

06
CORPORATE
GOVERNANCE



06. CORPORATE GOVERNANCE

PART I

6.1 INFORMATION ON VOTING RIGHTS, ORGANIZATION AND CORPORATE GOVERNANCE

6.1.1 A. VOTING RIGHTS

I. Capital Structure

I.1. Voting rights (capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different categories of shares, inherent rights and duties and percentage of capital which each category represents (Art. 245(A)(1)(a)).

The share capital of REN – Redes Energéticas Nacionais, SGPS, SA (REN or the company) in the amount of €534 000 000 is represented by 534 000 000 shares with a face value of €1.00, in the form of nominative book-entry shares, divided as follows:

- a) 475 260 000 (four hundred and seventy five million, two hundred and sixty thousand) class A shares, corresponding to 89% of REN's share capital;
- b) 58 740 000 (fifty eight million, seven hundred and forty thousand) class B shares, corresponding to 11% of REN's share capital.

Class A shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder, under the terms of legislation.

Class B shares, which are not admitted to trading, are shares to be privatized (code PTRELXAM0009) - held by Parpública–Participações Públicas (SGPS) SA and the Caixa Geral de Depósitos, SA - and the only special entitlement they have is that they do not subject holders to the voting limitation stipulated in Article 12(3) of the Articles of Association.

In turn, in accordance with Article 4 of the Articles of Association, the transfer of Class B shares to non-public entities, pursuant to the conclusion of a phase of REN's privatization process, determines the automatic conversion of Class B shares into Class A shares. This conversion does not require the approval of the holders or deliberation by any of the company's bodies.

On 31 December 2013, all of REN's class A shares, corresponding to code PTRELOAM0008, were admitted to trading on NYSE Euronext Lisbon (Eurolist by Euronext), with the exception of 213 600 000 shares held by State Grid Europe Limited and Mazoon B.V.

VOTING RIGHTS



I.2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (Art. 245(A)(1)(b)).

There are no limitations and no measures have been taken by REN which restrict the transferability of shares representing REN capital, which are freely tradable on the regulated market, without prejudice to the legal limitations (lock up) established within the scope of the second stage of REN privatization and applicable to shareholders who acquire their holdings in such a context.

With respect to ownership limitations on shares, in accordance with legislation, no entity, including entities which conduct business in the respective sector in Portugal or abroad, can have direct or indirect holdings greater than 25% of REN equity capital¹.

These limitations on the ownership of REN shares were introduced further to the transposition of community directives applicable to the electricity and natural gas sectors with regard to the legal and ownership separation between the transmission operator using those assets and the operators who conduct other activities in each of the sectors. The aim of these directives is to promote competition in the market and equal access by operators to the transmission infrastructures.

Therefore, limitations on the transferability and ownership of shares are exclusively due to legal requirements, and the CMVM Corporate Governance Code does not apply. As such, recommendation I.4. of the CMVM Corporate Governance Code has been complied with.

With regard to limitations on voting rights, see I.5 below on the limitations expressed in the Articles of Association arising from the legal system applicable to the electricity and gas sector.

I.3. Number of own shares, percentage of corresponding capital and percentage of voting rights to which own shares would correspond (Art. 245(A)(1)(a)).

REN has 3 881 374 own shares, with a face value of 10 728 000.00 euros, representing 0.7% of its capital. These shares would correspond to 0.7 % of voting rights.

¹ Cf. Article 25(2)(i) of Decree-Law No 29/2006 of 15 February (with its current wording), and Article 20(A)(3)(b) and Article 21(3)(h) of Decree-Law No 30/2006, of 15 February (with its current wording)

I.4. Significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change in control over the Company, as the result of a takeover bid, as well as the respective effects, except if, due to their nature, the disclosure of which would be seriously prejudicial for the Company, except if the Company is specifically required to disclose this information due to other legal requirements (Art. 245(A)(1)(j)).

REN and its subsidiaries are party to a number of financing contracts and debt issues which include clauses on change in control which are typical of such transactions (covering, although not expressly stated, changes to control arising from takeover bids) and essential for carrying out such transactions on the market.

However, the practical application of these clauses is limited, considering the legal restrictions on the ownership of REN shares as explained in I.2.

There are no significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change in control over the Company or as the result of a takeover bid.

In summary, REN has not adopted any measures aimed at requiring payment or the taking on of charges by the Company in the event of changes in control or to the composition of the Board of Directors and which would be liable to prejudice the free transferability of shares or the free appreciation by shareholders of the performance of members of the Board of Directors, and CMVM I.5 has thus been complied with.

I.5. System which is subject to renewal or repeal of defensive measures, particularly those which limit the number of votes liable to be held or the exercising by a sole shareholder in an individual manner or jointly with other shareholders

The only provision in the REN Articles of Association which limits votes liable to be held or the exercising by a sole shareholder in an individual manner or jointly with other shareholders, is Article 12(3).

Therefore, this Article stipulates that the votes attached to class A shares shall not be counted if issued by any shareholder, on his behalf or as representative of another shareholder, which exceed 25% of the total votes corresponding to REN share capital.

Considered for this purpose are the rights to vote inherent to Class A shares which, pursuant to Article 20(1) of the Securities Code, are attributable to them.

Article 12(3) of the Articles of Association is the result of the legal requirement set out in I.2. and does not seek to limit voting rights, but rather to ensure the existence of a penalty system for breaching the legal limit on the ownership of the abovementioned shares.

As such, there is no mechanism in the Articles of Association to renew or repeal this statute, as it exists in compliance with legal requirements, so recommendation I.4. of the CMVM Corporate Governance Code has been complied with.

There are no other defensive measurements.

I.6. Shareholder Agreements which the company is aware of and which could lead to restrictions with regard to the transfer of securities or voting rights (Art. 245(A)(1)(g)).

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 exercising of voting rights.

II. Holdings and bonds held

II.7. Identification of natural or legal persons which, directly or indirectly, own qualified holdings (Art. 245(A)(1)(c) and (d) and Art. 16, with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution

Taking into account the communications submitted to the Company in accordance with Article 447 of the Portuguese Companies Code, Article 16 of the Portuguese Securities Code and Article 14 of CMVM Regulation No 5/2008, with reference to December 31, 2013, the shareholders holding qualified shareholdings representing at least 2% of REN's share capital, calculated in accordance with Article 20 of the Portuguese Securities Code, were as follows:

List of owners of qualified holdings (at 31.12.2013)	No of Shares	Capital (%)	Voting Rights (%)
State Grid of China	133 500 000. ²	25.0%	25.0%
Oman Oil	80 100 000 ³	15.0%	15.0%
Portuguese State ⁴	59 162 307	11.1%	11.1%
EGF, Gestão e Consultoria Financeira, SA ⁵	45 019 666 ⁶	8.4%	8.4%
Gestmin, SGPS, SA	31 326 951 ⁷	5.9%	5.9%
EDP - Energias de Portugal, SA	26 707 335 ⁸	5.0%	5.0%
Olíren, SGPS, SA	26 700 000	5.0%	5.0%
Red Eléctrica Corporación, SA	26 700 000	5.0%	5.0%

² These qualified holdings belong to the companies (i) State Grid Europe Limited (SGEL), as a direct owner, (ii) State Grid International Development Limited (SGID), as the controlling shareholder of SGEL and, finally, (iii) State Grid Corporation of China, as the company which wholly controls SGEL.

³ These qualified holdings belong to the companies (i) Mazoon BV, as a direct owner, and to (ii) Oman Oil Company SAOC, which wholly owns the former.

⁴ These holdings include: (i) the qualified holdings of Parública - Participações Públicas (SGPS), S.A., equating to 52 871 340 shares, corresponding to 9.9% of REN capital and voting rights; (ii) holdings belonging to Caixa Geral de Depósitos, S.A. totalling 6.290.967 shares (equivalent to direct holdings of 5.876.267 shares, 266,625 shares held by Fundo Pensões Pessoal CGD and OEG and 30.000 shares held by CPR – Companhia Portuguesa de Resseguros, SA and 118.075 shares held by Fidelidade - Companhia de Seguros, S.A.).

⁵ Previously called Logoplaste Gestão e Consultoria Financeira, SA.

⁶ The qualified holdings of EGF, Gestão e Consultoria Financeira, SA (EGF) including (i) 33 999 783 shares held directly by EGF, (ii) 10 933 393 shares held by Logo Finance, SA, a company wholly owned by EGF, (iv) 86 000 shares held directly and indirectly by Mr. Filipe Maurício de Botton, Chairman of the EGF Board of Directors and (v) 490 shares held directly and indirectly by Mr. Alexandre Carlos de Mello, member of the EGF Board of Directors. The voting rights inherent to the REN shares held by EGF are also attributable to the company Nikky Investments, S.A., holder of the entire EGF capital and to Mr. Filipe Maurício de Botton, holder of the controlling interest in Nikky Investments, S.A..

⁷ The current qualified holdings of Gestmin, SGPS, SA includes (i) 31 046 951 shares held directly and (ii) 280 000 shares held by Mr. Manuel Carlos de Melo Champalimaud, as majority shareholder of that company and Chairman of the Board of Directors.

⁸ EDP - Energias de Portugal, SA (EDP) holds 18 690 000 shares directly and 8 017 335 shares indirectly through the EDP Pension Fund, a company in a group relation with EDP.

II.8. Information on the number of shares and bonds held by members of management and supervisory bodies

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of shares held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article⁹, as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2013 were as follows:

AUDIT COMMITTEE

Audit Committee	Acquisitions	Encumbrances	Disposals	No of Shares at 31.12.2013
José Luís Alvim	-	-	-	0 (zero)
José Frederico Jordão	-	-	-	0 (zero)
Emílio Rui Vilar	-	-	-	390

BOARD OF DIRECTORS

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Shares at 31.12.2013
Rui Cartaxo	-	-	-	19.162 ¹⁰
Gonçalo Morais Soares	-	-	-	0 (zero)
João Faria Conceição	-	-	-	500
Guangchao Zhu – em representação da State Grid International Development Limited	-	-	-	133.500.000 ¹¹
Mengrong Cheng	-	-	-	0 (zero)
Haibin Wan	-	-	-	0 (zero)
Hilal Al-Kharusi	-	-	-	0 (zero)
Aníbal Santos - appointed by Parpública - Participações Públicas (SGPS), SA	-	-	-	10.250 ¹²
Filipe Botton – Appointed by EGF – Gestão e Consultoria Financeira, SA	-	-	-	45.019.666 ¹³
Manuel Champalimaud - Indicado pela Gestmin,	35.700 ¹⁴	-	-	31.326.951 ¹⁵

⁹ This comprises the shares held by members of the REN management and supervisory bodies and, if applicable, (i) of the spouse not judicially separated, regardless of the matrimonial property regime; (ii) of under aged descendants; (iii) of persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) the shares held by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, alone or together with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

¹⁰ Consists of (i) 18 672 directly held shares and (ii) 490 shares held by his spouse.

¹¹ Mr. Guangchao Zhu is Chairman, CEO and member of the Board of Directors of State Grid International Development Limited and Director of State Grid Europe Limited, which has qualified holdings corresponding to 133 500 000 REN shares.

¹² It includes the following shares: (i) 10 000 directly held shares and (ii) 250 shares held by his spouse;

¹³ Comprises the following attributable shares pursuant to Article 447 of the Portuguese Companies Code: (i) 33 999 783 shares held directly by EGF, (ii) 10 933 393 shares held by Logo Finance, S.A., a company wholly owned by EGF and (iii) 86 000 shares held directly and indirectly by Mr. Filipe Mauricio de Botton, Chairman of the EGF Board of Directors and (iv) 490 shares held directly and indirectly by Mr. Alexandre Carlos de Mello, member of the EGF Board of Directors.

¹⁴ Cf. details of this acquisition (including the number of shares, date and the consideration received) in Annex 2 to this document.

¹⁵ Consists of 280 000 shares held directly and 31 046 951 shares held by the shareholder Gestmin SGPS, SA, which, due to the exercising of the position of Chairman of the management body of that company and the majority holding of the respective capital, are attributable to it.

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Shares at 31.12.2013
SGPS, SA				

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Shares at 31.12.2013
José Folgado Blanco - indicado pela Red Eléctrica Corporación, SA	-	-	-	26.700.000 ¹⁶
José Luís Arnaut	-	-	-	0 (zero)

At 31 December 2013, members of the REN management and supervisory bodies held the following bonds issued by REN:

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Bonds at 31.12.2013
Rui Cartaxo	-	-	-	1

As of December 31, 2013, the members of the REN management and supervisory bodies and those related to them pursuant to Article 447(2) of the Portuguese Companies Code did not hold any bonds issued by REN nor shares or bonds issued by companies in a group or controlling relationship with REN, nor did they carry out any transactions relating to those securities in 2013, in both cases pursuant to and for the purposes of the abovementioned Article 447.

II.9. Special powers of the management body with regard to deliberations on increasing capital (Art. 245(A)(1)(i), with information on the deliberations referring to the data on which they were attributed, time limit until such competence may be exercised, maximum quantitative limit on capital increase, amount already issued under the attribution of such powers and method of applying the powers attributed

The Board of Directors has the competences and powers conferred by the Portuguese Companies Code and the Articles of Association¹⁷ (see summary of these competences and powers in B.II.21), and as such the management body does not have special powers.

Particularly, with regard to deliberations on increasing capital, it should be noted that the REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

II.10. Information on significant relationships of a commercial nature between the owners of qualified holdings and the Company

In accordance with internal regulations on the appreciation and control of transactions with related parties¹⁸ and prevention of conflict of interests¹⁹, significant transactions with related parties are considered to be those which:

- a) are based on the purchase and/or sale of assets, provision of services or a contracted project with an economic value greater than one million euros;
- b) based on the acquisition or disposal of shareholdings;

¹⁶ Corresponde às ações detidas pela Red Eléctrica Corporación, S.A., as quais lhe são imputáveis para efeitos do artigo 447.º do CSC, em virtude do exercício do cargo de Presidente do órgão de administração dessa sociedade.

¹⁷ Cf. Article 15(1) of the Articles of Association and Article 3(2) and (3) of the Board of Directors Regulations.

¹⁸ The definition of related party in accordance with this regulation includes owners of qualified holdings.

¹⁹ Cf. section II, paragraph I., p. 3.

- c) require new loans, financing or subscription of financial investments resulting in an overall annual indebtedness exceeding €100 000 000, except when referring to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions;
- d) should none of the materiality criteria set out in the subparagraphs above be met, (i) which have a value exceeding €1 000 000 or (ii) are considered relevant for this purpose by the management body, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

The Board of Directors is required to submit significant transactions with related parties (a concept which, in accordance with those regulations, includes owners of qualified holdings pursuant to Article 20 of the Securities Market Code) to the Audit Committee for prior appreciation²⁰. Therefore, transactions considered significant are subject to prior opinion from the Audit Committee, while others are only subject to subsequent appreciation.

Moreover, in accordance with the Board of Directors internal regulations, transactions with related parties for sums exceeding €500 000 or, regardless of the sum, and transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

In light of the abovementioned criteria – set out in Board of Directors regulations and in internal regulations on the appreciation and control of transactions with related parties and prevention of conflicts of interests – during 2013, only one significant commercial transaction with related parties was seen, as detailed below in I.90.

6.1.2 CORPORATE BODIES AND COMMITTEES

I. General Meeting

a) Composition of the Board of the General Meeting in the year of reference

I.11. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 2012-2014:

Name	Position	Date of 1 st appointment	Term of office in course
Pedro Maia	Chairman	27.03.2012	2012-2014
Duarte Vasconcelos	Vice-Chairman	24.10.2008	2012-2014

The Annual General Meeting of 27 March 2012 deliberated that 2012 would be specified as a time reference for the start of subsequent terms of office, the first of which corresponds to the three year period of 2012-2014.

