REN

INTEGRATED SUSTAINABLE FINANCING FRAMEWORK

Contents

1 Sustainability at REN

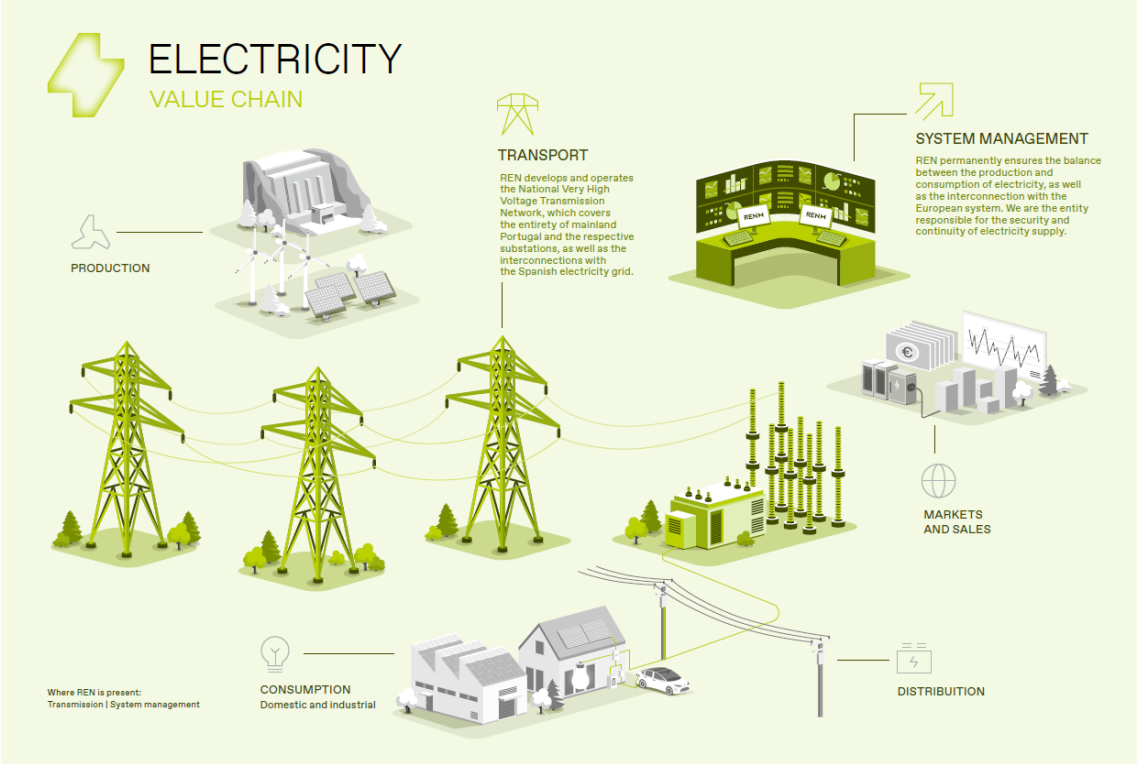
*Our **commitment** goes beyond **our mission***

