



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

Audit Committee Report on the Financial Year of 2019

(pursuant to the provisions of Article 423(1)(g) of the Portuguese Company Code)

1. Introduction

REN - Redes Energéticas Nacionais, SGPS, S.A. (REN) has adopted an Anglo-Saxon management and supervision model, which consists of a Board of Directors and an Executive Committee as corporate management bodies and an Audit Committee (hereinafter referred to as "Committee") and a Statutory Auditor (hereinafter referred to as "External Auditor") as supervision and control bodies.

The Committee consists of three, non-executive and independent members of the Board of Directors, including its Chairman, who were elected at the General Meeting of 3 May 2018 for the three-year period of 2018-2020.

All the members of the Committee comply with compatibility criteria for performing their respective duties, as set out in Article 4 of the Audit Committee Regulations.

The main powers and competences, forms of organization and functioning of the Committee are described in the respective Internal Regulations, which may be consulted on REN's official Internet site at <http://www.ren.pt> in Portuguese and English.

2. Audit Committee activity during the Financial Year of 2019

The Committee held 14 meetings in 2019. All three members of the Committee were present at 13 of the 14 meetings, while one member was absent at one meeting and was represented by another member of the Committee.

At the invitation of the Committee, the Head of the Internal Audit Department, the External Auditor, the Chief Financial Officer, the Chief Operating Officer and several REN senior managers took part in these meetings, whenever opportune.

In the performance of its duties, the Committee has the means and resources necessary for the purpose. Actions by the Committee focused on aspects that will be analysed below.



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2.1. Supervision of REN management and compliance with the law and the Articles of Association

In 2019, the Committee monitored the functioning of the corporate governance system implemented by REN.

Work carried out by the Committee on compliance with the law and the Articles of Association, which always took into account the structure of corporate governance in place, included the analysis and assessment of the conclusions of the External Auditor, provided to the Committee throughout the year.

The Committee also monitored the evolution of legal and regulatory provisions as well as the relevant recommendations for it to perform its duties, particularly those relating to the supervision of External Auditor activities.

For the purposes of performing supervisory work, the Committee had access to all the necessary information and company employees in order to assess the company's situation and development perspectives. Furthermore, the Audit Committee received and analysed the minutes of meetings held by the Executive Committee in 2019 (including the respective supporting documents). The Committee requested additional clarifications whenever it was considered opportune and such clarifications were duly provided.

During 2019, and at the request of the Remunerations Committee, the Committee verified quantitative information on the process for assessing and setting the variable remuneration of the Executive Committee.

2.2. Supervision of financial information

In this regard, Committee meetings were held with the External Auditor, the CFO and the Head of Control, Accounting and Tax.

Compliance with accounting criteria, policies and practices, estimates, judgements, relevant disclosures and their consistent application in different financial years and the reliability of financial information were also supervised through an analysis of the audit conclusions and assessments of procedures carried out during the financial year by the External Auditor.

The Committee analysed the REN, SGPS, S.A. Consolidated Financial Statements for the period ending 30 June 2019 and issued a report and opinion on the consolidated financial information for the semester.



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The Committee inspected the legal review and external audit to accounts documents for the financial year of 2019. The Committee concluded that these processes were suitably carried out and covered the activities required by Articles 446 and 451 of the Commercial Company Code (more specifically, with regard to the correctness of accounting records and supporting documentation, accounting policies and evaluation criteria, accuracy of documents and legal certification of accounts).

The Committee further analysed the REN Corporate Governance Report.

2.3. Monitoring and inspection of the effectiveness of the internal control and risk management procedures

The Committee conducted several actions to monitor, inspect and assess the operation and suitability of the internal control, risk management and internal audit processes.

The Committee continues to consider that the REN management and supervisory bodies have placed due importance on the development and improvement of internal control and risk management processes, on strategic, operating, economic and financial aspects, and on compliance, human resources and the safeguarding of assets.

Work undertaken with respect to these processes had a relevant effect on REN company activity, in line with its size, business characteristics, and the complexity of the risks inherent to the activity.

The design and implementation of an internal control and risk management process depends on the Executive Committee. The Board of Directors is responsible for supervising this process. Furthermore, the Committee conducted several actions to monitor and evaluate the functioning and adequacy of the internal control and risk management processes. The Committee held several meetings with the External Auditor as well as with the heads of the different departments whose activities influence the internal control and risk management processes. The departments involved were:

- Procurement;
- Control, Accounting and Tax;
- Quality, Environment and Safety;
- Regulation and Statistics;
- Institutional Relations;
- Legal Services; and
- Operational Services.



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The Committee analysed the reports in this regard drawn up by the External Auditor and sent to the company's management bodies. Also analysed were the findings considered relevant as well as all the reports drawn up by the Internal Audit Department.

