

REN

# Driving Energy

REPORTS & ACCOUNTS 2019

# 07

## **Corporate Governance**

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# 07.

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## Corporate Governance

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**An energy  
of trust**

*def:* firm belief in the reliability, honesty, effectiveness,  
loyalty of someone or something.



For REN, trust starts in the relationships we create. Last year we signed the CEO Guide to Human Rights of the World Business Council for Sustainable Development, an incentive promoting the defence of human rights and the improvement of living conditions.

**Because trust leads to trust**

# 07.

## Corporate Governance

We are guided by the principles of citizenship and sustainability

### PART I

#### **7.1. Information on Shareholder Structure, Organization and Corporate Governance**

REN is in a mission to ensure the continuous provision of energy to the whole country, and as such to contribute to the development of communities and to improve the quality of life of Portuguese people.

**This is a task which requires a continuous and devoted effort. But our commitment goes beyond our mission.**

**We believe in the exercise of an active corporate citizenship, with a strong involvement with the communities we belong to, both at a social and at an environmental level.**

**To take this commitment, this requires that all REN activities are guided by sustainability principles, by means of obeying to rigorous and measurable criteria and respecting demanding standards of excellence, without ever losing sight of the positive impact we want to have on the communities and ecosystems we work close to.**

#### **7.1.1. Economic Environment**

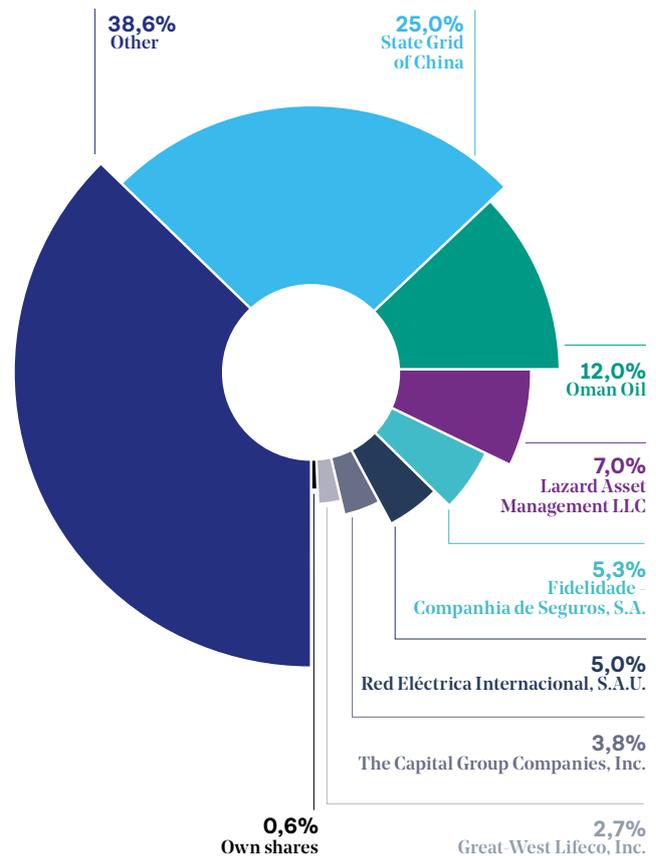
##### **I. Capital Structure**

**I.1. Capital structure (capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different classes of shares, inherent rights and duties and percentage of capital which each class represents (Art. 245-A(1)(a)).**

The share capital of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (REN or the company) in the amount of € 667,191,262 is represented by 667,191,262 ordinary shares with a face value of € 1.00 each, in the form of nominative book-entry shares.

### Shareholder structure at 31 december 2019

For more detailed information on the main company shareholders of the company see II.7 below.



REN shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder under the law.

Currently, all REN shares are admitted to trading on Euronext Lisbon, a regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., with code PTRELOAM0008.

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

No restrictions currently exist and REN has not implemented any measures which hinder the transferability of shares (such as consent clauses in the event of transfer. REN shares are freely tradable on the regulated market.

With respect to ownership limitations on shares, in accordance with applicable 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 share capital<sup>1</sup>.

These limitations on the ownership of REN shares were introduced further to the transposition of European community directives applicable

to the electricity and natural gas sectors to promote competition in the market and ensure equal access by operators to transmission infrastructures. This limitation was implemented by means of a provision included in REN's Articles of Association that provides for the non-count of votes cast by any shareholder, in the shareholder's own name or as a representative of another shareholder, that exceed 25% of the total votes corresponding to the share capital. The votes are counted in accordance with Article 20 of the Portuguese Securities Code (Securities Code)<sup>2</sup>.

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

<sup>2</sup> See paragraphs 3 and 4 of Article 12 of REN's Articles of Association.

It should be further noted that on 9 September 2014<sup>3</sup>, ERSE – The Energy Services Regulator (ERSE) issued a decision on the certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. (both wholly owned by REN) as operators of the National Electricity Transmission System and the National Natural Gas Transmission System (the ERSE Decision), respectively, under full ownership unbundling which remains in force.

In accordance with the ERSE Decision, certification was dependent on compliance with a series of conditions intended to ensure the independence of these operators, including, inter alia, (i) restrictions on the exercising of rights related to the REN General Shareholders' Meeting; (ii) restrictions on the exercising of positions on the Board of Directors or Audit Committee of REN or the Transmission System Operators; and (iii) the amendment to REN's Articles of Association with a view to complying with the restrictions set out in (i) and (ii).

The amendments to REN's Articles of Association required to comply with the ERSE Decision were approved by the REN General Shareholders' Meeting which was held on 17 April 2015. With regard to the exercising of rights at the REN General Shareholders' Meeting, the following changes were included:

- Shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE recognizes that no risk of conflict of interest exists;
- The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor or members of bodies which legally represent it on their own or through others with whom they are connected via shareholders' agreements, except (i) when ERSE recognizes that there is no risk of conflicts of interest due to the fact that the respective production or sale of electricity or natural gas of such a shareholder takes place in geographical locations which have no direct or indirect connection or interface with Portuguese networks and (ii) provided that there were no changes as to the grounds or objective

circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators.

Therefore, limitations on the ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance (Instituto Português de Corporate Governance) (IPCG Code) cannot overturn. As such, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

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

REN has 3,881,374 own shares, representing 0.6% of its capital. These shares would correspond to 0.6% of voting rights.

### 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 of 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 of control which are typical of such transactions (including, although not expressly stated, changes of control arising from takeover bids) and essential for carrying out such transactions on the market. It should be noted that the mentioned clauses are in line with market practice and are only intended to regulate the relevant contracts in scenarios of change of control over REN, not entailing any payments or the assumption of obligations by REN capable of harming the economic interest in the transfer of REN shares or the free appraisal by its shareholders of the performance of the directors, in the event of a change of control or change in the composition of the board of directors.

<sup>3</sup> ERSE notified REN on 4 August 2015 confirming that the certification conditions determined on 9 September 2014 had been complied with, thus making the certification decision final.

However, the practical application of these clauses is limited, considering the legal restrictions on the ownership of REN shares as explained in I.2., making an acquisition or change of control over REN unfeasible, in light of the current legal framework.

There are no other 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 taking on encumbrances by the Company in the event of changes of control or changes in the composition of the Board of Directors and which would be liable to prejudice the free transferability of shares or the free evaluation by shareholders of the performance of members of the Board of Directors. Therefore, the Recommendation II.6 of the IPCG Code is fully adopted.

**I.5. Framework to which the renewal or repeal of defensive measures are subject, in particular those that limit the number of votes which can be held or exercised by a sole shareholder individually or jointly with other shareholders**

The only provisions in the REN Articles of Association which provide for limitations on votes which can be held or exercised by a sole shareholder or by certain shareholders (e.g. who exercise control over a company which works in the production or sale of electricity or natural gas), individually or together with other shareholders are set out in I.2 above.

Such provisions arise from legal requirements and from the ERSE Decision and do not seek to limit

voting rights, but rather to ensure the existence of a sanctioning system for breaching the legal limit on the ownership of shares and the legal restriction on voting rights, respectively.

As such, there is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

There are no other defensive measures.

**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. Shareholdings and bondholdings

**II.7. Identification of natural or legal persons which, directly or indirectly, own qualified shareholdings (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**

Based on the communications submitted to the Company, in particular in accordance with Article 16 of the Securities Code and CMVM Regulation No 5/2008, with reference to 31 December 2019, shareholders having a qualifying holding (representing at least 2% of REN's share capital), calculated in accordance with Article 20 of the Securities Code, were as follows:

| <b>State Grid Corporation of China</b>  | <b>No of shares</b> | <b>% Share capital with voting rights</b> |
|---|---------------------|---|
| Directly  | 0                   | 0%  |
| Through State Grid Europe Limited (SGEL), controlled by State Grid International Development Limited (SGID), which is controlled by State Grid Corporation of China | 166,797,815         | 25.0%                                     |
| <b>Total attributable</b>   | <b>166,797,815</b>  | <b>25.0%</b>                              |

| <b>Oman Oil Company SAOC</b>   | <b>No of shares</b> | <b>% Share capital with voting rights</b> |
|--|---------------------|---|
| Directly   | 0                   | 0%  |
| Through Mazoon B.V. and Oman Oil Holding Europe, B.V., which are controlled by Oman Oil Company SAOC | 80,100,000          | 12.006%                                   |
| <b>Total attributable</b>  | <b>80,100,000</b>   | <b>12.006%</b>                            |

| <b>Lazard Asset Management LLC</b> | <b>No of shares</b> | <b>% Share capital with voting rights</b> |
|------------------------------------|---------------------|---|
| Directly                           | 0                   | 0   |
| Indirectly <sup>4</sup>            | 46,611,245          | 6.986%                                    |
| <b>Total attributable</b>          | <b>46,611,245</b>   | <b>6.986%<sup>5</sup></b>                 |

| <b>Fidelidade Companhia de Seguros, S.A.<sup>6</sup></b>  | <b>No of shares</b> | <b>% Share capital with voting rights</b> |
|---|---------------------|---|
| Directly  | 35,176,796          | 5.272%                                    |
| Through Via Directa – Companhia de Seguros, S.A., which is controlled by Fidelidade   | 119,889             | 0.018%                                    |
| Through Companhia Portuguesa de Resseguros, S.A., which is controlled by Fidelidade   | 37,537              | 0.006%                                    |
| Through Fidelidade Assistência – Companhia de Seguros, S.A., which is controlled by the common shareholder Longrun <sup>7</sup> | 98,732              | 0.015%                                    |
| Through Multicare – Seguros de Saúde, S.A., which is controlled by the common shareholder Longrun <sup>8</sup>                  | 63,470              | 0.010%                                    |
| <b>Total attributable</b>   | <b>35,496,424</b>   | <b>5.320%</b>                             |

| <b>Red Eléctrica Corporación, S.A.</b>                 | <b>N.º de ações</b> | <b>% Capital social com direito de voto</b> |
|--|---------------------|---|
| Directly   | 0                   | 0%  |
| Through its branch Red Eléctrica Internacional, S.A.U. | 33,359,563          | 5.0%  |
| <b>Total attributable</b>                              | <b>33,359,563</b>   | <b>5.0%</b>                                 |

<sup>4</sup> This qualified shareholding, calculated under Article 20 of the Securities Code, is held by Lazard Asset Management LLC on behalf of Clients, and is attributable to it since it agreed with the Clients that it would exercise the voting rights. The qualified shareholding is also attributable to (i) Lazard Freres & Co, which holds the total share capital of the firstly mentioned company; (ii) Lazard Group LLC, which holds the total share capital of the secondly mentioned company; and (iii) Lazard Limited, company with shares admitted to trading in the NYSE market, as controlling entity of the abovementioned company.

<sup>5</sup> According to the information provided by Lazard Asset Management LLC on 31 January 2019, with reference to 31 December 2018.

<sup>6</sup> This qualified shareholding, calculated under Article 20 of the Securities Code, is also attributable to LongRun Portugal, S.G.P.S., S.A., Millenium Gain Capital, Fosun Financial Holdings Limited, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings, Ltd. and to Mr. Guo Guangchang, as natural or legal persons ou control directly or indirectly Fidelidade – Companhia de Seguros, S.A.

<sup>7</sup> Longrun holds, also, 80% of the share capital of Fidelidade Assistência – Companhia de Seguros, S.A.

<sup>8</sup> Longrun holds, also, 80% of the share capital of Multicare – Seguros de Saúde, S.A.

| <b>The Capital Group Companies, Inc.<sup>9</sup></b>   | <b>No of shares</b> | <b>% Share capital with voting rights</b> |
|--|---------------------|---|
| Directly   | 0                   | 0%  |
| Through Capital Income Builder <sup>10,11</sup> .  | 24,355,192          | 3.6504%                                   |
| Through accounts under the discretionary management of fund management companies in a controlling or group relationship with The Capital Group Companies, Inc. | 1,009,808           | 0.1514                                    |
| <b>Total attributable</b>  | <b>25,365,000</b>   | <b>3.8018%</b>                            |

| <b>GreatWest Lifeco, Inc.<sup>12,13</sup></b>   | <b>No. of shares</b> | <b>% Share capital with voting rights</b> |
|---|----------------------|---|
| Directly  | 0                    | 0%  |
| Through the collective investment undertakings managed by Setanta Asset Management Limited <sup>14</sup> , being this company controlled by Great-West Lifeco, Inc. | 17,468,588           | 2.618%                                    |
| Through three sub-funds of Beresford Funds plc, managed by Irish Life Investment Managers Limited   | 326,379              | 0.049%                                    |
| <b>Total attributable</b>   | <b>17,794,967</b>    | <b>2.667%</b>                             |

<sup>9</sup> On its communication of 26 February 2020 The Capital Group Companies informed REN of the decrease of its (indirect) holding being attributable to it from that date 12,852,308 shares representing 1,9263% of share capital and voting rights in REN. I has also informed that before the attributable votes corresponded to a holding of 4.75%, corresponding to its position in the communication to REN of March 2017 and previously to REN's share capital increase operation in 2017. Being this the most updated information provided by this investor, REN has assumed, for the purposes of this report, that this was the relevant holding at 31 December 2019. For more detail please refer to: <https://web3.cmv.m.pt/sdi/emitentes/docs/PQ63588.pdf>, <https://web3.cmv.m.pt/sdi/emitentes/docs/PQ71116.pdf> and <https://web3.cmv.m.pt/sdi/emitentes/docs/PQ74637.pdf>

<sup>10</sup> In accordance with information received on March 8, 2019 by Capital Income Builder (CIB) and SMALLCAP World Fund, Inc. (SCWF), Capital Research and Management Company was granted powers to exercise voting rights corresponding to SCWF's stake as well as the stake acquired by CIB of 24,355,192 shares representing 3,6504% of REN's share capital. CIB is a mutual fund registered in the United States of America, under the Investment Company Act of 1940, and by virtue of the powers attributed to Capital Research and Management Company, the respective voting rights are attributed to this entity, in accordance with article 20 of the Securities Code. Regarding SCWF, a mutual fund registered in the United States of America under the Investment Company Act of 1940, it should be noted that the notification submitted on behalf of Capital Group Companies, Inc., disclosing the shares held since March 24, 2017 includes SCWF's shares, which, for the time being, correspond to zero (0%) of shares representing the share capital of REN).

<sup>11</sup> Capital Income Builder informed REN of the decrease of its stake on 21 February 2020 its holding decreased to 12,618,332 shares, representing 1.8913% of the share capital and voting rights in REN. For more detail please refer to <https://web3.cmv.m.pt/sdi/emitentes/docs/PQ74622.pdf>.

<sup>12</sup> According to a communication received by the company on October 5, 2016 and updated on February 13, 2019, the ultimate controlling shareholders of Great-West Lifeco, Inc. are The Desmarais Family Residuary Trust and its trustees Sophie Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis-Bélair and Guy Fortin, to whom are attributed, under the terms of article 20(1)(b) of the Securities Code, the 2,056% voting rights in REN. The same voting rights are also attributable to the following companies controlled by The Demarais Trust: Power Financial Corporation, 17123 Canada Inc., Power Corporation of Canada and Pansolo Holdings Inc.

This qualified holding results from the aggregation of the holdings of several collective investment undertakings managed by entities that are either controlled or in a group relationship with Great-West Lifeco Inc. Information updated pursuant to the communication received by the company on January 31, 2019, by reference to December 31, 2018.

<sup>13</sup> In its communication of January 3, 2020, shareholder Great-West Lifeco, Inc. informed REN of its indirect qualifying holding corresponding to 18,225,165 shares, representing 2.73% of its share capital, with effect from January 1, 2020. Further details on the collective investment undertakings and respective shareholdings are available at [https://www.ren.pt/files/2020-01/2020-01-09171724\\_4c65f7f1-2e56-4968-a1af-585420fa64e0\\$F7c9bca3-1839-4b33-af32-24602a9b0fd3\\$Cb54eb58-6db6-4b6c-9396-e5b715c07382\\$File\\$Spt\\$1.pdf](https://www.ren.pt/files/2020-01/2020-01-09171724_4c65f7f1-2e56-4968-a1af-585420fa64e0$F7c9bca3-1839-4b33-af32-24602a9b0fd3$Cb54eb58-6db6-4b6c-9396-e5b715c07382$File$Spt$1.pdf). The voting rights connected with the shares referred to therein are also attributed, under the terms of article 20, no. 1, paragraph b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc., The Canada Life Assurance Company, Canada Life Capital Corporation Inc, Canada Life International Holdings Limited and The Canada Life Group (U.K.) Limited and to the following companies controlled by The Desmarais Trust, which in turn controls Great-West Lifeco, Inc. Power Financial Corporation, 171263 Canada Inc., Power Corporation of Canada and Pansolo Holding Inc.

<sup>14</sup> Further details on the collective investment undertakings and respective shareholdings are available at [https://www.ren.pt/files/2019-02/2019-02-14111744\\_4c65f7f1-2e56-4968-a1af-585420fa64e0\\$F7c9bca3-1839-4b33-af32-24602a9b0fd3\\$Cb54eb58-6db6-4b6c-9396-e5b715c07382\\$File\\$Spt\\$1.pdf](https://www.ren.pt/files/2019-02/2019-02-14111744_4c65f7f1-2e56-4968-a1af-585420fa64e0$F7c9bca3-1839-4b33-af32-24602a9b0fd3$Cb54eb58-6db6-4b6c-9396-e5b715c07382$File$Spt$1.pdf). The voting rights ancillary to those shares are also attributable, under Article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc.; The Great-West Life Assurance Company; Canada Life Financial Corporation; The Canada Life Assurance Company; Canada Life Capital Corporation Inc; Canada Life International Holdings Limited; and The Canada Life Group (U.K.) Limited.