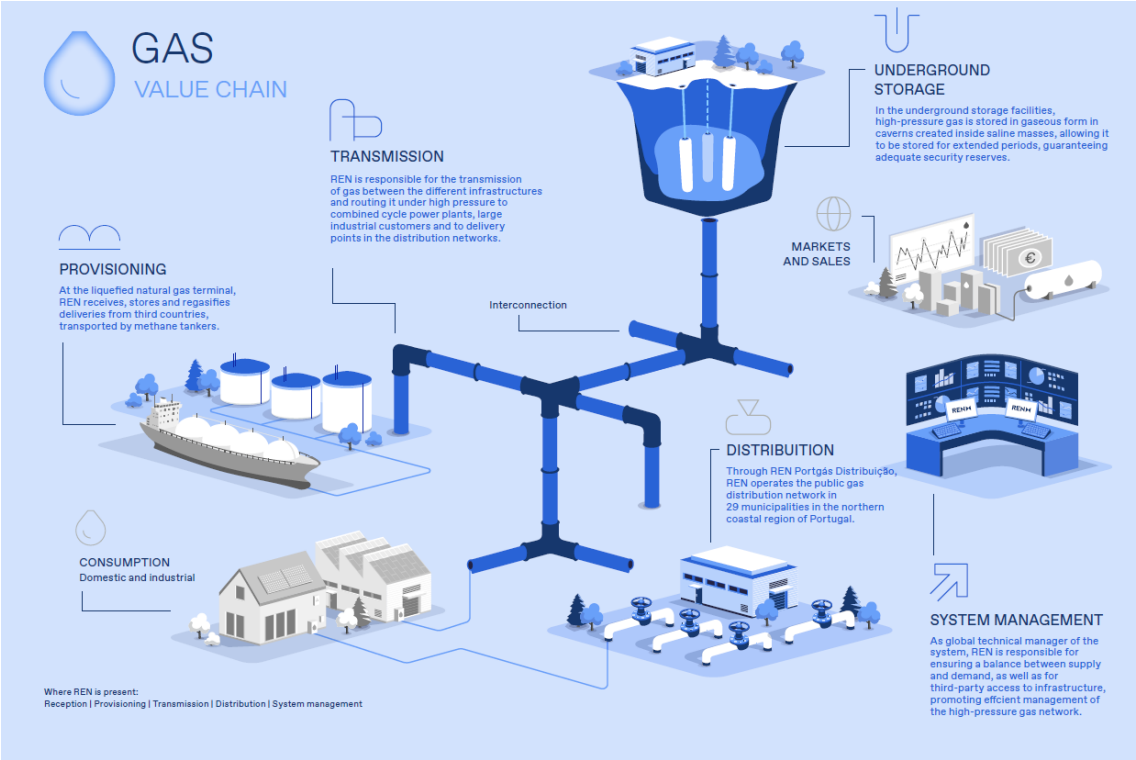
1.1 About REN

Redes Energéticas Nacionais (REN) is a Portuguese company whose core business is the transmission of electricity and gas. REN operates in two major business areas:

- **In electricity**, REN is responsible for very-high-voltage transmission and the Global Technical Management of the Portuguese National Electricity System on an exclusive basis under a 50-year public service concession running until 2057; and,

- **In the gas** sector, REN is exclusively responsible for high-pressure transmission and for the Global Technical Management of the Portuguese National Gas System (NGS), and of other high-pressure activities of the NGS. These include the reception, storage, and regasification of liquefied natural gas and the underground storage of gas, under 40-year public service concessions running until 2046. REN also owns Portgás, which operates the public gas distribution network in the northern coastal region of Portugal (concession running until 2048).





The company's activities based on NACE code definitions are summarised below[1]:

NACE CODE	Activity	Revenue %	Description of activity
35.12	Transmission of electricity	65%	Electricity transmission and overall electricity system management in Portugal. Transmission of electricity in Chile
35.22	Distribution of gaseous fuels through mains	9%	Gas distribution activities
49.50	Transport via pipeline	11%	Gas transmission activities
52.10	Warehousing and storage	13%	Underground gas storage and regasification activities

REN's mission is to ensure the uninterrupted supply of energy, meeting quality and safety criteria, maintaining a real-time balance between supply and demand and ensuring system conditions that make the energy market viable. Further goals are to contribute to the development of communities and improve the quality of life of people living in Portugal. This is a task requiring an ongoing and sustainable effort and dedication.

Our commitment goes beyond our mission. We believe in active corporate citizenship with significant involvement in the communities in which we develop our activities, from both a social as well as an environmental perspective. To take this commitment onwards it means that all REN's activities are guided by sustainability principles, by means of obeying rigorous and measurable criteria and respecting demanding standards of excellence without ever losing sight of the positive impact it wants to have on the communities and ecosystems it works close to.

[1] NACE: statistical classification of economic activities in the European Union. Refer to the REN 2023 Annual Report (page 298, note 24) for further detail.

REN aims to be one of the most efficient energy transmission operators, while creating value for its stakeholders - employees, shareholders, customers, official entities, suppliers and local communities - in a sustainable development framework. REN intends to achieve this goal by complementing its focus in Portugal with the pursuit of opportunities abroad, while excelling in the operational management of the assets under its control.

1.2 Sustainability Strategy

REN's sustainability strategy is intrinsically linked to fulfilling REN's mission of being an active agent in the energy transition. We are committed to creating sustainable value and making a tangible positive impact, both in communities and the ecosystems surrounding us. We embrace conscious and responsible leadership, guided by the vision of building a greener and more resilient future.

In 2023, REN conducted a significant review of its sustainability strategy. This action was driven by the need to maintain a rigorous alignment with its strategic commitments. Crucial to this update is the focus on energy transition and decarbonization, areas in which REN plays a fundamental role.

Furthermore, this strategic review also responds to recent changes in standards, regulations, and guidelines, both at the national and international levels. The company integrated also in the analysis, the outputs of its 2023 stakeholder consultation process and the emerging best sustainability practices on a global scale, thus demonstrating its adaptability and resilience in sustainability. This process reflects REN's commitment to staying at the forefront of sustainable practices and promoting a positive impact on the environment and society.

The strategic review resulted in the identification and definition of five priority areas, which reflect REN's commitment to sustainability:

- **Energy transition and climate change:** Being a facilitator by integrating renewable energy sources into the grids while maintaining a commitment to a secure supply, service quality, and decarbonization of its activities;
- **Natural capital management**: Being recognized as an environmentally responsible company, acting in accordance with the best environmental management practices and actively contributing to environmental and natural capital protection;
- **Valuing our people**: Valuing REN's employees through empowerment, compensation, and protection, ensuring an inclusive, safe, and well-being-focused work environment;
- **Creating value for stakeholders**: Promoting engagement and support for stakeholders while ensuring the safety, reliability, quality, and supply of electricity and gas, all while acting in a socially responsible manner;
- **Responsible governance**: Guiding the company's activities by international best practices in ethics and governance, promoting a culture of anti-corruption and risk management.