In the performance of his duties, the Chairman of the Board of the General Meeting has the support of the Vice-Chairman of the Board, as well as of the Company Secretary, Pedro Cabral Nunes, within their legal powers.

²⁰ Cf. section III, p. 3 and section VI, p.5.

b) Exercise of Voting Rights

I.12. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, times imposed for exercising voting rights or systems for detaching ownership content (Art. 245(A)(1)(f))

Following best practices on shareholder participation in the general meetings of companies with shares admitted to trading in a regulated market, REN's Articles of Association set out the principle of 'one share one vote'.

Without prejudice to that referred to in I.2. and I.5., there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares.

Owners of one or more shares on the 'Record Date' may attend, participate in and vote at the REN General Meeting, as long as they comply with the following requirements:

- a) Shareholders wishing to participate in the General Meeting should express this intention in writing to the Chairman of the Board of the General Meeting and the financial intermediary, with whom they have opened the relevant individual securities account, up to the day before the 'Record Date'. This communication may be sent by e-mail²¹;
- b) In turn, the abovementioned financial intermediary shall send to the Chairman of the Board of the General Meeting, up to the end of the day corresponding to the 'Record Date', information on the number of shares registered in the name of the shareholder on that date. This communication may be sent by e-mail.²²

Shareholders with voting rights may be represented at a General Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Meeting, communicating the name(s) of the representative(s), under the terms of law and of the notice to convene. This communication may be sent by e-mail.²³

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may cast votes as required with their shares, as long as they submit this fact to the Chairman of the Board of the General Meeting before the 'Record Date' and using proportional and sufficient proof: (a) the identification of each client and the corresponding number of shares that will be voted on his behalf; (b) the specific voting instructions on each of the items on the agenda as provided by each of their clients.

REN's shareholders may submit their votes by correspondence for each item on the agenda, by letter signed with the same signature as on their identification document, enclosing a legible photocopy of such document, if the shares are held by an individual shareholder, or duly notarized signature of the proxy, in the event that the shares are held by a legal person²⁴.

This letter should be addressed to the Chairman of the Board of the General Meeting and sent by post with acknowledgement of receipt to REN's registered office at least three business days prior to the date of the General Meeting, except if the relevant notice to convene establishes a different time. The Chairman of the Board of the General Meeting shall verify the authenticity and regularity of the votes cast by correspondence as well as ensure that they remain confidential until the voting takes place²⁵.

²¹ Cf. Article 12(8) of the Articles of Association.

²² Cf. Article 12(9) of the Articles of Association.

²³ Cf. Article 12(10) of the Articles of Association.

²⁴ Cf. Article 12(5) of the Articles of Association.

²⁵ Cf. Article 12(5) and (6) of the Articles of Association.

It is also established that these votes are considered to be votes against, in the case of resolution proposals submitted after the date on which they were cast.

In order to facilitate votes by correspondence, REN provides a voting ballot on its website²⁶ a model voting ballot which may be used for such purpose, and upon request, may also send a voting ballot and an envelope to shareholders for the purpose of postal submission.

There are currently no plans for the implementation of voting by electronic means, as REN considers the participation of its shareholders to be fully ensured through vote by correspondence and methods of representation (as outlined above). Moreover, REN considers that voting by electronic means would not represent added value to its shareholders, especially taking into account its voting rights, the reduced breakdown of capital and the fact that REN has not received a single vote by correspondence in its recent general meetings.

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in general meetings.

REN's articles of association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote'.

I.13. Information on the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of Article 20.

As referenced above in I.5, the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of Article 20 of the Portuguese Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

I.14. Identification of shareholder resolutions that, in accordance with Articles of Association, shall only be passed with a qualified majority, aside from those legally provided for, and indication of these majorities.

In accordance with paragraph 1 of Article 11 of the Articles of Association, the attendance or representation of shareholders holding at least 51% of capital is essential in order that the General Meeting can be held and can deliberate on the first call. In accordance with paragraph 2 of Article 11 of the Articles of Association, the quorum for adopting resolutions on amendments to the Articles of Association, splits, mergers, transformation or dissolution of the company shall be two thirds of the votes issued, both for the first call and the second.

Furthermore, in accordance with No 3 of the same Article in the Articles of Association, resolutions for changes relating to Articles 7(A), 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued.

The aim of this requirement for such majorities is to ensure adequate representation of shareholders in light of the nature of the activities carried out by the Company and its voting rights.

²⁶ www.ren.pt

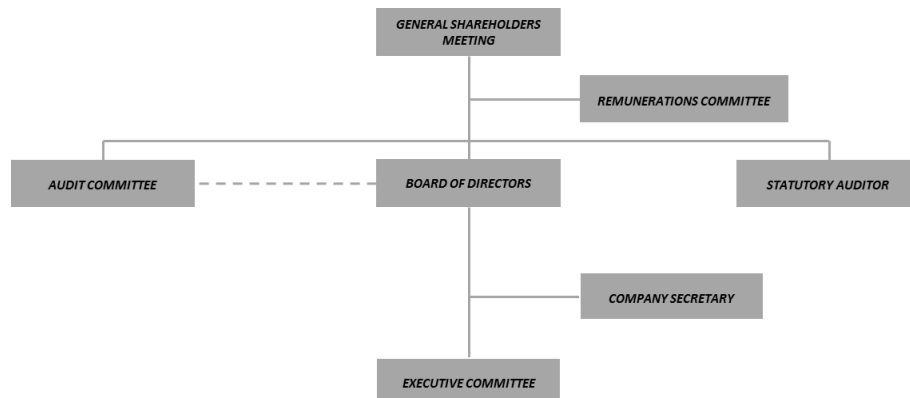
II. Management and supervision

(Board of Directors, Executive Board of Directors and General and Supervisory Board)

a) Composition

II.15. Identification of the model of governance adopted

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Meeting²⁷: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee²⁸, and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors.²⁹



II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of, where appropriate, the Board of Directors, Executive Management Board and General and Supervisory Board (art. 245 - A, paragraph 1, h).

In accordance with the legislation and the Articles of Association³⁰, the appointment and dismissal of members of the Board of Directors is the responsibility of the General Meeting, being carried out through lists of candidates selected by the nominating shareholder(s). With these lists being put to the vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors in this process. It is also the responsibility of the General Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According to the Articles of Association³¹, a minority of shareholders who voted against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

CSC rules apply³² with regard to the substitution of members of the Board of Directors, given that neither the Company's Articles of Association, nor the Board of Directors or Audit Committee Regulations have special rules on this matter. The Board of Directors of the Company will only participate in said process in the event of replacement by co-option of missing directors, as

²⁷ Cf. Article 8(2)(b) of the Articles of Association.

²⁸ Cf. Article 8(1) of the Board of Directors regulations.

²⁹ Cf. Article 3(3) of the Audit Committee regulations.

³⁰ Cf. Article 8(2)(b), and Article 14(3), both in the Articles of Association; and Article 2(1) of the , Board of Directors Regulations.

³¹ Cf. Article 14(2).

³² Cf. Article 393(3).

described below. In this case, since it is non-delegable competence of the Board of Directors. All Directors are involved in the resolution of co-option, except in the event of conflicts of interest.

The Company's Articles of Association³³ state that the unjustified absence of any director at more than half of the ordinary meetings of the Board of Directors during one financial year, whether consecutive or non-consecutive absences, equates to the permanent absence of said director. Permanent absence must be declared by the Board of Directors, and they must also substitute the director in question.

II.17. Composition of the Board of Directors, Executive Management Board and General and Supervisory Board, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

The Board of Directors, including the Audit Committee, consists of a minimum of seven and maximum of fifteen members, as determined by the General Meeting that elects said members³⁴.

Currently, The Board of Directors consists of 15 members, including a total of 12 non-executive members.

At 31 December 2013, the REN Board of Directors consisted of the following members, who have been appointed for the 2012-2014 term of office:

Name	Position	Year of first appointment	Year of ending of Term of Office
Rui Cartaxo	Chairman of the Board of Directors and the Executive Committee	2007	2014
Gonçalo Morais Soares	Executive Director	2012	2014
João Faria Conceição	Executive Director	2009	2014
Guangchao Zhu (representing State Grid international Development Limited)	Vice-Chairman	2012	2014
Mengrong Cheng	Director	2012	2014
Haibin Wan	Director	2012	2014
Hilal Al-Kharusi	Director	2012	2014
Aníbal Santos - appointed by Parública - Participações Públicas (SGPS), SA	Director	2001	2014
Filipe de Botton - appointed by EGF - Gestão e Consultoria Financeira, SA.	Director	2012	2014
Manuel Champalimaud - appointed by Gestmin, SGPS, SA.	Director	2012	2014
José Folgado Blanco	Director	2012	2014
José Luís Arnaut	Director	2012	2014
José Luís Alvim	Director/Chairman of the Audit Committee	2007	2014
José Frederico Jordão	Director/member of the Audit Committee	2007	2014
Emílio Rui Vilar	Director/member of the Audit Committee	2012	2014

In accordance with the Articles of Association³⁵, members of corporate bodies carry out their respective duties for periods of three calendar years, a period which is renewable, calculating as complete, the calendar year of appointment.

³³ Cf. Article 19(8) and (9).

³⁴ Cf. Articles 8(2)(b) and 14(1) of the Articles of Association.

³⁵ Cf. Article 27(1).

II.18. Distinction of the executive and non-executive members of the Board of Directors and, with regard to the non-executive members, identification of the members who can be considered independent, or, if applicable identification of the independent members of the General and Supervisory Board

The Board of Directors shall include a number of non-executive members ensuring effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind the voting rights and breakdown of REN capital. Therefore, on 31 December 2013 and on this date, 12 of the 15 members of the REN Board of Directors were non-executive directors.

Taking into account the assessment criteria on independence laid down in paragraph 5 of article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, and in 18.1 of Regulation 4/2013 of the Portuguese Securities Market Commission, and based on internal assessments, the Board of Directors and the Audit Committee consider the following non-executive directors to be independent:

Name	Position
José Luís Alvim	Chairman of the Audit Committee
José Frederico Jordão	Member of the Audit Committee
Emílio Rui Vilar	Member of the Audit Committee
José Luis Arnaut	Director

Furthermore, all non-executive members of the Board of Directors (in addition, naturally, to the directors that are also members of the Audit Committee) would comply, if applicable, with all incompatibility rules stipulated in paragraph 1 of article 414-A of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

Taking into account the governance model adopted, the size of the Company, its voting rights and the respective free float (of only 18.9% of capital), REN considers that the proportion of independent directors is suitable given the number of executive directors and the total number of directors.

In light of the above, REN fully complies with Securities Market recommendations II.1.6 and II.1.7, as the Board of Directors consists of an adequate number of non-executive members and, among these, independent members.

Moreover, Article 7(A) governs the special system of incompatibilities applicable to the performance of duties at any REN corporate body. The aim of this new proposal is to establish a system of incompatibilities relating to the potential conflicts of interest arising from the direct or indirect exercising of activities in the electric or natural gas sectors, either in Portugal or abroad. It should be noted that the system established in this provision would not apply to the members elected at the same General Meeting. It will only be fully applied for the election of members of future corporate bodies.

ACCUMULATION OF THE POSITIONS OF CHAIRMAN OF THE BOARD OF DIRECTORS AND CHAIRMAN OF THE EXECUTIVE COMMITTEE

Rui Cartaxo is Chairman of both the Board of Directors and the Executive Committee.

According to the Board of Directors Regulations, this corporate body established efficient mechanisms for the coordination of the work of its members having non-executive functions, in particular in order to facilitate the exercising of their right to information, as follows³⁶.

- a) Without prejudice to the exercising of powers not delegated to the Executive Committee, Company directors having a non-executive function assume a supervisory role of executive management;

³⁶ Cf. Article 11 of the Board of Directors Regulations.

- b) In order to make independent and informed decisions, the directors with non-executive functions may obtain the information they deem necessary or appropriate to perform their roles, powers and duties (in particular, information relating to the powers delegated to the Executive Committee and its performance), by requesting such information from any member of the Executive Committee, and the answer should be provided in an adequate and timely manner;

Whenever they consider it necessary or convenient, directors with non-executive duties also hold *ad hoc* meetings with the aim of analysing company management.

In addition, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion to the non-executive members of the Board of Directors and the Executive Committee's resolutions shall be always available for consultation³⁷.

Therefore, through the mechanisms described above, all the conditions are established in order for the directors with non-executive functions to discharge their functions in order to make independent and informed decisions.

II.19. Professional Qualifications and other relevant information on the résumés of each of the members of the Board of Directors, the General and Supervisory Boards and the Executive Management Board

Rui Cartaxo

Holds a degree in Economy from the Lisbon Technical University. Was executive director of Galp Energia between 2002 and 2006, and assistant to the Minister of Economy and Innovation from 2006 to 2007. Between 2007 and 2009, he was CFO of REN, and since then has been Chairman of the Board of Directors and Chairman of the Executive Committee (CEO).

Gonçalo Morais Soares

Holds a degree in Economy from the Universidade Nova de Lisboa. Also awarded an MBA at Georgetown University (Washington) and completed an Advanced Management Program at the Kellogg Business School (Chicago) and the Lisbon Catholic University. Was director at ZON TV Cabo and ZON Lusomundo Audiovisuais from 2007 to 2012. Member of the REN Board of Directors and member of the Executive Committee since 2012.

João Faria Conceição

Holds a degree in Aerospace Engineering from the Instituto Superior Técnico, and completed his Master's Degree in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and an MBA at Insead (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he was a consultant to the Minister for the Economy and Innovation. Since 2009 he has been a member of the REN Board of Directors and member of the Executive Committee.

Guangchao Zhu

Holds a degree in Relay Protection from the University of Shandong (China), and completed his Master's Degree in Electrical Systems and Automation at the same faculty. He later concluded an MBA at Baylor University (USA). Between 2007 and 2009 he was Vice-Chairman of the preparatory group for the National Grid Corporation of the Philippines, and Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of the National Grid Corporation of the Philippines. From that date until 2010, he was General Director at the Department of International Cooperation at the State Grid Corporation of China. From 2010 to 2011, he was senior executive Vice-Chairman and member of the Board of Directors of State Grid Development Limited. He is currently Chairman and CEO and member of the Board of

³⁷ Cf. Article 5 of the Executive Committee Regulations.

Directors of State Grid International Development Limited and Chairman of the Board of Directors of State Grid Brazil Holding S.A.

Mengrong Cheng

Holds a degree in English Literature from the Beijing Second Foreign Language Institute and concluded a Master's Degree in Company Management at the Tsinghua University (Beijing, China). Between 2006 and 2011, Mengrong Cheng carried out the duties of General Director of the Department of International Cooperation at the State Grid Corporation of China. Currently, she is a Member of the Chinese Expert Committee of IEC MSB; Co-Director of the Department of International Cooperation and Member of the Foreign Investment Management Committee at the State Grid Corporation of China.

Haibin Wan

Hold a degree in Automation Engineering from the University of Northeastern (China), and concluded his Master's Degree in Automation Engineering at the same faculty. He was awarded a PhD from Bath University (United Kingdom). He has been a member of the REN Board of Directors since 2012, and assistant Director-General of the European Branch of State Grid. Between 1997 and 2009, he was Chief Engineer at State Grid International Development Limited and Project Manager for Network Operations at the National Grid Company, United Kingdom.