## 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 article<sup>15</sup>, as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2019, based on communications with the company, were as follows:

### Board of Directors (including the Audit Committee)

| Board of directors  | Acquisitions (in 2019) | Encumbrances (in 2019) | Disposals (in 2019) | No of shares at 31.12.2019 |
|---|------------------------|------------------------|---------------------|----------------------------|
| Rodrigo Costa   | -                      | -                      | -                   | 0 (zero)                   |
| João Faria Conceição  | -                      | -                      | -                   | 500                        |
| Gonçalo Morais Soares   | -                      | -                      | -                   | 0 (zero)                   |
| Guangchao Zhu (representing State Grid International Development Limited) | -                      | -                      | -                   | 0 (zero)                   |
| Mengrong Cheng  | -                      | -                      | -                   | 0 (zero)                   |
| Lequan Li   | -                      | -                      | -                   | 0 (zero)                   |
| Omar Al-Wahaibi   | -                      | -                      | -                   | 0 (zero)                   |
| Jorge Magalhães Correia <sup>16</sup>                                     | -                      | -                      | -                   | 35,496,424                 |
| José Luís Arnaut <sup>17</sup>  | -                      | -                      | -                   | 7,587                      |
| Manuel Ramos de Sousa Sebastião   | -                      | -                      | -                   | 35,000                     |
| Gonçalo Gil Mata  | -                      | -                      | -                   | 0 (zero)                   |
| Maria Estela Barbot   | -                      | -                      | -                   | 0 (zero)                   |
| Ana Pinho   | -                      | -                      | -                   | 0 (zero)                   |

<sup>15</sup> This comprises the shares held by members of the REN management and supervisory bodies and also, if applicable, (i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by minor descendants; (iii) by 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 by persons referred to in (i) and (ii); and (iv) 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, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

<sup>16</sup> Corresponding to the shares held by Fidelidade Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of duties of member of the board of directors and the executive committee of that company, as set out in: <http://web3.cmvvm.pt/sdi/emitentes/docs/fsd430883.pdf>

<sup>17</sup> 480 shares held directly and the remainder held by Platinum details - Consultoria e Investimentos, Lda, in which 68% of the share capital is held.

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds 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 article<sup>18</sup>, as well as all their acquisitions, encumbrances or disposals with reference to the financial year of 2019, based on communications sent to the company, were as follows:

## Board of Directors

| Board of Directors  | Acquisitions (in 2019) | Encumbrances (in 2019) | Disposals (in 2019) | No of bonds at 31.12.2019 |
|---|------------------------|------------------------|---------------------|---------------------------|
| Rodrigo Costa   | -                      | -                      | -                   | 0 (zero)                  |
| João Faria Conceição  | -                      | -                      | -                   | 0 (zero)                  |
| Gonçalo Morais Soares   | -                      | -                      | -                   | 0 (zero)                  |
| Guangchao Zhu (representing State Grid International Development Limited) | -                      | -                      | -                   | 0 (zero)                  |
| Mengrong Cheng  | -                      | -                      | -                   | 0 (zero)                  |
| Lequan Li   | -                      | -                      | -                   | 0 (zero)                  |
| Omar Al-Wahaibi   | -                      | -                      | -                   | 0 (zero)                  |
| Jorge Magalhães Correia <sup>19</sup>                                     | -                      | -                      | -                   | 1,200,000                 |
| José Luís Arnaut  | -                      | -                      | -                   | 0 (zero)                  |
| Manuel Ramos de Sousa Sebastião   | -                      | -                      | -                   | 0 (zero)                  |
| Gonçalo Gil Mata  | -                      | -                      | -                   | 0 (zero)                  |
| Maria Estela Barbot   | -                      | -                      | -                   | 0 (zero)                  |
| Ana Pinho   | -                      | -                      | -                   | 0 (zero)                  |

**II.9 Special powers of the management body, notably regarding resolutions on capital increase (Art. 245-A(1)(i)), indicating, as to such resolutions, the date on which the powers were attributed to the management body, time limit until such powers may be exercised, maximum quantitative limit on capital increase, amount already issued under the attribution of such powers and method of applying the attributed powers**

The Board of Directors has the competences and powers conferred by the Portuguese Companies Code and the Articles of Association<sup>20</sup> (see summary of these competences and powers in II.21), and as such, the management body does not have special powers.

Particularly, concerning resolutions on any increase in capital, it should be noted that REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

<sup>18</sup> 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 minor 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.

<sup>19</sup> Corresponding to the shares held by Fidelidade - Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of the duties of member of the board of directors and on the executive committee of that company.

<sup>20</sup> See Article 15 of the Articles of Association and Article 3 of the Board of Directors Regulations.

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

There are no significant relationships of a commercial nature between the holders of qualified shareholdings and the company.

In accordance with internal regulations on the assessment and control of transactions with related parties<sup>21</sup> and prevention of conflict of interests, approved by the Board of Directors following a proposal presented by the Audit Committee, 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) are based on the acquisition or disposal of shareholdings;
- 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 every transactions with related parties to the Audit Committee for appraisal<sup>22</sup>, in particular:

(i) transactions considered significant are subject to prior opinion from the Audit Committee (and are communicated to the Audit Committee, a minimum of 15 days in advance of the transaction);

(ii) all other transactions are only subject to subsequent appreciation, and must be communicated to the Audit Committee before the last day of January or July, depending on whether the Transactions occurred in the current previous semester.

Moreover, in accordance with the Board of Directors internal regulations, the approval of 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.

In light of the abovementioned criteria – set out in Board of Directors regulations and in internal regulations on the assessment and control of transactions with related parties and prevention of conflicts of interests – during 2019, there were a number of significant transactions with related parties as further described in I.90 below.

## 7.1.2. Corporate bodies and committees

### I. General Meeting

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

### II.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 2018-2020:

| Name       | Position      | Date of 1. <sup>a</sup> Appointment | Term of office in course |
|------------|---------------|-------------------------------------|--------------------------|
| Pedro Maia | Chairman      | 27.03.2012                          | 2018-2020                |
| Rui Dias   | Vice-chairman | 03.05.2018                          | 2018-2020                |

<sup>21</sup> The definition of "related party" in accordance with this regulation includes owners of qualified holdings calculated in accordance with Article 20 of the Securities Code.

<sup>22</sup> See section III and section VI.

In the performance of his duties, the Chairman of the Board of the General Meeting also had the support of the Company Secretary, Marta Almeida Afonso.

## b) Exercise of Voting Rights

**II.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, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 245-A(1)(f))**

Following the 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»<sup>23</sup>.

Without prejudice to that referred to in 1.2 and 1.5, there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the 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 Shareholders' Meeting, provided that 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»<sup>24</sup>. This communication may be sent by e-mail<sup>25</sup>.
- 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<sup>26</sup>.
- c) Shareholders who exercise direct or indirect control over a company which either produces

or sells electricity or natural gas and wishes to participate, personally or through a representative, in the General Meeting are required to provide a declaration to the Chair of the General Meeting up to the day prior to the «Data de Registo», stating that they are not prohibited from exercising voting rights as ERSE has recognized that there are no conflicts of interest.

- d) Shareholders wishing to participate, personally or through a representative in the General Meeting, are required to provide a written declaration to the Chair of the General Meeting before the day prior to the «Record Date», stating that they are not prohibited from exercising voting rights in accordance with the subparagraph c). The content of the abovementioned declaration is a condition of the exercising of voting rights at the General Meeting and may be established in standard terms by the Chair of the Meeting<sup>27</sup>.
- e) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such recognition which determines the prohibition of the respective policy rights and/or re-examination of certification conditions by ERSE<sup>28</sup>.

Shareholders with voting rights may be represented at the General Shareholders' Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Shareholders' Meeting, communicating the name(s) of the representative(s), under the law and of the notice to convene. This communication may be sent by e-mail<sup>29</sup>.

<sup>23</sup> See Article 12(2) of Articles of Association.

<sup>24</sup> See Article 23-C of the Securities Code.

<sup>25</sup> See Article 12(9) of the Articles of Association.

<sup>26</sup> See Article 12(10) of the Articles of Association.

<sup>27</sup> See Article 12(12)(13) and (15) of the Articles of Association.

<sup>28</sup> See article 12(14) of the Articles of Association.

<sup>29</sup> See Article 12(11) of the Articles of Association.

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may vote differently with their shares, provided that they submit this fact to the Chairman of the Board of the General Shareholders' Meeting prior the 'Record Date' and deliver proportional and sufficient proof of: (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 person<sup>30</sup>.

This letter should be addressed to the Chairman of the Board of the General Shareholders' 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 Shareholders' Meeting, except if the relevant notice of meeting establishes a different time. The Chairman of the Board of the General Shareholders' 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 place<sup>31</sup>.

It is also established that votes cast by correspondence 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 website<sup>32</sup> 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.

Should there be express indication in the notice to convene the General Shareholders' Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call<sup>33</sup>.

In any case, 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 for shareholders, especially taking into account the absence of votes cast by correspondence at its last General Shareholders' Meeting.

As regards the attendance in the General Shareholders' Meetings by electronic means, REN gives preference to in person attendance (or representation in person) in its General Shareholders' Meetings as it promotes participation and discussion and avoids possible violations of privacy and data protection arising from the use of electronic means. REN's shareholder structure and the fact it includes a large number of professional investors which, according to market practice, are typically represented at the General Shareholders' Meeting by their relevant financial intermediary also appears as an inherent circumstance in the proximity goal pursued by REN and preference for in person attendance promoted in its General Shareholders' Meetings.

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in General Shareholders' 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', with the exception of the provision set out in the Articles of Association as described in 1.2 and 1.5 above, which seeks to make current regulations and the legal regime effective.

#### II.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 Article 20(1) of the Securities Code.

As referenced above in I.2, the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they

<sup>30</sup> See article 12(5) of the Articles of Association.

<sup>31</sup> See Article 12(5) and (7) of the Articles of Association.

<sup>32</sup> [www.ren.pt](http://www.ren.pt)

<sup>33</sup> See article 12(6) of the Articles of Association.

maintain a relationship pursuant to paragraph 1 of Article 20 of the Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

As also referred to in 1.2 and 1.5 above, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE has recognized that no risk of conflict of interest exists.

The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors (including members of the Audit Committee) or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

**II.14. Identification of shareholder resolutions that, in accordance with the 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 Article 11(1) of the Articles of Association, the attendance or representation of shareholders holding at least 51% of capital is essential in order that the General Shareholders' Meeting can be held and can resolve on the first call.

In accordance with Article 11(2) 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 call, regardless of the percentage of capital represented (which, in the case of the second call, is more demanding than the provision of the Portuguese Companies Code).

Furthermore, in accordance with paragraph 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 (which is more demanding than the provision of the Portuguese Companies Code).

The company considers that these majorities that are more demanding than those defined by law are justified by the fact that the matters in question are strategic and of structural importance, so that their change requires a broader consensus among shareholders. As regards in particular the articles referred to in the previous paragraph, the specially qualified majority required for their amendment is justified by the fact that such articles are intended to enable the company to monitor compliance with several legal obligations and the ERSE Decision, relating to full ownership unbundling, as best described in section 1.2 above.

## **II. Management and supervision**

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

### **a) Composition**

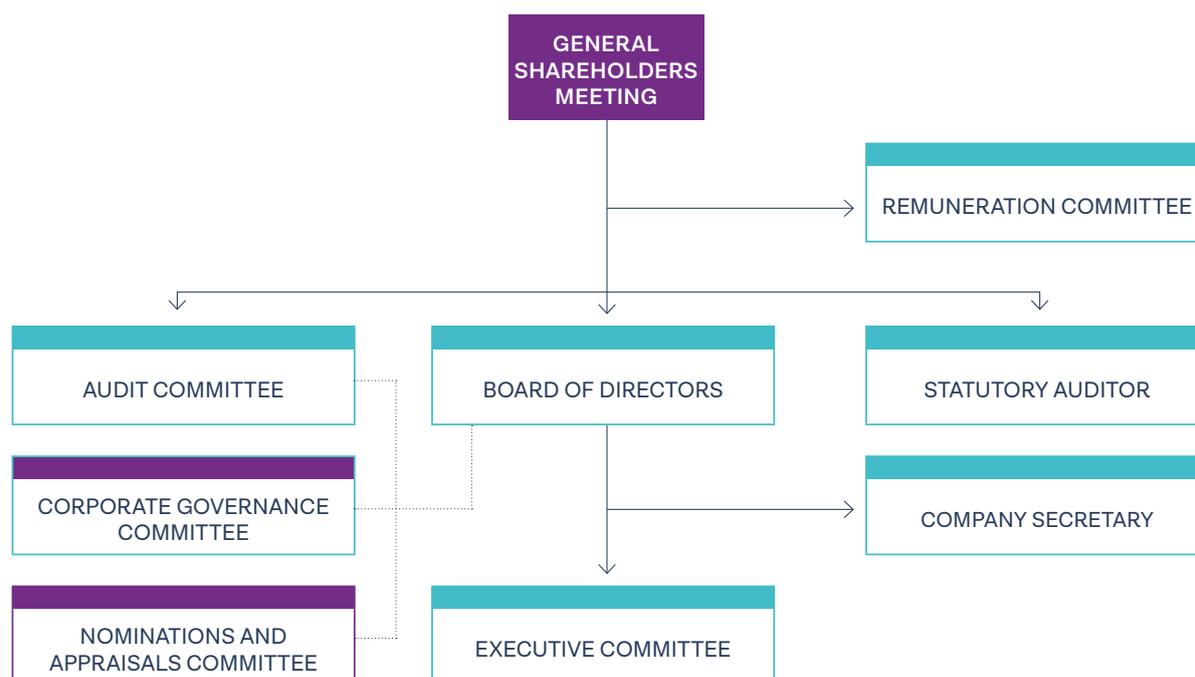
#### **II.15. Identification of the model of governance adopted**

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting<sup>34</sup>: (i) a Board of Directors, responsible for the management of the Company's business, which delegates day-to-day management to the Executive Committee<sup>35</sup> which is supported by specialized committees (described in further detail below), and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors<sup>36</sup>.

<sup>34</sup> See article 8(2)(b) of the Articles of Association.

<sup>35</sup> See article 8(1) of the Board of Directors regulations.

<sup>36</sup> See article 3(3) of the Audit Committee regulations.



**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(1)(h)).**

In accordance with the law and the Articles of Association<sup>37</sup> the appointment and dismissal of members of the Board of Directors is the responsibility of the General Shareholders' Meeting, being carried out through lists of candidates selected by the nominating shareholder(s). With these lists put to the vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors. It is also the responsibility of the General Shareholders' Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According to the Articles of Association<sup>38</sup>, a minority of shareholders voting against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

Within the scope of REN's Nominations and Appraisals Committee's functions, in particular with regard to the support provided in the identification and selection of potential candidates for REN's Board of Directors<sup>39</sup>, with reference to the financial year 2019, it should be highlighted the role of REN's Nominations and Appraisals Committee in the selection process that led to the proposal for the appointment of Director Ana Pinho as a non-executive member of REN's Board of Directors at the General Shareholders' Meeting of May 3, 2019.

The selection procedure followed, which led to the selection of three profiles for the final phase and the issuance of a duly substantiated election proposal, took into account the fact that the members of REN's corporate bodies must bring together, individually and collectively, technical and professional skills appropriate to the function to be performed, supported by academic qualifications or specialised training and professional experience with duration and levels of responsibility that are in line with the characteristics, complexity, size and strategy of REN, as well as enjoying recognised integrity, ethics and irreproachable professional and personal values, together with an assessment of their independence and availability for the performance of the position.

<sup>37</sup> See Article 8(2)(b), and Article 14(3), both in the Articles of Association; and Article 2(1) of the Board of Directors Regulations.

<sup>38</sup> See article 14(2).

<sup>39</sup> See Article 3(2)(a)(i) and (ii) of the Nominations and Appraisals Committee Regulation.

The Portuguese Companies Code rules apply<sup>40</sup> 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 will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case, since it is a non-delegable competence of the Board of Directors, all Directors are involved in the co-option resolution, except in the event of conflicts of interest.

The Company's Articles of Association<sup>41</sup> 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 Board of Directors 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 15 members, as determined by the General Shareholders' Meeting that elects the said members<sup>42</sup>.

Currently, the Board of Directors consists of 13 members, including a total of 10 non-executive members.

At 31 December 2019, the REN Board of Directors consisted of the following members, who have been appointed for the 2018-2020 term of office:

| Name  | Position   | Year of first appointment | Final year of term of office |
|---|--|---------------------------|------------------------------|
| Rodrigo Costa   | Chairman of the Board of Directors and the Executive Committee | 2014                      | 2020                         |
| João Faria Conceição  | Executive Director   | 2009                      | 2020                         |
| Gonçalo Morais Soares   | Executive Director   | 2012                      | 2020                         |
| Guangchao Zhu (representing State Grid International Development Limited) | Vice-Chairman  | 2012                      | 2020                         |
| Mengrong Cheng  | Director   | 2012                      | 2020                         |
| Lequan Li   | Director   | 2018                      | 2020                         |
| Omar Al-Wahaibi   | Director   | 2015                      | 2020                         |
| Jorge Magalhães Correia   | Director   | 2015                      | 2020                         |
| Manuel Ramos de Sousa Sebastião   | Director/Chairman of the Audit Committee                       | 2015                      | 2020                         |
| Gonçalo Gil Mata  | Director/Member of the Audit Committee                         | 2015                      | 2020                         |
| Maria Estela Barbot   | Director/Member of the Audit Committee                         | 2015                      | 2020                         |
| José Luís Arnaut  | Director   | 2012                      | 2020                         |
| Ana Pinho   | Director   | 2019                      | 2020                         |

<sup>40</sup> See article 393(3).

<sup>41</sup> See article 8(19) and (9).

<sup>42</sup> See Articles 8(2)(b) and 14(1) both of the Articles of Association.

In accordance with the Articles of Association<sup>43</sup>, members of corporate bodies perform their respective duties for periods of three calendar years, a period which is renewable, considering as complete, the calendar year of appointment.

**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**

As of December 31, 2019 and on this date, ten of the thirteen members of REN's Board of Directors are non-executive directors, as detailed in section II.17 above. The Board of Directors includes, therefore, a number of non-executive members that is adequate to the size of the company and the complexity of the risks related to its activity, which ensure the effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind, the small size of the Executive Committee,

the size and complexity of company's activities, the shareholder structure and breakdown of REN capital.

Taking into account the Anglo-Saxon governance structure of the company, the Audit Committee is also composed of non-executive members of the Board of Directors. Its composition is also deemed appropriate, namely taking into account the number of members and their availability, which are appropriate to the size of the company and the complexity of the risks inherent to its activity, efficiently ensuring the functions assigned to them.

Taking into account the assessment criteria on independence laid down in Article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, in recommendation III.4 of the IPCG Code and item II.18 of CMVM Regulation 4/2013, with regard to other non-executive directors, and based on the respective internal assessment, the REN Board of Directors and Audit Committee consider the following directors performing duties during the 2019 financial year to be independent:

| Name                            | Position                                   |
|---------------------------------|--|
| Manuel Ramos de Sousa Sebastião | Director / Chairman of the Audit Committee |
| Gonçalo Gil Mata                | Director / Member of the Audit Committee   |
| Maria Estela Barbot             | Director / Member of the Audit Committee   |
| José Luís Arnaut                | Director                                   |
| Ana Pinho                       | 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 laid down in Article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

REN considers that the proportion of independent directors is suitable given the number of executive directors and the total number of directors, taking particularly into account:

- i. the adopted governance model, in other words an Executive Committee consisting of three executive directors and an Audit Committee, also consisting

of three independent members and a further seven non-executive directors, which ensures the effectiveness of the oversight of the executive directors;

- ii. the size of the company, its shareholder structure and the relevant free float (which was 38.6% of share capital at 31 December 2019).

In light of the above, REN fully complies with CMVM recommendations III.2, III.3 and III.4 of the IPCG Code, as the Board of Directors consists of an adequate number of non-executive members (considerably superior to the number of executive members) and, among these, more than one third are independent members.

<sup>43</sup> See Article 27(1).