REN's sustainability strategy is directly linked to the Sustainable Development Goals (SDGs), with six priority SDGs and six relevant SDGs identified.

As mentioned hereabove, a new stakeholder consultation was conducted in mid-2023, in accordance with the best sustainability practices and the concept of double materiality.

The above-mentioned priority areas and relevant topics were identified from the combination of the double materiality perspectives (impact and financial materiality) in establishing a matrix of sustainability topics.

Two distinct levels of approach were defined, given their significance:

- **Extremely significant material topics** considering their impacts on people, the environment and the ability to create value. These topics should be integrated into the strategy, through the definition of specific policies, objectives and targets;
- **Significant material topics** considering their impacts on people, the environment and the ability to create value. These topics can be integrated into the company's strategy, and their management must involve the implementation of relevant actions.

  The final output resulted in the identification of eight extremely significant topics and five significant topics.

To help fulfil sustainability objectives, REN created in 2021 the Sustainability Committee. Its key responsibilities include the monitoring and reporting of the Company's performance in the ESG dimensions, as well as evaluating the implementation of policies in these areas. The responsibilities and competencies of the Sustainability Committee are identified in the Sustainability Committee's Regulation, available here.

1.3 ESG commitments

REN is fully committed to act as a key enabler of the energy transition and the decarbonization of the sector in which we operate, ensuring the development of a socially-responsible future and positively affecting the community and our stakeholders.

ESG Pillar	Commitment	Status
Environment [2][3]	Reduce Absolute Scope 1 and Scope 2 GHG emissions 55.3%% by 2030 from a 2019 base year. Reduce Absolute scope 3 GHG emissions from Purchased Goods and services, Capital Goods and Fuel and Energy-related Activities by 25% by 2030 from a 2021 base year. Reduce Absolute Scope 3 GHG emissions from Use of Sold Products covering transmitted gas by 42% within the same timeframe.	• – 45% of Scope 1 and Scope 2 emissions • -21% of Scope 3 emissions • -23% of Use of Sold Products emissions
Social	More than 1/3 of women in 1st line management positions by 2030 100% of employees trained in ESG by 2030 3M€ investment in communities by 2027	• 33% of women in 1st line management positions
Governance	ESG as a key performance metrics across the company (vs. for managers only)	• Green Bonds continue to be issued, most recently in February 2024

[2] Note: GHG emissions reduction targets remain under regular review as REN progresses its corporate strategy, enhances data collection and verification capabilities, gains experience in utilising the various decarbonisation measures available to the company, and improves ability to predict improvement trajectories – revised targets may consequently be communicated from time to time.
[3] Target as validated by the Science-Based Targets initiative (SBTi): https://sciencebasedtargets.org/target-dashboard

	Ensure that 100% of new bonds issued will be green bonds	

1.3.1 REN's commitment to the UN Sustainable Development Goals

REN is committed to respecting and contributing to the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations. REN consequently promotes, supports and implements actions and projects which are aligned with these goals and which have been identified as priority, in line with the company's sustainability strategy.

The SDGs in focus, per sustainability strategic pillar, are as follows:

Sustainability Pillar	Key Initiatives	UN SDG
Energy transition and climate change	**Science Based Target Initiative (SBTi)**: validation of near term scope 1+2 and scope 3 emissions reduction targets in accordance with the methodology and criteria of the SBTi (completed in December 2023). **Reduction of methane emissions**: Continuous reinforcement of REN's commitment involving the aim to reduce methane emissions by at least 30% in comparison to 2023 figures. **Engagement with suppliers**: Organization of meetings and launch of the Suppliers Academia Training, promoting training and support and knowledge relating to REN's ESG commitments and the theoretical aspects on which they are based.	
Natural capital management	**Biodiversity strategy**: REN is committed to enhance the integration of biodiversity into the company's activities, bringing positive outcomes for communities, employees, climate, and the environment. In 2024, the project to develop a Roadmap and Strategy for Natural Capital was launched **Act4nature**: as a signatory of act4nature Portugal, REN renewed its commitments to protect, promote, and restore biodiversity until 2025. **Forests and land use**: REN ensures the access corridor management and land use conversion (covering thousands of hectares of vegetation management each year). Development of innovative solutions to support operational planning aimed at enhancing the sustainability of vegetation management operations, providing real-time images for monitoring, protection, and enabling the anticipation of the impact of rural fires on forests	
Valuing our people	**NÓS programme**: based on three axes: balance, equality and inclusion, improvement in the quality of life, experience and satisfaction of employees. The programme includes measures to address the topics of health, labour relations, family and citizenship. **REN Campus:** With the aim of driving the growth and development of the business through the development of people. **Flexibility programme**: a programme that provides measures in three areas of action: workplaces, working hours and other areas of labour relations. **VIVA Programme**: welcoming and integration programme.	

