p>  |
| Victor Manuel da Costa Antunes Machado Baptista | <p><b>Member of the Board of Directors of REN SGPS</b></p> <p><b>REN Rede Eléctrica Nacional – Member of the Board of Directors</b><br/> <b>REN Gasodutos – Member of the Board of Directors</b><br/> <b>REN Atlântico – LPG Terminal – Member of the Board of Directors</b><br/> <b>REN Armazenagem – Member of the Board of Directors</b><br/> <b>REN Serviços – Member of the Board of Directors</b><br/> <b>RENTELECOM – Member of the Board of Directors</b><br/> <b>Non executive Member of the Board of Directors of OMIP</b><br/> <b>Representative of REN Rede Eléctrica in ASAE – Association of External Agents of the Spanish Electrical System</b><br/> <b>Representative of REN Rede Eléctrica no IESOE – Southwest Europe Electrical Interconnection</b><br/> <b>Member of the council of Electrotechnical Engineering and Computers Department of FEUP</b><br/> <b>Member of the Consulting Council do ISEP – Instituto Superior de Engenharia do Porto</b><br/> <b>Chairman of the technical Committee to Monitor the Operation of the Iberian Electrical System – CTSOSEI</b><br/> <b>REN Trading – Member of the Board of Directors</b></p> |

| Name                                    | Position  |
|---|---|
| Rui Manuel Janes Cartaxo                | <p><b>Member of the Board of Directors da REN SGPS</b></p> <p><b>REN Rede Eléctrica Nacional – Member of the Board of Directors</b></p> <p><b>REN Gasodutos – Member of the Board of Directors</b></p> <p><b>REN Atlântico – Terminal de GNL – Member of the Board of Directors</b></p> <p><b>REN Serviços – Member of the Board of Directors</b></p> <p><b>RENTELECOM – Member of the Board of Directors</b></p> <p>REN Trading – Member of the Board of Directors</p> <p>Executive director of Galp Energia</p> <p>CEO of Galp Power</p> <p>Chairman of the Board of Directors of GDP Distribuição, S.A.</p> <p>Chairman of the Board of Directors of Lisboagás</p> <p>Chairman of the Board of Directors of Água Solar</p> <p>Chairman of the Board of Directors of Porten</p> <p>Member of the Board of Directors of Petrogal</p> <p>Member of the Board of Directors of GDP</p> <p>Member of the Board of Directors of Transgás</p> <p>Member of the Board of Directors of Galp Energia España</p> <p>Member of the Board of Directors of Ecogen</p> |
| Fernando Henrique Viana Soares Carneiro | <p><b>Member of the Board of Directors of REN SGPS</b></p> <p><b>REN Rede Eléctrica Nacional – Member of the Board of Directors</b></p> <p><b>REN Gasodutos – Member of the Board of Directors</b></p> <p><b>REN Atlântico – Terminal de GNL – Member of the Board of Directors</b></p> <p><b>REN Armazenagem – Member of the Board of Directors</b></p> <p><b>REN Serviços – Member of the Board of Directors</b></p> <p><b>Independent Director of Portugal Telecom, SGPS, S.A.</b></p> <p>REN Trading – Member of the Board of Directors</p> <p>Chairman of the Board of Directors of Somincor, Sociedade Mineira de Neves-Corvo SA e da EDM, Empresa de Desenvolvimento Mineiro SA; Director of the International Copper Organization (NY)</p> <p>Member of the Board of Directors of the BERD (European Bank for the reconstruction and Development) in London, where he was Chairman of the Budgetary and Administrative Committee</p> <p>Member of the Board of Directors of the World Bank Group</p>  |
| Luís Maria Atienza Serna                | <p><b>Member of the Board of Directors of REN SGPS</b></p> <p><b>Chairman and executive Member of the Board of Directors of Red Eléctrica de España, S.A.</b></p> <p><b>Joint-Director of Red Eléctrica Internacional, S.A., unipersonal</b></p> <p><b>Chairman of the Board of Directors of Red Eléctrica del Sur, S.A. (Peruvian company)</b></p> <p><b>Chairman of the Board of Directors of Transportadora de Electricidad, S.A. (Bolivian company)</b></p> <p>Chairman of the Fundación Doñana 21, para el Desarrollo Sostenible del Entorno de Doñana</p>   |