Moreover, Article 7-A and 7-B of the Articles of Association govern the special system of incompatibilities applicable to the election and performance of duties at any REN corporate body. The aim of the provisions of Article 7-A of the Articles of Association 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 electricity or natural gas sectors, either in Portugal or abroad. Furthermore, the system set out in Article 7-B of the Articles of Association also seeks to prevent persons who exercise control or rights over companies which either produce or sell electricity or natural gas to appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest. Additionally, and in accordance with Article 12 of the Board of Directors' regulations, all directors are obliged to report any circumstance that could create a potential conflict.

Although there are no written rules formalised on this matter, the members of the corporate bodies and internal committees promptly inform the respective body or committee of the facts that might constitute or cause a conflict between their own interest and the corporate interest, and there are internal procedures in place so that such members of the corporate bodies and committees do not interfere in the decision-making process. These procedures include leaving the room at the time of discussion and voting of the points where a conflict of interest may occur and informing the Chairman of the corporate body or committee in question of the facts that may trigger such potential conflict (in without prejudice to the duty to provide information and clarifications requested by the body or committee and its respective members). The Corporate Governance Committee is also responsible for preventing conflicts of interest (see section II.29 below), paying a particular attention to the compliance with such procedures. In view of the above, REN considers that materially complies with recommendations I.4.1 and I.4.2 of the IPCG Code.

### Organization of the non-executive members of the Board of Directors

In accordance with the Board of Directors Regulations, during 2019 this corporate body established efficient mechanisms for the coordination and development of the work of its members with non-executive functions,

in particular to facilitate the exercising of their right to information and to assure the conditions and means necessary for the performance of their duties, as follows<sup>44</sup>.

- a) Without prejudice to the exercising of powers not delegated to the Executive Committee, Company directors with a non-executive function supervise the performance of the executive management;
- 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 response 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.

Furthermore, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion and in advance, to the non-executive members of the Board of Directors, and the Executive Committee's resolutions and supporting documentation shall always be available for consultation<sup>45</sup>.

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, informed and efficient 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 Board of Directors at 31.12.2019

#### RODRIGO COSTA

Co-Founder of several technology and retail companies and IT consultant at national and international corporations. Manager at Microsoft Corporation, carrying out different duties over a period of 15 years: founder and General Manager of Microsoft Portugal 1990-2000, General Manager of Microsoft Brazil, 2000, and, from 2001 to 2005,

<sup>44</sup> See article 11 of the Board of Directors Regulations.

<sup>45</sup> See Article 5 of the Executive Committee Regulations.

Corporate Vice-President of Microsoft Corporation in Redmond, Washington, USA. He was also Director and Executive Vice-Chairman of the PT Group and CEO of PTC between December 2005 and September 2007. He was CEO of ZON Multimédia (Telecommunications and Media Group) between 2007 and 2013. He also held the position of Chairman and CEO at Unicre (Electronic Payments and Credit Cards). Non-executive Board Member at NOS SGPS (ZON Multimedia and Optimus merger) from 2013-2015.

He was appointed REN non-executive board member in December 2014 and designated CEO with effects as from February 2015, and put forward for the position of REN Chairman and CEO at the General Meeting of April 2015.

Over the years he has contributed to different organizations and has been member of the General Counsel of Coimbra University and also a member of the General Counsel of Porto Business School; Vice-President of the Portuguese – American Chamber of Commerce; Member of the Portuguese Council for Foreign Investment; Member of the Advisory Board for the National Technological Plan. He was awarded by the Portuguese Republic President as Great Officer of *Ordem do Infante D. Henrique* for services to Portugal; he is frequently invited as Speaker/Moderator - to local and international forum's (Industry, Government, Universities, Investors Conferences). He holds a Corporate Governance Certificate from Insead and attended Corporate Governance training at the Harvard Business School.

#### **GONÇALO MORAIS SOARES**

Holds a degree in Economy from the Universidade Nova de Lisboa. Also awarded an MBA at Georgetown University (Washington) in 2010 and completed an Advanced Management Program at the Kellogg Business School (Chicago) and the Lisbon Catholic University and, in 2018, the LEAP ("Leadership Excellence through Awareness and Practice") programme at INSEAD Business School.

Since 2012 is the Chief Financial Officer of REN.

Previously, he was director at ZON TV Cabo and ZON Lusomundo Audiovisuais from 2007 to 2012, at Portugal Telecom from 2003 to 2007, at Jazztel from 2000 to 2003, at Santander Investment from 1996 to 2000, and at Reditus from 1993 to 1994.

#### **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 Business School (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he supported the Ministry of Economy and Innovation. Since 2009 is member of the Board of Directors and of the Executive Committee of REN.

#### **GUANGCHAO ZHU**

Holds a degree in Relay Protection Systems 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 (NGCP), and Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of NGCP. 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 International Development Co. Ltd.. From 2012 to 2015, he was President, Chief Executive Officer and member of the Board of Directors of State Grid International Development Co. Ltd., Chairman of the Board of Directors of State Grid Brazil Holding S.A., and Chairman of the Board of Directors of State Grid Europe Limited. He currently holds the positions of Deputy Head Engineer of the State Grid Corporation of China and General Director of the Department of International Cooperation of the State Grid Corporation of China. He is also Chairman of the Board of Directors at NGCP in the Philippines and Board Member of HKEI in Hong Kong, China.

#### **MENGRONG CHENG**

Completed a Master's Degree in Business Management from Tsinghua University (Beijing, China). She started her career in 1991 at the Department of International Cooperation of the China Electricity Council. Since then, she has been intensely involved in international cooperation business in major projects and events between China's power sector and international community. She worked in the then Ministry of Power Industry since 1993, and later held major positions in charge of international affairs in China State Power Corporation (1996-2003) and State Grid Corporation of China (2003 till now). Mengrong Cheng is also a Director of Sherpa on the Management Committee of the Global Sustainable Electricity Partnership (G-SEP).

Currently, she is the Deputy Director General of the Department of International Cooperation of State Grid Corporation of China (SGCC), President of SGCC U.S. Office and Acting Chief of GEIDCO (Global Energy Interconnection Development and Cooperation Organisation) North America Office.

#### **LEQUAN LI**

Holds a degree in Atmospheric Physics from Nanjing University and a Master's Degree in Atmospheric Physics and Atmospheric Environment from the Research Institute of Atmosphere Physics of the Chinese Academy of Sciences. He also holds a Master Degree in Business Administration from the City University, Washington, USA.

He began his career in the China Electricity Council in 1988 and has been in the power industry over a span for over 30 years. Since 2009, he has worked at State Grid International Development Co. Ltd. and is in charge of the merger and acquisition of overseas power transmission and distribution assets. From July 2015 to December 2019, his responsibilities have been extended to include the management of the company's legal affairs.

From 2009 to 2012, he was Vice Chief Economist, Head of the Business Development & Strategy Department of State Grid International Development Co. Ltd.. Since 2012, he has been Senior Vice President of State Grid International Development Co. Ltd..

From December 2012 to October 2018, he was Board Member of ElectraNet Pty Limited in Australia on behalf of State Grid International Development Co. Ltd.. In October 2018, he was appointed to represent State Grid International Development Co. Ltd. on the Board of Directors of AusNet Services, Australia.

Currently, he is Senior Vice President of State Grid International Development Corporation Limited and a Board Member of AusNet Services, Australia.

#### **OMAR AL-WAHAIBI**

Holds a degree in Mechanical Engineering from Manchester University, Institute of Science & Technology (UMIST) – United Kingdom. He carried out numerous duties in new business development including portfolio management and corporate planning at Shell E&P International Ventures registered in the Hague in the Netherlands between 1998 and 2001.

He was in charge of the engineering team and was manager of the Oman North project at Petroleum Development Oman between 2001 and 2002. He was CEO of Oman Wastewater Services Company (Haya Water), between 2003 and 2011 and is currently CEO of the Electricity Holding company and Nama Group. This is a group of state companies, which covers business in the acquisition of electricity and water and in the production, transmission, distribution and supply of electricity. He is currently a member of the Board of Directors of Oman Broad Band Company, and the Gulf Cooperative Council Interconnection Authority.

#### **JORGE MAGALHÃES CORREIA**

Chairman of the Board of Directors and Chairman of the Executive Committee of the insurance company Fidelidade. He is also Chairman of the Board of Directors of Luz Saúde, S.A..

With regard to professionally related associations he is vice-president of the Portuguese Insurers Association and a member of the Geneva Association. He is also member of several consulting bodies of cultural institutions and universities.

He started his professional career as a lecturer at the Lisbon Faculty of Law and has worked in management roles at the Portuguese Inspectorate-General of Finance and at the Securities Market Commission and has also worked as a lawyer. He has undertaken duties at different companies in the field of finance and insurance, including director and/or chairman of the board of directors at the Mundial-Confiança, Fidelidade Mundial, Império Bonança and Via Directa insurance companies. In the area of health, he was a director of USP Hospitales (Barcelona) and director and later chairman of the board of directors at HPP - Hospitais Privados de Portugal SGPS. He was also Vice-President of the Board of Directors of Caixa Seguro e Saúde, SGPS, S.A..

#### **MANUEL RAMOS DE SOUSA SEBASTIÃO**

Mr. Manuel Sebastião is Non-Executive Director and President of the Audit Committee of REN – Redes Energéticas Nacionais, SGPS, S.A. (Electricity and Natural Gas Transmission System Operator of Portugal) since April 2015, and President of the Supervisory Board of Banco BPI since July 2018.

Previously, he was advisor to the Board of Directors of Banco de Portugal (the central bank of Portugal), September 2013 – April 2015, President of the Portuguese Competition Authority, March 2008 –

September 2013, member of the Board of Directors of Banco de Portugal, February 2000 – March 2008, member of the Board of Directors of the Portuguese Insurance and Pension Funds Supervisory Authority, 1998-2000, member of the Board of Directors of the state-owned bank Banco de Fomento e Exterior, 1992-1996, economist with the International Monetary Fund, 1988-1992, and economist with Banco de Portugal, 1986-1988. He was a professor of economics and finance at different stages of his career.

He has an undergraduate degree from the School of Economics, Technical University of Lisbon in 1973, a Doctorate de 3<sup>ème</sup> Cycle from Université de Paris I, Panthéon-Sorbonne in 1978, and a Ph.D in economics from Columbia University in the city of New York in 1986. He is a Portuguese national, born in Luanda, Angola, in 1949.

#### **GONÇALO GIL MATA**

Holds a Degree in Software Engineering awarded by the University of Coimbra and an MBA awarded by the Nova University of Lisboa. He is an Executive Director and a member of the board of Capital Criativo – Sociedade de Capital de Risco and a member of the board (non-executive) of Arquiled, S.A. (LED lighting solutions), Summer Portugal, SA and Vila Monte, SA (tourism resorts). He is also manager at Goma Consulting, Lda. (business consultancy).

For the last five years he has held positions as a director in Corporate Finance at Deutsche Bank (Portugal), S.A. and as a Non-Executive Director at MVMS, S.A., ISA Intelligent Sensing Anywhere, S.A. and Gypfor – Gessos Laminados, S.A as a representative of funds managed by Capital Criativo – Sociedade de Capital de Risco, S.A.

#### **MARIA ESTELA BARBOT**

Has time management skills and ability to manage priorities expressed by the accomplishment of many tasks simultaneously in the course of the her professional career.

Over 20 years of relevant business and corporate experience in the area of chemical industrial products with consequent in-depth knowledge of the corporate world both nationally and internationally.

Responsible for negotiating and for developing partnerships with various multinational companies (Dupont, BP Chemicals, Rhone Poulenc among others) both for raw-materials and packaging products (namely, Signode Packaging Solutions).

Headed the acquisition process of the Company AGA - Álcool e Genéros Alimentares, S.A. which culminated in the purchasing of this Portuguese state-owned company's (1994), in its restructuring

and in the development of new business areas (pharmaceutical products).

In Banking, experience in institutional and business monitoring with corporate / retail / private customers (member of the Board of Banco Santander de Negócios).

Extensive experience with associations both at a national (namely as vice-president of AIP) and international level (member of IMF European Advisory Board and of the and President of the Portuguese Group at Trilateral Commission).

#### **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. His professional work has focused on law and he started as a lawyer in 1989 at the law firm Pena, Machete & Associados. He was a founding partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner and is a member of the Executive Committee of CMS Legal Services EEIG.

He is Chairman of the Board of Directors of ANA - Aeroportos de Portugal (VINCI Airports), member of the International Advisory Board of Goldman Sachs, member of the Consulting Board of AON, Deputy-President of the Lisbon Tourism Association, Chairman of the General Meeting of PORTWAY - Handling de Portugal, S.A. (VINCI Airports), Chairman of the General Meeting of SIEMENS S.A., Chairman of the General Meeting of Grupo Super Bock, Chairman of the General Meeting of Tabaqueira II, S.A. and 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 Lisbon 94 - European Capital of Culture. In 1995, he was awarded the Commend of Great Officer of *Ordem do Infante Dom Henrique* by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross *Ordem Nacional do Cruzeiro do Sul* by the President of the Republic of Brazil. 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.

**ANA PINHO**

Holds a degree in economics from the School of Economics, University of Porto, an MBA from the Cass Business School, and a Corporate Finance Executive Program diploma from London Business School. She is Chairwoman of the Board of Directors and Executive Committee of Serralves Foundation (Fundação de Serralves) since January 2016 and she has been a Director at such foundation since January 2010. She has also been a member of the board of TAP SGPS since June 2017 of the Porto British School since April 2014. She is also Manager of ARSOPI – Indústrias Metalúrgicas Arlindo S. Pinho, Lda. and Director of ARSOPI – Holding, Sociedade Gestora de Participações Sociais, S.A. and TECNOCON-Tecnologia e Sistemas de Controle, S.A.

She is a former board member of the Porto Commercial Association and a former CEO of UBS Portugal and a former member of the executive committee of UBS España, before which she held several positions at UBS AG. She was previously an

equity analyst at Schroder Securities in London and a financial analyst at Banco Português de Investimentos in Porto.

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, no 55, Alvalade, Lisbon.

It should be noted that the members of the Board of Director, as demonstrated above, were educated, and/or have relevant professional experience in REN's branch of industry, such as management of companies, engineering, activities related with electricity and natural gas, economics and law, thus demonstrating their qualification and suitability for the position.

**II.20. Common and significant family, professional and commercial relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Boards and the Executive Management Board at 31.12.2019**

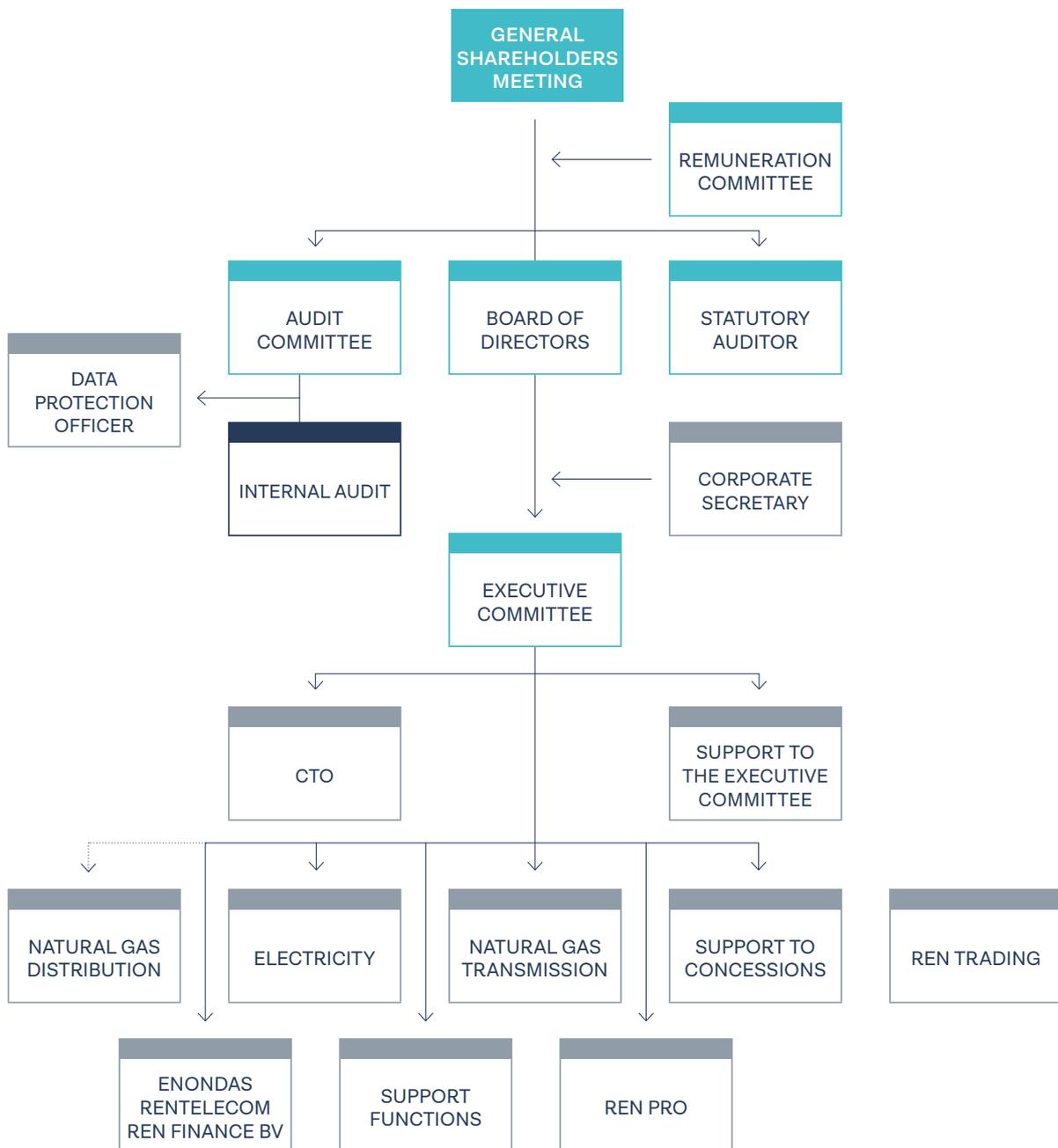
| Director  | Owner of qualified holdings             | Relationship  |
|---|---|---|
| Rodrigo Costa   | -                                       | -   |
| João Faria Conceição  | -                                       | -   |
| Gonçalo Morais Soares   | -                                       | -   |
| Guangchao Zhu (representing State Grid International Development Limited) | State Grid Corporation of China         | Deputy Head Engineer and General Director of the Department of International Cooperation at the State Grid Corporation of China (see II.19 and 26)  |
| Mengrong Cheng  | State Grid Corporation of China         | Deputy Director General of the Department of International Cooperation of State Grid Corporation of China and President of the State Grid Corporation of China, US Office. (see II.19 and 26) |
| Lequan Li   | State Grid Corporation of China         | Senior Vice-President of State Grid International Development Corporation Limited (see II.19 and 26)  |
| Omar Al-Wahaibi   | -                                       | -   |
| Jorge Magalhães Correia   | Fidelidade – Companhia de Seguros, S.A. | Chairman of the Board of Directors and CEO of Fidelidade – Companhia de Seguros, S.A. (see II.26)   |
| Manuel Ramos de Sousa Sebastião   | -                                       | -   |
| Gonçalo Gil Mata  | -                                       | -   |
| Maria Estela Barbot   | -                                       | -   |
| José Luís Arnaut  | -                                       | -   |
| Ana Pinho   | -                                       | -   |

**II.21. Flowcharts or functional maps on the breakdown of powers among the different corporate bodies, committees and/or departments of the Company, including information on delegation of powers, 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 Shareholders' Meeting<sup>46</sup>: (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 Committee<sup>47</sup> and which is supported by specialized committees, and (ii) an Audit Committee and Statutory Auditor, as supervisory bodies. The Audit Committee consists exclusively of non-executive directors. The General Shareholders' Meeting also elects a Remunerations Committee.