Sustainability Pillar	Key Initiatives	UN SDG
Creating value for stakeholders	**Stakeholder consultation**: in 2023, REN consulted its stakeholders and reviewed its materiality matrix according to the concept of double materiality. **Stakeholder relationship policy**: defines a series of commitments with the goal of maintaining a mutually positive, honest, and ethical relationship with all stakeholders. **Communication mechanisms**: a mechanism for contacts, opinions, and complaints is available to all stakeholders on REN's website.	
Responsible governance	**Regulatory Compliance Plan:** REN revised and approved its compliance program that reflects this commitment through the definition of fundamental principles and rules that must be complied with in this area, by both employees and stakeholders. **Training and awareness on ethics and conduct**: REN strengthened communication and instruments for learning and raising awareness among employees in such matters. REN has a **Sustainability Committee** whose main objective is the strategic analysis of evolution in terms of its ESG commitments.	

For additional information on key initiatives developed by REN, please consult REN's website and Integrated Report.

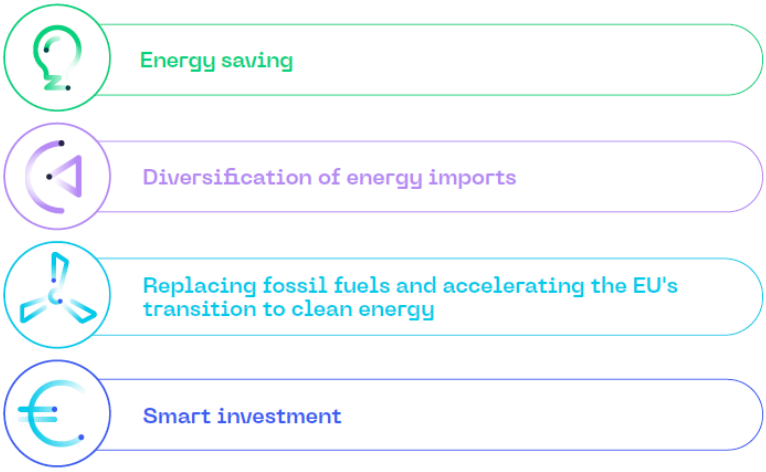
1.3.2 REN's initiatives to manage Climate Change risks

Alignment with European Energy Policy and Domestic Energy Policy

Recent years were subject to particular disruption due to the Covid-19 pandemic and the conflict between Russia and Ukraine, with particular focus on the energy sector: market turmoil, higher volatility in energy prices and increased risks on energy supply conditions all over the world.

To address these geopolitical situations, the European Union (EU) and the respective Member States sought to review their energy and climate strategies, exploring opportunities for bringing forward solutions to allow them to meet exceptional circumstances in the short-term, but maintaining the long-term objectives set out in the European Green Deal and the ongoing legislative review processes under Fit-for-55.

This EU response is supported by the REPowerEU plan, presented in May 2022, and a series of other measures to resolve the problems of high-energy prices, security of energy supply and to provide a response to energy supply emergencies in the EU. This plan is based on four pillars:

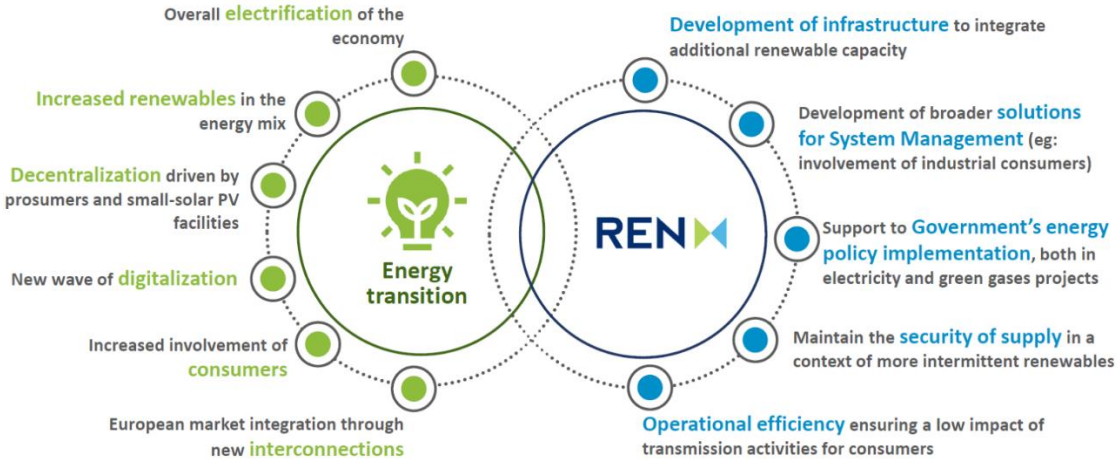


Comprehensive revision and implementation of Member States' National Energy and Climate Plans (NECP) will play a key role in achieving higher climate and energy ambition in the EU by 2030. The NECPs need to be further update to guarantee alignment, allowing the implementation of the EU's higher climate and energy ambition.

