



REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.

REGULATIONS

ASSESSING AND MONITORING TRANSACTIONS WITH RELATED PARTIES AND PREVENTING SITUATIONS OF CONFLICTS OF INTEREST

I. CONTEXT

The Audit Committee of REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as “**REN**” or “**Company**”), within the scope of analysing the Company’s compliance with the Portuguese Securities Market Commission (CMVM)’s 2010 Corporate Governance Code (hereinafter referred to as “**Corporate Governance Code**”), notably the provisions of the respective Recommendation IV.1.2., resolved to propose to the Board of Directors the present “Regulations regarding Transactions with Related Parties” be adopted (hereinafter referred to as “**Regulations**”), so as to lay down the Audit Committee’s procedures to monitor transactions concluded by or to be concluded by REN with related parties and to prevent cases of potential conflicts of interest.

These Regulations were approved by the Board of Directors at its meeting held on 8th November 2012.

Even though no transactions with related parties that were different from the normal market conditions took place in 2010 and 2011, the corporate governance best practices reflected in the Corporate Governance Code, as well as in the applicable accounting norms, in particular IAS 24, reflect the need to define the terms of the aforesaid monitoring to be carried out by the Audit Committee.

The system set forth in the aforesaid instruments also intends to achieve a greater degree of transparency in the market, through the establishment of mechanisms suitable for preventing and identifying situations of conflicts of interest in the Company.

In this context, and taking into account that REN has historically acted in compliance with the applicable best practices of corporate governance, REN’s Executive Committee or Board of Directors, depending upon which corporate body shall be competent to approve the transaction in question, shall, within the scope of their own decision making functions concerning the terms of transactions to be executed by REN, and the respective monitoring, submit such transactions for assessment by the Audit Committee, pursuant to the terms and for the purposes of these Regulations.



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II. DEFINITIONS

For the purposes of the present Regulations, the following terms and expressions shall have the following meanings, when commencing with a capital letter, except if the context in which they are used implies a clearly different meaning:

- A. Related Shareholder:** means any shareholder who has a shareholding representing , at least, 2% (two per cent) of the share capital of REN or any Affiliated Company, calculated as per the terms of Article 20 of the Portuguese Securities Code (hereinafter referred to as “CVM”);
- B. Manager:** means any member of a management or supervisory body of REN or any of REN’s Affiliated Companies, as well as any natural person who, due to the office held at REN or at an Affiliated Company, has a leadership and management role through the participation in decisions regarding the management and business strategy of REN or any of the Affiliated Companies, or has regular or occasional access to insider information;
- C. Transactions with the Company:** means a legal transactions entered into between members of the Management Body or members of the supervisory bodies of REN or the Affiliate Companies, on one hand, and REN or Affiliate Companies, on the other hand, which, for the purposes of this regulation, are also considered to be Significant Transactions;
- D. Management Body:** means the Executive Committee or Board of Directors of REN, depending upon which is the competent corporate body for approving each Transaction, pursuant to REN’s Articles of Association and the resolution regarding the delegation of powers approved by the Board of Directors on 4 April 2007 and recorded as Minutes No. 2/2007;
- E. Related Party:** means both a Manager and Related Shareholder or also a third party, related to the former through any relevant commercial or personal interest;
- F. Affiliated Companies:** means companies which are in a control or group relationship with REN, as per the terms of Article 21 of the CVM;
- G. Transactions:** means both Transactions with Related Parties and Significant Transactions;
- H. Transactions with Related Parties:** means legal transactions to be entered into between a Related Party, on one hand, and REN or an Affiliated



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Company, on the other hand, regarding which none of the materiality criteria identified in Section II(I)(a) to (d) are applicable and which are thus not subject to a prior opinion issued by the Audit Committee under these Regulations;

- I. Significant Transactions:** means transactions in which Related Parties participate, and which:
- a)** Involve a purchase and/or sale of goods, provision of services or a works contract with an economic value exceeding € 1,000,000.00 (one million euros);
 - b)** Involve an acquisition or assignment of shareholdings;
 - c)** Imply new loans, financing and the subscription of financial investments which represent an annual aggregate value of indebtedness exceeding € 100,000,000.00 (one hundred million euros), except in case of mere renewal of existing situations or operations carried out within the framework of pre-existing contractual obligations;
 - d)** If none of the materiality criteria stipulated in the previous items is applicable, (i) transactions which have an economic value exceeding € 1,000,000.00 (one million euros) or (ii) are considered relevant for this purpose by the Management Body, by virtue of their nature or their special susceptibility to result in a situation of a conflict of interest.

III. FORMS OF INTERVENTION BY THE AUDIT COMMITTEE

The Management Body is bound to submitting for assessment by the Audit Committee any Transaction pursuant to the terms laid down in the present Regulations, which set forth two levels of assessment by the Audit Committee:

- a)** “Prior opinion”: applicable to all Significant Transactions; and
- b)** “Subsequent assessment”: applicable to all Transactions with Related Parties which are not subject to prior opinion.

IV. DEADLINE FOR NOTIFICATIONS REGARDING TRANSACTIONS

The notification by the Management Body shall be sent:

- a)** In the case of Significant Transactions, at least 15 (fifteen) days prior to the estimated date of its conclusion;



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- b) In the case of Transactions with Related Parties, until the last day of January or July, as the case may be, as refers to transactions occurred in the preceding semester.