In order to better understand the division of powers among the different corporate bodies, the organization chart below outlines REN's business units:



<sup>46</sup> See article 8(2)(b) of the Articles of Association.

<sup>47</sup> See article 8(1) of the Board of Directors regulations.

### GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is a corporate body comprising all the company shareholders, and its responsibilities are in particular:

- a) Appraise the Board of Directors' 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 members of the General Shareholders' Meeting Board, the directors and the statutory auditor;
- c) Resolve on any amendments to the Articles of Association;
- d) Resolve on the remuneration of the members of the corporate bodies, with the power to appoint a Remunerations Committee; and
- e) Resolve on any other matter falling within its power and for which it has been summoned.

### BOARD OF DIRECTORS

Pursuant to the Portuguese Companies Code and REN's Articles of Association, the Board of Directors is duly empowered<sup>48</sup>. Of special note are the powers to:

- 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 powers 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 Shareholders' 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) Appoint the Company Secretary and the respective alternate;
- j) Appoint attorneys with the powers deemed convenient, including those of sub-delegation; and
- k) Perform any other functions granted by law or by the General Shareholders' Meeting.

In accordance with the Board of Directors regulations, approved on 27 March 2012<sup>49</sup>, matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Shareholders' Meetings, approval of the annual report and accounts to be submitted to the General Shareholders' 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 Shareholders' Meeting<sup>50</sup>.

### EXECUTIVE COMMITTEE

On 3 May 2018, the Executive Committee was delegated, to the extent permitted by law, the Company's Articles of Association and by the Board of Directors' own regulations, with all the powers necessary or convenient to the performance of the management acts regarding the activities included in the Company's corporate scope, which include, in particular, the following attributions, to be performed under and within the limits established annually in the operation budget and in the strategic plan, to be approved, upon proposal of the Executive Committee, by the Board of Directors:

- a) Manage the Company's ordinary course of business and perform all the acts and operations concerning the corporate purpose which are not the exclusive competence of the Board of Directors by force of law, the Company's Articles of Association or the Board of Directors' own regulations;

<sup>48</sup> See article 15(1) of the Articles of Association.

<sup>49</sup> See Article 3(3) and (5).

<sup>50</sup> See Article 2(15) of the Articles of Association and Article 3(6) of the Board of Directors Regulations.

- b) Approve, on a case-by-case basis, the sale of assets and/or rights and investments and the creation of encumbrances over assets, except for security interests or personal guarantees, to be made by the Company and/or by its subsidiaries, the individual and/or aggregate value for which is equal to or lower than € 15,000,000.00 (fifteen million euros) or which have already been approved within the Company's annual budget and the corresponding value is equal to or lower than, individually or in aggregate, € 25,000,000 (twenty-five million euros);
- c) Propose to the Board of Directors and execute the annual budget, the business plan and other long-term development plans;
- d) Without prejudice to article 3(3)(f) of the Board of Directors' Regulations, establish the administrative and technical organization of the Company and the internal operation regulations, notably concerning personnel and their remuneration;
- e) Represent the Company actively and passively, in or out of court, and propose or pursue lawsuits with the power to confess, waive and settle, as well as to enter into arbitration agreements;
- f) Incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings, provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed € 7,500,000 (seven million and fifty thousand euros) or which have already been approved within the Company's annual budget;
- g) Negotiate, resolve on, enter into, modify and terminate any agreements, including service provision agreements or labour contracts for a value equal or lower than € 5,000,000 (five million euros);
- h) To approve and promote any and all acts necessary to update the Euro Medium Term Note Program<sup>51</sup>, under such terms as may at any time be more appropriate, including, without limiting the negotiation and conclusion of the all contractual instruments or related accessories and the pursuit of any steps or taking of any measures necessary for such updating, namely before any supervisory, market or other entity;
- i) To approve and practice any and all necessary, useful or convenient acts, including through the execution of contractual instruments, the intra-group allocation of funds obtained through external financing operations;
- j) Negotiate, enter into, modify or terminate any short-term debt agreements (i.e. with maturity equal or lower than three years), including through commercial paper programmes;
- k) Open, operate and close bank accounts;
- l) Resolve on the provision by the Company of technical and financial support to companies in which REN owns shares, quota rights ('quotas') or other shareholdings, in particular, granting loans and providing guarantees in their benefit;
- m) Present proposals to the Board of Directors for the submission to the General Shareholders' Meeting relating to the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law and by the General Shareholders' Meeting;
- n) Present to the Board of Directors proposals concerning internal control, risk management and internal audit systems of the REN Group;
- o) Appoint attorneys with the powers deemed convenient, including those of sub-delegation;
- p) Indicate the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPV's referred to in f) above;
- q) Take or give in lease any real estate or individual parts of real estate; and
- r) Manage the shareholdings owned by REN and coordinate the activity of REN's subsidiaries and, with regard to wholly owned companies, issue binding instructions, under applicable legal terms;
- s) Appoint the representative of the Company at the general meetings of all the companies in which the Company holds a shareholding.
- Specifically in relation to the entering into medium or long-term debt agreements not covered by paragraph j) above, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors delegates to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument<sup>52</sup> with respect

<sup>51, 52</sup> Together with REN Finance and without prejudice to REN Finance's relevant corporate bodies and correspondent powers.

to, among other aspects, the amount, term, interest rate, reimbursement conditions, selection of financial intermediaries and other relevant elements. The Executive Committee shall, considering the importance of such operations, submit the relevant contracts or agreements to the Board of Directors for their final approval.

The delegation of powers to the Executive Committee does not exclude the possibility for the Board of Directors to resolve on delegated matters and does not include matters reserved by law, by the Articles of Association or by the Board of Directors Regulations.

The powers delegated to the Executive Committee do not exclude the possibility of the Board of Directors deciding on those matters and do not include any matters reserved by law, by the Company's Articles of Association or the Board of Directors' own regulations, notably:

- a) appointment of the Chairman of the Board of Directors;
- b) co-optation of directors;
- c) request to convene the general shareholders' meetings;
- d) approval of the report and annual accounts to submit to the General Shareholders' Meeting;
- e) approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;
- f) provision of deposits and personal guarantees or security interests by the Company;
- g) change of the registered office and increase of the share capital, under the terms of the Articles of Association;
- h) projects for the merger, demerger and transformation of the Company;
- i) appointment of the Company Secretary and the respective alternate;
- j) definition of the Company's strategy and general policies;
- k) definition of the Company's goals and management policies;
- l) approval of the annual budget, the business plan and other long-term development plans;
- m) definition of the Group's corporate structure;
- n) the approval, on a case-by-case basis, of the transfer of assets and/or rights and investments and the creation of encumbrances to be made by the Company and/or by its subsidiaries, where the individual or aggregate value is higher than € 15 million, except if already approved within the Company's annual budget and the corresponding value does not exceed individually or in total € 25 million;
- o) incorporation of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings, except in cases in which those companies are, or where the holdings refer to companies which are a special purpose vehicle for making specific investment with an single or aggregate or value which does not exceed € 7.5 million or which have been approved in the annual budget;
- p) adoption of resolutions to contract debt in the national or international financial markets, notably through the issuance of bonds or any other kinds of securities;
- q) presentation of proposals to the General Shareholders' Meeting for the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law;
- r) approval of the Company's systems of internal control, risk management and internal audit;
- s) the appointment of the Company's representative in the General Shareholders' Meetings of all subsidiaries;
- t) the indication of the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all subsidiaries, as well as the appointment of the Company's Chief Technical Officer, upon proposal of the Executive Committee, except for the two TSOs, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPVs referred to in o) above;
- u) the participation by the Company or any of its subsidiaries in activities outside their core activities, i.e. transmission of power and natural gas, storage of natural gas and regasification and/or storage of liquid natural gas (LNG), notably by means of the acquisition or subscription of equity or ongoing concerns whose corporate purpose does not include the said activities;

- v) the entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;
- w) transactions with related parties in excess of € 500,000 or, regardless of the amount involved, any transaction with related parties which may be considered as not having been executed based on market conditions;
- x) the resolution on all the matters which are deemed strategic, notably because they are related to strategic agreements entered into by REN or due to their risk or special characteristics.

Taking into account the above, non-executive directors participate in the definition by the management body of the strategy, main policies,

corporate structure and decisions that should be considered strategic for the company by virtue of their amount or risk, as well as in the evaluation of the compliance with those measures, as these decisions were not delegated to the Executive Committee, but should be decided by the Board of Directors, of which non-executive directors are members, and who in the terms described above, have access to all the information necessary for their duties.

**Distribution of Responsibilities in the Board of Directors**

With a view to optimizing management efficiency, the members of the Executive Committee distributed among themselves, during the financial year of 2019, the responsibility for the direct monitoring of specific Company performance areas, under the terms evidenced in the following chart:



### AUDIT COMMITTEE AND STATUTORY AUDITOR

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

### 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 Board of Directors

The Board of Directors Regulations and the Executive Committee Regulations, which establish, inter alia, the performance of their respective duties, chairmanship, attendance of meetings, functioning and the framework of duties of its members, are available on the REN website<sup>53</sup> in Portuguese and English.

As detailed in the law and its regulations, at the meetings of the Board of Directors and the Executive Committee, detailed minutes are drawn up, approved and signed by all members present.

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

#### BOARD OF DIRECTORS

The meetings of the Board of Directors are convened and chaired over by the respective Chairman. It is the responsibility of the Board of Directors to decide on the frequency of their ordinary meetings. However, bimonthly meetings are mandatory. 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 monthly<sup>54</sup>.

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 Auditor<sup>55</sup>.

In 2019, the Board of Directors held 5 meetings.

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

<sup>53</sup> www.ren.pt

<sup>54</sup> See Article 19(1) of the Articles of Association and Article 4(2) of the Board of Directors Regulations.

<sup>55</sup> See Article 19(1) of the Articles of Association.

### Attendance of members of the board of directors at meetings

| Name   | Present | Representation | Absent | % Attendance |
|--|---------|----------------|--------|--------------|
| Rodrigo Costa  | 5       | 0              | 0      | 100%         |
| João Faria Conceição   | 5       | 0              | 0      | 100%         |
| Gonçalo Morais Soares  | 5       | 0              | 0      | 100%         |
| Guangchao Zhu<br>(representing State<br>Grid International<br>Development Limited) | 4       | 1              | 0      | 100%         |
| Mengrong Cheng   | 2       | 3              | 0      | 100%         |
| Lequan Li  | 2       | 3              | 0      | 100%         |
| Omar Al-Wahaibi  | 5       | 0              | 0      | 100%         |
| Jorge Magalhães Correia  | 4       | 1              | 0      | 100%         |
| Manuel Ramos de Sousa<br>Sebastião   | 5       | 0              | 0      | 100%         |
| Gonçalo Gil Mata   | 5       | 0              | 0      | 100%         |
| Maria Estela Barbot  | 5       | 0              | 0      | 100%         |
| José Luís Arnaut   | 5       | 0              | 0      | 100%         |
| Ana Pinho <sup>56</sup>  | 3       | 1              | 0      | 100%         |

In addition, information on the composition of the Board of Directors and the number of meetings held annually can be found at:

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade/conselho\\_de\\_administracao/](https://www.ren.pt/en-GB/investidores/governo_da_sociedade/conselho_de_administracao/)

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Board of Directors, whenever the Board of Directors deems that their presence is necessary or convenient.

#### EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and chaired over by the respective Chairman and are held, as a rule, once a week<sup>57</sup>.

In 2019, the Executive Committee held 35 meetings.

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, with the supporting documentation, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request<sup>58</sup>. This mechanism ensures that the members of the administrative and supervisory bodies have permanent access to all information for the evaluation of the company's performance, situation and prospects for development.

<sup>56</sup> Held office from 3 May 2019.

<sup>57</sup> See article 1(2) of the Audit Committee regulations.

<sup>58</sup> See Article 5 of the Executive Committee Regulations.

### Attendance of members of the executive committee at meetings

| Name                  | Present | Representation | Absent | % attendance |
|-----------------------|---------|----------------|--------|--------------|
| Rodrigo Costa         | 35      | 0              | 0      | 100%         |
| João Faria Conceição  | 35      | 0              | 0      | 100%         |
| Gonçalo Morais Soares | 35      | 0              | 0      | 100%         |

In addition, information on the composition of the Executive Committee and the number of meetings held annually can be found at:

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade/comissao\\_executiva](https://www.ren.pt/en-GB/investidores/governo_da_sociedade/comissao_executiva)

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

The performance of members of the Executive Committee has been assessed by the Nominations and Appraisals Committee and by the Remunerations Committee, within the scope of their respective responsibilities.

Also of note is the role played by the Audit Committee in the verification of the quantitative aspects of assessment.

The Board of Directors, through its Nominations and Appraisals Committee, within the scope of its powers, assesses the overall performance of the Board of Directors and the specialized committees, taking into account compliance with the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member, and the relationship between the company's bodies and committees.

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

The annual performance assessment of executive directors is based on predetermined criteria, under the terms outlined in III.71 below.

#### II.26. Availability of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors and, specifying the roles carried out concurrently in other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

Shown below are the duties carried out on administrative, management and supervisory bodies by members of REN's Board of Directors and Audit Committee at 31 December 2019:

| Director              | Duties carried out on management or supervisory bodies  |
|-----------------------|---|
| Rodrigo Costa         | <p>Chairman of the Board of Directors of REN Rede Eléctrica Nacional, S.A.<br/>           Chairman of the Board of Directors of REN Gasodutos, S.A.<br/>           Chairman of the Board of Directors of REN Atlântico – Terminal de GNL, S.A.<br/>           Chairman of the Board of Directors of REN Armazenagem, S.A.<br/>           Chairman of the Board of Directors of REN Serviços, S.A.<br/>           Chairman of the Board of Directors of REN PRO, S.A.<br/>           Chairman of the Board of Directors of ENONDAS, Energia das Ondas, S.A.<br/>           Chairman of the Board of Directors of REN Gás, S.A.<br/>           Chairman of the Board of Directors of REN RENTELECOM – Comunicações, S.A.<br/>           Chairman of the Board of Directors of Aerio Chile, Spa<br/>           Chairman of the Board of Directors of Apolo Chile, Spa<br/>           Chairman of the Board of Directors of Empresa de Transmisión Eléctrica Transemel, S.A.</p>  |
| João Faria Conceição  | <p>Member of the Board of Directors of REN Rede Eléctrica Nacional, S.A.<br/>           Member of the Board of Directors of REN Gasodutos, S.A.<br/>           Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A.<br/>           Member of the Board of Directors of REN Armazenagem, S.A.<br/>           Member of the Board of Directors of REN Serviços, S.A.<br/>           Member of the Board of Directors of REN PRO, S.A.<br/>           Member of the Board of Directors of RENTELECOM – Comunicações, S.A.<br/>           Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A.<br/>           Member of the Board of Directors of REN Gás, S.A.<br/>           Member of the Board of Directors of the Centro de Investigação em Energia REN – State Grid, S.A..<br/>           Non-executive Member of the Board of Directors of Hidroeléctrica de Cahora Bassa<br/>           Member of the Board of Directors of Aerio Chile, Spa<br/>           Chairman of the Board of Directors of Electrogas, S.A.<br/>           Member of the Board of Directors of Apolo Chile, Spa<br/>           Member of the Board of Directors of Empresa de Transmisión Eléctrica Transemel, S.A.</p> |
| Gonçalo Morais Soares | <p>Member of the Board of Directors of REN – Rede Eléctrica Nacional, S.A.<br/>           Member of the Board of Directors of REN Gasodutos, S.A..<br/>           Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A.<br/>           Member of the Board of Directors of REN Armazenagem, S.A.<br/>           Member of the Board of Directors of REN Serviços, S.A.<br/>           Member of the Board of Directors of REN PRO, S.A.<br/>           Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A.<br/>           Member of the Board of Directors of REN Gás, S.A.<br/>           Chairman of the Board of Directors of REN Finance BV<br/>           Member of the Board of Directors of RENTELECOM – Comunicações, S.A.<br/>           Member of the Board of Directors of Aerio Chile, Spa<br/>           Member of the Board of Directors of Electrogas, S.A.<br/>           Member of the Board of Directors of Apolo Chile, Spa<br/>           Member of the Board of Directors of Empresa de Transmisión Eléctrica Transemel, S.A.</p>   |

### DUTIES OF EXECUTIVE DIRECTORS

As a result of the framework above, the REN executive directors exclusively 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 serve the interests of the company and the Group to its full potential.

In fact, although not formalized in internal regulations specifically addressing Executive Directors, in practice, REN's policy is that its executive directors perform executive functions during their term of office only in the REN Group. This practice has always been followed in previous terms of office. In addition, the Code of Conduct establishes that, without prejudice

to the provisions regarding the performance of certain duties or the exercise of corporate positions, and except with a prior authorisation of the Board of Directors<sup>59</sup>, no employee of REN may engage in professional activities in an entity external to REN, whenever the exercise of such activity interferes with the performance of his duties as an employee of the company or in any way affects the performance or availability for the duties performed by the employee at REN.

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

<sup>59</sup> See The framework of "Incompatibilities" established in articles 7-A and 7-B of REN's Articles of Association, as well as article 12(3) of the Board of Directors' Regulations.

**Duties of non-independent non-executive directors performing duties at 31.12.2019<sup>60</sup>**

| <b>Director</b>         | <b>Duties carried out on management or supervisory bodies</b>   |
|-------------------------|---|
| Guangchao Zhu           | Deputy Head Engineer at the State Grid Corporation of China<br>General Director of the Department of International Cooperation at the State Grid Corporation of China<br>Chairman of the Board of Directors at NGCP, Philippines<br>Board Member of HKEL in Hong Kong, China  |
| Mengrong Cheng          | Deputy Director General of the Department of International Cooperation at the State Grid Corporation of China<br>President of the State Grid Corporation of China US Office<br>Acting Chief of GEIDCO North America Office<br>President of SGCC U.S. Office<br>Director of Sherpa on Management Committee of Global Sustainable Electricity Partnership (G-SEP) |
| Lequan Li               | Senior Vice-President of State Grid International Development Corporation Limited<br>Member of the Board of Directors of AusNet   |
| Omar Al-Wahaibi         | CEO Electricity Holding<br>Member of the Board of Directors of Oman Broad Band Company<br>Member of the Board of Directors of Gulf Cooperative Council Interconnection Authority<br>CEO of Nama Group   |
| Jorge Magalhães Correia | Chairman of the Board of Directors and CEO of Fidelidade – Companhia de Seguros, S.A.<br>Chairman of the Board of Directors of Luz Saúde, S.A.<br>Non-executive Vice President of the Board of Directors of Banco Comercial Português, S.A.   |

Upon their appointment, the non-executive directors named above stated that they were available to perform their duties in order to achieve established goals.