| Name                                      | Position  |
|---|---|
| Gonçalo José Zambrano de Oliveira         | <p>Member of the Board of Directors of REN SGPS</p> <p>Director of Esconcessões – SGPS, SA, Ipodec Portugal – Gestão de Resíduos, Lda. and Auto-Vila – Reciclagem de Resíduos, S.A.</p> <p>Director of Sociedade Central de Cervejas e Bebidas, S.A. and of Sociedade da Água do Luso, S.A.</p> <p>Grupo Oliveira – Executive Director of Olinveste SGPS Lda.</p>   |
| Manuel Carlos Mello Champalimaud          | <p>Member of the Board of Directors of REN SGPS</p> <p>General Manager - Agrícola São Barão – Unipessoal, Lda.</p> <p>Manager - Da Praia – Promoção Imobiliária, Lda.</p> <p>Chairman of the Board of Directors of Gestmin SGPS, S.A.</p> <p>Chairman of the Board of Directors of Sogestão – Administração e Gerência, S.A.</p> <p>General Manager - Sogolfe – Empreendimentos Turísticos, Sociedade Unipessoal, Lda.</p> <p>Member of the Board of Directors - Prodimed, S.A.</p> <p>Member of the Board of Directors - Winreason, S.A.</p> |
| José Isidoro d’Oliveira Carvalho Netto    | <p>Member of the Board of Directors of REN SGPS</p> <p>REN Armazenagem – Member of the Board of Directors</p> <p>Member of the Supervisory Board of APE - Associação Portuguesa da Energia</p>  |
| Filipe de Botton                          | <p>Member of the Board of Directors of REN SGPS</p> <p>Director of Logoenergia, SGPS, S.A.</p> <p>Chairman of the Board of Directors of Logoplaste</p> <p>Chairman of the Board of Directors of Logoinveste, SGPS, SA</p> <p>Manager of Norfin</p> <p>Manager of Invesfin</p> <p>Manager of Logovinha</p> <p>Manager of Logohotéis</p>  |
| José Luís Alvim Marinho                   | <p>Chairman of REN SGPS’ Audit Committee da REN SGPS</p> <p>Non executive Director of CUF-SGPS</p> <p>Chairman of the Board of Directors (non executive) of Microprocessador – Sistemas Digitais, S.A.</p> <p>Coordinator Director of Banco Santander Portugal, S.A. and of Banco Totta, S.A.</p> <p>Member of the Board of Directors of Banco Santander de Negócios Portugal, S.A.</p> <p>Member of the Board of Directors of Totta-Crédito Especializado, IFIC, S.A.</p> <p>Director of AENOR – Auto-Estradas do Norte, S.A.</p>            |
| José Frederico Vieira Jordão              | <p>Member of REN SGPS’ Audit Committee da REN SGPS</p> <p>Consultant of the Chairman of the Board of Directors of RAR, Sociedade de Controle (Holding), S.A.</p>  |
| Fernando António Portela Rocha de Andrade | <p>Member of REN SGPS’ Audit Committee da REN SGPS</p>  |

## Annex II

### Description of the main elements of the relations between related parties

#### Transactions with related parties

On 31 December 2008, the REN Group is quoted at Euronext de Lisboa. Its main shareholders, with registered transactions, are: Capitalpor (Parública - State), EDP and Caixa Geral de Depósitos (Note 20).

Its related entities are as follows:

#### Shareholders:

##### EDP Group:

EDP Energia de Portugal, S.A.  
EDP Distribuição - Energia, S.A.  
EDP Serviços Universal, S.A.  
EDP Valor – Gestão integrada de serviços, S.A.  
EDP Gestão da Produção da Energia  
SÁvida, S.A.  
Labelec, S.A.

##### CGD Group:

Caixa Geral de Depósitos  
Caixa BI

##### Joint-ventures:

Sociedade Gasoduto Campo Maior-Leiria-Braga  
Sociedade Gasoduto Braga-Tui

During the financial year, the REN Group carried out the following transactions with these entities:

#### Transactions and balances with shareholders and their participated entities

A detailed summary of the related entities concerning the entities participated by the REN Group's shareholders is shown below:

#### Sales of products and services

(unit: Thousand euros)

|                          | 2008           | 2007             |
|--------------------------|----------------|------------------|
| <b>Sale of products</b>  |                |                  |
| Electricity - EDP        | 796.796        | 1.463.365        |
|                          | <b>796.796</b> | <b>1.463.365</b> |
| <b>Services Rendered</b> |                |                  |
| Other services - EDP     | 2.091          | 592              |
|                          | <b>2.091</b>   | <b>592</b>       |

The amounts shown for the sale of products are recognised under Customers and other receivables, due to the role of intermediary that REN plays in the purchase and sale of electricity.