In Portugal, it is important to note the publication of the National Electric System (NES) Law and the Regulations for the activities of the National Gas System (SNG), the National Transmission and Distribution Network, the Liquefied Natural Gas (LNG) Reception, Storage and Regasification Terminal and the Underground Gas Storage in Natural Saline Formations. It is worthwhile to mention the approval of measures to simplify procedures for the production and storage of energy from renewable sources (RES). All the initiatives above are necessary steps towards the decarbonization of the economy. The new NES model seeks to ensure the representation of decentralized production, self-consumption, the dynamic management of smart networks and the active participation of consumers.

The Portuguese authorities have been working on the revision of NECP for submission by 2024 focused on higher climate and energy ambition.

Building on these goals and targets, REN's **role in the energy transition and contribution** to the European Energy Policy and Domestic Energy Policy can be seen as follows:



REN is fully committed to several government projects as part of the National Energy and Climate Plan 2030 ("NECP"). REN will continue to contribute to the goals set out in this document to make Portugal one of the first countries in the world to achieve carbon neutrality by 2050. REN is collaborating with numerous official organizations in planning the reinforcement of renewable energy generation throughout the country, particularly in relation to a substantial increase in photovoltaic power in the coming years.

In accordance with current legislation, REN prepared and delivered to the Directorate-General for Energy and Geology (DGEG) and the Energy Services Regulatory Authority (ERSE) the proposals for the development and Investment Plan for the National Transmission Network, Storage Infrastructures and Gas Terminals (PDIRG) and for the Development and Investment Plan for the Electricity Transmission Network (PDIRT). REN announced in its Capital Markets Day 2024 (REN´s 2024-2027 strategic plan was announced) an increase up to 70% of the 2024-2027 annual average investment vs. the 2021-2023 cycle. This represents a total investment amount exceeding 1,5 B€. This amount will be invested in the connection to the Renewable Energy Sources (RES) project network, accelerating decarbonization, in strengthening the quality and resilience of the current electricity network, recognizing its critical role as the energy transition backbone, and in making the gas network compatible with the injection of gases from renewable sources. REN is committed to proactively unlock the green gases opportunity by leveraging the current gas infrastructure and develop new dedicated one.

These plans addressed the adaptation of infrastructures to climate change and considered new infrastructure projects that aim to adjust their functionality to risk factors and make them less vulnerable to extreme weather phenomena such as those that have occurred in recent years in mainland Portugal. In addition to this approach, which is also intended to be observed in asset refurbishment and modernization initiatives, specific projects in electricity network were identified that aim to make some of the airlines in service less vulnerable to extreme atmospheric phenomena, such as precipitation with ice formation ("ice sleeve") that can occur in certain areas of the mainland.

Carbon reduction targets established as part of this commitment were validated by the Science Based Targets initiative (SBTi) in December 2023.

It is worthwhile mentioning that, given the current context and relevance of the Climate Change related issues, REN identified, characterized and prioritized the most relevant climate risks and opportunities that affect its activities. Further details on risks and opportunities and the main measures for adapting and mitigating such risks (REN's approach to the recommendations of the Task force on Climate-related Disclosures - TCFD), and managing and materializing opportunities are available in our annual reports, which are available on our website.

Transparent relationships with investors

REN is also committed to maintaining transparent relationships with its investors with respect toits climate change strategy.

Since 2009, REN has responded to the CDP's Investor's Request on a yearly basis. Since 2011, REN's responses are publicly available through CDP's website. CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts, namely climate related impacts. In 2023, REN's response scored A- (leadership), an upgrade in the rating from the previous "B", being above global average. With respect to Supplier Engagement Rating (SER), which evaluates corporate supply chain engagement on climate issues, REN score A-, an upgrade in the rating from the previous B.

Since 2016, REN is assessed by S&P Global Corporate Sustainability Assessment and participates actively in this assessment since 2020. In 2023, REN scored 60 (decrease of 2 p.p. vs 2022), being above the sector average.

In 2019, REN became one of the Portuguese signatories of the United Nation's "Business Ambition for 1.5 ºC", an initiative that challenges companies worldwide to create measures to combat climate change.

Through this call to action, REN thus assumes, on a global scale, the commitment to align its decarbonisation plans with the ambition of limiting or mitigating global warming, with the reduction of greenhouse gas emissions, in all relevant areas, to avoid global warming above 1.5 ºC.