This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

**Duties of independent non-executive directors at 31.12.2019<sup>61</sup>**

| <b>Director</b>                 | <b>Duties carried out on management or supervisory bodies</b>  |
|---------------------------------|--|
| Manuel Ramos de Sousa Sebastião | President of the Supervisory Committee of Banco BPI, S.A.  |
| Gonçalo Gil Mata                | Executive director and a member of the Board of Directors of Capital Criativo – Soc. Capital de Risco<br>Non-executive member of the Board of Directors of Arquiled, S.A., Summer Portugal, S.A. and Vila Monte, S.A.<br>Manager at Goma Consulting, Lda.  |
| Maria Estela Barbot             | President of the General Council of the Universidade Nova de Lisboa<br>Managing Partner at ALETSE, Lda (Real Estate, Management Consulting and Public Relations and Communication)<br>International Senior Adviser of Roland Berger Holding GmbH<br>Member of the Advisory Board of Ar.Co – Centro de Arte e Comunicação Visual,<br>Member of the Board of Founders of Museu de Arte Moderna da Fundação de Serralves<br>President of Fórum Portugal Global – FPG<br>Member of the General Board of FAE – Fórum de Administradores de Empresas |

<sup>60</sup> None of the companies identified belong to the REN Group.

<sup>61</sup> None of the companies identified belong to the REN Group.

| Director         | Duties carried out on management or supervisory bodies   |
|------------------|--|
| José Luis Arnaut | Managing Managing Partner of CMS Rui Pena, Arnaut & Associados<br>Member of the Executive Committee of CMS Legal Services EEIG (Frankfurt)<br>Chairman of the Board of Directors of ANA - Aeroportos de Portugal (VINCI Airports)<br>Member of the International Advisory Board of Goldman Sachs (London)<br>Member of the Advisory Board of AON<br>Deputy-President of the Lisbon Tourism Association<br>Chairman of the General Meeting of Portway, Handling de Portugal (Vinci Airports)<br>Chairman of the General Meeting of Siemens Portugal<br>Chairman of the General Meeting of Grupo Super Bock<br>Chairman of the General Meeting of Tabaqueira II, S.A.<br>Chairman of the General Meeting of Portuguese Football Federation |
| Ana Pinho        | Chairman of the Board of Directors and of the Executive Committee of the Serralves Foundation<br>Member of the Board of Directors of TAP SGPS, S.A.<br>Member of the Board of Directors of Oporto British School<br>Manager of ARSOPI - Indústrias Metalúrgicas Arlindo S. Pinho, LDA.<br>Member of the Board of Directors of ARSOPI - Holding, Sociedade Gestora de Participações Sociais, S.A.<br>Member of the Board of Directors of TECNOCON-Tecnologia e Sistemas de Controle, S.A.   |

From the above it can be concluded that 10 non-executive members of the Board of Directors (as opposed to the executive members) hold positions outside the REN group, at an average of circa 5 positions per director.

Upon their appointment, the non-executive directors and members of the Audit Committee (where applicable) identified above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

c) Committees within the management or supervisor bodies and delegated directors

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

In 2019, the Board of Directors was assisted by the specialized committees within the Board of Directors set up in 2015.

The Board of Directors is regularly assisted by (i) the Corporate Governance Committee which supports and assists the Board of Directors in the preparation of the annual corporate governance report and generally in meeting legal obligations and adopting best practices regarding corporate governance, as well as (ii) The Nominations and Appraisals

Committee which assists the Board of Directors in the preparation of succession plans for executive board members and provides recommendations regarding the profile and relevant nominees for future appointments to the Board of Directors; it also supports the Board of Directors in the assessment of the overall performance of the Board of Directors, its executive members and specialized committees.

Their internal regulations can be consulted at:

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade/estatutos\\_regulamentos\\_e\\_relatorios](https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios)

Moreover, information on the composition of these committees and the number of meetings held annually may also be consulted at:

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade](https://www.ren.pt/en-GB/investidores/governo_da_sociedade)

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

At 31 December 2019, the Executive Committee consisted of the members indicated in II.17.

**II.29. Indication of the powers of each of the committees created**

As mentioned in II.27., specialized committee operate within the REN Board of Directors, namely the Corporate Governance Committee and the Nominations and Appraisals Committee.

The Corporate Governance Committee has the powers and competences conferred by its internal regulations<sup>62</sup>. Among these, of special note are those to:

- a) Make recommendations and define policies in order to comply with applicable legislation and best practices in corporate governance matters;
- b) Monitor compliance with applicable legislation and best practices in corporate governance matters;
- c) Promote the adoption of guidelines in relation to:
  - i. structure, role and functioning of the corporate bodies;
  - ii. liaison between the corporate bodies and the internal committees;
  - iii. incompatibilities and independence of the members of corporate bodies;
  - iv. efficiency of the role of non-executive members of the Board of Directors;
  - v. voting, representation and equal treatment of shareholders;
  - vi. the prevention of conflicts of interests;
  - vii. transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders;
- d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular with regard to incompatibilities and the independence of the members of the Board of Directors;
- e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;
- f) Prepare the annual corporate governance report in collaboration with the Company Secretary and other relevant departments of REN;
- g) Prepare an annual report reviewing the corporate governance model adopted by the Company and proposing, if applicable, any improvements to the practices being implemented;

h) Review the REN Group Code of Conduct; o governo e organização globais da Sociedade e das suas subsidiárias;

- i) The overall corporate governance organization of the Company and its subsidiaries;
- j) Follow inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues;
- k) Perform any other duties or responsibilities in relation to corporate governance matters delegated to the Corporate Governance Committee by the Board of Directors.

The Nominations and Appraisals Committee has the powers and competences conferred by its internal regulations<sup>63</sup>. Among these, of special note are:

- a) In relation to appointments, to
  - i. support the Board of Directors in the identification and selection of potential candidates for the Board of Directors and present to the Board of Directors a list of individuals recommended for appointment;
  - ii. make recommendations in relation to the qualifications, knowledge and professional experience required to be a member of the Board of Directors;
  - iii. assist the Board of Directors in the preparation of the succession of its members;
  - iv. perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties.
- b) In relation to appraisals,
  - i. advise the Board of Directors on the rules that should govern the annual appraisal process, in particular the key performance indicators;
  - ii. support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

<sup>62</sup> See Article 3 of the Corporate Governance Committee Regulations.

<sup>63</sup> See Article 3 of the Nominations and Appraisals Committee Regulations.

- iii. prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year;
- iv. perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties.

REN understands that the definition of senior management<sup>65</sup> only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the Nominations and Appraisals Committee for the purpose of appointing other management staff.

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

The Regulations of the Corporate Governance Committee and the Nominations and Appraisals Committee establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members and can be consulted on the official REN website<sup>64</sup> in Portuguese and in its English translation.

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

### 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 above<sup>66</sup>, REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor. The Audit Committee is made up solely of independent and non-executive directors<sup>67</sup> (including the Chairman), possessing the necessary powers to perform their duties.

III.31. Composition of, where appropriate, the Supervisory Board, Audit Committee, 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 31 December 2019, the Audit Committee consisted of three members as identified in II.17. This structure has proven adequate for carrying out their functions efficiently, taking into account the Company's size and business and the complexity of the associated risks.

REN's Articles of Association stipulate that the Audit Committee shall be made up of three members.

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

III.32. Identification of, where appropriate, the members of the Supervisory Board, the Audit Committee, the 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, where appropriate, of each of the members of the Supervisory Board, the Audit Committee, the 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, where appropriate, for the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee regulations, which establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members which can be consulted on the official REN website<sup>68</sup> in Portuguese and English.

<sup>64</sup> According to the Note on the interpretation of the IPCG Code - note 2, the notion of "senior management" should be read in line with the legal notion of "directors" for the purposes of art. 248-B of the Securities Code and Regulation (EU) No. 596/2014.

<sup>65</sup> www.ren.pt

<sup>66</sup> See II.15. above.

<sup>67</sup> See Article 3(3) of the Audit Committee regulations.

<sup>68</sup> www.ren.pt

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

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

Audit Committee meetings are convened and chaired 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 members<sup>69</sup>.

In 2019, the Audit Committee held 14 meetings.

### Attendance of members of the audit committee at meetings

| Name                            | Present | Representation | Absent | % Attendance |
|---------------------------------|---------|----------------|--------|--------------|
| Manuel Ramos de Sousa Sebastião | 14      | 0              | 0      | 100%         |
| Gonçalo Gil Mata                | 13      | 1              | 0      | 100%         |
| Maria Estela Barbot             | 14      | 0              | 0      | 100%         |

Moreover, information on the composition of the Audit Committee and the number of meetings held annually may also be consulted at:

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade](https://www.ren.pt/en-GB/investidores/governo_da_sociedade)

III.36. Duties of, where appropriate, each member of the Supervisory Board, Audit Committee, General and Supervisory Boards and the Financial Matters Committee, indicating roles carried out concurrently within 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 regulations<sup>70</sup>, it is the Audit Committee which grants prior approval to the Company for the contracting of different audit services

from the External Auditor or from any entity with a participating interest with the said auditor or which is part of the same network (see also point V.46).

In 2018, the Audit Committee granted prior approval to the contracting of non-audit services from the External Auditor and the entities referred to above by 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. It is, therefore, an integral body of the Board of Directors, while consisting of non-executive and independent members (including its Chairman).

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The intervention 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.

<sup>69</sup> [www.ren.pt](http://www.ren.pt)

<sup>70</sup> See Article 8(1) and (2) of the Audit Committee Regulations.

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Audit Committee, whenever the Audit Committee deems that their presence is necessary or convenient to the smooth running of the work.

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 for<sup>71</sup>:

- a) Supervising the management of the Company;
- b) Monitoring compliance with the law, the REN Articles of Association and applicable principles of corporate governance;
- c) Confirming that the REN Corporate Governance Report includes the information set out in Article 245-A of the Securities Code and in CMVM Regulation No 4/2013, as amended;
- d) Expressing their agreement or otherwise with regard to the annual management report and the accounts for the financial year;
- e) Verifying the accuracy of books, accounting records and documents they use as support;
- f) 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;
- g) Inspecting the accuracy of accounting documentation;
- h) Verifying whether the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;
- i) Preparing the annual report on their supervisory work;
- j) Issuing an opinion on the report, accounts and proposal to distribute profits presented by management;
- k) Convening the General Shareholders' Meeting whenever the Chairman of the Board of the General

Shareholders' Meeting fails to do so;

- l) Receiving whistleblowing communications submitted by shareholders, company employees or third parties;
- m) Supervising the preparation and disclosure of financial information;
- n) Inspecting the review of accounts in accounting documentation;
- o) Hiring the services of experts who will assist one or several of its members in exercising their duties. The contracting and remuneration of experts must take into account the importance of the matters they are to deal with and the company's economic situation;
- p) Complying with other provisions set out in law or the Articles of Association.

In its relationship with other corporate bodies, the Audit Committee is also responsible for<sup>72</sup>:

- a) Supervising the effectiveness of the risk management, internal control and internal audit systems implemented by the Board of Directors or Executive Committee, including through the submission of proposals for improving operation and adjustment to REN's requirements;
- b) Assisting the Board of Directors and the Executive Committee in complying with their supervisory responsibilities for internal and external audit processes, including through the submission of proposals for improving operation;
- c) Proposing to the General Shareholders' Meeting the appointment of the Statutory Auditor, first and alternate<sup>73</sup>;
- d) Inspecting the independence of the Statutory Auditor, more specifically with regard to the provision of additional services;
- e) Representing the Company, for all purposes, with the External Auditor;
- f) Proposing to the General Shareholders' Meeting the appointment of the External Auditor, the respective remuneration and their removal whenever justified;

<sup>71</sup> See Article 6(2) of the Audit Committee regulations.

<sup>72</sup> See Article 6(3) and (2) of the Audit Committee Regulation.

<sup>73</sup> See Article 7 of the Audit Committee Regulation.

- g) Issuing a duly reasoned opinion regarding possible renewal of the contract of the Company's External Auditor for a fourth term, which must (i) weigh the conditions for the External Auditor's independence and the advantages and costs of a replacement<sup>74</sup>;
- h) Ensuring that the proper conditions for the provision of audit services by the REN External Auditor are provided within the company;
- i) Performing the duties as REN's interlocutor with the External Auditor and be the first recipient of the respective reports;
- j) Monitoring the activities of the External Auditors and the Statutory Auditor on a regular basis 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 Auditor;
- k) Assessing the work carried out by the External Auditor on an annual basis;
- l) Providing prior approval on the contracting of any audit services from the External Auditor by the Company, or any entity with a participating interest with the said auditor or which is part of the same network, explaining the reasons for such contracting in the annual report on Corporate Governance;
- m) Supervising the work of REN's Internal Audit Office and proposing the recruitment of the respective human resources to the Executive Committee.

Notwithstanding the set of specific competences and considering the Audit Committee's relationship with the corporate bodies listed above, a proposal to amend the Audit Committee's Regulation is being discussed and approved in order to better adjust the such regulation to new Corporate Governance requirements.

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report, the financial statements of the financial year, as well as on the Corporate Governance Report. They are published together with accounting documents on the REN website<sup>75</sup>, and remain available for ten years.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditor, representing it before 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 Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the Statutory Auditor<sup>76</sup>.

As 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, in addition to the powers referred to above, the Audit Committee, acting as supervisory body, also has the general powers of non-executive directors.

In turn, in accordance with the Portuguese Companies Code<sup>77</sup>, 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.

#### IV. Statutory Auditor

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

The office of permanent Statutory Auditor of the Company is carried out by the auditors Ernst & Young, Audit & Associados, SROC, SA, registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119), who also carries out the duties of External Auditor.

The alternate Statutory Auditor of the Company is Ricardo Miguel Barrocas André, registered with the Portuguese Institute of Statutory Auditors under No 1461.

<sup>74</sup> In accordance with Article 6(3)(g) of the Audit Committee Regulation, the opinion shall be issued in accordance with recommendation III.1.3. of the Code of Corporate Governance of CMVM 2010, regarding the principle of rotation of the External Auditor. However, that provision should be read by reference to the legal provisions currently in force on the rotation of the Statutory Auditor, in particular paragraphs 1 and 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council, of 16 April, 2014, and in Article 54(4) of Law No 140/2015 of 7 September. It is further considered that such competence contributes in part to compliance with Recommendation VII.2.3 of the IPCG Code.

<sup>75</sup> [www.ren.pt](http://www.ren.pt)

<sup>76</sup> See Article 6(3)(j) of the Audit Committee Regulation.

<sup>77</sup> See Article 420.

#### 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 (Ernst & Young, Audit, SROC SA) was initially hired to carry out these duties in 2018. It is currently in its first term of office (2018-2020).

In light of the applicable legal and regulatory framework, the appointment of Ernst & Young, Audit & Associates, SROC SA took place following a selection process for a new Statutory Auditor. The REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

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

In addition to the 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 key auditor partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

REN's External Auditor, as in the case with the Statutory Auditor, is Ernst & Young, Audit & Associados, SROC,S.A., registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119)

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

REN's External Auditor (Ernst & Young, Audit & Associados, SROC SA), and the respective partner, was initially hired to carry out these duties in 2018.

#### V.44. Rotation frequency and policy for the External Auditor and respective key auditor partner representing the former in the performance of these duties

REN's External Auditor (Ernst & Young & Associados, SROC S.A.) was initially hired to carry out these duties in 2018. It is currently in its first term of office (2018-2020).

The appointment of Ernst & Young, Audit & Associados, SROC S.A. took place following

a selection process for a new External Auditor. The REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

#### V.45. Indication of the body responsible for assessing the External Auditor and frequency of the assessment

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 2019, the Audit Committee carried out its evaluation of the services provided to the Company by the External Auditor. The Audit Committee considered that the External Auditor provided its services in a satisfactory manner and complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with high 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 the hiring of these services and an indication of the reasons for their contracting

Non-audit services provided by the External Auditor / Statutory Auditor for REN consisted essentially in agreed auditing procedures to validate financial ratios and issuance of comfort letters.

As part of compliance with the independence rules established in relation to the External Auditor/ Statutory Auditor, in 2019, REN's Audit Committee accompanied the provision of non-audit services 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 the company in terms of auditing, as well its complementarity regarding audit services, would justify such award, based on the associated cost control.

REN considers that it complies with Article 77 of Law No 140/2015 of 7 September.

It should also be noted that the amendment to the Audit Committee's Regulations is under discussion and approval, and, among other aspects, should expressly regulate these matters.

V.47. Indication of the annual amount of remuneration paid by the Company and/or by companies in a group with 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 EU Recommendation C(2002) 1873 of 16 May<sup>78</sup>)

In the financial year ending 31 December 2019, the statutory auditor for REN SGPS and its subsidiaries was Ernst & Young, Audit & Associados, SROC S.A. The exception was REN Trading where the statutory auditor was Pricewaterhousecoopers & Associados – SROC, S.A.

The total sum recorded for audit services and the legal review of accounts and other services provided by the statutory auditors in 2019, was € 466,325, broken down as follows:

- Ernst & Young, Audit & Associados, SROC S.A. and its network – € 324,475;
- Pricewaterhousecoopers & Associados – SROC, S.A. – € 141,850.

#### ERNST & YOUNG, AUDIT & ASSOCIADOS, SROC S.A. AND ITS NETWORK

|  | Company (REN SGPS) <sup>79</sup> | Other companies <sup>80</sup> | Total   | %     |
|--|----------------------------------|-------------------------------|---------|-------|
| Audit and legal review of accounts                             | 13,780                           | 235,667                       | 249,447 | 76.9% |
| Other reliability guarantee services                           | 59,420                           | 15,608                        | 75,028  | 23.1% |
| Services other than audit services or legal review of accounts | -                                | -                             | -       | -     |
|  | 73,200                           | 251,275                       | 324,475 |       |

#### PRICEWATERHOUSECOOPERS & ASSOCIADOS – SROC, S.A.

|  | Company (REN SGPS) <sup>81</sup> | Other companies <sup>82</sup> | Total   | %     |
|--|----------------------------------|-------------------------------|---------|-------|
| Audit and legal review of accounts                             | -                                | 8,500                         | 8,500   | 6.0%  |
| Other reliability guarantee services                           | -                                | 41,000                        | 41,000  | 28.9% |
| Services other than audit services or legal review of accounts | 1,590                            | 90,760                        | 92,350  | 65.1% |
|  | 1,590                            | 140,260                       | 141,850 |       |

<sup>78</sup> In accordance with the Corporate Governance Report Model approved by CMVM Regulation No 4/2013, for the purposes of this information this is the applicable concept of "network". However, Article 3 of the later Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 (on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) states that the concept of network must be satisfied as defined in Article 2(7) of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006. As this is the legislation currently in force for the specific requirements for the legal review of accounts of public-interest entities, this is the concept of network which has been adopted by REN.

<sup>79</sup> Including individual and consolidated accounts.

<sup>80</sup> Including individual and consolidated accounts.

<sup>81</sup> Including individual and consolidated accounts

<sup>82</sup> Including individual and consolidated accounts.

### 7.1.3. 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 law<sup>83</sup> and in the Articles of Association themselves<sup>84</sup>. In this regard, please see point 7.1.1, II.14.

#### II. Whistleblowing policy

##### II.49. Whistleblowing Policy and Means on irregularities occurring in the Company

Stakeholders (shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies) may communicate any irregular practices they have knowledge or reasonable doubts of to the Audit Committee, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group<sup>85</sup>.

This system covers the communication of irregular practices by shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies, due to or during the performance of their respective duties.

In this regard it is important to note that the concept of "Irregularity<sup>86</sup>" includes all situations that any of the individuals detect, or is made aware of or has grounded doubts regarding non-compliance with REN Group's Code of Conduct, legal, statutory, deontological or professional ethics rules, or rules contained in any internal documents or regulations, recommendations, guidance or guidelines applicable to REN, or to any company in the REN Group, which may constitute criminal, misdemeanour or civil offence, concerning acts or omissions, documentation (in physical or electronic form)

decisions, orders, guidelines, recommendations, opinions and communications, and which relate to:

- accounting and financial matters;
- the internal risk management system;
- supervisory activities performed at REN or at any of the REN Group's companies.