#### Purchase of Products and Services

(unit: Thousand euros)

|                                    | 2008           | 2007           |
|------------------------------------|----------------|----------------|
| <b>Purchase of Products</b>        |                |                |
| Electricity - EDP                  | 340.196        | 737.923        |
|                                    | <b>340.196</b> | <b>737.923</b> |
| <b>Purchase of services</b>        |                |                |
| Sundry services - EDP              | 5.351          | 4.272          |
| Interest on commercial paper - CGD | 7.817          | 23.550         |
| Borrowing commissions - CGD        | 266            | 377            |
| Other interest - CGD               | 22             | 3              |
|                                    | <b>13.456</b>  | <b>28.202</b>  |

The amounts shown for the purchase of products are recognised under Customers and other receivables, due to the role of intermediary that REN plays in the purchase and sale of electricity.

#### Debit and credit balances

In the end of the financial year of 2008, the balances resulting from transactions made with related parties are as follows:

|                                  | (unit: Thousand euros) |                |
|----------------------------------|------------------------|----------------|
|                                  | 2008                   | 2007           |
| <b>Debtors</b>                   |                        |                |
| EDP - Clients Balance            | 50.476                 | 48.069         |
| EDP - Other Debtors Balance      | 2.487                  | 5.288          |
|                                  | <b>52.963</b>          | <b>53.357</b>  |
| <b>Creditors</b>                 |                        |                |
| EDP - Trade Creditors Balance    | 10.012                 | 21.441         |
| EDP - Other Creditors Balance    | 2.240                  | 3.140          |
| CGD - Commercial Paper Programme |                        | 630.000        |
|                                  | <b>12.252</b>          | <b>654.581</b> |



## Annex III

**Qualified interests in REN's share capital as of 31 December 2008 and shares held by members of Board of Directors, Audit Committee and General Shareholders Meeting Board**

With reference to 31 December 2008, the shareholders that, in accordance with article 20 of the Portuguese Securities Code, held qualifying holdings representing at least, 2% of the share capital of REN – Redes Energéticas Nacionais, SGPS, S.A. were the following:

|   | Nr. Shares  | % Capital | % Vote |
|---|-------------|-----------|--------|
| Capitalpor SGPS, S.A. <sup>4</sup>            | 245.645.340 | 46,00%    | 46,00% |
| Caixa Geral de Depósitos, S.A. <sup>5</sup>   | 27.118.430  | 5,08%     | 5,08%  |
| EDP – Energias de Portugal, S.A. <sup>6</sup> | 26.700.000  | 5,00%     | 5,00%  |
| Gestmin, SGPS, S.A. <sup>7</sup>              | 27.704.565  | 5,19%     | 5,19%  |
| Logoenergia, SGPS, S.A. <sup>8</sup>          | 42.064.574  | 7,88%     | 7,88%  |
| Oliren, SGPS, S.A.                            | 26.700.000  | 5,00%     | 5,00%  |
| Red Eléctrica de España, S.A.                 | 26.700.000  | 5,00%     | 5,00%  |

<sup>4</sup> The votes inherent to the shareholding Interest of Capitalpor - Participações Portuguesas, SGPS, S.A. are ascribable to Parpública, SGPS, SA, given that this company holds the full share capital of Capitalpor - Participações Portuguesas, SGPS, S.A.

<sup>5</sup> Caixa Geral de Depósitos, SA holds 26,649,660 shares directly and 423,770 shares indirectly due to the following interests:

(i) 100% of the share capital and voting rights of Gerbanca, SGPS, SA, which in turn holds 84.10% of the share capital and 89,24% of the voting rights of Caixa Banco de Investimento, SA;

(ii) 100% of the share capital and voting rights of Caixa Seguros, SGPS, SA, which in turn holds 100% do share capital and voting rights of Companhia de Seguros Fidelidade-Mundial, SA, which in turn holds 9.80% of the share capital and 10.44% of the voting rights of Caixa Banco de Investimento, SA.

<sup>6</sup> EDP - Energias de Portugal, S.A. holds 18,690,000 shares directly and 8,010,000 shares indirectly through the EDP Pension Fund, a company in a group relation with EDP - Energias de Portugal, S.A.