In 2020, REN joined the Manifesto «Take advantage of the crisis to launch a new sustainable development paradigm», promoted by BCSD Portugal, together with other 64 companies, among which more than a half belongs to PSI20.

Also in 2020, together with seven other European Operators, REN has made a commitment to make even more environmentally-responsible choices. This position was followed-up by a communication to its suppliers through an open letter entitled "The Greenest Choice".

In 2021, REN was the first Portuguese company taking part in the Transport4nature European initiative, which seeks to mobilise and encourage companies in the goods, people, and energy transport sector in Europe to protect, promote, and restore biodiversity.

In 2022, REN, together with other Portuguese companies and organisations, joined the Portuguese national campaign for the recognition of the climate as a Common Heritage of Humanity. The goal of this initiative, which is part of the Basic Law on Climate, is to get participating companies and organisations to promote and support the actions of this campaign and to participate in the recruitment of new members.

Also in 2022, REN became a member of the transnational strategic alliance to fight *cortaderia selloana*, an initiative that came about under the international LIFE + STOP CORTADERIA project, whose mission is to control the expansion of this invasive exotic species, also known as pampas grass, crest or feathers. In 2022, REN adopted an integrated report model (according to the International Integrated Reporting Framework), as well as the new GRI Standards (2021), SASB Standards, Task force on Climate-related Financial Disclosures (TCFD) and EU Taxonomy. REN's integrated report is assured by a third party and is available on REN's website.

REN also actively participates in several relevant initiatives, such as:

- Oil and Gas Methane Partnership (OGMP 2.0): which is part of the United Nations Environmental Programme that aims to reduce methane emissions and supports the implementation of a well-structured and suitable monitoring, reporting and verification system to detect and quantify emissions by sector operators with greater accuracy.
- European Hydrogen Backbone: an initiative bringing together 29 European energy infrastructure operators in the common goal of accelerating Europe's decarbonization through a thriving market for renewable and low-carbon hydrogen.
- Renewables Grid Initiative (RGI): an entity that seeks the collaboration of NGOs and Energy Transmission System Operators (TSO) from across Europe and that promotes the development of transparent and environmentally sustainable networks in line with the Paris Agreement.
- European Clean Hydrogen Alliance: an initiative run by the European Commission seeking to accelerate the development of the hydrogen value chain by 2030.

1.4 Environmental management

Environmental policy

Minimizing environmental impact has always been a core concern at REN, both in terms of implementing new investment projects, as well as with regard to its activities of operating and maintaining diverse infrastructure used to transmit electricity and to store and transport gas.

Environmental issues mean far more to REN than simply complying with legal obligations, instead they represent a long-term commitment and the goal to live in harmony with the environment. The following areas are REN's primary focus:

- Environmental assessment;
- Biodiversity and ecosystem management;
- Climate change and greenhouse gas (GHG) emissions;
- Energy management and renewable energy; and
- Electromagnetic fields.

98% of REN's companies have a certified quality, environment and health and safety management system in place (ISO 9001, ISO 14001 and ISO 45001), as of 31st December 2023.

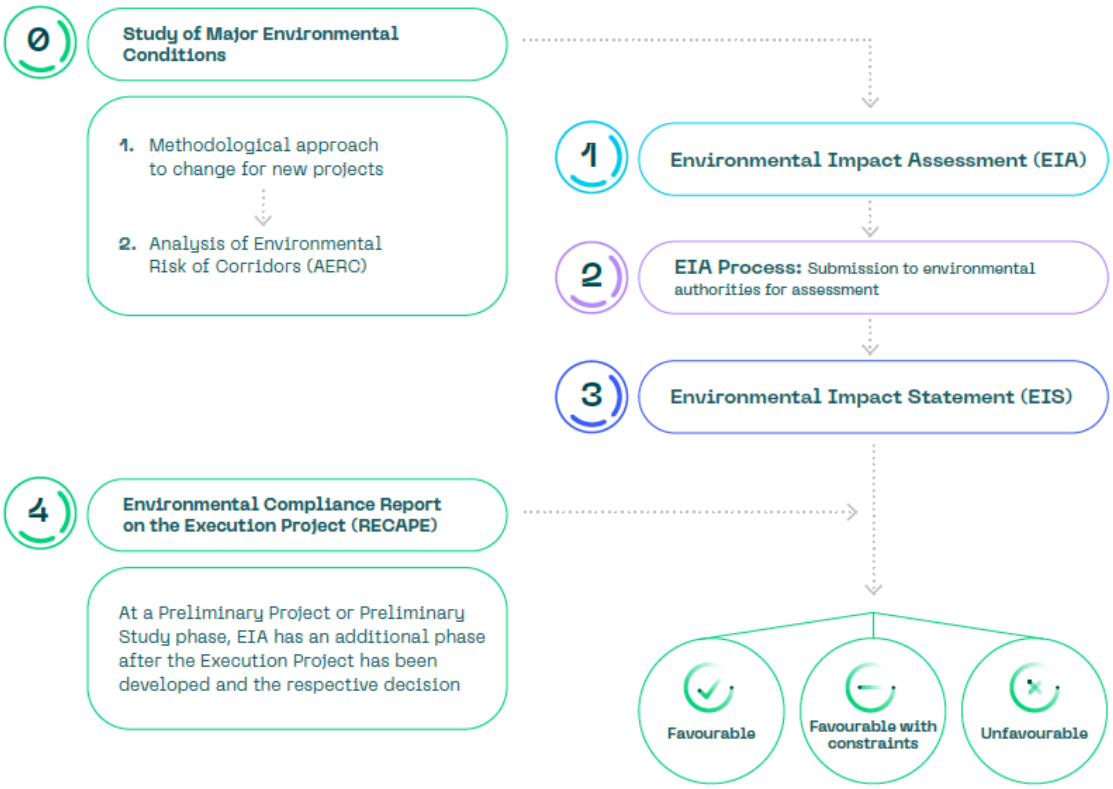
Environmental Assessment and Control Reports