Such communications must be submitted in writing to the registered office and addressed to the Chairman of the Audit Committee or to the email [comissão.auditoria@ren.pt](mailto:auditoria@ren.pt), an account which is only accessible by the Audit Committee. Communications must contain all the information the whistleblower has and considers necessary for assessing the irregularity<sup>87</sup>.

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identity in the communication of the irregularity, which will only be disclosed for the purposes of investigation 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<sup>88</sup>.

The investigation process by the Audit Committee includes a preliminary stage which is followed by an investigation and a final report. Based on this report, should the conclusions so justify, penalty measures are proposed for approval by the Board of Directors or Executive Committee.

REN implemented the mechanisms with regard to the prevention and detection of fraud and errors and the verification of the operations and business of the REN Group with the applicable legal and regulatory provisions, including the general policies and regulations of REN, carried out by the Risk Committee, further described in III.54 below.

<sup>83</sup> See Article 383 of the Portuguese Companies Code.

<sup>84</sup> See Article 11 of REN's Articles of Association.

<sup>85</sup> See Articles 6(2) and 7 of the Audit Committee Regulations and the document on "Procedures applicable to the processing of whistleblowing communications and the investigation of irregularities", available at [www.ren.pt](http://www.ren.pt).

<sup>86</sup> See Section VI (Concept of "Irregularity") on the applicable procedures for processing communications regarding irregularities and the assessment of irregularities.

<sup>87</sup> See Chapter VII (Whistleblowing) in the Guidelines.

<sup>88</sup> Available at [www.ren.pt](http://www.ren.pt).

Together with the ongoing work to evaluate the implementation of a REN Group integrity policy, are embodied in the adopted REN Group Code of Conduct<sup>89</sup>, the fight and prevention of the practice of illicit acts, namely corruption, money laundering and terrorist financing crimes, constitute fundamental bases for the principles of action and duties of the Group, and their employees. Within this context reference should be made to the considerations included in chapter 5 of the 2019 Management Report dedicated to "Sustainability at REN" which details the implementation of stakeholder consultation and its results, priorities and new topics materially relevant, including those relating to governance and ethics.

### 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 REN Group 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, which, with the various contributions of the relevant committees and commissions, is responsible for establishing the ultimate risk policy of REN and the Group.

The Audit Committee is responsible for assessing the Executive Committee in the analysis of the integrity and efficiency of REN's internal control and risk management systems, including the submission of proposals to improve operations and amendments in accordance with REN's requirements<sup>90</sup>. The Audit Committee reports on the work plans and resources allocated to internal control services, including control of compliance with company

rules (compliance services) and internal audit, and receives the reports made by these services. Such reports involve dealing with matters relating to the rendering of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities. Checks are also made that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors.

For the purposes of this control, the Audit Committee has implemented in particular the following measures: (i) meeting twice a year with the Risk Management Committee; (ii) periodic audits (performed by the internal audit department); (iii) implementing risk detection systems; (iv) implementing mechanisms to verify the obligations of Group companies, in particular, monitoring their compliance with concession agreements.

In addition to this annual risks assessment, the Audit Committee assesses the Company's management which comprises, in particular, the assessment of the internal functioning of the management body, its committees, the accounts and compliance with plans and budgets. It also follows-up on the implementation of recommendations. Therefore, in its action plan for activities to be carried out in 2019, the Audit Committee considered a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having held several meetings with the Statutory Auditor and External Auditor and with the heads of different departments, namely: Acquisitions, Control, Accounting and Tax, Environment and Security, Regulation and Statistics, Institutional Relations, Legal Services and Operational Services. The Audit Committee added to the activity plan the monitoring of the implementation of recommendations arising from the internal control system. Finally, the Audit Committee's activity plan included the specific training of REN's managerial staff with audit functions.

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.

<sup>89</sup> Available at [https://www.ren.pt/files/2018-12/2018-12-17095938\\_f7664ca7-3a1a-4b25-9f46-2056eef44c33\\$72f445d4-8e31-416a-bd01-d7b980134d0f\\$B438D8D8-09C0-4744-B79B-D8C8C30AAA73\\$storage\\_image\\$Pt\\$1.pdf](https://www.ren.pt/files/2018-12/2018-12-17095938_f7664ca7-3a1a-4b25-9f46-2056eef44c33$72f445d4-8e31-416a-bd01-d7b980134d0f$B438D8D8-09C0-4744-B79B-D8C8C30AAA73$storage_image$Pt$1.pdf).

<sup>90</sup> See Article 3(6)(a) of the Audit Committee regulations.

The Internal Audit Department, under the oversight of the Audit Committee<sup>91</sup>, has the mission to scrutinize the different Departments, activities, systems, procedures, processes, policies and governance of REN Group, through objective, independent and systematic auditing actions. Internal Audit is also responsible for proposing improvements to established processes and policies, and also propose actions for the monitoring indicators and risks, in order to improve the internal control system, as well as optimize the performance of the various areas of the REN Group.

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 2019, 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, policies that were ultimately approved by the Board of Directors after gathering this contribution, and the internal disclosure of best practices for Risk Management.

### III.51. Explanation, even though by organisational chart, of the hierarchical and/or functional relationships of other Company bodies or committees

The Internal Audit Department reports in terms of functions and hierarchy to the Audit Committee,

notwithstanding its relationship with the Company's Executive Committee.

As part of its supervisory function and powers expressly set out in the internal regulations, the Audit Committee supervises the internal audit procedure, notably through the presentation of proposals to improve its operation<sup>92</sup>. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to the Internal Audit Department, supervises the activity and has access to all reports prepared by the GSAD-AI including, amongst others, matters 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 powers relating to 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 level 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.

In 2019, the Risk Management Committee, with support from those responsible for managing activities and/or situations with inherent risk, «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:

<sup>91</sup> See Article 3(6)(m) of the Audit Committee regulations.

<sup>92</sup> See Article 3(6)(a)(b) and (m) of the Audit Committee regulations.

|   | Category                | Subcategory      | Nature                                | Risk event   |
|---|-------------------------|------------------|---------------------------------------|--|
| 1 | Surrounding Environment | External Context | Regulatory                            | Changes to the regulatory model and parameters                             |
| 2 |                         |                  | Energy Markets                        | Financial non-compliance by the market agents                              |
| 3 |                         |                  | Financial Markets                     | Evolution of REN's rating  |
| 4 | Processes               | Operational      | Interruption of business              | Evolution of interest rates  |
| 5 |                         |                  |                                       | Occurrence of a generalized incident                                       |
| 6 |                         |                  | Investment projects                   | Delay in implementing investment plans                                     |
| 7 |                         |                  | Health & Safety                       | Non-entry into operation of assets within planned deadlines of the project |
| 8 |                         |                  | Information technology                | Occurrence of serious work accidents                                       |
|   |                         |                  | Unavailability of information systems |  |
|   |                         |                  | I.T. attacks - cybersecurity          |  |

#### 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 so as to prevent/analyse the impacts of possible changes.

#### Evolution of REN's rating

Changes to REN's 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 could 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 REN's debt service. 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.

#### Non-compliance by ENERGY market agents

Network infrastructures are used by agents of the respective gas and electricity markets, in particular energy suppliers.

Non-compliance with the corresponding financial obligations by these market agents constitutes a risk the importance of which increased with the entry of the Portgas Distributor into the REN universe.

#### 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, etc.), 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 the potential impact of this risk.

### **Delay in implementing investment plans**

The existence of delays both in the approval of investment plans, and in the execution plans, by the grantor 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.

In this regard, it should be mentioned that the approval of new indicators to monitor the indicated risks, are to come into force from 2020 onwards.

### **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, in several projects.

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.

### **I.T. Attacks - Cybersecurity**

The current context of profound technological disruption, to which REN is no stranger, implies a reinforcement of existing information security capabilities, resulting not only from the increased complexity of system architectures and the perimeters in which they operate, but also from the speed at which they are expected to change. In this sense, REN has been training in the management of the resulting risks, investing in good practices in cyber security matters, both in terms of resilience and prevention, using specific systems, processes and controls, but also responsible for an organisation with REN's mission. 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, processing, reporting and disclosure of all information, including 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 identifying and evaluating the inherent risks involved in REN's activities stated in III. 53., also seeking to support the monitoring of significant risks and REN's general risk profile.

That is to say that, at a first stage, the Risk Committee, with the collaboration of its members who are the heads of the different departments and with the assistance of all other department heads within the Company, analysed 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 to the Internal Control System, is carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information producing, treating and processing system;
- To check 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 plan, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. Therefore, within the scope of the Group risk management system, the following activities were undertaken in 2019:

- Review and updating of the list of greatest risks;
- Implementing of a technological solution which will improve the functioning of the risk management process – SAP GRC RM.

As part of risk monitoring, control and management, also of note was that on 8 November 2012, the REN Board of Directors approved the review of the regulations on 'Assessment 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'.

It should further be noted that REN has implemented a series of changes to its internal control and risk management systems, involving the components previously provided for in CMVM Recommendations and currently provided for in the IPCG Code. It has also been guided by the rules of the International Organization for Standardization (ISO).

In 2019, the company continued to implement a homogeneous and integrated corporate risk management strategy across the entire organization, aligned and structured in accordance with the specific priorities and features of each of the company's areas.

### 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 information, including financial information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations and to the market, 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 and other information, as better described in the previous section.

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.

In addition, it is the responsibility of the Corporate Governance Committee to promote the adoption of guidelines regarding information disclosed to the market. It is the responsibility of the Investor Relations Office (IRO) to coordinate, prepare and disclose all the information made available by the REN Group regarding the disclosure of inside information and other communications to the market. IRO is also responsible for the publication of the periodic financial statements, as well as developing and maintaining the investor relations page on the company's website.

#### 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 IRO. It was founded in July 2007 and works exclusively in the preparation, management and coordination of all activities necessary to achieve REN's objectives in its relations with shareholders, investors and analysts. This office ensures communication that offers a full, coherent and comprehensive vision of REN, thereby facilitating investment decisions and creating sustained value for shareholders. It also provides clarification on information published by REN.

##### IRO contacts:

**E-mail:** [ir@ren.pt](mailto:ir@ren.pt)

**Ana Fernandes** (Director): [ana.fernandes@ren.pt](mailto:ana.fernandes@ren.pt)

**Alexandra Martins:** [alexandra.martins@ren.pt](mailto:alexandra.martins@ren.pt)

**Telma Mendes:** [telma.mendes@ren.pt](mailto: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) Act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing information asymmetries;
- 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) 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 website<sup>93</sup> / Investors APP.

##### IV.57. Representative for market relations

Since 28 March 2012, the REN 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 on the proportion of, and response time to, requests for information received this year or in previous years and still pending

Investor requests were responded to in a timely manner, usually on the same day or, in cases where the request required the receipt of information from third parties, soon after they were received. In 2019, almost 365 requests were received attended to by telephone, 405 by email and 120 in person at conferences and roadshows, with both debt and equity investors.

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

<sup>93</sup><http://www.ren.pt/en-GB/investidores/>

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's<sup>94</sup> website is available in Portuguese and English.

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<sup>95</sup>, under the tab marked 'Investors', there is a tab marked 'Corporate Information', where information published on the firm, status as open capital company («sociedade aberta»), the registered office and other information mentioned in Article 171 of the Portuguese Companies Code may be found.

[https://www.ren.pt/en-GB/investidores/informacao\\_da\\_sociedade](https://www.ren.pt/en-GB/investidores/informacao_da_sociedade)

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

On the REN website<sup>96</sup>, under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the Articles of Association, as well as the following regulations and documents:

- Articles of Association
- Board of Directors Regulations
- Audit Committee Regulations
- Executive Committee Regulations
- Corporate Governance Committee Regulations

- Nominations and Appraisals Committee Regulations
- Remuneration Committee Regulations
- Regulations on transactions with related parties
- Regulations on transactions of financial instruments by REN directors;
- Whistleblowing procedures
- Regulations on procedures relating to the compliance with the Market Abuse Regulation

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade/estatutos\\_regulamentos\\_e\\_relatorios](https://www.ren.pt/en-GB/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», there is a tab marked «Corporate Governance», under which the composition of the corporate bodies can be found.

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade](https://www.ren.pt/en-GB/investidores/governo_da_sociedade)

Furthermore, on the REN website<sup>97</sup>, under the tab marked «Investors», there is a tab marked «Investor Relations» which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers.

[https://www.ren.pt/en-GB/investidores/relacoes\\_com\\_investidores](https://www.ren.pt/en-GB/investidores/relacoes_com_investidores)

V.63. Place where accounting records are made available, which must be accessible for at least ten years<sup>98</sup>, 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<sup>99</sup>, under the tab marked «Investors», there is a tab marked «Investors» where there is a further tab marked «Results». Here it is

<sup>94</sup> [www.ren.pt](http://www.ren.pt)

<sup>95</sup> [www.ren.pt](http://www.ren.pt)

<sup>96</sup> [www.ren.pt](http://www.ren.pt)

<sup>97</sup> [www.ren.pt](http://www.ren.pt)

<sup>98</sup> In accordance with the CMVM Regulation No 4/2013 which approves the model of the corporate governance report, accounting documents may be accessible for five years. Nevertheless, under the current version of Article 245 (1) of the Securities Code, those documents must be available for 10 years.

<sup>99</sup> [www.ren.pt](http://www.ren.pt)

possible to find documents on accounting records, which will be accessible for a minimum of 10 years.

<https://www.ren.pt/en-GB/investidores/resultados>

On the same website<sup>100</sup>, 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<sup>101</sup>, under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings, where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade/assembleias\\_gerais](https://www.ren.pt/en-GB/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 website<sup>102</sup>, REN provides extracts from the minutes of General Meetings.

On the website<sup>103</sup> REN maintains an historic record of notices to convene, agendas and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the respective meetings, going back a minimum of five years.

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

### 7.1.4. 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 directors

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee<sup>104</sup>, 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 complements<sup>105</sup>. Moreover, this proposed declaration will be subject to assessment and deliberation by the shareholders of the Annual General Meeting.

The aforementioned declaration on the remuneration policy covers all company officers (within the meaning of Article 3(1)(25) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), by reference to Article 248-B of the Securities Code. The Board of Directors of REN understands that these officers are only members of the company's management and supervisory bodies, since only those, having regular access to privileged information, also have the power to take management decisions likely to affect the evolution and future prospects of REN.

The Nominations and Appraisals Committee does not have any duties concerning the definition of remuneration of the Board of Directors, but the assessment performed by this Committee may potentially and indirectly impact on such remuneration.

Considering the above, and the details described in point II.29, it can be concluded that REN complies with recommendation III.9 of the IPCG Code, being the Remunerations Committee materially equivalent to the internal committee referred to therein, taking into account the intrinsic connection between the Remunerations Committee and the Nominations and Appraisals Committee - for this purpose it should be noted that the annual report prepared by the latter, which must be submitted to the Remunerations Committee by the end of March of each year - and the fact that the attributions of the Remunerations Committee exceed the mere setting of the remuneration of REN's directors<sup>106</sup>.

<sup>100</sup> [www.ren.pt](http://www.ren.pt)

<sup>101</sup> [www.ren.pt](http://www.ren.pt)

<sup>102</sup> [www.ren.pt](http://www.ren.pt)

<sup>103</sup> [www.ren.pt](http://www.ren.pt)

<sup>104</sup> See Article 8(2)(d) of the Articles of Association.

<sup>105</sup> See Article 26 of REN's Articles of Association.

<sup>106</sup> See Article 3(2)(b)(iv) and 3(3) of the Nominations and Appraisals Committee's Regulation and Article 3(1) of the Remunerations Committee's Regulation

## 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

On 31 December 2019, the following three members, appointed at the annual General Meeting of 3 May 2018, were on the Remunerations Committee (three-year period of 2018-2020):

| Name                      | Position |
|---------------------------|----------|
| João Duque                | Chairman |
| José Galamba de Oliveira  | Member   |
| Fernando Neves de Almeida | Member   |

Information on the composition of the Remuneration Committee and the number of meetings held annually can be found at:

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade](https://www.ren.pt/en-GB/investidores/governo_da_sociedade)

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 other corporate bodies for which it determines the respective remuneration. 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 3<sup>rd</sup> degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides or has provided in the last three years, services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract.

In any case, the Remunerations Committee may, in accordance with its regulations, freely decide on the contracting, by the Company, of the consulting services necessary or convenient for the performance of its functions, within the budgetary limits of the Company, ensuring that the services are provided independently and that the respective providers will not be contracted for the provision of any other services to the Company itself or to others that are in a domain or group relationship without its express authorization.

The Remunerations Committee Regulations, approved in January 2019, which establish, inter alia, the performance of the respective duties, chairing, frequency of meetings, functioning and framework of duties of its members are available at

[https://www.ren.pt/en-GB/investidores/governo\\_da\\_sociedade/estatutos\\_regulamentos\\_e\\_relatorios](https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios)

As set out in its Regulations, and as was already the case prior to the adoption of these regulations, detailed minutes are drawn up, approved and signed by all the members present at the meetings.

At the Annual General Meeting of 2019, João Duque was present, on behalf of the Remunerations Committee. In addition, the Remunerations Committee Regulations provide for the obligation of the Chairman of the Remunerations Committee or, if not possible, another member of the Remunerations Committee, to be present and to provide information or clarifications requested by the shareholders at the Annual General Meeting. Such presence is also required in any other case where the agenda includes a matter related to the remuneration of the members of the company's bodies and committees or when requested by shareholders.

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

All members of the Remunerations Committee have the necessary knowledge, acquired through their academic training and professional experience required to reflect and decide upon all matters under the Remuneration Committee remit, taking into account that set out below.

Each member of the Remunerations Committee has a specific academic background in management, and one of the members (Fernando Neves de Almeida), holds a degree in human resource management. This training provides them with the necessary and relevant theoretical expertise to perform their duties. It should also be noted that Fernando Neves de Almeida continues his academic work in the field of human resources, being executive coordinator of Ph.D., master and bachelor programmes in the fields of strategic management and human resources areas and has published several papers and books on this area.

Moreover, the Remunerations Committee consists of three members with vast professional experience, working for consultancies, the government and in numerous different sectors of activity, both in Portugal and abroad. Therefore, all the members of the Remunerations Committee have continued to perform duties as (i) members of the management body of several national and international entities in highly varied sectors of activity, (ii) positions of management and consulting in financial regulators, and (iii) positions of management at consultancies in the fields of management, technology and human resources, thus consolidating relevant practical knowledge with regard to remunerations policy, performance assessment systems and complementary areas.

### 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 19 June 2009 as well as to the recommendations of the IPCG Code of 2018.

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of the remuneration policy (according to the say-on-pay principle, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with legal provisions and recommendations, the Remuneration Committee submitted a declaration on the remuneration policy for corporate bodies for the 2018 financial year for the appraisal of the Annual General Meeting, attached to which is the remuneration policy for the members of the corporate bodies for the year 2019 as approved by the Remunerations Committee<sup>107</sup>, the terms of which reflected the decision made by this Committee on this matter and which set out a number of systematic

improvements and updates of remuneration amounts, but which essentially reflect the previous remunerations policy.