<sup>7</sup> Gestmin, SGPS, S.A. holds 27,471,645 shares directly and 232,920 shares indirectly, held on his behalf by the Chairman of the Board of Directors of that company, Mr. Manuel Champalimaud.

<sup>8</sup> A Logoenergia SGPS, S.A. holds 39,123,185 shares directly and 2.941.389 shares indirectly, namely 2,862,959 shares through Logoinvest SGPS, S.A., a company in a group relation with Logoenergia SGPS, S.A., 77,460 shares held on his behalf, or under that provided in article 447 of

In accordance and for the purposes of article 447 of the Portuguese Companies Code, the number of shares held by the members of the Corporate Bodies at the end of the 2008 financial year was as follows:

|  | 31.12.2008                 |
|--|----------------------------|
|  | Nr. of shares <sup>9</sup> |
| <b>Officials of the General Meeting</b>              |                            |
| José Manuel Ribeiro Sérvulo Correia (Chairman)       | 0 (zero)                   |
| Duarte Vieira Pestana de Vasconcelos (Vice-Chairman) | 0 (zero)                   |
| <b>Company Secretary</b>                             |                            |
| Pedro Jorge Cabral da Silva Nunes                    | 2.830                      |
| <b>Audit Committee</b>                               |                            |
| José Luís Alvim Marinho                              | 0 (zero)                   |
| José Frederico Vieira Jordão                         | 0 (zero)                   |
| Fernando António Portela Rocha de Andrade            | 0 (zero)                   |
| <b>Board of Directors</b>                            |                            |
| José Rodrigues Pereira dos Penedos                   | 150.490 <sup>10</sup>      |
| Aníbal Durães dos Santos                             | 10.250 <sup>11</sup>       |
| Victor Manuel da Costa Antunes Machado Baptista      | 3.810 <sup>12</sup>        |
| Rui Manuel Janes Cartaxo                             | 19.162 <sup>13</sup>       |
| Fernando Henrique Viana Soares Carneiro              | 0 (zero)                   |
| Luís Maria Atienza Serna                             | 26.700.000 <sup>14</sup>   |
| Gonçalo José Zambrano de Oliveira                    | 26.700.000 <sup>15</sup>   |
| Manuel Carlos Mello Champalimaud                     | 27.704.565 <sup>16</sup>   |
| José Isidoro d' Oliveira Carvalho Netto              | 970 <sup>17</sup>          |
| Filipe Maurício de Botton                            | 42.063.604 <sup>18</sup>   |

the Portuguese Companies Code, by the Member of the Board of Directors of that company, Dr. Filipe Maurício de Botton, and 970 shares held on his behalf, or under that provided in article 447 of the Portuguese Companies Code, by the Chairman of the Board of Directors of that company, Dr. Alexandre Relvas.

<sup>9</sup> It comprises the shares of the members of REN's management and supervisory bodies, as well as, if applicable, of (i) the not judicially separated spouse, regardless of the matrimonial property regime; (ii) descendants who are minors; (iii) persons in whose name the shares or bonds are registered, having been acquired on behalf of the persons mentioned in no.1 and in paragraphs a) and b) of no. 4 of article 447 of the Portuguese Companies Code; and (iv) those pertaining to a company in which the persons mentioned in no.1 and in paragraphs a) and b) of the said number are partners with unlimited liability, exercise the management or one of the offices mentioned in no.1 or hold, individually or together with persons mentioned in paragraphs a), b) and c) of the said number, at least half of the company's share capital or votes corresponding thereto.

<sup>10</sup> It comprises 150.000 shares held directly e 490 shares held by the spouse.

<sup>11</sup> It comprises 10.000 shares held directly e 250 shares held by the spouse.

<sup>12</sup> It comprises 3.330 shares held directly e 480 shares held by the spouse.

<sup>13</sup> It comprises 18.672 shares held directly e 490 shares held by the spouse.