The Environmental Assessment and Control Reports summarize the follow-up and monitoring of the Transmission Network Development and Investment Plan (PDIRT) and Gas Transmission Network Development and Investment Plan (PDIRG). These reports intend not only to address legal requirements, but also to provide information and the measures that may be required to identify unforeseen negative effects in a timely manner and redirect action to implement the defined strategies.

REN draws up the Environmental Assessment and Control Reports for PDIRT and PDIRG on a regular basis. These reports are made available on REN's website and sent to the Portuguese Environment Agency.

The Environmental Impact Assessment (EIA) is a tool that can be used on certain public utility infrastructure projects where REN is the promoter. The EIA is a preventive instrument by nature and is based on conducting studies and consultations, with effective public participation and analysis of possible alternatives, identification and forecasting of the environmental effects of certain projects and the proposing of measures to avoid, minimize or compensate such effects.

The aims are to reach a decision on the feasibility of implementing such projects along with a respective post-assessment. The EIA process consists of the following different stages:



Biodiversity and ecosystem management

REN is deeply committed to the protection and sustainability of the Portuguese forest since 66% of its infrastructure is located in forest areas. To guarantee the safety conditions of the energy infrastructure and to respond to the legislation in force, namely, the one connected to the Portuguese National Defence System against Forest Fires, REN has implemented a more active approach to the management of the protection/ access corridors.

The construction and maintenance of protection corridors associated with our infrastructure (power lines and gas pipelines) produces direct impacts on the flora and on land use. To increase our involvement with the forest, we developed a Program for the Reforestation of the Right of Way Corridors that promotes biodiversity and environmental protection through a rationale of multifunctional management of the targeted areas, transforming them into parts of the ecosystems.

Responding to the challenges posed by the demand for energy and by climate change, this initiative has advantages for landowners, for the forest, for society, and contributes to prevent forest fires. The management of the access corridors serving the power transmission lines enables us to:

- Promote the creation of a sustainable ecosystem and to increase the land cover's biodiversity;
- Promote landowners' shared responsibility, through a more active intervention in their lands;
- Create economic value for landowners and reduce the maintenance costs of their lands;
- Enhance the landscape and making the vegetation compatible with the presence of our lines;
- Reduce the risk of fire by clearing and adapting the vegetation existing in the corridors (the clearing of access corridors increases the resilience of the surrounding areas by removing the flammable biomass, thus reducing the ability of fire to spread, and facilitates access for fire-fighting purposes); and
- Promote the involvement of civil society and local communities in the protection against fires and in the management of the territory, through awareness-raising actions regarding risk behaviours.

REN has developed practices for managing firebreaks and areas adjacent to technical facilities, in line with the new National Plan for the Integrated Management of Rural Fires. The aim is to provide greater security in the operation of our infrastructures, through greater resilience to rural fires. With the setting up of the National System of Forest Defence against Fires (SNDFCI), Fuel Management Firebreak Networks were also created, where our infrastructure is integrated into the ‘secondary network’.

REN has served as a member of ForestWISE – Collaborative Laboratory for the Integrated Management of Forests and Fire organisation since establishment, and participates in the rePLANT project, which aims to provide improved protection, forecasting and warning of the impact of rural fires, whether in forestry assets or REN's infrastructure. In relation to this effort, an innovative project is being developed which consists of installing cameras on supports which, together with monitoring systems and algorithms, trigger alarms and allow the evolution of fires to be predicted.

Through our access corridor reforestation programme, REN has already planted more than 4,092 ha of trees in recent years (2010 - 2023), involving more than 22,000 landowners. In 2023 47,378 trees were planted in an area of approximately 171 hectares. REN knows that the only way to achieve these goals is with the participation and commitment of all. As such, the reforestation actions are carried out in partnership with local authorities (municipalities), schools and other entities from civil society (associations, NGOs).