Hilal Al-Kharusi

Holds a degree in Geo-Sciences/Economic Geography, and concluded an MBA at the Henley Management College (United Kingdom). His professional experience includes the development, implementation and management of local and international oil and gas projects. In 1991, he started his professional career at Petroleum Development Oman. In 2001, he worked in business development at Shell International in Holland, collaborating on projects in the Middle East, CIS and Africa. In 2003, he was project director for several projects in Russia and on the Caspian Sea. His collaboration with the Oman Oil Company started in 2005 where he carried out the duties of Director of the Oil Engineering Department. He then went on to become Director for Business Development, and was responsible for upstream investment management and new business opportunity development in the energy sector, with emphasis on the areas of refining and petrochemical. In 2011, he was appointed as Group Director for Business Development at the Oman Oil Company, coordinating new investment and business in the energy sector. In 2012, further to the re-structuring of the Oman Oil Company, he was appointed Vice-Chairman, responsible for emerging business and investment management. He is also a member of the Oman Oil Company executive committee.

Aníbal Santos

Holds a degree in Finance from ISCEF, and a PhD in Economy from the Portuguese Catholic University. In addition to being a member of the REN Board of Directors, he has been a member of the Directive Council at Elecpor since December 2006 and also a member of the Consultative Council at Portugal Telecom, SGPS, S.A.

Filipe de Botton

Holds a degree in Company Management from the Portuguese Catholic University. Founder of Logoplaste, becoming CEO in 1991. He is also involved in the hotel and resorts sector, as well as in the production of wine. He was elected Businessman of the Year 2004 by the International Entrepreneurship and Venture Capital Conference. He also won the award for 'Industrial Marketing Personality 2004'. He is also on the Board of Governors at the University of Évora, his a member of the Board of Directors at COTEC (Business Association for Innovation) and Chairman of the Executive Committee of CADin.

Manuel Champalimaud

Chairman of the Board of Directors of Gestmin SGPS, SA., Chairman of the Board of Directors of Sogestão – Administração e Gerência, SA., Deputy Manager of Sogolfe – Empreendimentos

Turísticos, Sociedade Unipessoal, Lda., Deputy Manager of Agrícola São Barão – Unipessoal, Lda., Manager of Da Praia – Promoção Imobiliária, Lda., member of the Board of Directors of Winreason, SA.

José Folgado Blanco

Holds a degree and a PhD in Economy awarded by Autonomous University of Madrid. Currently Professor of Public Finance and tax Systems at the Autonomous University of Madrid, Consultant to the Board of Governors at the Autonomous University of Madrid and Chairman of the Board of Directors of Red Eléctrica Corporación, SA. He has been Director of the Department of the Economy at CEOE, Member of the Economic and Social Council, as representative of the Spanish Confederation of Corporate Organizations and was Secretary of State for the Budget. He performed duties at the Ministry of Finances and the Ministry of the Economy, he was Secretary of State for the Economy, Energy, and Small and Medium Enterprises, Member of Parliament for the Province of Zamora in the Congress of Members and Vice-President of the Tax Office. He was also the Mayor of Tres Cantos (Madrid).

José Luís Arnaut

Graduated in Law from the Lisbon Lusíada University and in 1999 was awarded the D.E.S.S. (Diploma of Higher Specialized Studies) from the Robert Schuman University, in Strasbourg He has specialized as a lawyer working mainly in Intellectual Property Law, with special focus on Patent Law, Trade Marks, Dominion Names, New Technologies and Competition Law. Since 1992, he has been a European Patent Attorney at the European Patent Office (Munich) and since 1996, European Trade Mark Attorney at the European Union Office for Harmonization in the Internal Market (Alicante) and Official Industrial Property Agent at the I.N.P.I., National Industrial Property Institute. He first started working as a lawyer in 1989 at the practice of Pena, Machete & Associates. He was a founding Partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner. He is a member of the REN Board of Directors; member of the Goldman Sachs Advisory Board; member of the AON Advisory Board; member of the BOGARIS, S.A. Portuguese Consultancy Board; a member of the MOP, SA. Board of Directors; Chairman of the LIDE Law and Justice Sub-committee and since December 2011, Chairman of the General Meeting of the Portuguese Football Federation. In 1999, he was elected general secretary of the Social Democratic Party, led by José Manuel Durão Barroso and became a member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defence Committee. He was Deputy Prime Minister to the Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government. He was Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government. He was Commissioner for LISBOA 94 - European Capital of Culture, representing the government, having been appointed in November 1993. In 1995, he was awarded the "Commend of Great Officer of Henry the Navigator Order" by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross of the National Order of the Southern Cross by the President of the Republic of Brazil; in 2005, he was conferred with the Grand Cross of Henry the Navigator Order, by the President of the Portuguese Republic. In 2006, he was bestowed with the insignia of "Chevalier de la Legion d'Honneur" by the President of the French Republic and conferred with the Grand Cross of the Order of Merit by the President of the Lithuanian Republic.

José Luís Alvim

Holds a degree in Economics from the Faculty of Economy at Porto University. Has held the position of Manager in the company JLALVIM – Consultoria Estratégica e Formação Avançada, Lda. since 2011. Was (non-executive) Chairman of the Board of Directors of Microprocessador – Sistemas Digitais, SA. between 2008 and May 2012 and (non-executive) Director of Microprocessador – Sistemas Digitais, SA. between May and October 2012 and (non-executive) Director of CUF SGPS between 2007 and December 2012. Professor at the Porto Business School.

José Frederico Jordão

He holds a degree in Finance from the Instituto Superior de Ciências Económicas e Financeiras. Was member of the Board of Directors of RAR (Holding) and Chairman of the Board of Directors of Iberholding, RAR Imobiliária, RAR Genève and RAR London. Has worked in the CUF Group, Shell, Mobil and Dow Chemical. Member of the REN Board of Directors and member of the Audit Committee since 2007.

Emílio Rui Vilar

Graduated in Law from the University of Coimbra and was awarded an honorary doctorate by the University of Lisbon. Chairman of the Bank of Portugal Audit Committee (since 1996), non-executive director of the Calouste Gulbenkian Foundation and the Partex Oil and Gas (Holdings) Corporation. He is also a consultant lawyer at PLMJ – Law Firm (since 2012). He was Chairman of the Calouste Gulbenkian Foundation Board of Directors from 2002 to 2012, and has been a director since 1996. Chairman of the Partex Oil and Gas (Holdings) Corporation from 2002 to 2012. He was President of the European Foundation Centre (EFC), from 2008 to 2011, and also presided over the Portuguese Foundation Centre between 2006 and 2012. He was founder and President of the General Council of the Portuguese Institute of Corporate Governance from 2007 to 2010.

The professional address of each of the abovementioned members of the Board of Directors is that of the REN registered office, located at Avenida Estados Unidos da América, n.º 55, Alvalade, Lisbon.

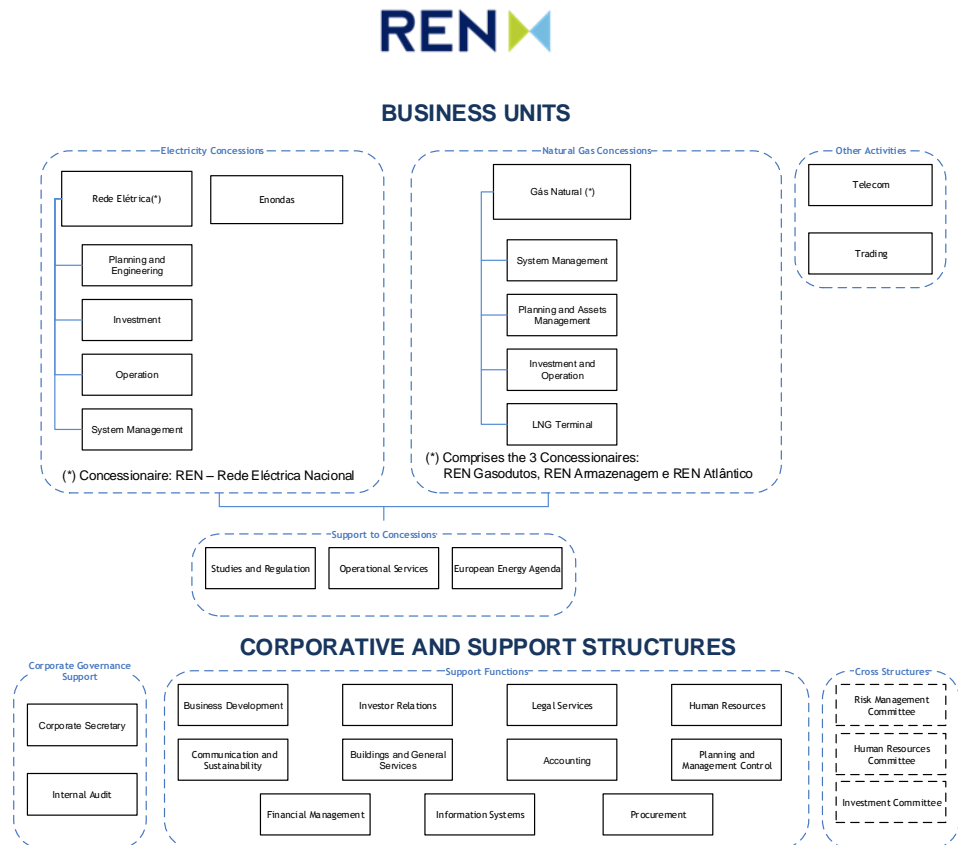
II.20. Common and significant family, professional and commercial relationships of the members of the Board of Directors, the General and Supervisory Boards and the Executive Management Board

Director	Owner of qualified holdings	Breakdown
Rui Cartaxo	Red Eléctrica Corporación, S.A.	Non-Executive Director
Gonçalo Morais Soares	-	-
João Faria Conceição	-	-
Guangchao Zhu (representing State Grid international Development Limited)	State Grid of China	Chairman of the Board of Directors of companies in the State Grid Group (see II.19 and 26)
Mengrong Cheng	State Grid of China	Co-Director of the International Cooperation Department and Member of the Management Committee for Foreign Investment
Haibin Wan	State Grid of China	Assistant General Director of the European State Grid Body
Hilal Al-Kharusi	Oman Oil	Management duties at several companies in the Oman Oil Group (see II.19 and 26)
Aníbal Santos - appointed by Parpública - Participações Públicas (SGPS), SA	-	-
Filipe de Botton - appointed by EGF - Gestão e Consultoria Financeira, SA.	EGF, Gestão e Consultoria Financeira, SA	Chairman of the Board of Directors of this company and management duties at other companies in the EGF Group (see II.19 and 26)
Manuel Champalimaud - appointed by Gestmin, SGPS, SA.	Gestmin, SGPS, SA	Chairman of the Board of Directors of Gestmin, SGPS, SA and management duties at other companies in the Gestmin Group (see II.26)
José Folgado Blanco	Red Eléctrica Corporación, SA	Chairman of the Board of Directors of this company
José Luís Arnaut	-	-
José Luís Alvim	-	-
José Frederico Jordão	-	-
Emílio Rui Vilar	-	-

II.21. Flowcharts or functional maps on the breakdown of competences among the different corporate bodies, committees and/or departments of the Company, including information on delegation of competences, particularly with regard to delegation of the day-to-day management of the Company

As can be seen in the flowchart in II.15, REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Meeting³⁸: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee³⁹, and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors. The General Meeting also elects a Remunerations Committee.

In order to better understand the division of competencies amongst the various corporate bodies, the organisation chart below outlines REN's business units.



³⁸ Cf. Article 8(2)(b) of the Articles of Association.

³⁹ Cf. Article 8(1) of the Board of Directors regulations.

GENERAL MEETING

The General Meeting is a corporate body comprising all the Company shareholders, and its responsibilities are namely:

- a) appraise the Board of Director's report, discuss and vote on the balance sheet, accounts and opinions of the Audit Committee and statutory auditor and decide on the appropriation of profits for the year;
- b) elect the officers of the General Meeting, the directors and the statutory auditor;
- c) deliberate on any amendments to the Articles of Association;
- d) deliberate on the remuneration of the members of the corporate bodies, with the power to appoint a remunerations committee; and
- e) deliberate on any other matter falling within its power and for which it has been summoned.

THE BOARD OF DIRECTORS

Pursuant to CSC and REN's Articles of Association, the Board of Directors is attributed with competences e powers.⁴⁰ Among these, of special note are:

- a) Define the Company's goals and management policies;
- b) Draw up the annual financial and business plans;
- c) manage business and carry out all actions and operations relating to the corporate object which do not fall within the competences attributed to other Company bodies;
- d) represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements;
- e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;
- f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;
- g) Submit proposals to the General Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;
- h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its personnel and the corresponding remuneration;
- i) Perform any other functions granted by law or by the General Meeting.

In accordance with the Board of Directors regulations, approved on 27 March 2012⁴¹, matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Meetings, approval of the annual report and accounts to be submitted to the General Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects;.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company's fixed assets is subject to prior approval from the General Meeting⁴².

⁴⁰ Cf. Article 15(1) of the Articles of Association.

⁴¹ Cf. Article (3) and 3(5).

⁴² Cf. Article 15(2) of the Articles of Association.

EXECUTIVE COMMITTEE

On March 27, 2012, powers for the day-to-day management of the Company were delegated to the Executive Committee, which include the following competences, to be exercised under the terms and within the limits stipulated every year in the operating budget and strategic plan submitted by the Executive Committee and approved by Board of Directors:

- a) Manage normal company business and conduct all matters covered by the company's object which are not the exclusive competence of the Board of Directors;
- b) Approve the disposal of assets and the investment to be made by the Company and its subsidiaries, the individual or joint value of which is equal to or less than €15 000 000 or approved in the annual budget and value of which is equal to or less than €25 000 000;
- c) Constitute companies and acquire, pledge and dispose of holdings when it relates to companies which are a vehicle to realize specific investments with a value of not more than €7 500 000 or which are already approved in the annual budget;
- d) Indicate the people to appoint to the corporate bodies of the two operators of the transmission networks and the investment vehicle companies referred to in the previous point;
- e) Implement the Company's functional and administrative organization, its internal rules, including those governing human resources and their remuneration, as well as its internal control systems and procedures;
- f) Prepare and implement the annual budget, the business plan and medium and long-term development plans;
- g) Negotiate, sign, amend and terminate any agreements of a sum equal to or less than €5 000 000 and short-term financing contracts (i.e. with maturity equal to or less than three years);
- h) Lease or let any property or parts thereof;
- i) Coordinate the activity of the companies in a control relationship with REN, being also allowed, with regard to the companies in relationships of total control, to issue binding instructions, under the terms legally permitted;
- j) Deliberate to provide technical or financial support to subsidiary companies;
- k) Represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements
- l) Open, use and close bank accounts;
- m) Appoint attorneys with the powers deemed convenient.

The delegation of powers to the Executive Committee does not, however, exclude the power of the Board of Directors to pass resolutions on delegated matters.

Moreover, in accordance with the Board of Directors Regulations approved on 27 March 2012⁴³, the following matters cannot be delegated to the Executive Committee:

- a) Matters which cannot be legally delegated include the co-option of directors, requests to convene General Meetings, approval of the annual report and accounts to be submitted to the General Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects;

⁴³ Cf. article 3(3) and (5).