During the financial year of 2008, the following members of the Corporate Bodies performed the following trade operations of shares of REN:

|                                    | Nr. of shares acquired <sup>19</sup> | Date      | Counterparty paid per share <sup>20</sup> |
|------------------------------------|--------------------------------------|-----------|---|
| Officials of the General Meeting   | 0 (zero)                             |           | 0 (zero)                                  |
| Audit Committee                    | 0 (zero)                             |           | 0 (zero)                                  |
| Board of Directors                 |                                      |           |   |
| José Rodrigues Pereira dos Penedos | 25.000                               | Jan/2008  | € 3,000                                   |
| José Rodrigues Pereira dos Penedos | 75.000                               | Jun/2008  | € 3,000                                   |
| Rui Manuel Janes Cartaxo           | 18.182                               | Dec/2008  | € 2,750                                   |
| Manuel Carlos Mello Champalimaud   | 180.000                              | Sept/2008 | € 2,735                                   |

<sup>14</sup> It corresponds to the shares held by the shareholder Red Eléctrica de España, S.A., which are ascribable for the purposes of article 447 of the Portuguese Companies Code, pursuant to being Chairman of the Management body of that company.

<sup>15</sup> It corresponds to the shares held by the shareholder Oliren, SGPS, S.A., which are ascribable for the purposes of article 447 of the Portuguese Companies Code, pursuant to being Chairman of management body of that company.

<sup>16</sup> It comprises 232,920 shares held directly and 27,471,645 shares held by the shareholder Gestmin, SGPS, S.A., which are ascribable for the purposes of article 447 of the Portuguese Companies Code, pursuant to being Chairman of the Management body of that company.

<sup>17</sup> It comprises 490 shares held directly e 480 shares held by the spouse.

<sup>18</sup> It comprises 75,490 shares held directly, 1,970 shares held by the spouse and minor descendants and 39,123,185 shares held by the shareholder Logoenergia, SGPS, S.A., 2,862,959 held by the shareholder Logoinvest, SGPS, S.A. which are ascribable for the purposes of article 447 of the Portuguese Companies Code, pursuant to being Director and Chairman of the Board of Directors of those companies.

<sup>19</sup> It comprises the list of shares covered by article 447(1) and (2) of the Portuguese Companies Code in relation to reach of the persons mentioned in no.1 of that article, referring the facts listed in the said numbers and in no.3 of said article 447 of the Portuguese Companies Code.

<sup>20</sup> Acquisition price or average price in case of several acquisitions.

## Annex IV

### Annual remuneration of the auditor

Fees billed by PriceWaterhouseCoopers in 2008:

|  | Amount (€)        | Percentage  |
|--|-------------------|-------------|
| Legal audits of accounts   | 118.302,19        | 28%         |
| Other guarantees of accuracy   | 84.949,00         | 20%         |
| Tax consultancy services   | 49.821,50         | 12%         |
| Services other than legal audits:  |                   |             |
| • Assessment to implementation of REN Services                                   | 58.988,00         | 13,99%      |
| • Assistance on the Budget elaboration (IFRS)                                    | 39.930,00         | 9,47%       |
| • Assistance on the implementation of the REN's group financial management model | 20.691,00         | 4,91%       |
| • Comfort Letter (EMTN)  | 48.500,00         | 11,51%      |
| • Transfer Pricing Seminar   | 500,00            | 0,12%       |
| <b>Total</b>   | <b>421.681,69</b> | <b>100%</b> |

Pursuant to Article 423-F), item o) of the Portuguese Companies Code, the Audit Committee is responsible for supervising and evaluating the activity and the independence of the Chartered Accountant of REN, as well as to approve the respective fees for the audit services and the contracting of additional services.

In this sense, Audit Committee carried out in 2008 the evaluation and supervision of the External auditors' activity, taking mainly into consideration the following factors: correction, presentation and clarity of the External auditors' activity plans, quality of the conclusions submitted within the scope of the developed work, effectiveness of the recommendations made and competence and effectiveness within the scope of the development of the procedures.

Within the scope of the compliance with the independence rules established in relation to the external auditors, REN's Audit Committee accompanied, during the course of 2008, the rendering by PriceWaterhouseCoopers

of non-audit services, in order to ensure that situations of conflict of interests would not raise.

In this context, all proposals for rendering non-audit services must be subject to the analyses and prior approval of the Audit Committee, with the purpose of safeguarding the External Auditors professional independence.