On 3 May 2019, a declaration by the Remunerations Committee on the remuneration policy for members of corporate bodies was approved by a majority of 99,8 %, at the General Meeting, attached to which is the remuneration policy for the members of the corporate bodies for the year 2019. This declaration includes the information set out in Article 2 of law No 28/2009 of 19 June 2009. In accordance with IPCG Code, recommendation V.2.3 the abovementioned declaration also contains, although in generic terms, when applicable: (i) the total remuneration broken down into the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied; (ii) remuneration from companies belonging to the same group; (iii) the number of shares and stock options granted or offered, and the main conditions for exercising the respective rights, including the price and date of such exercise and any change in those conditions (not applicable); (iv) information on the possibility or impossibility of requesting the return of variable remuneration; (v) information on any deviation from the procedure for the implementation of the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation (not applicable); and (vi) information on the enforceability or unenforceability of payments for the termination of the directors' service. Some of this information is included in more detail in this report, considering the nature of the declaration and in order to avoid duplication of information.

The remuneration policy of REN's corporate bodies for the year 2019 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 activity;
- To ensure total remuneration which is competitive and equitable and in line with the best practices and latest trends seen in Portugal and in Europe, particularly with regard to REN's peers, that attracts, at an economically justifiable cost,

<sup>107</sup> Available at [https://www.ren.pt/files/2019-04/2019-04-03044750\\_3600afd9-7cec-4a36-a8c2-a17a20bbd204\\$25055b9b-7643-490a-992e-69493ffb834b\\$18b311cc-464e-4538-8514-aa47ba1307e5\\$Sen\\_gb\\_Docs\\$pt\\$1.pdf](https://www.ren.pt/files/2019-04/2019-04-03044750_3600afd9-7cec-4a36-a8c2-a17a20bbd204$25055b9b-7643-490a-992e-69493ffb834b$18b311cc-464e-4538-8514-aa47ba1307e5$Sen_gb_Docs$pt$1.pdf)

qualified professionals, that induces the alignment of interests with those of shareholders - taking into consideration the wealth effectively created by society, the economic situation and that of the market - and to constitute a factor for the development of a culture of professionalisation, and to promote merit and transparency in REN;

- To be evolutionary, but not disruptive; and
- To incorporate a fixed remuneration adjusted to functions, availability, competence and responsibilities of the Board of Directors' Members.

Regarding the components of the remuneration of the executive members of the Board of Directors, the remuneration policy is mainly determined based on the following principles: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) uniform, consistent, fair and balanced criteria, that award performance; (iii) assessment of performance, in accordance with duties and responsibilities, as well as real performance, the assumption of suitable levels of risk and compliance with the rules applicable to REN activity, also taking into account compliance with the strategic plan and REN's budget, risk management, the internal functioning of the Board of Directors and the contribution of each member for this purpose, as well as the relationship between the Company's bodies and committees; (iv) incorporation of a variable remuneration component that is globally reasonable in relation to the fixed remuneration component, without encouraging the assumption of excessive risks; (v) alignment of executive directors' interests with the Company's and its sustainability and creation of long-term wealth, including by indexing the medium/long term remuneration to the evolution of REN's share price; and (vi) the variable remuneration indexed to REN's actual performance, measured against specific, unambiguous and measurable objectives in line with the interests of REN's stakeholders.

The remuneration of the executive directors includes a fixed component and a variable component. The variable component consists of a parcel which aims to remunerate short-term performance and another with the same purpose based on medium-term performance, as described in further detail below. In the case of unfair dismissal and termination of duties of an executive member of the board of directors, no compensation, other than that legally owed, shall be due in the event of inadequate performance of a director.

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in line with the best practices

observed at large-scale companies in the Portuguese market. The remuneration policy for non executive members of the Board of Directors is guided by the main purpose of compensating the dedication and responsibility required for the performance of their duties.

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

Currently, 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 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), without prejudice to the method of calculating medium-term variable remuneration (MTVR), as described below.

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 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014).

### 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 above, 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 adequate proportionality between both components, as explained in III.69 above.

In accordance with the remuneration policy applicable to remuneration awarded in 2019, attached, and set out in the Remunerations Committee declaration approved by the Annual General Meeting of 2019, the variable component of remuneration for 2019 may include a short-term parcel (STVR) and a medium-term parcel (MTVR). Both parcels are based on

performance assessment, reflecting the weighting of key individual performance indicators of the director and the performance of the Company itself. Such indicators, described in more detail in III.71 below, aim to bring the interests of the executive directors closer to the long-term interests of REN and its shareholders.

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

- MTRV is assigned in Remuneratory Units (RU) being the number of RU calculated by dividing the value assigned to RVMLP by the unit value of RU;
- Each RU has a value corresponding to the average closing price for REN shares on the Euronext Lisbon market in the 30 days prior to the General Meeting approving the accounts for the respective financial year and being this value adjusted, over time and after their initial calculation, by an amount equal to the Total Shareholder Return (TSR) for REN shares and the number or value of the assigned RUs may be adjusted in accordance with the corporate facts/events affecting REN's shares.

The main aims of the proportionality between the fixed and variable components and the limits to variable remuneration (i.e. between a minimum of 0% and a maximum of 120% of fixed annual 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 and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2019, the variable component of remuneration for 2019 may include short and medium-term parcels – STVR and MTRV<sup>108</sup>.

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

- Annual evaluation of the Executive Directors' performance for the purpose of granting the variable component of remuneration is carried out by the Remunerations Committee, based on the

opinion of the main shareholders of the company, as well as non-executive directors, considering a report to be prepared by the Nominations and Appraisals Committee by March of the following year, based on the achievement of predefined objectives (based on Key Performance Indicators ("KPIs"), indexed to metrics of REN's strategic plan.

- By the end of March each year, the Audit Committee shall validate the figures that serve as reference for the assessment of compliance with REN's KPIs.
- Annual assessment of final performance and the setting of variable remuneration by the Remunerations Committee must be concluded before the General Shareholders' Meeting that approves the accounts for the financial year in question, in accordance with the level of compliance with the KPIs, defined below, and is subject to the approval of the annual accounts by the General Shareholders' Meeting in their exact terms.
- Individual performance appraisal in relation to an Executive Director shall only be taken into account when negative, in which case the variable remuneration shall not be attributed to that Executive Director.
- The degree of achievement of defined goals is measured through an annual performance assessment, based on a predefined model. Therefore, if compliance with targets is below 80% (minimum performance level), no variable remuneration is awarded. However, if compliance with targets lies between 80% and 120% or greater, the corresponding total variable remuneration will be set, in a gradual manner, between 20% and 120% of the fixed remuneration. In the case of targets between 100% and 119%, the percentage of fixed remuneration to be awarded as global variable remuneration is fully proportional to the level of achievement (instead of being indexed by layers).

The objectives related to REN's KPIs, defined on a consolidated basis, are the following:

- v. Cost of Debt;
- vi. Return on Invested Capital (ROIC);
- vii. EBITDA in investments abroad;
- viii. EBITDA in investments in Portugal;
- ix. Earnings Per Share;
- x. Health & Safety;
- xi. Service Quality.

<sup>108</sup> See points III.69. and III.70 above.

### Short-Term Variable Remuneration

- a. Short-Term Variable Remuneration (STVR) is paid in cash, depending on the annual performance assessment. The sum being paid varies in accordance with the degree of achievement of targets relating to certain 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 be set between 10% and 60% of fixed remuneration
- c. The awarding of STVR will correspond to a sum of up to 50% of total variable remuneration awarded with regard to each financial year.

### Medium-Term Variable Remuneration

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 variable remuneration is divided into two components, each corresponding to 50% of the total variable remuneration granted for the relevant annual period, as follows.

The STVR is allocated and paid in cash within 30 days of the annual shareholder meeting approving the annual accounts.

In turn, MTVR is set in RU which refer to every financial year of the term of office and is structured to ensure deferral of payment in cash for a period of three years from the date of the award, one third being paid per year, starting one year after the award and within 30 days of the date of the general meeting of shareholders approving the accounts for each financial year.

The right of each Executive Director to receive a MTVR is conditioned to:

- REN's continued positive performance during the period in question, excluding any extraordinary movements that occurred after the end of the

relevant year, and deducted, for each year, and an amount corresponding to a payout of 40% on the net income calculated in the consolidated accounts of each deferral period (regardless of the actual payout), that must be greater than that calculated at the end of that year;

- The non-violation by an Executive Director of any mandatory rules applicable to REN, whether they are legal, regulatory or internal;
- The non-occurrence of any extinction event that leads the Executive Director to terminate his mandate or terminate his professional relationship with REN.

#### 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.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, members of the board of directors of the Company have not entered into agreements 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 strike price

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

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

In 2019, Executive Directors were entitled to transport inteded for the regular performance of their duties, and were also provided with health and life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is approximately € 25,000/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 where it originated

Remuneration paid in 2019 to members of REN's management body, individually and collectively, was as follows:

| Name                    | Position   | Fixed rem.            | Corporate committees rem. <sup>109</sup> | Variable short-term rem. | Variable medium-term rem, in relation to the financial years of 2015 and 2017 and paid in 2019 | Total                 |
|-------------------------|--|-----------------------|--|--------------------------|--|-----------------------|
| Rodrigo Costa           | Chairman of the Board of Directors and the Executive Committee | 388,888.08 €          |  | 206,360.00 €             | 279,325.32 €   | 874,573.40 €          |
| João Faria Conceição    | Executive Director   | 308,080.20 €          |  | 163,480.00 €             | 235,765.27 €   | 707,325.47 €          |
| Gonçalo Morais Soares   | Executive Director   | 308,080.20 €          |  | 163,480.00 €             | 235,765.27 €   | 707,325.47 €          |
| Guangchao Zhu           | Vice-Chairman  | 80,807.88 €           |  | -                        | -  | 80,807.88 €           |
| Mengrong Cheng          | Director   | 36,363.60 €           |  | -                        | -  | 36,363.60 €           |
| Lequan Li               | Director   | 36,363.60 €           | 8,583.34 €                               | -                        | -  | 44,946.94 €           |
| Omar Al-Wahaibi         | Director   | 36,363.60 €           | 4,291.67 €                               | -                        | -  | 40,655.27 €           |
| Jorge Magalhães Correia | Director   | 36,363.60 €           | 4,291.67 €                               | -                        | -  | 40,655.27 €           |
| Manuel Sebastião        | Director / Chairman of the Audit Committee                     | 75,757.44 €           | 7,152.84 €                               | -                        | -  | 82,910.28 €           |
| Gonçalo Gil Mata        | Director / Member of the Audit Committee                       | 60,606.00 €           |  | -                        | -  | 60,606.00 €           |
| Maria Estela Barbot     | Director / Member of the Audit Committee                       | 60,606.00 €           |  | -                        | -  | 60,606.00 €           |
| José Luís Arnaut        | Director   | 36,363.60 €           | 7,152.84 €                               | -                        | -  | 43,516.44 €           |
| Ana Pinho               | Director   | -                     | -  | -                        | -  | -                     |
| <b>Total</b>            |  | <b>1,464,643.80 €</b> | <b>31,472.36 €</b>                       | <b>533,320.00 €</b>      | <b>750,855.86 €</b>  | <b>2,780,292.02 €</b> |

<sup>109</sup> The amounts herein referred include remuneration due as consequence of the appointment for Corporate committees between 26 July 2018 and 31 December 2018, only processed in January 2019, and the amounts related to the 2019 financial year and monthly processed in 2019.

STVR paid in 2019, as indicated in the table above, refers to the financial year of 2018.

Members of the Executive Committee were also awarded (but not paid) an additional remuneration parcel, for MTRV referring to the 2018 financial year, set in RU. Considering that the REN share price on the date MTRV was set was € 2,536, the number of RU awarded to each member of the Executive Committee is as follows:

- i. Rodrigo Costa – 81,372.24 RU
- ii. João Faria Conceição – 64,463.72 RU and
- iii. Gonçalo Morais Soares – 64,463.72 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 the term of office

In 2018, 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 supervisory bodies, for the purposes of Law No 28/2009, of 19 July.

With regard to the members of the Audit Committee, please see IV.77. above, and with regard to the Statutory Auditor, please see V.47. above.

#### IV.82. Indication of the remuneration in the relevant year of the Chairman of the General Meeting

In 2019, the Chairman of the General Meeting received the fixed annual amount of €15,000 for carrying out the respective duties.

## V. Agreements with remuneration implications

### V.83. Contractual limitations 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 2019, which REN considers to be the adequate legal instrument for these purposes, in the event of unfair dismissal or termination of duties of an executive member of the Board of Directors through agreement, no compensation will be due, beyond that legally required, if such termination or dismissal is due to the unsuitable performance of the director. The consequences of the termination of the agreement are previously defined in accordance with the reasons for that termination. No other provision exists in the REN remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

In the event of unfair dismissal or termination of duties of an Executive Director, no compensation, other than that legally owed, shall be due in the event of their inadequate performance.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the elected term.

### V.84. Reference to the existence and description, with indication of the amounts involved, of agreements between the Company and the members of the management body or other officers, in the meaning of Article 3(1)(23) of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, 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 (Article 245-A(1)(l)).

There are no agreements between REN and the members of the management body or other officers (in the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), 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 plans or programmes that consist of the awarding of shares, options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTRV) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

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

See VI.85. above.

**VI.87. Stock option rights allocated for the acquisition of shares where beneficiaries are the Company workers or employees**

See VI.85. above.

**VI.88. Control Mechanisms available in a possible scheme for worker participation in the share capital where 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.

## 7.1.5. 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 provide for monitoring 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 to the Board of Directors an internal regulations 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 and remain in effect.

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 recommendation I.V.1 of the IPCG Code, transactions conducted between a related party<sup>110</sup> and REN or its subsidiaries, which are covered by the following situations, shall be submitted by the management body for prior opinion by the Audit Committee<sup>111</sup>:

- a) The purchase and/or sale of goods, provision of services or contract work valued at over € 1,000,000.00;
- b) The acquisition or disposal of shareholdings;
- c) New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding € 100,000,000.00, except when it refers to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions.
- d) Any transaction which, though not covered by any of the above materiality criteria, has a value that exceeds € 1 million or must be considered relevant for this purpose by the Board of Directors by virtue of its nature or its particular liability to give rise to a conflict of interests.

In turn, any business between a Related Party and REN or one of its subsidiaries, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee for its subsequent consideration<sup>112</sup>.

If the Audit Committee issues an unfavourable prior expert opinion, approval of the transaction by the Board of Directors is required to and 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

<sup>110</sup> 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 Securities Code ('Subsidiaries') or b) any individual who, due to the post he or she holds in REN or in the Subsidiaries, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information; or c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Subsidiaries, calculated in accordance with Article 20 of the Securities Code, or d) a third-party body, related to an Officer or a Relevant Shareholder by means of any relevant commercial or personal interest.

<sup>111</sup> See Point II.(a) of the abovementioned internal regulation.

<sup>112</sup> See Point III(b) of the abovementioned internal regulation.

or that of its subsidiaries and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee<sup>113</sup>.

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest<sup>114</sup>.

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

Pursuant to the internal regulations on the analysis and control of transactions with related parties and prevention of situations of conflict of interests, the Audit Committee had prior intervention in the following transactions, carried out between companies of REN Group and a holder of qualifying shareholdings or entities with which it is in a relationship pursuant Article 20 of the Securities Code, having issued a prior favourable opinion of such:

- a) Procurement of health insurance for REN Group companies and supplementary brokerage services entered into with a related party (Insurer Fidelity/Multicare), for a period of one year renewable for one additional year, with the following characteristics:
- Approved by the competent bodies on 21 May 2019, with prior favourable opinion from the Auditing Committee;
  - Competitive consultation procedure with award of the most cost-effective proposal;
  - Amounts: REN - Redes Energéticas Nacionais, SGPS, S.A. - 68,173.72€; REN - Rede Eléctrica Nacional, S.A. - 161,019.96€; REN - Gasodutos, S.A. - 274,513.40€; REN - Armazenagem, S.A. - 22,053.64€; REN Atlântico, Terminal de GNL, S.A. - 100,294.86€; Centro de Investigação em Energia REN - State Grid, S.A. - 29,477.96€; RENTELECOM - Comunicações, S.A. - 5,249.20€; REN Serviços, S.A. - 268,172.18€; and REN PRO, S.A. - 65,469.86 €.

b) Award of contract with a related party (SPECO - Shandong Power Equipment Company, LTD., shareholder-related entity State Grid) to provide a 400/63kV transformer, 170 MVA for Alcochete substation and a 220/63 kV transformer, 170 MVA for Valdigem substation, with the following characteristics:

- Approved by the competent body on November 15, 2019, with prior favourable opinion from Auditing Committee;
- Tender limited by prior qualification with award to the most economically viable proposal;
- Amount: Lot 1 awarded to SPECO for a total amount of 2,629,912.00€ (the remaining lots were awarded to other companies).

#### I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of 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. above. 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 Securities Code, given that these are by definition considered to be related parties in accordance with 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 2019 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 Securities Code was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations.

<sup>113</sup> See Points 4 and 5 of point VI of the abovementioned internal regulation.

<sup>114</sup> See Point IX(I)(a) of the abovementioned internal regulation.

## PART II

### 7.2. Assessment of Corporate Governance

#### 1. Identification of the Code of Corporate Governance adopted

With regard to the disclosure of information on corporate governance, as an issuer of shares that are admitted to trading on the Euronext Lisbon regulated market, REN is subject to the regime established in the Securities Code, Law No 28/2009 of June 19, and CMVM Regulation No 4/2013 (the latter was approved in 2013 and is applicable to government reports for this year).

In accordance with Article 2 of CMVM Regulation No 4/2013, the Corporate Governance Code which the company is subject to or has voluntarily decided to implement must be identified.

The place where the Corporate Governance Code(s) to which the Company is subject is made available to the public shall also be indicated (Article 245-A(1)(p))

When preparing this report, REN referred to the Portuguese Institute of Corporate Governance Code, approved in 2018, available at <https://cgov.pt/images/ficheiros/2018/codigo-pt-2018-ebook.pdf>, as well as its rules of interpretation, available at the same address.

#### 2. Analysis of compliance with the Corporate Governance Code adopted

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

In accordance with Regulation 4/2013, in conjunction with the Corporate Governance Code of the Portuguese Institute of Corporate Governance and its respective interpretative rules, 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 potential non-compliance or partial compliance thereof (i.e. compliance with only part of the sub-recommendations, where applicable);
- c) In the event of non-compliance or partial compliance (i.e. compliance with only part of the sub-recommendations, where applicable), the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation, in this case, the company's judgment as to the existence of equivalence to compliance may be included.

As mentioned above, REN took the decision to adopt all recommendations laid out in the IPCG Code.

Therefore, REN hereby declares that it fully adopts all the abovementioned Portuguese Institute of Corporate Governance recommendations on corporate governance matters laid down in said Code, except for Recommendations III.1 and VII.2.1 which are not adopted for the reasons described below, Recommendations II.5, III.5, III.7, V.3.4, V.4.2, VII.2.4 and VII.2.5 which are not applicable to REN, Recommendation III.9 which is in part adopted and in what regards the Remuneration Committee should be considered materially adopted, Recommendation V.2.4, which is in part not applicable and in part adopted, Recommendation V.4.3 which is in part non applicable and in part não adopted, Recommendation V.4.4 which is in part not applicable and in part should be considered materially adopted, and without prejudice to Recommendations I.2.1, II.2, II.3, II.4, III.8 and IV.1 which should be considered materially adopted.

The chart below identifies IPCG Code recommendations and individually mentions those that have been adopted by REN and those that have not. It also indicates 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 recommendations.