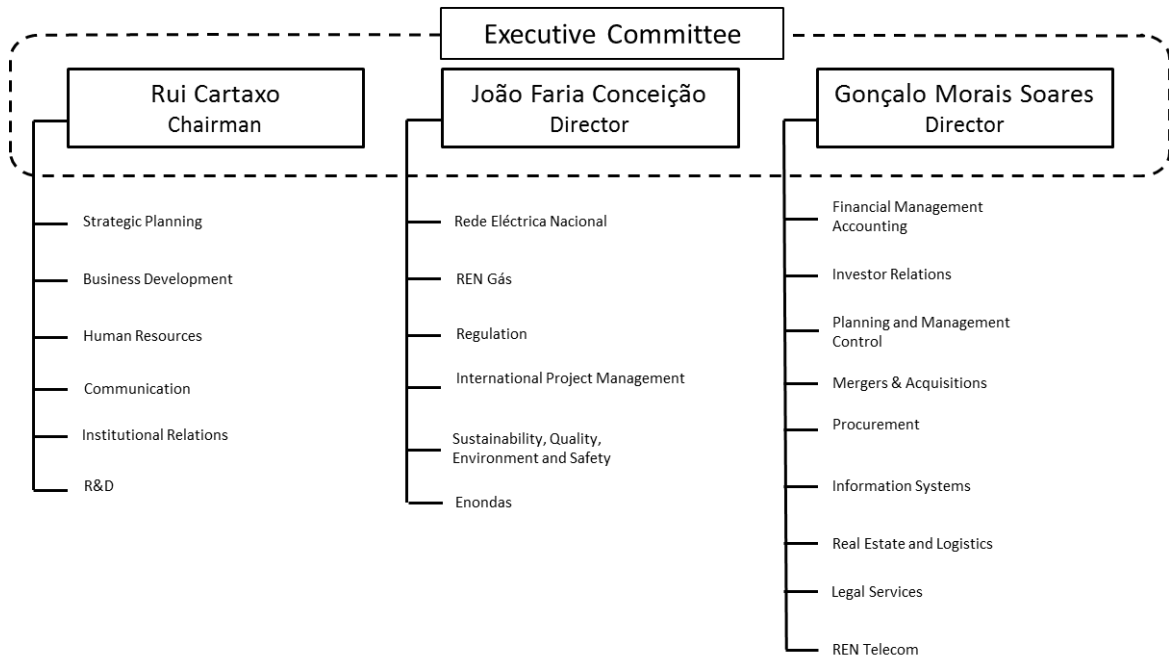
- b) Definition of the REN Group general strategy and policy, the corporate structure and the management aims and policies;
- c) Approval of the annual budget, the business plan and other long-term development plans;
- d) Contracting of debt on the national or international financial markets, without prejudice to that stipulated in delegation of powers above;
- e) Proposal to the General Meeting to acquire or dispose of own securities;
- f) Approval of internal control systems, risk management systems and internal audit systems;
- g) Appointment of the Company Secretary and respective substitute;
- h) Designation of the REN representative at the General Meetings of subsidiaries;
- i) Indication of those to be designated by REN to form the lists of corporate bodies to be elected at subsidiaries, with the exception of the corporate bodies of the two operators of the transmission networks and the vehicle companies referred to in the point I. below.
- j) Appointment of the REN Chief Technical Officer, through a proposal from the Executive Committee;
- k) Approval of disposal of assets and/or investment rights and the constitution of encumbrances to be made by REN and/or by its subsidiaries, the value of which is greater than €15 000 000, except if already included in the Company's annual budget and the respective individual or joint value does not exceed €25 000 000;
- l) Constitution of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings, except in cases in which those companies are, or the holdings refer to companies which are a vehicle for realizing specific investment with an individual or joint value which does not exceed €7 500 000 or which have been approved in the annual budget;
- m) Intervention of the Company or any of its subsidiaries in activities which are not part of their main activities;
- n) Participation by REN or any of its subsidiaries in joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;
- o) Enter into transactions with related parties the value of which exceeds €500 000 000 or which, regardless of the value, may be considered as not having been executed based on market conditions;
- p) All other resolutions on strategic matters, particularly with regard to strategic agreements, their risk or special characteristics.

The responsibilities of the Chairman of the Executive Committee include especially:

- a) Coordinate the activity of the Executive Committee;
- b) Convene and direct Executive Committee meetings and exercise the casting vote;
- c) Ensure that all information is provided to other members of the Board of Directors on the activity and resolutions of the Executive Committee;
- d) Ensure compliance with the limits of delegation and the Company strategy.

DISTRIBUTION OF RESPONSIBILITIES IN THE BOARD OF DIRECTORS

With a view to optimizing management efficiency, the members of the Executive Committee distribute among themselves the responsibility for the direct monitoring of specific performance areas of the Company, under the terms evidenced in the following chart:



AUDIT COMMITTEE AND STATUTORY AUDITOR

The Audit Committee and the Statutory Auditor are the the Company's supervisory bodies, and their main competences are set out in III.38.

THE REMUNERATIONS COMMITTEE

The Remunerations Committee is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of the management and supervisory bodies.

Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

b) Operation

II.22. Existence and place where the operating regulations can be found for the Board of Directors, the General and Supervisory Boards and the Executive Management Board

The Board of Directors Regulations and the Executive Committee Regulations are available on the REN website⁴⁴ in Portuguese and English.

⁴⁴ www.ren.pt

II.23. Number of meetings held and attendance by each member of the Board of Directors, the General and Supervisory Boards and the Executive Management Board

The Board of Directors

The meetings of the Board of Directors are convened and presided over by the respective Chairman. It is the responsibility of the Board of Directors to determine the frequency of their ordinary meetings. However, bimonthly meetings are obligatory. As such, the Board of Directors meets on an ordinary basis at least bimonthly, on dates to be determined every year by members, except during the 18 initial months of its terms of office, during which time the meetings shall be monthly⁴⁵.

Moreover, the Board of Directors is required to meet on an extraordinary basis whenever convened by the Chairman, two directors or at the request of the Statutory Auditor⁴⁶.

During 2013, the Board of Directors held 12 meetings. For each meeting the respective minutes were drawn up.

The following table shows the number of meetings of the REN Board of Directors at which directors were present or duly represented.

ATTENDANCE OF MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS

Name	Attendance
Rui Cartaxo	12
Gonçalo Morais Soares	12
João Faria Conceição	12
Guangchao Zhu (representing State Grid international Development Limited)	12
Mengrong Cheng	12
Haibin Wan	12
Hilal Al-Kharusi	12
Aníbal Santos - appointed by Parpública - Participações Públicas (SGPS), SA	12
Filipe de Botton - appointed by EGF - Gestão e Consultoria Financeira, SA.	11
Manuel Champalimaud - appointed by Gestmin, SGPS, SA.	12
José Folgado Blanco	12
José Luís Arnaut	12
José Luís Alvim	12
José Frederico Jordão	12
Emílio Rui Vilar	12

EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and presided over by the respective Chairman and are held, as a rule, once a week⁴⁷.

In 2013, the Executive Committee held 42 meetings, for which the respective minutes were drawn up.

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors) sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, as well as the respective convening notices, when applicable. Moreover,

⁴⁵ Cf. Article 19(1) of the Articles of Association and Article 4(1) and (3) of the Board of Directors Regulations.

⁴⁶ Cf. Article 19(1) of the Articles of Association.

⁴⁷ Cf. Article 1(2) of the Audit Committee regulations.

whenever requested by members of the other corporate bodies, the Executive Committee provides timely and appropriate information⁴⁸.

ATTENDANCE OF MEMBERS OF THE EXECUTIVE COMMITTEE AT MEETINGS

Name	Attendance
Rui Cartaxo	42
Gonçalo Morais Soares	41
João Faria Conceição	41

II.24 Indication of the competent corporate bodies to conduct the performance assessment of executive directors

The assessment of the performance of the Executive Committee members is conducted by the 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 just by a number of directors. Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

Performance assessment of members of the Executive Committee is carried out by the Remunerations Committee, with the support of the Company's non-executive directors. Of note is the role played by the Audit Committee in the verification of the quantitative elements of the assessment.

II.25. Predetermined criteria for the performance assessment of executive directors

The annual performance assessment of executive directors will be based on predetermined criteria, under the terms outlined in D.III.71 infra.

II.26. Duties of each member of the Board of Directors, Executive Management Board and General and Supervisory Board, indicating roles carried out concurrently with other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

Shown here are the duties carried out on administrative, management or supervisory bodies by members of REN's Supervisory Board and Audit Commission:

Director	Duties carried out on management or supervisory bodies
Rui Cartaxo	Chairman of the REN Rede Eléctrica Nacional, SA. Board of Directors. Chairman of the REN - Gasodutos, SA Board of Directors. Chairman of the REN Atlântico – Terminal de GNL, SA Board of Directors. Chairman of the REN - Armazenagem, SA Board of Directors. Chairman of the REN Serviços, SA Board of Directors. Chairman of the REN Telecom – Comunicações, SA Board of Directors. Chairman of the ENONDAS, Energia das Ondas, SA Board of Directors. Chairman of the REN Gás, SA Board of Directors. Non-executive Director of Red Electrica Corporación, SA.
Director	Duties carried out on management or supervisory bodies

⁴⁸ Cf. Article 5 of the Executive Committee Regulations.

Gonçalo Morais Soares	<p>Member of the REN - Rede Eléctrica Nacional, SA Board of Directors.</p> <p>Member of the REN Gasodutos, SA Board of Directors.</p> <p>Member of the REN Atlântico – Terminal de GNL, SA.. Board of Directors.</p> <p>Member of the REN - Armazenagem, SA Board of Directors.</p> <p>Member of the REN Serviços, SA Board of Directors.</p> <p>Member of the REN Telecom – Comunicações, SA Board of Directors.</p> <p>Member of the ENONDAS, Energia das Ondas, SA Board of Directors.</p> <p>Member of the REN Gás, SA Board of Directors.</p> <p>Chairman of the REN Finance BV Board of Directors.</p>
João Faria Conceição	<p>Member of the REN - Rede Eléctrica Nacional, SA Board of Directors.</p> <p>Member of the REN Gasodutos, SA Board of Directors.</p> <p>Member of the REN Atlântico – Terminal de GNL, SA.. Board of Directors.</p> <p>Member of the REN - Armazenagem, SA Board of Directors.</p> <p>Member of the REN Serviços, SA Board of Directors.</p> <p>Member of the REN RENTELECOM – Comunicações, SA Board of Directors.</p> <p>Member of the ENONDAS, Energia das Ondas, SA Board of Directors.</p> <p>Member of the REN Gás, SA Board of Directors.</p>

DUTIES OF EXECUTIVE DIRECTORS

As a result of the framework above, the executive directors of REN solely carry out duties on governing bodies of companies that are, either directly or indirectly, subsidiaries or partly owned by REN. Thus, they are completely dedicated to carrying out their role, seeking at all times to develop the business and advance the interests of the company and the Group to its full potential.

Moreover, it should be noted that, upon their appointment, the directors declared their full dedication to carrying out their role and realising the objectives laid out, and have proven this through their attendance at Board of Directors and Executive commission meetings and through their work carried out within REN.

DUTIES OF NON-INDEPENDENT NON-EXECUTIVE DIRECTORS⁴⁹

Director	Duties carried out on management or supervisory bodies
Guangchao Zhu	<p>Chairman of the Board of Directors and CEO of the Sate Grid International Development Limited</p> <p>Chairman of the State Grid Brazil Holding SA Board of Directors.</p>
Mengrong Cheng	<p>Member of the Chinese Expert Committee of IEC MSB</p> <p>Co-Director of the Department of International Cooperation at the State Grid Corporation of China.</p> <p>Member of the Foreign Investment Management Committee at the State Grid Corporation of China.</p>
Haibin Wan	<p>Assistant General Director of the European State Grid Body</p>
Hilal Al-Kharusi	<p>Chairman of Oman Rolling Mill Company</p> <p>Chairman of Takamul Investment Company</p> <p>Chairman of Oman Tank Terminal Company;</p>

⁴⁹ None of the companies identified belong to the REN Group.

Director	Duties carried out on management or supervisory bodies
	Chairman of Oman Gas Company. Member of the Board of Directors of Dugm Refining and Petrochemical Industries Company LLC. Member of the Oman Trading International Board of Directors.
Aníbal Santos	Does not carry out any duties of director/inspection at other companies beyond his duties at REN
Filipe de Botton	Chairman of the EGF – Gestão e Consultoria Financeira, SA Board of Directors. Chairman of the LOGOINVESTE, SGPS, SA Board of Directors. Member of the NORFIN – Sociedade Gestora de Fundos de Investimento Imobiliário, SA Board of Directors. Manager of Investfin – Assesores Financeiros, Lda. Manager of Logovinha – Sociedade Agrícola, Lda. Manager of Logoteis – Consultoria e Gestão, Lda.
Manuel Champalimaud	Chairman of the Gestmin, SGPS, SA Board of Directors. Delegated Manager of Agrícola São Barão, Unipessoal, Lda. Manager of Da Praia – Promoção Imobiliária, Lda. Chairman of the Sogestão – Administração e Gerência, SA Board of Directors. Delegated Manager of Sogolfe – Empreendimentos Turísticos, Sociedade Unipessoal, Lda. Prodimed, S.A. Board Member Winreason, S.A. Board Member
José Folgado Blanco	Chairman of the REN Rede Eléctrica Corporación, SA Board of Directors.

Upon their appointment, the non-executive directors named above declared themselves to have the necessary dedication to carry out their role and to realise the objectives laid out. This dedication has been proven through their attendance at Board of Directors meetings and through their work carried out within REN.

DUTIES OF INDEPENDENT NON-EXECUTIVE DIRECTORS⁵⁰

Director	Duties carried out on management or supervisory bodies
José Luís Arnaut⁵¹	Member of the MOP, SA Board of Directors. Chairman of the General Assembly of the Portuguese Football Federation.
José Luís Alvim	Manager of Sociedade J. L. Alvim – Consultoria Estratégica e Formação Avançada, Lda.
José Frederico Jordão	Does not carry out any duties of director/inspection at other companies beyond his duties at REN
Emílio Rui Vilar	Chairman of the Bank of Portugal Audit Committee (since 1996) Member (non-executive) of the Board of Directors of the Calouste Gulbenkian Foundation Member (non-executive) of the Board of Directors of Partex Oil and Gas (Holdings) Corporation

Upon their appointment, the non-executive directors and members of the Audit Commission (where applicable) named declared themselves to have the necessary dedicated to carry out their role and to realise the objectives laid out. This dedication has been proven through their

⁵⁰ None of the companies identified belong to the REN Group.

⁵¹ José Luis Arnaut was appointed to the international advisory board of Goldman Sachs in January 2014.

attendance at meetings of the supervisory and consulting committees and through their work carried out within REN.

II.27. Identification of committees set up within, where appropriate, the Board of Directors, the General and Supervisory Boards and the Executive Management Board, and place where the operating regulations may be found

The REN Board of Directors does not see as suitable to its specificities nor necessary, the 'formal setting up' of specialist committees with Competences in performance assessment and corporate governance, or otherwise, particularly due to: (i) the composition of the management body, with only three executive members in a total of fifteen members; (ii) the model of corporate governance implemented, integrating an Audit Committee within the Board of Directors composed exclusively of independent members; and (iii) the company's shareholder structure, with the presence of several shareholders with knowledge of the sector and with the vocation of strategic partners. Furthermore, it has been our position that the setting up of specialist committees is not justified, bearing in mind the supervisory activity carried out by the Audit Committee and the non-executive members of the Board of Directors.

In 2013, Company Non-Executive Directors monitored issues relating to: (i) the model and principles of Company governance; (ii) the assessment of the overall performance of the Board of Directors and the analysis of the appropriate profile to perform the functions of a REN director; as well as (iii) the assessment of the performance of the Executive Directors, supporting the Board of Directors and the Remuneration Committee in the exercising of their duties.

Likewise, Non-Executive Directors monitor the global performance of the Board of Directors and analyse the functioning of the corporate governance system.

Moreover, as referred to above⁵², executive directors shared among themselves the responsibility and the monitoring of specific areas of operation.

II.28. Composition, if applicable, of the Executive Committee and/or identification of delegated directors

At 31 December 2013, the Executive Committee consisted of the members indicated in II.17.

II.29. Indication of the competencies of each committee set up and summary of the activities undertaken whilst carrying out these competencies

As stated in II.27, specialist committees were not set up within REN's Board of Directors with competencies in performance assessment and corporate governance, or otherwise.

With regard to the Executive Committee, see II.21.

⁵² Cf. II.21.