## Annex V

### Declaration on the remunerations policy for the members of the managing body and of the supervisory body by the Remuneration Committee

DECLARATION OF THE REMUNERATION COMMITTEE ON THE REMUNERATIONS POLICY OF THE CORPORATE BODIES OF REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

1. Under the terms of article 26 of the Articles of Association of REN – Redes Energéticas Nacionais, SGPS, S.A. (REN), the Remuneration Committee of REN avails itself of the responsibility for fixing the fixed and variable salaries of each of the directors, as well as determining the remuneration to attribute to the members of the other corporate bodies.
2. Under the applicable statutory terms, the Remuneration Committee was appointed by the Shareholders General Meeting on 30 March 2007, and comprises three members, independent in relation to the members of the managing and supervisory bodies of REN.
3. In the interest of transparency and legitimating of the fixing of the remunerations of the members of the corporate bodies, the Remuneration Committee submits for the appraisal of the Annual General Meeting, for the effects of adoption of recommendation II.1.5.2 of the Corporate Governance Code of the CMVM on the matter, a document containing the guidelines observed by that Committee in the fixing of the remuneration of the members of the various corporate bodies.
4. Under these terms, the Remuneration Committee presents the following declaration on the policy adopted concerning the fixing of the remuneration of the corporate bodies of REN, whose terms were subject to consideration by this Committee on 23 April 2007, as explained here:
  - a) The remuneration of the members of the Board of the General Meeting is realized by way of attribution of attendance slips.
  - b) The members of the Audit Committee obtain a fixed remuneration, which is paid in 12 monthly payments during the year.
  - c) The remuneration of the members of the Board of Directors is decided essentially in four vectors: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) equity, since the remuneration practice should be based in uniform, consistent, fair and balanced criteria; (iii) assessment of performance, in accordance with the functions and level of responsibility of the person in question; and (iv) alignment of the interests of the directors with the interest of the company.
  - d) The remuneration of the members of the Board of Directors contains exclusively a fixed component and, in the case of members of the Executive Committee, also a possible variable component.
  - e) The Remuneration Committee determines the attribution of a fixed component in the remuneration of the executive and non-executive directors, considering the policies followed in companies of the sector, having safeguarded the different specificities and dimensions.
  - f) The annual value of the variable component of the remuneration of the members of the Executive Committee is limited to a value corresponding to 100% of the fixed component of remuneration, being calculated on the basis of a technical study and a model that includes the definition of the parameters and the grid to apply, depending upon the execution of strategic objectives, which include the creation of value for the shareholders, the efficient management of the Group, the uninterruptedness of the electricity and gas services, and the maintenance and development of a favourable and sustainable image.
  - g) The consideration of objectives like the uninterruptedness of the electricity and gas services, and the maintenance and development of a favourable and sustainable image in the fixing of the variable component of remuneration

of the members of the Executive Committee allows for the promotion of a suitable alignment with the medium- and long-term interests of the company and of the shareholders.

The Remuneration Committee

## Annex VI

### **Declaration on the policy of remuneration of the managers (in the meaning of no. 3 of article 248-B of the Securities Code who are not part of the managing and supervisory bodies**

DECLARATION OF THE BOARD OF DIRECTORS  
ON THE POLICY OF REMUNERATION OF THE  
MANAGERS OF REN – REDES ENERGÉTICAS  
NACIONAIS, SGPS, S.A.

1. Under the terms of article 15 of the Articles of Association of REN – Redes Energéticas Nacionais, SGPS, S.A. (REN), the Board of Directors avails itself of the responsibility for the definition of the general policy for remunerations and incentives for the Directors and all the technical and administrative staff of the Company.
2. In the interest of transparency and legitimating of the fixing of remunerations for the Managers (in the meaning of that provided in no. 3 of article 248-B of the Securities Code who are not part of the Managing and Supervisory Bodies of the Company, the Board of Directors submits for the appraisal of the annual General Meeting, for the effects of adoption of recommendation II.1.5.2 of the Corporate Governance Code of the CMVM on the matter, a document containing the guidelines observed by itself in the fixing of the aforementioned remunerations.
3. Under these terms, the Board of Directors presents the following declaration on the policy adopted concerning the fixing of the remunerations of the Managers of REN, as explained here:
  - a) The policy adopted in the fixing of remuneration of the Managers of REN coincides with that defined for the generality of the Company's workers;

- b) That being so, the remuneration of the Managers of the Company includes a fixed remuneration and, possibly, an award for performance;
- c) The quality/quantification of the performance is established in accordance with criteria that were previously defined by the Board of Directors.

Under these terms, there will be taken into account, for the definition of any award for performance of managers, not only the performance factors of each worker, i.e. taking into account both the degree of responsibility of his post and his capacity to adapt to the company and to its procedures, but also the technical and/or economic performance of the area of business in which the worker is inserted and the economic/financial performance of REN.

The Board of Directors



REN

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