V. CONTENTS OF NOTIFICATIONS REGARDING SIGNIFICANT TRANSACTIONS

Notifications regarding any Significant Transaction by the Management Body to the Audit Committee are to be treated as strictly confidential (both as refers to its existence and contents) and must include:

- a) A summary of the essential terms of the Significant Transaction, notably a description of the obligations undertaken by REN, as well as the specification of which is the material criterion that made it necessary to submit said transaction for assessment by the Audit Committee;
- b) A brief contextualisation of the operation, including the adopted pre-contractual procedures;
- c) In the event that there was more than one proposal, the criteria adopted to select the final counterparty;
- d) In the event that no other entity was consulted, the reasons for adopting such a procedure,
- e) In the event of urgency to sign a Significant Transaction, a complete and justified explanation for the urgency;
- f) The mechanisms adopted to prevent conflicts of interest in the specific case; and
- g) Proof that the operation will be carried out in normal market conditions.

VI. ISSUANCE OF PRIOR OPINION

1. The Audit Committee must issue an opinion within a maximum deadline of 10 (ten) days from the date of reception of the notification regarding the Significant Transaction.
2. In case of Transactions with the Company, the Audit Committee's assessment for the purpose of issuing a prior opinion is carried out under the terms and for the purposes laid down in Articles 397 and 423-H of the Portuguese Companies Code.



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3. In the absence of an opinion from the Audit Committee concerning the matter at stake within the deadline established in paragraph 1 above, the Significant Transaction shall be deemed to be approved and the reasons for carrying out the Significant Transaction contained in the notification by the Management Body are enough to conclude the Transaction.
4. In the event that the Audit Committee issues an unfavourable opinion, the conclusion of the Significant Transaction will depend on the authorisation by REN's Board of Directors, irrespective of the body which is competent to approve the Significant Transaction in question.
5. The Board of Directors' approval of a Significant Transaction pursuant to paragraph 4 above must be especially justified, so as to demonstrate that the conclusion of the Significant Transaction is in line with the corporate interest of REN or the Affiliated Companies and that the advantages resulting for REN or the Affiliated Companies positively outweigh the disadvantages identified in the unfavourable opinion issued by the Audit Committee.
6. In the event that the Audit Committee issues an unfavourable opinion affirming that the conclusion of the Significant Transaction would be detrimental to the corporate interest of REN or the Affiliated Companies, the opinion of the Audit Committee must include a proposal for measures in order to harmonise the corporate interest and the conclusion of the Significant Transaction.

VII. SUBSEQUENT ASSESSMENT OF TRANSACTIONS WITH RELATED PARTIES

The Audit Committee shall assess Transactions with Related Parties subject to subsequent assessment and issue a half-yearly report regarding such transactions which it has been notified of, within a deadline of 30 (thirty) days after the expiration of the deadline for such notifications, which also indicates the Significant Transactions which were subject to prior opinion.

VIII. ASSESSMENT OF TRANSACTIONS BY THE AUDIT COMMITTEE

1. Within the scope of its functions of supervision of Transactions, the Audit Committee must ascertain the adequacy of the pre-contractual and contractual procedures adopted and the reasonableness and adequacy of the reasons presented, taking into account the following principles:



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- a) Promotion of the corporate interest of REN and Affiliated Companies;
 - b) The adequacy of the Transaction's terms and conditions, regarding the market conditions in which similar Transactions are normally concluded;
 - c) The inexistence of disproportionate advantages directly or indirectly granted to the Related Party in the context of the Transaction.
2. When assessing Transactions, the Audit Committee may request an opinion from an external expert, in cases in which the Audit Committee considers that a new assessment of compliance with the principles stipulated in paragraph 1 above is especially justified. Such external expert shall previously agree with the Audit Committee to treat any information regarding Transactions as strictly confidential (both as refers to its existence and contents).
3. Apart from assessing Transactions, within the scope of its functions of coordinating internal mechanisms concerning Transactions, the Audit Committee also has the following powers:
- a) Requesting the information or documentation to the Management Body that is necessary for the assessment of the Transaction in a suitable and informed manner;
 - b) Submitting recommendations to the Board of Directors;
 - c) Annually issuing a report about the implementation of these Regulations and, if necessary, proceeding with the review of the Regulations.

IX. SITUATIONS OF CONFLICTS OF INTEREST

1. Within the scope of preventing situations of conflicts of interest at REN, the Audit Committee is responsible for the following:
 - a) Submitting recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest to be adopted by the latter; and
 - b) Including annually information in the respective annual activity report as to whether these Regulations are adequate for preventing and resolving conflicts of interests.
2. In order to prevent and detect situations of conflicts of interest, Managers must notify the Audit Committee of any shares they hold in civil or commercial companies, which head office or permanent establishment is



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located in Portugal or abroad, as well as the management offices they hold in other civil or commercial companies.

3. The information mentioned in paragraph 2 above must be provided within a deadline of 30 days from the entering into force of these Regulations or the beginning of the individual's respective office and shall be updated until 31 January of each year after assuming the office of Manager.

X. ENTRY INTO FORCE

These Regulations will enter into force on 9th November 2012.