III. Supervision

(Supervisory Board, Audit Committee or General and Supervisory Board)

a) Composition

III.30. Identification of the supervisory bodies (Supervisory Board, Audit Committee or General and Supervisory Board), corresponding to the adopted model

As stated above⁵³, REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor, with the Audit Commission being made up solely of independent and non-executive directors⁵⁴ possessing the necessary competencies to carry out their functions.

III.31. Composition of, where appropriate, the Supervisory Board, Audit Committee or General and Supervisory Board or the Financial Matters Committee, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

At December 31st 2013, the Audit Committee consists of three members as identified in II.17, as structure which has proven adequate for carrying out their functions, taking into account the Company's size and business and the complexity of the associated risks.

REN's Articles of Association do not stipulate a minimum or maximum number of Audit Commission members.

As regards the remaining appropriate information, please refer to the information included in point II.17.

III.32. Identification, where appropriate, of the members of the Supervisory Board, Audit Committee or General and Supervisory Board or the Financial Matters Committee considered to be independent, in accordance with Article 414(5) of the Portuguese Companies Code

See II.18. above.

III.33. Professional Qualifications and other relevant information on the résumés of each of the members of the Supervisory Board, Audit Committee or General and Supervisory Board or the Financial Matters Committee

See II.19. above.

b) Operation

III.34. Existence and place where the operating regulations can be consulted for the Supervisory Board, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee regulations can be consulted on the official REN website⁵⁵ in Portuguese and English.

⁵³ See II.15. above.

⁵⁴ Cf. Article 3(3) of the Audit Committee regulations.

⁵⁵ www.ren.pt

III.35. Number of meetings and attendance for each member of the Supervisory Board, the Audit Committee, General and Supervisory Boards and the Financial Matters Committee

Audit Committee meetings are convened and presided over by the respective Chairman and are held monthly. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or by the remaining two members⁵⁶.

In 2013, the Audit Committee held 14 meetings, for which the respective minutes were drawn up.

ATTENDANCE OF MEMBERS OF THE AUDIT COMMITTEE AT MEETINGS

Name	Attendance
José Luís Alvim	14
José Frederico Jordão	14
Emílio Rui Vilar	14

III.36. Duties of each member of the Audit Committee, General and Supervisory Boards and the Financial Matters Committee, indicating roles carried out concurrently with other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

With regard to this matter, see II.26.

c) Competences and duties

III.37. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of contracting additional services from the external auditor

In accordance with Audit Committee regulations⁵⁷, the Company is granted prior approval for the contracting of different audit services from the external auditor or from any entity with a participating interest with said auditor or which is part of the same network (see also point V.46.)

In 2013 the Audit Committee granted prior approval to the contracting of different audit services from the external auditor or from the entities referred to above on the part of REN or companies in a group or controlling relationship.

III.38. Other functions of the supervisory bodies and, where applicable, the Financial Matters Committee

The Audit Committee is, alongside the Statutory Auditor, a supervisory body, consisting of non-executive directors. It is, therefore, an integral body of the Board of Directors, whilst consisting exclusively of independent members.

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The dual capacity of its members, as members of both the supervisory body and the management body, renders the control process even more transparent, notably due to the special access afforded to the members of the Audit Committee to information and decision-making processes.

⁵⁶ Cf. Article 8(1) and (2) of the Audit Committee Regulations.

⁵⁷ Cfr. Article 6(3) (I).

The Audit Committee, as a supervisory body, has the powers and the duties stipulated by law and in the REN Articles of Association, therefore being particularly responsible for⁵⁸:

- a) Supervising the management of the Company and compliance with the law, the Articles of Association and principles of governance;
- b) Drawing up an annual report on their supervisory action and issue an opinion on the report, accounts and proposal to distribute profits presented by management;
- c) Supervising the effectiveness of the risk management, internal control and internal audit systems;
- d) Verifying the accuracy of books, accounting records and documents they use as support;
- e) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;
- f) Verifying if the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;
- g) Verifying the accuracy of the accounting documents prepared by the Board of Directors and overseeing the respective review;
- h) Supervising the preparation and disclosure of financial information;
- i) Receiving whistle blowing communications submitted by shareholders, company employees or third parties;
- j) Proposing to the General Meeting the appointment of the Statutory Auditor (being therefore responsible for proposing the External Auditor and the respective remuneration);
- k) Inspecting the independence of the Statutory Auditor, more specifically with regard to the provision of additional services;
- l) Inspecting the review of accounts in accounting documentation;
- m) Contracting the services of experts who will assist one or several of its members in exercising their duties;
- n) Convening the General Meeting whenever the Chairman of the Board of the General Meeting fails to do so, despite this obligation.

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints), further submitting an opinion on the management report of the Board of Directors, the financial statements, as well as on the Corporate Governance Report, which are available together with the accounting documents on the REN website⁵⁹ and which remain available for five years.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditor and external auditor, representing it in relation to the Statutory Auditor and seeking to ensure that, within the Company, suitable conditions are provided for them to carry out their work.

The Audit Committee is responsible for regularly monitoring the activities of the external auditors and the Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the external auditors or the Statutory Auditor⁶⁰.

⁵⁸ Cf. Article 6 of the Audit Committee Regulations.

⁵⁹ www.ren.pt

⁶⁰ Cf. Article 6(3)(j) of the Audit Committee Regulations.

REN has adopted a corporate governance model based on an Anglo-Saxon model and the supervisory body consists of non-executive directors who are on the Board of Directors, so in addition to the competences referred to above, the Audit Committee, acting as supervisory body, also has the general competences of the non-executive directors.

In turn, in accordance with the CSC⁶¹, the Statutory Auditor is responsible for the examination and verification required for the review and legal certification of the accounts. He is also responsible for verifying the correctness of books, accounting records and documents used as support, the accuracy of documents providing accounting information and if the accounting policies and valuation criteria adopted by REN lead to a correct evaluation of its property and results.

The external auditor and the Statutory Auditor also verify the implementation of the remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms and are obliged to report any significant deficiencies to the Company's Audit Committee. The Statutory Auditor also verifies the Corporate Governance Report, under the legally applicable terms.

IV. Statutory Auditor

IV.39. Identification of the Statutory Auditor and the auditor partner representing the Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the auditors Deloitte & Associados, SROC, SA, registered with the Portuguese Institute of Statutory Auditors under No 43 and registered at CMVM under number 231, represented by Jorge Carlos Batalha Duarte Catulo (C.A. no. 992), who also carries out the duties of external auditor.

The substitute Statutory Auditor of the Company is Carlos Luís Oliveira de Melo Loureiro, a Chartered Accountant registered with the Portuguese Institute of Statutory Auditors under No 572.

IV.40. Indication of the number of years which the Statutory Auditor has consecutively carried out duties for the Company and/or group

The REN Statutory Auditor (Deloitte & Associados, SROC SA) was initially contracted to carry out these duties in 2009.

IV.41. Description of other services provided by the Statutory Auditor to the Company

In addition to services as Statutory Auditor detailed in III.38., the services referred to in V.46 were also provided.

V. External Auditor

V.42. Identification of the external auditor for the purposes of Article 8 and of the respective Statutory Auditor representing them in the carrying out of these duties, along with the relevant CMVM registration number

REN's external auditor, as with the Statutory Auditor, is Deloitte & Associados, SROC,S.A., registered with the Portuguese Institute of Statutory Auditors under No 43 and registered at CMVM under number 231, represented by Jorge Carlos Batalha Duarte Catulo (C.A. no. 992)

V.43. Indication of the number of years which the external auditor and respective Statutory Auditor have carried out duties for the Company and/or group

REN's external auditor (Deloitte & Associados, SROC SA), and the respective partner, were initially hired to carry out these duties in 2009.

⁶¹ Cf. Article 420.

V.44. Rotation frequency and policy for the external auditor and respective Statutory Auditor representing them in the carrying out of these duties

REN's external auditor (Deloitte & Associados, SROC S.A.) was initially hired to carry out these duties in 2009. Therefore, the period corresponding to three terms in office is still in effect. When this period is over, the Company shall rotate this work in accordance with CMVM Recommendation IV.3.

Moreover, in accordance with Audit Committee regulations⁶², the aforementioned body must issue a duly justified opinion regarding possible renewals of the contract of the external auditor for a fourth term-of-office which must weigh the conditions for the external auditor's independence and the advantages and costs of a replacement.

V.45. Indication of the body responsible for assessing the external auditor and frequency with which this assessment is undertaken

The Audit Committee is responsible for undertaking an annual assessment of the external auditor and has the power to propose the dismissal of the external auditor to the General Meeting if there are grounds to do so and to propose the respective remuneration.

The Audit Committee is responsible for regularly monitoring the activities of the external auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the external auditor.

The Audit Committee is also responsible for overseeing the independence of the external auditor and issuing prior approval of the contracting of different audit services from the external auditor or from any entity with a participating interest with the said external auditor or which is part of the same network.

In 2013, the Audit Committee carried out its evaluation of the service provided to the Company by the external auditor. Consequently, the Audit Committee considers that the external auditor has provided its services in a positive way and has complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with extreme technical accuracy.

V.46. Identification of non-audit services provided by the external auditor to the Company and/or companies in a controlling relationship, as well as an indication of internal procedures for the approval of contracting these services and an indication of the reasons for their contracting

Non-audit services provided to REN by the external auditor/Statutory Auditor consisted of translation, tax consultancy and operational services.

Within the compliance with the independence rules established in relation to the External Auditor/Statutory Auditor, REN's Audit Committee accompanied, in 2013, the provision of non-audit services by Deloitte & Associados, SROC, SA, in order to ensure that situations of conflicts of interest would not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of Deloitte in terms of auditing, as well its complementarity regarding audit services, would justify such approval, based on the associated cost control.

REN considers that it fully complies with CMVM Recommendation IV.2., as the services other than audit services do not extend beyond the limit of 30%, given that 76% of the total services provided by the External Auditor are services consisting of the legal review of accounts, as well as audit related services.

⁶² Cf. Article 6(3) and (2) of the Audit Committee regulations.

V.47. Indication of the annual amount of remuneration paid by the Company and/or by companies in a group or controlling relationship to the auditor or to other companies or individuals belonging to the same network and breakdown of the percentages allocated to the respective services below (for the purposes of this information, the concept of a network is that arising from the EU Recommendation C(2002) 1873 of 16 May.)

	Company ⁶³ (REN SGPS)	Other ⁶⁴ companies	Total	
Audit and legal review of accounts	32 858	242 742	275 600	54.6%
Other services of reliability guarantee	78 000	28 080	106 080	21%
Tax consultancy services	-	17 248	17 248	3.4%
	<u>110 858</u>	<u>288 070</u>	<u>398 928</u>	
Other services	<u>13 000</u>	<u>92 900</u>	<u>105 900</u>	
	13 000	92 900	105 900	21%
			<u>504 828</u>	

6.1.3 INTERNAL ORGANIZATION

I. Articles of Association

I.48. Rules applicable to changes to the Company's Articles of Association (Art. 245(A)(1)(h))

Changes to the Articles of Association are subject to the relevant rules as stipulated by law⁶⁵ and in the Articles of Association themselves⁶⁶. See note in point I.14.

II. Whistleblowing Policy

II.49. Whistleblowing Policy and Methods for irregularities occurring in the Company

Shareholders, members of corporate bodies, employees, service providers, clients, suppliers and other stakeholders in REN or Group companies may communicate to the Audit Committee any irregular practices they have knowledge of or which are duly founded, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group.

This system covers the communication of irregular practices by shareholders, members of corporate bodies, employees or service providers of the REN Group.

Communications must be submitted in writing to the registered office or to the email comissao.auditoria@ren.pt, which is only accessible by the Audit Committee. Communications must contain all the information the author has and considers necessary to the assessment of the irregularity.

⁶³ Including individual and consolidated accounts.

⁶⁴ Including individual and consolidated accounts.

⁶⁵ Cf. Article 383 of the CSC.

⁶⁶ Cf. Article 11 of REN's Articles of Association.

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identification in the communication of the irregularity, which will only be disclosed for the purposes of investigations should the whistleblower give his or her consent.

The Audit Committee must assess the situation described and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the Internal Regulations approved by the Board of Directors, under a proposal by the Audit Committee.

The investigation process by the Audit Committee includes a preliminary stage with the aim of (i) conducting an in-depth investigation which may use contracted external consultants, (ii) rejection of the communication, or (iii) presentation of a proposal for corrective measures to the Board of Directors or the Audit Committee.

III. Internal control and risk management

III.50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies of the Company have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the Group's companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems, including the setting of objectives.

The Audit Committee is responsible for assessing the Executive Committee in the analysis of the integrity and efficiency REN's internal control and governance and risk management systems, including the introduction of resolutions to improve operations and amendments in accordance with REN's requirements.⁶⁷ Therefore, in its action plan for to be carried out in 2013, the Audit Commission considered carrying out of a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having carried out various meetings with the statutory auditor and external auditor and with the heads of various departments, namely: information systems; procurement, management planning and control, accounts, research and regulation, operation services, quality, environment and safety.

The external auditor verifies the efficiency and operation of the internal control mechanisms, as part of its legal review of financial statements, and reports any significant deficiencies to the Audit Committee.

On 13 May 2009, the Executive Committee passed a resolution to set up GSAD-AI (Internal Audit), with the mission of supervising the creation, operation and effectiveness of the Group's risk management control model and internal control and governance systems, through objective, independent and systematic monitoring.

Of note, among GSAD-AI's various tasks are the following:

- Review of risk management and internal control policies in force;
- Assess the degree of implementation of internal control (organizational structure and governance, delegation of powers, ethics and code of conduct, policies and procedures);
- Implementation of financial, IT, operational and management audits in the various areas of the REN Group, confirming compliance with the policies, laws and regulations (compliance services);

⁶⁷ Cf. Article 3(6)(a) of the Audit Committee regulations.

- Define, jointly with the various areas, corrective measures for any weaknesses and non-compliances identified during audits;
- Monitoring the implementation of corrective measures, through follow-up reports;
- Support high-level management in defining and/or implementing control and governance measures.

In addition, the mission of the Risk Management Committee, created in 2011, is to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management. To carry out this mission, the Risk Management Committee's main functions are to:

- Promote the identification and systematic assessment of business risks and their impact on REN's strategic objectives;
- Categorize and prioritize the risks to be addressed, as well as the corresponding preventive opportunities identified;
- Identify and define the persons responsible for risk management;
- Monitor significant risks and REN's general risk profile;
- Approve regular risk reporting mechanisms by different businesses areas.
- Approve, or submit to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of material risks.

In 2013, the Risk Management Committee continued to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire Group and the internal disclosure of best practices for Risk Management.

III.51. Demonstration through inclusion of flowchart, of operational and/or reporting hierarchy in relation to other Company bodies or committees

In operational terms, GSAD-AI reports to the Audit Committee, notwithstanding its administrative relationship with the Company's Executive Committee.

As part of its supervisory function and the competences expressly prescribed in the internal regulations, the Audit Commission supervises the internal audit procedure, namely through the introduction of resolutions to improve their operation⁶⁸. To this effect, the Audit Committee carries out an appraisal of the work plans and resources put in place, I, supervises the activity and has access to all reports prepared by the GSAD-AI including, amongst others, articles relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is coordinated by Gonçalo Morais Soares, an executive director, and is responsible for the first line of defence, reporting to the Executive Committee.

III.52. Existence of other functional areas with competences for risk control

No other functional areas with competences for risk control exist beyond those referred to in III.50.

III.53. Identification of the main types of risk (economic, financial and legal) to which the Company is exposed when conducting business

When conducting business in all of its areas of operation or those of its subsidiaries, REN is subject to multiple risks. These have been identified with the aim of mitigating and controlling them.

The 'appetite for risk' reflects the amount of risk the company is willing to take on or to retain in pursuing its goals. REN adopts a prudent position with regard to its appetite for risk.