## Reference to the Corporate Governance Report/

| Corporate governance code | Assessment   | Comments   |
|---------------------------|--|--|
| <b>I.</b>                 | <b>General provisions</b>  |  |
|                           | <i>General Principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies</i>   |  |
| <b>I.1.</b>               | <b>Company's relationship with investors and disclosure</b>  | <i>Principle: Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.</i>  |
| <b>I.1.1.</b>             | The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.  | <b>Adopted</b><br>Part I, chapter 7.1.3. s. III 55 and chapters 7.1.2. s. II 18 and III 38 and 7.1.3. ss. III 54 and IV 56   |
| <b>I.2.</b>               | <b>Diversity in the composition and functioning of the company's governing bodies</b>  | <i>Principle I.2.A: Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.<br/>Principle I.2.B: Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.</i>   |
| <b>I.2.1.</b>             | Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition. | <b>Adopted (equivalent explain)</b><br>Part I, chapter 7.1.2. s. II.16, II.27, II.29 and Part II, chapter 3<br><br>Considering the shareholders' structure of REN, the company believes that the choice and appointment of the members of its governing bodies must firstly fall on the shareholders, without prejudice of Nominations and Appraisals Committee, within the scope of its functions, submitting lists of persons recommended for appointment, preparing recommendations based on the, on one side, individual attributes (such as professional qualifications, knowledge, availability, integrity and professional experience) and, on the other side, diversity requirements (with particular attention to gender diversity as an essential vector for professional development, efficiency and competitiveness), required for the members of the corporate bodies, being in the process of discussing the adoption of a policy to formalise these principles. |
| <b>I.2.2.</b>             | The company's managing and supervisory boards, as well as their committees, should have internal regulations – namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members –, and detailed minutes of the meetings of each of these bodies should be carried out.  | <b>Adopted</b><br>Part I, chapter 7.1.2. ss. II.22, II.27, II.29, II.34 and chapter 7.1.4. s. II.67  |
| <b>I.2.3.</b>             | The internal regulations of the governing bodies – the managing body, the supervisory body and their respective committees – should be disclosed, in full, on the company's website.   | <b>Adopted</b><br>Part I, chapter 7.1.2. ss. II.22, II.27, II.29, III.34 and chapter 7.1.3. s. V.61  |
| <b>I.2.4.</b>             | The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.   | <b>Adopted</b><br>Part I chapter 7.1.2. ss. II.23, III.35 and chapter 7.1.4. s. II.67  |
| <b>I.2.5.</b>             | The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.  | <b>Adopted</b><br>Part I, chapter 7.1.3. s. II.49, II.54 and Part II, chapter 3  |
| <b>I.3.</b>               | <b>Relationships between the company bodies</b>  | <i>Principle: Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.</i>   |

## Reference to the Corporate Governance Report/

| Corporate governance code  | Assessment                   | Comments   |
|--|------------------------------|--|
| I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information. | Adopted                      | Part 1, chapter 7.1.2. ss. II.18 and III 38  |
| I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.   | Adopted                      | Part 1, chapter 7.1.2. ss. II 18 II 23 and III 38  |
| I.4. <b>Conflicts of interest</b><br><i>Principle: The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed</i>   |                              |  |
| I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.  | Adopted                      | Part 1, chapter 7.1.2. ss. II.18 and II 29   |
| I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.   | Adopted                      | Part 1, chapter 7.1.2. s. II.18  |
| I.5. <b>Related party transactions</b><br><i>Principle: Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.</i>   |                              |  |
| I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.   | Adopted                      | Part 1, chapters 7.1.1. s. II 10 and 7.1.5 s. I 89   |
| I.5.2. The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months.   | Adopted                      | Part 1, chapter 7.1.1. s. II 10  |
| II. <b>Shareholders and general meetings</b>   |                              |  |
| II.A. <i>Principle: As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.</i>   |                              |  |
| II.B. <i>Principle: The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself</i>   |                              |  |
| II.C. <i>Principle: The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.</i>   |                              |  |
| II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.   | Adopted                      | Part 1, chapter 7.1.2. s. II 12  |
| II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.   | Adopted (equivalent explain) | Part 1, chapter 7.1.2. s. II 14<br><br>The company deems that the majorities provided for in Articles 11(2) and (3) of the Bylaws, which are more strict than those defined by law, are justified by the fact that the matters in question are strategic and of structural importance, and as such requiring a broader consensus from shareholders. With regard to the majority me to in Article 11(3), this is justified by the fact that the articles in question are aimed at enabling the company to monitor compliance with several legal obligations and ERSE (Energy Services Regulatory Authority) Decision on the full unbundling regime. |

## Reference to the Corporate Governance Report/

| Corporate governance code  | Assessment                   | Comments  |
|--|------------------------------|---|
| II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.   | Adopted (equivalent explain) | Part 1, chapter 7.1.2. s. II 12<br><br>As regards the vote by electronic mail, where there is an express reference in the notice of the meeting of the General Meeting, the shareholders may exercise the right to vote in such a manner, under the terms, period and conditions that may be defined in the relevant notice <sup>115</sup> . In addition, in view of the absence of postal votes received at the last general meeting <sup>116</sup> , REN has considered that electronic voting is not an added value for its shareholders.<br>In general, REN deems that the participation of its shareholders in general meetings is assured through correspondence voting and representation mechanisms. In summary, REN considers that it has the necessary mechanisms to encourage its shareholders to participate and to vote in general meetings. |
| II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.   | Adopted (equivalent explain) | Part I, chapter 7.1.2. s. II 12<br><br>REN gives preference to in person attendance in the Annual General Meeting, whether it be for promoting participation and discussion or for avoiding eventual issues regarding violation of privacy and data protection. With the mechanisms implemented, REN considers that it has the necessary mechanisms to entice its shareholders to participate and vote in the general meetings.   |
| II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution – without increased quorum in comparison to the legally established – and in that resolution, all votes cast will be counted without observation of the imposed limits. | N/A                          | Part 1, chapter 7.1.1. ss. I 2 e I 5<br><br>There is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, this recommendation must be considered not applicable to REN.   |
| II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.   | Adopted                      | Part 1, chapter 7.1.1. s. I.4   |
| III. <b>Non executive management, monitoring and supervision</b>   |                              |   |
| III.A. <i>Principle: The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.</i>  |                              |   |
| III.B. <i>Principle: The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.</i>   |                              |   |
| III.C. <i>Princípio: O órgão de fiscalização deve desenvolver uma fiscalização permanente da administração da sociedade, também numa perspectiva preventiva, acompanhando a atividade da sociedade e, em particular, as decisões de fundamental importância para a sociedade.</i>  |                              |   |

<sup>115</sup> See Article 12(6) of REN's Articles of Association

<sup>116</sup> REN's shareholder structure and the fact it includes a large number of professional investors which, according to market practice, are typically represented at the General Shareholders' Meeting by their relevant financial intermediary also appears as an inherent circumstance in the proximity goal pursued by REN and preference for in person attendance promoted in its General Shareholders' Meetings.

## Reference to the Corporate Governance Report/

| Corporate governance code  | Assessment  | Comments  |
|--|-------------|---|
| <p>III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.</p>  | Not adopted | <p>Part 1 chapter 7.1.2. s. II.18</p> <p>Under the terms of the BoD Regulation, a number of mechanisms were adopted in 2019 for the efficient coordination and performance of the members with non-executive functions, in particular with a view to facilitating the exercise of their right to information and ensuring the necessary conditions and means to the performance of their duties, in the terms best described in the above section of this report. In addition, some of the independent board members are also members of board committees, thus the development of their functions therein should be preserved.</p> |
| <p>III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.</p>   | Adopted     | Part 1, chapter 7.1.2. ss. II 18, II 31   |
| <p>III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.</p>  | Adopted     | Part 1, chapter 7.1.2. s. II 18   |
| <p>III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:</p> <ul style="list-style-type: none"> <li>i. Having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;</li> <li>ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;</li> <li>iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;</li> <li>iv. Having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;</li> <li>v. Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or</li> <li>vi. Having been a qualified holder or representative of a shareholder of qualifying holding.</li> </ul> | Adopted     | Part 1, chapter 7.1.2. s. II 18   |
| <p>III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).</p>   | N/A         | There is no REN director in this situation.   |
| <p>III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</p>   | Adopted     | Part 1, chapter 7.1.2. s. II 21   |
| <p>III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</p>  | N/A         | Not applicable to REN's corporate governance model.   |

| Corporate governance code |   | Assessment  | Reference to the Corporate Governance Report/<br>Comments  |
|---------------------------|---|---|--|
| III.8.                    | The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.   | Adopted (equivalent explain)  | Part 1, chapter 7.1.2. s. III 38, chapter 7.1.3. s. III 50 et seq as regards the risk policy.<br><br>Considering the Anglo-Saxon model of corporate governance adopted by REN, under which the members of the supervisory body are also members of the Board of Directors, the Audit Committee decided not to specifically comment on the monitoring and evaluation of strategic lines.  |
| III.9.                    | As sociedades devem constituir comissões internas especializadas adequadas à sua dimensão e complexidade, abrangendo, separada ou cumulativamente, as matérias de governo societário, de remunerações e avaliação do desempenho, e de nomeações.  | Adopted, regarding the Remunerations Committee, Adopted by equivalent explain | Part 1, chapter 7.1.2. s. II 29, chapter 7.1.4. s. I 66<br><br>Taking into consideration the functions attributed to the, the intrinsic connection between the Remunerations Committee and the Nominations and Appraisals Committee and the fact that the attributions of the Remunerations Committee exceed the mere setting of the remuneration of REN's directors, this committee is materially equivalent to the internal committee in question.   |
| III.10.                   | Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.   | Adopted   | Part 1, chapter 7.1.3. s. III 50 et seq  |
| III.11.                   | The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.  | Adopted   | Part 1, chapters 7.1.2. s. III 38 and 7.1.3. s. III 50 et seq  |
| III.12.                   | The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities. | Adopted   | Part 1, chapter 7.1.2. s. III 38, chapter 7.1.3. s. III 50   |
| IV.                       | <b>Executive management</b>   |   |  |
| IV.A.                     | <i>Principle: As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.</i>  |   |  |
| IV.B.                     | <i>Principle: In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.</i>   |   |  |
| IV.1.                     | The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.  | Adopted (equivalent explain)  | Part 1, chapter 7.1.2. s. II 26<br><br>Although the Recommendation is not formalized in an internal regulation specifically addressed to executive directors, REN has a Code of Conduct that regulates the topic in section 2.5, in addition to the fact that REN's practice consists in its executive directors exercising executive functions during their mandate exclusively in REN Group. This practice has been followed consistently over the past mandates, and REN therefore considers the recommendation materially adopted. |
| IV.2.                     | The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.  | Adopted   | Part 1, chapter 7.1.2. s. II 21  |
| V.3.                      | In matters of risk assumption, the managing body should set objectives and look after their accomplishment.   | Adopted   | Part 1, chapter 7.1.3. s. III 50   |
| V.4.                      | The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.   | Adopted   | Part 1, chapter 7.1.3. s. III 50, III 51 and III 54  |

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| <b>V.</b>                 | <b>Evaluation of performance, remuneration and appointment</b>  |  |
| <b>V.1.</b>               | <b>Annual evaluation of performance</b><br><i>Principle: The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.</i>   |  |
| <b>V.1.1.</b>             | The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.   | Adopted<br>Part 1, chapter 7.1.2. s. II 24   |
| <b>V.1.2.</b>             | The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.   | Adopted<br>Part 1, chapter 7.1.2. s. III 38 and III 50<br><br>Due to contributions received by the various committees, the Audit Committee has sufficient information to assess the management of the company, in particular the Audit Committee analysis all resolutions adopted by the Executive Committee, issues its opinion on the accounts and assesses the compliance with plans and budgets. |
| <b>V.2.</b>               | <b>Remuneration</b><br><i>Principle: The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders – taking into account the wealth effectively created by the company, its financial situation and the market's – and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.</i>  |  |
| <b>V.2.1.</b>             | The remuneration should be set by a committee, the composition of which should ensure its independence from management.   | Adopted<br>Part 1, chapter 7.1.4. s. I 66  |
| <b>V.2.2.</b>             | The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.   | Adopted<br>Part 1, chapter 7.1.4. s. III 69 et seq<br><br>Since a new policy was not adopted in 2018, the recommendation should be considered as not being adopted, notwithstanding the fact that a new policy is being prepared and clarifying that for 2018 the prior policy shall apply.  |
| <b>V.2.3.</b>             | The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following:<br>i. The total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied<br>ii. Remunerations from companies that belong to the same group as the company;<br>iii. The number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;<br>iv. Information on the possibility to request the reimbursement of variable remuneration;<br>v. Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;<br>vi. Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors. | Adopted<br>Part 1, chapter 7.1.4. s. III 69 ss<br>(i) Part 1, chapter 7.1.4. s III 69, III 70, III 71 and III 72;<br>(ii) Part 1, chapter 7.1.4. s III 69 and IV 78;<br>(iii) Part 1, chapter 7.1.4. s III 69, III 73 and III 74;<br>(iv) Part 1, chapter 7.1.4. s III 69;<br>(v) Part 1, chapter 7.1.4. s III 69;<br>(vi) Part 1, chapter 7.1.4. s III 69 and V 83.                                 |
| <b>V.2.4.</b>             | For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.   | N/A / Adopted<br>Part 1, chapter 7.1.4. ss. III.76 and IV 80 and V 83<br><br>The Recommendation is not applicable to the pension benefit policies, as none currently exist.  |
| <b>V.2.5.</b>             | In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.   | Adopted<br>Part 1, chapter 7.1.4. ss. II.67  |

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| V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee. | Adopted    | Part 1, chapter 7.1.4. ss. II.67   |
| V.3. <b>Director remuneration</b><br><i>Principle: Directors should receive compensation:</i><br><i>i. that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;</i><br><i>ii. that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them;</i><br><i>and</i><br><i>iii. that rewards performance.</i>  |            |  |
| V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.   | Adopted    | Part 1, chapter 7.1.4. s. III 70 – 71  |
| V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.  | Adopted    | Part 1, chapter 7.1.4. s. III 72   |
| V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.  | N/A        | Part 1, chapter 7.1.4. s. III 74<br><br>Variable remuneration does not include the relevant requirements for the purposes of applying the Recommendation.  |
| V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.   | Adopted    | Part 1, chapter 7.1.4. s. III 69 and III 70  |
| V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.   | Adopted    | Part 1, chapter 7.1.4. s. IV 83  |
| V.4. <b>Appointments</b><br><i>Principle: Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.</i>  |            |  |
| V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.  | Adopted    | Part 1, chapter 7.1.2. s II 16   |
| V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.  | N/A        | Part 1, chapter 7.1.2 ss. II 27 and 29<br><br>REN understands that the definition of senior management <sup>117</sup> only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body. |

<sup>117</sup> According to the Note on the interpretation of the IPCG Code - note 2, the notion of "senior management" should be read in line with the legal notion of "directors" for the purposes of art. 248-B of the Securities Code and Regulation (EU) No. 596/2014.

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| V.4.3. This nomination committee includes a majority of nonexecutive, independent members.   | N/A / Not adopted                  | REN understands that the definition of senior management <sup>118</sup> only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body. As regards the Nominations and Appraisals Committee, such committee only has one independent non executive director hence this recommendation is not adopted. |
| V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity. | N/A / Adopted (equivalent explain) | REN understands that the definition of senior management <sup>119</sup> only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body. As regards the Nominations and Appraisals Committee please refer to recommendation I.2.1 above.   |
| <b>VI. Risk management</b>   |                                    |  |
| <i>Principle: Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.</i>   |                                    |  |
| VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.   | Adopted                            | Part 1, chapter 7.1.2. s. II 21 and II 24 ; chapter 7.1.3. s. III 50 et seq  |
| VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.                               | Adopted                            | Part 1, chapter 7.1.3. s. III 50, III 53 and III 54  |
| VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.   | Adopted                            | Part 1, chapter 7.1.3. s. III 50 et seq  |
| <b>VII. Financial statements and accounting</b>  |                                    |  |
| <b>VII.1. Informação financeira<br/>Financial information</b>  |                                    |  |
| <i>Principle VII.A: The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.</i>   |                                    |  |
| <i>Principle VII.B: The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.</i>   |                                    |  |
| VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.   | Adopted                            | Part 1, chapter 7.1.3. ss. III 38 and III 55   |
| <b>VII.2. Statutory audit of accounts and supervision</b>  |                                    |  |
| <i>Principle: The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor, with rules regarding independence imposed by law and professional regulations</i>   |                                    |  |

118, 119 See previous footnote.

| Corporate governance code |  | Assessment         | Reference to the Corporate Governance Report/<br>Comments   |
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| VII.2.1.                  | Through the use of internal regulations, the supervisory body should define: <ul style="list-style-type: none"> <li>i. the criteria and the process of selection of the statutory auditor;</li> <li>ii. the methodology of communication between the company and the statutory auditor;</li> <li>iii. the monitoring procedures destined to ensure the independence of the statutory auditor;</li> <li>iv. the services, besides those of accounting, which may not be provided by the statutory auditor.</li> </ul> | Not Adopted        | Part 1, chapter 7.1.2. s. III 38, V.46<br><br>Notwithstanding the set of specific competences and considering the Audit Committee's relationship with the corporate bodies listed above, a proposal to amend the Audit Committee's Regulation is being discussed and approved in order to better adjust such regulation to the new Corporate Governance requirements. |
| VII.2.2.                  | The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.   | Adopted            | Part 1, chapter 7.1.2. s. III 38  |
| VII.2.3.                  | The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.   | Adopted            | Part 1, chapter 7.1.2. s. III 38  |
| VII.2.4.                  | The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.   | N/A <sup>120</sup> |   |
| VII.2.5.                  | The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.  | N/A <sup>121</sup> |   |

### 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.

In relation to 2019, for the purpose of paragraph r) of Article 245-A of the Securities Code, it should be highlighted that REN has in force (i) a Code of Conduct for the REN Group, which establishes a rule of equal treatment and non-discrimination, in particular, based on race, gender, age, physical disability, sexual orientation, political views or religious beliefs; and (ii) a "Plan for Equal Gender Equal Treatment" applicable to the REN Group.

REN considers diversity as a value that encourages efficiency, creativity and innovation, in selection of candidates for members of the corporate bodies, as a cross-pillar. As such, diversity has been adequately promoted in relation to qualifications and skills required for the exercise of those functions, as well as an adequate gender representation without negative discrimination of any kind. In addition, with regard to the procedures for selecting members of corporate bodies, which are supported by the Nominations and Appraisals Committee, the adoption of a policy formally encompassing these guiding principles is in the process of discussion.

In addition, in this respect, in 2015 REN also endorsed the commitment agreement with the Portuguese Government for gender equality in the corporate bodies of listed companies.

REN has continued the work of evaluating the implementation of an integrity policy at the REN Group to establish the principles of action and duties of Group companies and respective employees, so as to combat and prevent illicit actions, such as corruption, money laundering, or the financing of terrorism. This policy also promotes ethics, integrity and transparency in business conducted. In particular, in 2018, REN once again consulted its stakeholders. The result of this process, which takes place every two years, reflects stakeholder perception in relation to the performance of the company and it will serve as basis for reflecting on REN's sustainability strategy, as well for establishing the company's communication priorities.

REN does not possess any other additional information which is relevant for understanding the governance model and practices implemented.

<sup>120, 121</sup> See previous footnote.