The implementation of the recommendations arising from the different internal audits was also monitored, as was the activity of the Risk Management Committee, an internal structure whose mission is to support the Board of Directors with respect to REN Group risks.

In this regard, the Committee held two scheduled meetings with the Risk Management Committee.

2.4. Supervising the activity of the REN Internal Audit Department

The Committee supervised the activity of the REN Internal Audit Department, which reports functionally to the Committee.

The Internal Audit Department carried out its work in accordance with an annual plan duly approved by the Committee. In order to determine the priority of activities, the Committee considered the scope of the initiatives, their relevance and the availability of resources.

Work carried out by the Internal Audit Department was regularly monitored by the Committee, more specifically with regard to findings on how risks are managed in relation to company processes, systems and business units. Recommendations for improvement related both to internal control as well as risk management processes and were subject to respective monitoring. For this purpose, the Committee had access to all the reports prepared by the Internal Audit Department, which included matters relating to internal control, risk management and compliance.

The Committee considers that the Internal Audit Department carried out its duties with independence, objectivity and competence and that when conducting internal audits, attention was paid to the assessment of internal control procedures, compliance with established procedures, the integrity of the information produced and disclosed, the efficient use of resources, the effective monitoring of processes, compliance with laws and regulations in force and to the assessment and minimization of identified risks.

Whenever deemed suitable, the results of the work carried out by the Internal Audit Department were sent to the Executive Committee, the Board of Directors and the External Auditor, in line with the duties performed by each of these bodies in the management and supervision of Company business.



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2.5. Analysis of the activity and inspection of the independence of the External Auditor

During the year, the Committee performed its duty as the company's point of contact with the External Auditor. The Committee received the respective reports and took all steps necessary to ensure that suitable conditions were in place to enable the External Auditor to provide its services.

In 2019, the Audit Committee evaluated the activity of the External Auditor, through regular monitoring of their activities, namely, through the analysis of periodic reports and overseeing the performance of audit and review services, as well as by assessing any changes in procedures implemented by the External Auditor.

The Committee conducted an annual assessment of work by the External Auditor in 2019 and considered that they provided their services in a satisfactory manner. They further complied with applicable standards and regulations, including international standards on auditing and they performed their duties with suitable technical accuracy.

The Committee is also responsible for supervising and assessing the activity and independence of REN's External Auditor, as well as for approving the respective fees for audit services and contracting of additional services.

In compliance with the independence rules established in relation to the External Auditor, during the year the Committee monitored the provision of non-audit services in order to ensure that situations of conflicts of interest did not arise. The Committee further ensured that costs respected the limits established by the Statutes of the Association of Statutory Auditors and the Legal Regime for Audit Supervision. The provision of these services by the External Auditor was approved by the Committee as it considered that they involved matters in relation to which the specific knowledge of the company in terms of auditing, as well as their complementarity regarding audit services, would justify such award.

In 2019, the Committee authorized three requests for non-audit services relating to the following requirements: (i) limited review of interim accounts of 30 June 2019; (ii) reliability assurance procedures provided by the external auditor with respect to the issuing of comfort letters relating to the EMTN – Euro Medium Term Notes programme under which the REN Group issues debenture loans; and (iii) financial ratios defined in the facility agreement with the European Investment Bank (EIB).



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2.6. Company business with related parties

The 2019 Corporate Governance Report describes the main elements of the business and operations carried out between the REN Group companies and holders of qualified shareholdings or entities with which they are in any relationship, under the terms of Article 20 of the Portuguese Securities Code.

During the year, the Committee conducted prior verification on two commercial transactions, as the criteria arose in which such intervention is required, in accordance with Internal Regulations ('Analysis and control of transactions with related parties and prevention of conflict of interests').

Following the analysis of the suitability of pre-contractual and contractual procedures adopted for the operation and the reasonableness and suitability of the justification presented - particularly with regard to corporate interests and comparability with normal market conditions - the Committee decided to issue a favourable opinion.

2.7. Whistleblowing

The Chapter "Procedures applicable to the processing of whistleblowing communications and the inspection of irregularities", included in the REN Group Code of Conduct, sets out the procedures applicable to the receipt and processing of whistleblowing communications submitted by interested parties and the inspection of whether such irregularities exist and the application of the respective penalties.

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

In 2019, the Committee was informed of one situation that was considered as a potential irregularity. The Committee conducted an investigation of this case as deemed necessary, in compliance with current regulations.



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Lisbon, 18 March 2020

Mr. Manuel Ramos de Sousa Sebastião (Chairman)

Ms. Maria Estela Guedes Barbosa Rodrigues de Magalhães Barbot (Member)

Mr. Gonçalo Miguel Marques dos Santos Gil Mata (Member)