⁶⁸ Cf. Article 3(6)(a)(b) and (m) of the Audit Committee regulations.

In 2013, the Risk Management Committee, with support from 'risk owners', reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile.

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

#	Category	Subcategory	Nature	Risk
1	Surrounding Environment	External context	Regulatory	Change to the regulatory model and parameters
2			Financial Markets	Evolution of REN's <i>rating</i>
3				Evolution of interest rates
4	Processes	Operacional	Business Interruption	Occurrence of a general incident
5			Investment Projects	Non approval of investment plans
6				No transfer of assets into operation on schedule
7			Health and Safety	Occurrence of serious work accidents
8			Information Technology	Unavailability of information systems
9			Investment Projects	Insolvency of suppliers
10			Assets Safety	Critical nature of the installations

CHANGES TO THE REGULATORY MODEL AND PARAMETERS

The risk of changes to the regulatory model and/or regulator decisions may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN.

EVOLUTION OF REN'S RATING

Changes to REN' rating could have an impact in terms of access to financing as well as the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating may be affected by any deterioration in Portugal's rating.

EVOLUTION OF INTEREST RATES

The fluctuation of interest rates can have an impact on remuneration from regulated assets and on servicing REN's debt. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the REN Group.

REN manages exposure to the risk of changes in interest rates by contracting financial derivatives, in order to achieve a balanced ratio of fixed and variable interest rate and to minimize financial burdens in the medium and long-term.

OCCURRENCE OF A GENERALIZED INCIDENT

The company's performance could be influenced by the occurrence of events causing an interruption in the electricity and/or gas supply service and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a series of conditions (pollution, atmospheric conditions, fires, birds, among others), which could cause interruptions to the service.

The plan for restoring service following a generalized incident implemented by REN and the organization of drills to test the ability to restore the service in the event of an incident, are some of the initiatives adopted for managing this risk.

NON-APPROVAL OF INVESTMENT PLANS

The existence of delays in the approval of investment plans by the Regulator or by other authorities can cause significant delays in implementing new infrastructures and/or loss of the investment made, with an impact on the quality of the service provided.

REN has adopted procedures for managing this risk that involve monitoring actions by the regulatory authority with approval responsibilities and other competent entities in the process of authorizing the investment to be made.

NON-ENTRY INTO OPERATION OF ASSETS WITHIN PLANNED DEADLINES

Economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, and also other factors of an operational nature including processes for environmental licensing/authorization, may compromise the entry into operation of assets within planned deadlines.

REN carries out a series of actions which allow the ongoing monitoring and mitigation of all factors which could increase this risk.

OCCURRENCE OF SERIOUS WORK ACCIDENTS

Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents with damage to people and property during work organized by REN.

REN manages this risk through the safety management system, with specific training for operations involving risks and training for employees of REN's service providers on safety awareness.

UNAVAILABILITY OF INFORMATION SYSTEMS

REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the availability of information systems and their capacity to meet Company needs are crucial to REN's good performance.

To manage this risk, REN maintains its communication systems and the respective support services up to date by performing periodic inspections of the configurations of network and security equipment. At the same time, security measures are in place for systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic.

INSOLVENCY OF SUPPLIERS

The unavailability or untimely or inefficient availability of resources/services provided by third parties may influence REN's ability to achieve its objectives.

Therefore, it has become necessary to improve the model for supplier assessment and qualification and to put mechanisms in place to continually follow and monitor the performance of the contractors and service providers throughout the execution of projects, so that REN can ensure its clients' needs are met and achieve the key performance indicators of quality, cost and time.

The key tools to manage this risk are the supplier qualification and assessment system implemented at REN, the financial assessment of suppliers and contract workers during the market consultation process and the monitoring of corporate information on suppliers and service providers.

CRITICAL NATURE OF THE INSTALLATIONS

Protection and efficient asset management has always been REN's priority, and has become an ever more crucial factor in the pursuit of its activities in order to ensure service quality and value creation.

To manage this risk, REN has developed new methodologies that pave the way for increased efficiency in asset management as well as guaranteeing their physical protection, through the implementation of integrated security systems for installations, in order to avoid unforeseen circumstances or incidents that may put the integrity of infrastructures or equipment at risk.

III.54. Description of the risk identification, assessment, monitoring, control and management process

It is considered that a risk management and internal control system – as implemented by REN - should meet the following objectives:

- Guarantee and supervise compliance with the objectives previously set by the Board of Directors;
- Identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- Align admissible risk with REN Group strategy;
- Ensure that information is reliable and complete;
- Ensure the complete, reliable and timely preparation and reporting of financial and accounting information and apply an appropriate management information system;
- Guarantee the safeguarding of assets;
- Ensure prudent, appropriate valuation of assets and liabilities;
- Improve the quality of decisions;
- Promote the rational and efficient use of resources.

As such, in pursuing the objectives stated above, REN's Risk Committee is responsible for the identification and evaluation of the inherent risks involved in REN's activities stated in III.53., whilst also supporting the monitoring of significant risks and the general risk profile of REN.

That is to say that, at the first stage, the Risk Committee, with the collaboration of its members who are the heads of various departments and with the assistance of all other department heads within the Company, analysed any aspects related to REN's business that could constitute a risk to its activity.

The Risk Committee then assesses existing risks (severity and probability of occurrence for each potential risk) and classifies them by order of importance and by categories and subcategories. The assessment of risks inherent to REN's activities, as well as the Internal Control System, are carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- Safeguarding assets;
- To analyse the information processing system;

- Checking of the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;
- To check for compliance of the Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and Company regulations;
- To promote operational effectiveness and efficiency.

Following the identification and assessment of inherent risks, the Risk Committee identifies the relevant measures to eliminate, mitigate or control the risks and reports the result of the analysis to the Board of Directors. The Risk Committee further seeks to apply preventive and protective measures, through the formulation of a priority matrix, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. As such, the following activities were carried out in 2013 as part the REN Group risk management system:

- Review and updating of risk models and the respective processing files;
- Review and updating of the list of greatest risks;
- Definition of the action plan to mitigate the greatest risks;
- Definition of the Key Risk Indicators (KRI);
- Development and entry into operation of the do Risk Management Portal.

As part of risk monitoring, control and management, it should be noted that, on 8 November 2012, REN's Board of Directors approved the review of the regulations 'Appreciation and Control of Transactions with Related Parties and Prevention of Conflicts of Interests' and 'Procedures Applicable to the Processing of Whistleblowing Communications and the Inspection of Irregularities'.

Moreover, it should also be pointed out that REN has implemented a series of changes to its internal control and risk management systems, involving the components provided for in CMVM Recommendations, and in terms of risk management, it has also been guided by the norms of the International Organization for Standardization (ISO).

2013 saw a continuation of the application of a standardised and integrated corporate risk management strategy, transversal throughout the organisation, aligned and structured based on the priorities and specific characteristics of each area of the business.

III.55. Main elements in the internal control and risk management systems implemented at the Company with regard to the financial information disclosure process (Art. 245(A)(1) (m))

REN regularly provides management information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations, is prepared on the basis of sophisticated IT systems. REN carries out initiatives that seek to continually improve the support information processes and systems that produce financial and management information.

It is the Audit Committee's responsibility to supervise the process for the preparation and disclosure of financial information; As such, the Audit Committee held meetings to monitor these processes with the members of the Executive Committee, the Statutory Auditor and external auditor and with those responsible for accounts and management planning and control.

IV. Investor support

IV.56. Service responsible for investor support, composition, functions, information provided by this service and contact information

The service responsible for investor support is the Investor Relations Office (DRI), founded in July 2007, and devoted exclusively to the preparation, management and coordination of all activities

necessary to achieve REN's objectives in its relations with shareholders, investors and analysts, and ensure a communication that offers a full, coherent and comprehensive vision of REN, thereby facilitating investment decisions and creating sustained value for shareholders, providing information and clarification on information published by REN.

IRO contacts:

E-mail: ir@ren.pt

Ana Fernandes - Director: ana.fernandes@ren.pt

Alexandra Martins: alexandra.martins@ren.pt

Telma Mendes: telma.mendes@ren.pt

Address: REN - Redes Energéticas Nacionais, SGPS, S.A.
C/O: Investor Relations Office

Avenida dos Estados Unidos da América, 55
1749-061 Lisbon - Portugal

Telephone: 21 001 35 46 | Fax: 21 001 31 50

The IRO has the following main duties:

- a) To act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing incorrect information;
- b) Ensure that feedback from institutional investors is communicated to the Executive Committee;
- c) Guarantee timely compliance with CMVM obligations and other financial authorities;
- d) Coordinate, prepare and disclose all information made available by the REN Group with regard to disclosure of privileged information and other communications to the market, and in relation to the publication of periodic financial statements;
- e) Systematically monitor the content of analyst research work with the aim of contributing to a correct evaluation of the Company's strategy and results;
- f) To prepare and continuously monitor the financial and operational benchmark of competitors and peer group;
- g) Attract the interest of potential institutional investors, as well as a greater number of financial analysts;
- h) Draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Investor Day;
- i) Develop and maintain the Investor Relations page on the Company's website⁶⁹.

IV.57. Representative for market relations

Since 28 March 2012, the Representative for Market Relations has been the Director Gonçalo Morais Soares who is also the Chief Financial Officer (CFO) of the REN Group.

IV.58. Information about the proportion of, and response time to, requests for information received this year and in previous years

Investor requests were responded to in a timely manner, usually on the same day or, in such case as the request required the receipt of information from third parties, soon after they were received.

⁶⁹ www.ren.pt

In 2013, almost 210 requests were attended to by telephone, 420 by email and precisely 190 in person at conferences and roadshows, with both debt and equity investors.

Another form of contact with the capital markets was through conference calls commenting on the results of each quarter of the year, on which both analysts and institutional investors participated.

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. Internet site

V.59. Address(es)

The Company website⁶⁹: available in Portuguese and English, in accordance with CMVM recommendation VI.1.

V.60. Place where information on the firm can be found, the quality of open company, its registered office and all other information mentioned in article 171 of the Portuguese Companies Code;

On the REN website, under the tab marked 'Investors', we find a tab marked 'Corporate Information', where published information on the firm, the quality of open company, the headquarters and other information mentioned in article 171 of the Portuguese Companies Code may be found.

www.ren.pt/investidores/informacao_da_sociedade/

V.61. Place where the Articles of Association and operating regulations for the bodies and committees can be found

On the REN website, under the tab marked 'Investors', we find a tab marked 'Corporate Governance' under which we find, in turn, a tab marked 'Statutes, Regulations and Reports', where we find the Articles of Association, as well as the following regulations:

- Board of Directors Regulations
- Audit Committee Regulations
- Executive Committee Regulations
- Regulations on transactions with related parties
- Regulations on transactions of securities by REN directors

www.ren.pt/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios/

V.62. Place where information is made available on the identity of members of the corporate bodies, the Representative for Market Relations, the Investor Support department or similar structure, their respective functions and means of access

On the REN website, under the tab marked 'Investors', we find a tab marked 'Corporate Governance' under which we find, in turn, a tab marked 'Corporate Governance', under which we find the composition of the corporate bodies.

www.ren.pt/investidores/governo_da_sociedade/

On the other hand, on the REN website⁷⁰, under the tab marked 'Investors', we find a tab marked 'Investor Relations' where we find published information on the identity of the Representative for

⁷⁰ www.ren.pt

Market Relations and the Office for Investor Relations, as well as the contact details and powers of the aforementioned.

www.ren.pt/investidores/relacoes_com_investidores/

V.63. Place where accounting records are made available, which must be accessible for at least five years, as well as a half-yearly calendar of company events, announced at the start of each semester, including, amongst others, General Meetings, publishing of annual, half yearly and, where applicable, quarterly reports

On the REN website, under the tab marked 'Investors', we find a tab marked 'Results', where documents are published on accounting records, which will be accessible for a period of five years.

www.ren.pt/investidores/resultados/

On the same website, a calendar of company events is also available.

V.64. Place where the notice to convene a General Meeting is published as well as all the preparatory documents and documents resulting from said meeting

On the REN website, under the tab marked 'Investors', we find a tab marked 'Corporate Governance', under which, in turn, we find a tab marked 'General Meetings', where we find the Notice to Convene, the proposed resolutions and the minutes of the General Meeting.

www.ren.pt/investidores/governo_da_sociedade/assembleias_gerais/

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website⁷¹, REN provides extracts from the minutes of General Meetings.

On the website, REN maintains a historic record of notices to convene, points of order and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the previous 5 years.

See V.64. with regard to where this information is provided.

6.1.4 REMUNERATION

I. Competence to determine remuneration

I.66. Indication with regard to competence to determine the remuneration of corporate bodies, members of the Executive Committee or delegated director and the Company's managers

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee⁷², which is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of management and supervisory bodies. The Remunerations Committee is responsible for presenting and submitting to the shareholders the principles of the remuneration policy for corporate bodies, as well as for determining the respective remunerations, including the respective complements⁷³. Moreover, this proposed declaration will be subject to assessment and deliberation by the shareholders of the Annual General Meeting.

⁷¹ www.ren.pt

⁷² Cf. Article 8(2)(d) of the Articles of Association.

⁷³ Cf. Article 26 of REN's Articles of Association.

The abovementioned declaration on the remuneration policy covers all company officers (within the meaning of the provision of Article 248(B)(3) of the Securities Code, given that the REN Board of Directors understands that those officers correspond only to the members of the company's Management and Supervisory Bodies.

II. Remuneration Committee

II.67. Composition of the Remuneration Committee, including identification of natural or legal persons hired to provide support and declaration on the independence of each of the members and consultants

At 31 December 2013, the following three members, appointed at the annual General Meeting of 27 March 2012, were on the Remunerations Committee (three-year period of 2012-2014):

Name	Position
Carlos Rodrigues	Chairman
Rui Horta e Costa	Member
Pedro de Sommer Carvalho	Member

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of another corporate body for which it determines the respective remuneration, and its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

At the Annual General Meeting of 2013 held on 30 April 2013, the Chairman of the Remunerations Committee was present, Mr. Carlos Rodrigues, as representative of that committee.

In carrying out its duties, the Remunerations Committee received advice on matters of remuneration from Professor Doctor Paulo Otero, in the certainty that the aforementioned has not, in the previous three years, provided services to any other structure that is dependent on the administrative body, to the Company's administrative body or to any other structure that has a current relationship with the Company or in a consultancy of REN.

Moreover, Professor Doctor Paulo Otero was not bound to the Company or to a consultancy of the Company by an employment contract or service agreement.

It's worth noting that, through a letter dated 29 November 2013, the Remunerations Commission members tendered their resignations, which will only come into effect upon the nominations of new Remuneration Commission members at the Ordinary General Meeting to be held in 2014.

II.68. Expertise and experience of the Remunerations Committee in matters or remuneration policy

The Remunerations Committee members have the necessary and relevant expertise in order to consider, reflect and decide upon all matters under the Remuneration Committee remit, taking into account that referred infra.

Each member of the Remunerations Committee has an academic background in the areas of finance and economics, and one of the members is in possession of a Masters in Strategic Planning, education which offers them the necessary and relevant theoretical expertise to carry out their functions.

Moreover, the Remunerations Committee consists of three members with vast professional experience, namely in the corporate field and in the banking, financial, insurance and capital

markets sectors, in both Portugal and abroad. As such, the Remunerations Committee members have continually carried out their functions as (i) members of the administrative bodies of various national and international entities, including financial institutions, listed companies, companies operating in the energy sector and regulatory bodies, and (ii) human resources consultancies, thereby gaining further relevant practical knowledge with regard to remuneration policy, assessment systems and related materials.

III. Remuneration structure

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in Article 2 of Law No 28/2009 of June 19 2009

As an issuer of shares admitted to trading on the regulated market, REN is subject to Law No 28/2009 of June 19 2009 as well as to CMVM recommendations;

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of remuneration policy (according to the principle of say-on-pay, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with the legal provisions and recommendations described above, the Remuneration Committee submits for the appraisal of the Annual General Meeting, a declaration on the remuneration policy for corporate bodies for the 2012-2014 term of office, the terms of which were subject to prior resolutions by this Committee.

The conclusion of the second stage in the REN privatization process reduced the state's holdings in Company capital, meaning that REN went from being a public company to an invested company and as such, the system for state companies with its specificities and limitations, ceased to apply to the company in most circumstances;

Given that REN is a company of mostly private capital and issues shares admitted to trading in the regulated Euronext Lisbon market, the Remunerations Committee carried out an in-depth review of the remunerations policy and conditions applicable to members of the REN Board of Directors, Audit Committee and Board of the General Meeting, for the term of office underway corresponding to the three-year period of 2012-2014; For this purpose, the abovementioned Committee conducted several joint studies with specialized and independent consultants, more specifically with regard to market analyses and a study of the legal recommended framework applicable to remunerations;

Further to these checks, the REN Remunerations Committee approved a new remuneration policy which has been in effect since 1 June 2012.

On 30 April 2013, a declaration by the Remunerations Committee on the remuneration policy for members of corporate bodies was unanimously approved at the General Meeting. This declaration includes the information set out in Article 2 of law No 28/2009 of 19 June 2009. In accordance with CMVM recommendation II.3.3, the abovementioned declaration also contains: (i) identification and explanation of the criteria to determine the remuneration to be awarded to members of corporate bodies; and (ii) information on the enforceability or non-enforceability of payments for the dismissal or termination of duties of directors.

The remuneration policy for Executive Directors follows the guidelines set out below:

- To be simple clear, transparent and aligned with REN culture;
- To be suitable and fitting to the size, nature, scope and specificity of REN's business;
- To ensure total remuneration which is competitive and equitable and in line with the best practices and latest trends seen nationally and in Europe, particularly with regard to REN's peers;
- To incorporate a fixed component which matches the duties and responsibility of the directors;

- To incorporate a variable component which is reasonable overall in relation to the fixed remuneration, with one short-term component and another medium-term component, both with maximum limits;
- To establish a variable remuneration indexed to individual performance assessment and that of the company, in accordance with achievement of specific quantifiable aims which are in line with Company and shareholder interests; and
- To establish a variable remuneration component based on the medium-term indexed to the evolution of the REN share price, thus ensuring that the remuneration of executive directors is bound to the sustainability of results and the creation of wealth for shareholders.

Based on these principles, the remuneration of executive directors is mainly determined based on four general criteria: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) equity, in that remuneration must be based on uniform, consistent, fair and balanced criteria; (iii) assessment of performance, in accordance with duties and the level of responsibility of the person in question, as well as the assumption of suitable levels of risk and compliance with the rules applicable to REN business; and (iv) alignment of directors' interests with the Company's and its sustainability and creation of long-term wealth.

The remuneration of the executive directors includes a fixed component and a variable component. The variable component consists of a parcel which seeks to remunerate short-term performance and another with the same objective based on medium-term performance, as described in further detail below.

The members of the Audit Committee, the non-executive directors and the Vice-Chairman of the Board of Directors are entitled to fixed monthly remuneration, defined in line with the best practices observed at large-scale companies in the Portuguese market.

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

There are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 248(B)(3) of the Portuguese Securities Code), without prejudice to the method of calculating medium-term variable remuneration (MTVR)

Furthermore, there is no system of retirement benefits for the members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 248(B)(3) of the Portuguese Securities Code).

III.70. Information on how remuneration is structured so as to allow alignment of the interests of members of the management body with the Company's long-term interests, as well as how it is based on performance assessment and discourages taking on excessive risk

As mentioned in III.69, non-executive directors' remuneration (including the members of the Audit Committee) consists exclusively of a fixed component, paid in 12 monthly instalments over the year, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter.

The remuneration structure of executive directors consists of a fixed component and a variable component. There is an adequate proportionality between both components, as explained in III.69.

In accordance with the remuneration policy approved for the three year period of 2012-2014 and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2013, the variable component of remuneration for 2013 may include a short-term parcel

('STVR') and a medium-term parcel ('MTVR'), both based on a performance assessment with weighting on key individual performance indicators of the director and the performance of the Company itself. Such indicators, described in more detail in III.71, seek to bring the interests of the executive directors closer to the long-term interests of REN and its shareholders.

Particularly, MTVR has the following characteristics which contribute to the alignment of the interests of REN executive directors with those of the Company and shareholders:

- MTVR is set in Remuneratory Units (RU) which refer to every financial year in the term of office in which each executive director has performed duties;
- Each Remuneratory Unit has a value corresponding to the REN share price at the date the MTVR is set and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN shares;

The main aims of the proportionality between the fixed and variable components and the limits to variable remuneration (i.e. between 20% and 120% of fixed remuneration, in a gradual manner, without prejudice to the evolution in RU) are to discourage taking on excessive risk and to stimulate the adoption of a suitable risk management strategy.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

As has already been mentioned, the remuneration structure of the Executive Committee consists of fixed and variable components, and in accordance with the remuneration policy approved for the 2012-2014 term of office and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2013, the variable component of remuneration for 2013 may include short and medium-term parcels – STVR and MTVR⁷⁴.

The awarding of STVR and MTVR is subject to the following common requirements:

- The awarding of the variable component of remuneration only takes place after approval of the accounts for each financial year, after the performance assessment for the year to which the payment refers and only when predefined objectives have been complied with, measured with individual and company performance indicators indexed to targets in the REN strategic plan.
- The degree of achievement of defined goals is measured through an annual performance assessment, based on a predefined model. Therefore, if compliance with goals falls below 80% (minimum performance level), no payment of variable remuneration takes place. However, if compliance with goals lies between 80% and 120% or greater, the corresponding total variable remuneration will equate to between 20% and 120% of the fixed remuneration.

The abovementioned annual performance assessment, for purposes of awarding STVR and MTVR during the term of office, is carried out based on the following REN Key Performance Indicators (KPI) on a consolidated basis (weighting of 80%) and the individual performance assessment (weighting of 20%), which, if negative, will result in the non-awarding of short-term variable remuneration:

- i) *Average Cost of Debt*;
- ii) *Return on Invested Capital*;
- iii) *EBITDA abroad*;
- iv) *Earnings per share (compound annual growth rate – CAGR*
- v) *EBITDA CAGR*

⁷⁴ Cf. points III.69. and III.70.

SHORT-TERM VARIABLE REMUNERATION

a) Short-Term Variable Remuneration (STVR) is paid in cash, depending on the annual performance assessment, with the sum being paid varying in accordance with the degree of achievement of goals relating to Key Performance Indicators.

b) Therefore, if the annual performance assessment falls below 80% (minimum performance level), no payment of STVR takes place. However, if the annual performance assessment lies between 80% and 120% or greater, the corresponding STVR will equate to between 10% and 60% of the fixed remuneration.

MEDIUM-TERM VARIABLE REMUNERATION

a) Medium-Term Variable Remuneration (MTVR) aims to strengthen the alignment of the interests of REN executive directors with those of the Company and shareholders. This payment will vary depending on the annual performance assessment (already described in the previous point) and will follow the same model as that for STVR.

III.72. Deferral of the payment of the variable remuneration component, with mention of the deferral period

The awarding of STVR will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year in question.

In turn, STVR is set in RU which refer to every financial year of the term of office and is structured to ensure deferral of payment and is conditioned to continued positive performance, through the following channels:

- Each RU has a value corresponding to the REN share price at the date the MTVR is set and this value evolves in a manner equal to that of TSR for REN shares;
- The entitlement executive directors have to convert their RUs is attained on a successive basis. The units are broken down into thirds and the first 1/3 is consolidated at the end of the first financial year while the remaining 2/3 are consolidated at the end of subsequent financial years, provided that the director performs executive duties in the respective financial year (except if termination occurs as a result of acquisition of a controlling position in REN);
- RUs will be automatically converted into cash or, should the REN General Meeting come to deliberate (and in accordance with the terms thereby established), into REN shares, either partially or totally, when three years have elapsed since the date on which they were awarded.

Bearing in mind the above, payment of MTVR for 2012 is awarded in 2013 and deferred for a period of three years.

III.73. Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist, and as such REN considers that CMVM recommendation III.6. does not apply.

Therefore, despite the remuneration policy approved by the Remuneration Committee for the term of office determining that, within the scope of MTVR, RU can be converted into REN shares, either partially or totally, should the REN General Meeting so deliberate, this has not as yet taken place. Should the General Meeting make such a decision, this deliberation shall govern the conditions for awarding the shares in question, including the potential requirement to maintain the shares or part of them until the end of the term of office.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, executive directors of the Company shall not take out contracts either with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the price

There are no variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive systems based on a variation of the price of shares for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 248-B(3) of the Portuguese Securities Code.

III.75. Main parameters and basis of any system of annual bonuses and any other non-monetary benefits

In 2013, Executive Directors were entitled to the use of a car and a mobile telephone, for the performance of their duties, plus health insurance, life insurance and personal accident insurance. It is estimated that the value of these benefits is € 20 000/director.

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and in the previous paragraph.

III.76. Main characteristics of the complementary pensions or early retirement schemes for directors and the date on which they were approved at the General Meeting, in individual terms

There is no system of retirement benefits or pensions for the members of the management and supervisory bodies.

IV. Disclosure of remuneration

IV.77. Indication of the annual amount of remuneration earned, jointly and individually, by the members of Company management bodies, paid by the Company, including fixed and variable remuneration and, with regard to the latter, mention of the different components

Remuneration paid in 2013 to members of REN's management body, individually and collectively, was as follows:

Name		Fixed remuneration	Variable remuneration	Total
Rui Cartaxo	Chairman of the Board of Directors and the Executive Committee	€385 000 ⁽¹⁾	€100 521	€485 521
João Faria Conceição	Executive Committee	€305 000	€79 717	€384 717
Gonçalo Morais Soares	Executive Committee	€305 000	€79 717	€384 717
Guangchao Zhu	Vice-Chairman of the Board of Directors	€80 000		€80 000
Mengrong Chen	The Board of Directors	€36 000		€36 000
Haibin Wan	The Board of Directors	€36 000		€36 000
Hilal Al-Kharusi	The Board of Directors	€36 000		€36 000
Aníbal Santos	The Board of Directors	€33 735		€33 735
EGF, SA	The Board of Directors	€36 000		€36 000
Manuel Champalimaud	The Board of Directors	€36 000		€36 000
Red Eléctrica Corporación, SA	The Board of Directors	€36 000		€36 000
José Luís Arnaut	The Board of Directors	€36 000		€36 000
José Luís Alvim	Audit Committee	€75 000		€75 000
José Frederico Jordão	Audit Committee	€60 000		€60 000
Emílio Rui Vilar	Audit Committee	€60 000		€60 000
Total		€1 555 735	€259 955	€1 815 690

⁽¹⁾ This sum includes €171 005.49 paid by the subsidiary Red Eléctrica Corporación, S.A., a Company incorporated under Spanish Law, in which he inherently holds the office of member of the Board of Directors.

STVR paid in 2013, as indicated in the table above, refers to the financial year of 2012. Members of the Executive Committee were also awarded an additional remuneration parcel, for MTRV referring to the 2012 financial year, set in RU. Based on the REN share price on the date MTRV was set (30 May 2013), 2.239 euros, the number of RU to be awarded to each member of the Executive Committee is as follows:

- i) Rui Cartaxo – 44 895.4 RU;
- ii) João Faria Conceição – 35 603.7 RU;
- iii) Gonçalo Morais Soares – 35 603.7 RU.

IV.78. Sums paid for any reason by other companies in a controlling or group relationship or which are subject to common control

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a controlling or group relationship with REN.

IV.79. Remuneration paid in the form of profit sharing and/or payment of bonuses and the reasons why such bonuses and/or profit sharing were granted

There are no payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

IV.80. Compensation paid or due to Ex Executive Directors for the termination of their duties during office

There were no amounts due or paid in the form of compensation to Ex Executive Directors for the termination of their duties during office.

IV.81. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's consulting bodies, for the purposes of Law 28/2009, of 19 July 2009

With regard to the Audit Commission, please refer to IV.77. and with regard to the Statutory Auditor, please refer to V.47.

IV.82. Indication of the annual remuneration of the Chairman of the General Meeting

In 2013, the Chairman and Vice Chairman of the General Meeting received, respectively, the set annual amount of 5 000 and 3 000 euros for the carrying out of their respective functions.

V. Agreements with remuneration implications

V.83. Contractual limitation for compensation to be paid for unfair dismissal of a director and its relation to the variable remuneration component

In accordance with the remuneration policy approved by the Remunerations Committee with regard to the financial year of 2013, in the event of termination of management duties through agreement or unfair dismissal, no compensation will be paid, beyond that legally required, if the termination or dismissal is due to the unsuitable performance of the director.

The legally owed compensation, in the case of unfair dismissal, corresponds to the compensation for damages suffered, yet must not exceed the amount of compensation that they would otherwise received up to the end of their elected term.

V.84. Reference to the existence and description, with the amounts involved indicated, of agreements between the Company and the members of the management body or other officers, in the meaning of Article 248(B)(3) of the Portuguese Security Code, that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company. (Art. 245(A)(1)(I))

There are no agreements between REN and the members of the management body or other officers (in the meaning of Article 248(B)(3) of the Portuguese Securities Code) that would award

compensation in the event of resignation or unfair dismissal or termination of the employment relationship, following a change in control over the Company.

VI. Plans to allocate shares or stock options

VI.85. Identification of the plan and the respective recipients

There are no variable remuneration programmes or plans that consist of the allocation of shares, options to acquire shares or other incentive systems based on a variation of the price of shares for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 248(B)(3) of the Portuguese Securities Code.

However, the remuneration policy approved by the Remuneration Committee and which came into effect on 1 June 2012, determines that, within the scope of MTRV, RU can be converted into REN shares, either partially or totally, should the REN General Meeting so deliberate (which has not happened so far).

VI.86. Characteristics of the plan (conditions of allocation, non-transferable clauses of shares, criteria relating to the share price and exercise price, period during which options can be exercised, characteristics of the allocated shares or options, existence of incentives for the acquisition of shares and/or the exercising of options

See VI.85.

VI.87. Option rights allocated for the acquisition of stock options to be assigned to Company workers or employees

See VI.85.

VI.88. Control Mechanisms available in a possible scheme for worker participation in capital, in that voting rights shall not be directly exercised by said workers (Art. 245(A)(1)(e)

There are no schemes for worker participation in the share capital of the Company.

6.1.5 TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

I.89. Mechanisms implemented by the Company for purposes of controlling transactions with related parties (please see the concept resulting from IAS 24)

So as to facilitate control by the Audit Committee of transactions concluded or to be concluded by REN or its subsidiaries with related parties and the methodology to be adopted in the event of potential conflict of interests, the REN Audit Committee proposed internal regulations to the Board of Directors for the *Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest*, which were approved by the Board of Directors on 8 November 2012.

In accordance with the internal regulations on *Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest*, which are in line with IAS 24 and CMVM recommendation V.2, transactions conducted between a related party⁷⁵ and REN or its

⁷⁵ That is, a) a member of a REN management or supervisory body or of any other company in a controlling or group relationship with REN, pursuant to Article 21 of the Portuguese Securities Code ('Affiliates') or b) any individual who, due to the post he or she holds in REN or in the Affiliates, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information ('Official') or c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Affiliates, calculated in accordance with Article 20 of the Portuguese Securities Code, or d) a third-party body, related to an Official or a Relevant Shareholder by means of any relevant commercial or personal interest.

subsidiaries, which are covered by the following situations, shall be submitted by the management body for prior opinion by the Audit Committee⁷⁶:

- The purchase and/or sale of goods, provision of services or contract work valued at over €1 000 000;
- The acquisition or disposal of shareholdings;
- New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding €100 000 000, except when dealing with a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions.
- Any transaction which, though not covered by the above criteria, has a value that exceeds €1 000 000 or must be considered relevant for this purpose by the Board of Directors, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

In turn, any business between a Related Party and REN or one of its Affiliates, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee for its consideration⁷⁷.

If the Audit Committee issues an unfavourable prior expert opinion, approval of the transaction by the Board of Directors must be particularly well-grounded so as to demonstrate that the completion of the transaction is in line with pursuing the corporate interest of REN or of its Affiliates and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee⁷⁸.

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest⁷⁹.

Moreover, in accordance with the Board of Directors internal regulations, transactions with related parties for sums exceeding €500 000 or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

I.90. Indication of the transactions which were subject to control in the reference year

In accordance with internal regulations on the appreciation and control of transactions with related parties and the prevention of conflicts of interest, the Audit Commission intervened in the following transaction, carried out between the Company and the holder of qualified shareholding or entitie with which him is in a relationship pursuant to Article 20 of the Portuguese Securities Code having issued a prior favourable opinion to the carrying out of the aforementioned:

Supply contract for low, medium and high voltage for REN's installations, as follows:

- a) **Objective:** Acquisition of medium and high voltage electricity supply for REN's installations
- b) **Date of approval:** 15 May 2013, by REN the Board of Directors
- c) **Material criteria pursuant to appreciation:** Business conducted with a related party, EDP Comercial – Comercialização de Energia, SA (EDP Comercial), and the following REN Group companies: REN Serviços, SA, REN – Rede Eléctrica Nacional, SA, REN Gasodutos, SA, REN Armazenagem, SA and REN Atlântico – Terminal de GNL, SA
- d) **Selection criteria:** Lowest price, after technical validation
- e) **Type of procedure:** Direct award with invitations to several entities

⁷⁶ Cf. Point II.I(a) of the abovementioned internal regulations.

⁷⁷ Cf. Point III(b) of the abovementioned internal regulations.

⁷⁸ Cf. Points 4 and 5 of the abovementioned internal regulations.

⁷⁹ Cf. Point IX(I)(a) of the abovementioned internal regulations.

- f) **Stages of consultation:** Launch of consultation, reception of proposals, negotiation, preliminary report, prior hearing and final report
- g) **Suppliers consulted:** EDP Comercial; EGL Energia Iberia SL; Endesa – Energia Sucursal Portugal; Iberdrola Generación – Energia e Serviços Portugal, Unipessoal, Lda.; Union Fenosa Comercial, SL., Galp Power, SA and Nexus Energia, SA
- h) **Amount:** Total estimated value of 5 426 467 euros, plus regulated access tariffs to networks plus VAT

I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes assessing business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code

See I.89. The procedures and criteria outlined herein are applicable to transactions with the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code, given that these are by definition considered to be related parties in accordance with the internal regulations for the 'Analysis and Control of Transactions with Related Parties and Prevention of Conflict of Interest'.

II. Information relating to business

II.92. Indication of the location of accounting documents providing information regarding business with Related Parties, in accordance with IAS 24 or, alternatively, reproductions of this information

Point 34 of the Appendix to the financial statements of the 2013 Management Report, in accordance with IAS 24, includes a description of the principal elements of business with Related Parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations, and as such, CMVM recommendation V.1. was adopted.

PART II

6.2 ASSESSMENT OF CORPORATE GOVERNANCE

1. Identification of the model of corporate governance adopted

The Corporate Governance Code to which the company is subject or has decided voluntarily to abide by should be identified, under the terms and pursuant to Article 2 of these regulations.

The place where the texts of the Corporate Governance Code to which the Company is subject are made available to the public should also be indicated ((Article 245(1)).

In 2013, the regulatory and advisory framework for matters of corporate governance was subject to a major overhaul.

Under the terms of this overhaul, and as a Company issuing shares that were admitted for trading on the Euronext Lisbon regulated market, REN finds itself subject to, in matters of disclosure of information relating to corporate governance, to the regime established by the Portuguese Securities Code, in Law 28/2009, of 19 June, and the Securities Market Commission regulations 4/2013 (the latter was approved in 2013 and is applicable to governance reports referred to in this exercise).

Amongst the many amendments to the Securities Market Commission regulations 4/2013, it is worth noting the possibility for issuing companies to opt for the adoption of the CMVM governance code or an alternative code issued by a dedicated entity.

Also in this respect, and in an advisory sense, the Securities Market Commission and the Portuguese Institute for Corporate Governance (IPCG) approved, respectively, in 2013 and 2014, new corporate governance codes, the outcome of a long process of discussion and consultation with various players in the market.

Considering this lengthy period for reflection in 2013 and given the fact that 2014 sees the end of the current mandate of the Company's corporate bodies, during 2013 REN referred to the Securities Market Commission's Corporate Governance Code, in light of which the current governing bodies have come to put their operating principles.

Therefore, in 2014 REN will consider the eventual adoption of an alternative code, in that this may result in a strengthening of the corporate governance model, especially considering the IPCG initiative. In any case, the Company understands that the current model and principles of corporate governance are already in line with a significant number of the recommendations included in the IPCG's Governance Code.

In summary, for the purposes of this report, REN took the decision to adopt the recommendations laid out in the Corporate Governance Code of the Securities Market Commission, approved in 2013, which can be viewed at www.cmvm.pt.

2. Analysis of compliance with the model of corporate governance adopted

Pursuant to Article 245-A(1)(a) a statement should be included on the acceptance of the Corporate Governance Code to which the issuer is subject, stating any divergence from said code and the reasons for said divergence.

The information submitted should include, for each recommendation:

- a) Information that enables the verification of compliance with the recommendation or referring to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page);
- b) grounds for the non-compliance or partial compliance thereof;
- c) In the event of non-compliance or partial compliance, the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation.

As discussed above, REN took the decision to adopt all recommendations laid out in the Corporate Governance Code of the Securities Market Commission, approved in 2013.

Therefore, REN hereby declares that it fully adopts all the abovementioned CMVM recommendations on corporate governance laid down in said Code, except for Recommendations I.1. (partially), I.2., II.1.4. and II.3.3. (partially), which are not complied with for the reasons given below.

The chart below identifies CMVM recommendations and individually mentions those that have been fully adopted by REN and those that have not. Also indicated are the chapters in this report where a more detailed description of measures taken for their adoption may be found with the aim of complying with the said CMVM recommendations.

Recommendation / Chapter ⁸⁰	Indication on the adoption of the Recommendation	Chapter of the Report
I. Voting and Company control I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Partially adopted <i>(Electronic voting is not possible at present as REN considers that the participation of shareholders at General Meetings is fully provided for through vote by correspondence and representation mechanisms - as described above in the respective chapter.</i> <i>Furthermore, bearing in mind particularly its shareholder structure, the reduced dispersion of capital and the fact no correspondence votes have been received at recent General Meetings, REN considers that electronic voting would not provide any benefits for shareholders.</i> <i>In summary, the Company considers that correspondence vote and the possibility of representation are sufficient mechanisms to comply with the aim of this recommendation to promote active shareholder participation at General Meetings.)</i>	Part 1, chapter B.I.12.
I.2. Companies shall not set a resolution-fixing quorum that outnumbers that which is prescribed by law.	Not adopted <i>(The quorum required to constitute at first call, is 51% of capital. Moreover, the quorum for adopting resolutions on changes to the Articles of Association, merger, demerger, transformation or dissolution is two thirds of votes issued, whether at first or second call. The aim of the mechanisms set out in Art.11(1) and (2) of the Articles of Association is to ensure adequate representation of shareholders in light of the nature of the activities carried out by the Company and its voting rights. In accordance with No 3 of the same Article, resolutions for changes relating to Articles 7(A), 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued.</i> <i>In summary, the rules in the Articles of Association in question are best suited to the specificities of the Company, bearing in mind the underlying aim of this recommendation and that this is related to a matter which is strictly within the realm of shareholder decision.)</i>	Part 1, chapters B.I.14. and C.I.48.
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Adopted	Part 1, chapter B.I.12.
I.4. The company's articles of association that provide for the restriction of the number	Adopted	Part 1, chapter A.I.5.

⁸⁰ 'Chapter' refers to CMVM's Corporate Governance Code.

Recommendation / Chapter ⁸⁰	Indication on the adoption of the Recommendation	Chapter of the Report
<p>of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction .</p>		
<p>I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.</p>	<p>Adopted</p>	<p>Part 1, chapter A.I.4.</p>
<p>II. Supervision, management and oversight II. 1. Supervision and management II.1.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.</p>	<p>Adopted</p>	<p>Part 1, chapter B.II.21.</p>
<p>II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) the definition of the Company's strategy and general policies , ii) the definition of the business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved:</p>	<p>Adopted</p>	<p>Part 1, chapter B.II.21.</p>
<p>II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall set out the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the Company</p>	<p>Not applicable <i>(This recommendation is not applicable given the corporate governance model adopted by REN)</i></p>	<p>Part 1, chapter B.II.15.</p>
<p>II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to:</p> <p>a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;</p> <p>b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.</p>	<p>Not adopted <i>(Considering the composition of the management body, the governance model and the company's shareholder structure, the Board of Directors does not understand it to be suitable to its specificities, nor is the 'formal setting up' necessary of specialized committees with such competences.</i> <i>The processes for performance assessment, identification of profile and selection, as well as those for analysis of the governance system, have been undertaken in a manner suitable to the company's interests, by the non-executive directors of REN as a group and, more particularly, by the members of the Audit Committee (consisting exclusively of independent directors). Moreover, within its responsibilities, the Remunerations Committee has also actively participated in the performance assessment of directors.</i> <i>Therefore, although it is not a 'formal committee' of the Board of Directors, substantially, these matters have been duly dealt with by REN, as fully described in this report.)</i> <i>Aware of the above, REN has effective mechanisms for ensuring the</i></p>	<p>Part 1, chapter B.II.27.</p>

Recommendation / Chapter ⁸⁰	Indication on the adoption of the Recommendation	Chapter of the Report
	<i>performance of a supervisory duty within the management body, particularly with regard to matters of corporate governance, assessment and remuneration– the underlying aim of this recommendation. Such mechanisms are those which best suit the specificities of the Company and the structure of the respective management body.)</i>	
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for its control to ensure that the risks effectively incurred are consistent with those goals.	Adopted	Part 1, chapters C.III.50 to 55.
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Adopted	Part 1, chapter B.II.18.
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the Company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a) Having been an employee at the Company or at a company holding a controlling or group relationship within the last three years; b) Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c) Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from exercising the duties of a board member d) Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e) Being a qualifying shareholder or representative of a qualifying shareholder.	Adopted	Part 1, chapter B.II.18.
II.1.8. Directors performing executive duties, when so requested by other corporate body members, shall provide any information requested by them in a timely and appropriate manner.	Adopted	Part 1, chapters B.II.18. and 23.
II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Adopted	Part 1, chapter B.II. 23.
II.1.10. If the chair of the board of directors carries out executive duties, said body shall	Adopted	Part 1, chapter B.II. 18.

Recommendation / Chapter ⁸⁰	Indication on the adoption of the Recommendation	Chapter of the Report
appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		
II. 2. Supervision II.2.1. Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee and the Financial Matters Committee shall be independent in accordance with legal criteria and be appropriately qualified to carry out his or her duties.	Adopted	Part 1, chapters B.II. 18; B.III.30; and 38.
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Adopted	Part 1, chapters B.III.38. and B.V.45.
II.2.3. The supervisory board shall assess the external auditor and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal	Adopted	Part 1, chapter B.V. 45.
II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Adopted	Part 1, chapters B.III.38. and C.III.50.
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the Company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Adopted	Part 1, chapter C.III.51.
II. 3. Setting of remuneration II.3.1. All members of the Remunerations Committee, or equivalent, shall be independent in regard to the management bodies and such committee shall include, at least, one member with know-how and experience in remuneration policy matters.	Adopted	Part 1, chapters D.II.67. and 68.
II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above	Adopted	Part 1, chapter D.II.67.
II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration to be paid to the members of the governing bodies;	Partially adopted <i>(The declaration on remuneration policy for the REN management and supervisory bodies submitted at the last Annual General Meeting does not expressly state the potential sums required by subparagraph b) of the recommendation.</i> <i>Therefore, bearing in mind the date of approval (30 April 2013) for this declaration submitted at the last Annual General Meeting, the said bodies did not have any knowledge nor could have had any</i>	Part 1, chapter D.III.69.

Recommendation / Chapter ⁸⁰	Indication on the adoption of the Recommendation	Chapter of the Report
<p>b) Information on the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable;</p> <p>d) Information on the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.</p>	<p><i>knowledge of the CMVM Governance Code published in its current version in July 2011. For this reason, this information was not applicable to the abovementioned declaration.</i></p> <p><i>Furthermore, and even if it is not understood as such, REN considers that the sums in question, despite not being expressly declared, could already have been specified on the date of the abovementioned General Meeting by the shareholders (main addressees of the declaration subject to approval) and the market in general, considering the content of the 2012 Annual Governance Report, which discloses remuneration paid in 2012 and the remuneration policy for the 2012-2014 term of office. These documents were put to the approval of the shareholders and stated the values of fixed remuneration and the criteria, limits and rules for determining STVR and MTVR, in both cases, on an individual and joint basis.</i></p> <p><i>As such, the aims of this recommendation were fully complied with in the financial year of 2013.</i></p>	
<p>II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.</p>	Not applicable	Part 1, chapter D.VI.85.
<p>II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.</p>	Not applicable	Part 1, chapter D.III.76.
<p>III. Remuneration</p> <p>III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk.</p>	Adopted	Part 1, chapters D.III.69 and 70.
<p>III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the Company or of its value.</p>	Adopted	Part 1, chapters D.III.69., 70. and 77.
<p>III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.</p>	Adopted	Part 1, chapters D.III.69., 70. and 71.
<p>III.4. A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.</p>	Adopted	Part 1, chapter D.III.72.
<p>III.5. Members of the Board of Directors shall not enter into contracts with the Company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.</p>	Adopted	Part 1, chapter D.III.73.
<p>III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their term of office.</p>	Not applicable	Part 1, chapter D.III.73.
<p>III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.</p>	Not applicable	Part 1, chapters D.III.69 and 74.
<p>III.8. When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of</p>	Adopted	Part 1, chapter D.V.83.

Recommendation / Chapter ⁸⁰	Indication on the adoption of the Recommendation	Chapter of the Report
their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable		
IV. Auditing IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the Company.	Adopted	Part 1, chapters B.III.38. and C.III.50.
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by Corporate Governance - said services should not exceed more than 30% of the total value of services rendered to the company.	Adopted	Part 1, chapter B.V.46.
IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period shall be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Adopted	Part 1, chapter B.V.44.
V. Conflicts of interests and transactions with related parties V.1. The Company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to Article 20 of the Portuguese Securities Code, shall be conducted under normal market conditions.	Adopted	Part 1, chapter E.II.92.
V.2. The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in Article 20(1) of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.	Adopted	Part 1, chapters B.II.II and E.I.89.
VI. Information VI.1. Companies shall provide, via their websites in both Portuguese and English, access to information on their progress as regards the economic, financial and governance state of play.	Adopted	Part 1, chapter C.V.59. to 65.
VI.2 Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept	Adopted	Part 1, chapter C.IV.56. to 58.

3. Other information

The Company shall provide any additional information which, not covered by the previous points, is relevant for understanding the governance model and practices implemented.

REN is not in the possession of any additional information which is relevant for understanding the governance model and practices implemented.