The reforestation process implies a change in the land use, for example to agriculture (vineyards, pastures, orchards) and the replacement of the existing forest species by typically native species, that increase biodiversity and the resilience of the forest.

Currently, the species whose planting area we seek to increase is the strawberry tree. To promote the planting of strawberry trees with the landowners crossed by the corridors of the power transmission lines, we established a partnership with the Portuguese Medronho Cooperative (CPM - Cooperativa Portuguesa de Medronho) seeking to communicate the potential uses of this species and, especially of medronho, as a fruit with high potential in agribusiness, cosmetics, medicine and ornaments.

REN's practices in the field of reforestation have also been used as a case study in multiple publications, such as that of the Business Council for Sustainable Development (BCSD Portugal) and the Global Compact International Yearbook 2022, a publication of the United Nations.

REN has signed an agreement with University of Évora for the study and conservation of animal communities under power transmission lines. This partnership was developed within the scope of the LIFE LINES - Linear Infrastructure Networks with Ecological Solutions project and enables the creation of true "biodiversity islands" under the pylons. To this end, REN will support this initiative by promoting contact with the owners of lands that are crossed by power transmission lines in the LIFE LINES project's area of intervention.

LIFE LINES is a partnership between University of Évora, its coordinating entity, the company Infraestruturas de Portugal S.A., the city councils of Évora and Montemor-o-Novo, Marca, which is a Local Development Association, and the universities of Aveiro and Porto (College of Science). The project seeks to test, evaluate and disseminate mitigation measures applicable to the linear infrastructure (railways, roads and power transmission lines) for multiple species while, simultaneously, promoting the creation along them of a Green Infrastructure, which will support the increase and conservation of biodiversity.

With the collaboration of the owners of the land crossed by the Palmela-Évora and Estremoz-Divor line, and within the scope of the LIFE LINES project, the goal of this partnership includes seeding and planting multiple native plant species under the poles located in areas with little vegetation cover. It is expected that these sites can be permanently occupied by a small animals, including butterflies, birds, rodents, shrews, etc., or act as safe corridors for them, thus promoting an increase in species populations through the creation of habitats in the targeted areas.

The LIFE LINES team is comprised of more than 30 people, including linear-infrastructure managers, biologists, environmental engineers, landscape architects, civil engineers, designers, and technicians specialized in field work, communications, computer science, administrative management of projects, etc.

REN has approved in July 2023 the Biodiversity Strategy Commitment Letter for all the company's operations and infrastructures. The document is structured into four pillars and aims to enhance the integration of biodiversity into the company's activities, bringing positive outcomes for communities, employees, climate, and the environment.

In the first pillar - mitigating and monitoring impacts on biodiversity - REN aims to reduce such impacts through prevention and minimisation, ensuring the compensation of those that cannot be avoided.

In the second pillar, REN commits to promoting biodiversity beyond the obligations of environmental legislation. It takes a proactive approach through conservation and, whenever possible, engaging in ecological restoration and enhancing the resilience of the territories where it operates.

In the third pillar, REN commits to promoting Research, Development, and Innovation in the field of Biodiversity, namely in the context of the impact of its operations and

infrastructures. This commitment involves fostering the development of scientific studies and testing of technological solutions applied to REN's specific context.

In the fourth and final pillar - Communication, Dissemination, and Knowledge Transfer -, REN commits to promoting a fruitful dialogue and partnership with stakeholders, raising awareness, empowering individuals, and fostering environmental education as well as sharing the outcomes and promoting scientific and technical knowledge both internally and externally.

With this Biodiversity Strategy Commitment Letter, REN reinforces its role as one of the companies that contributes the most to the protection and restoration of native forests in Portugal as well as to the promotion of biodiversity by minimising its own impact. This Commitment Letter resulted from the work of several workshops conducted by REN in collaboration with the Centre for Biodiversity and Genetic Resources Research (CIBIO) at the University of Porto.

REN Chair on Biodiversity

The REN Chair in Biodiversity was created in 2015, a name created under a protocol established between CIBIO-Research Centre in Biodiversity and Genetic Resources of the University of Porto (CIBIO-INBio), REN and FCT (Foundation for Science and Technology). It aims to develop a programme for scientific research, scientific consultancy, and transfer of knowledge to REN through advice and support in studies and the use of biological and technical data gathered by REN over the last 20 years. The first agreement established between the three entities lasted five years (2015-2020) and was subsequently renewed. REN has accumulated knowledge from its vast experience in project management, environmental assessment, construction, and operations, and via the strategic partnership with CIBIO-INBio. This partnership has provided multiple contributions and results over the recent years and several scientific articles were published on themes directly related to REN’s activities., In 2024 a new collaboration protocol was also signed with CIBIO for the 2024-2026 period, structured in three components:

i. Scientific advice relating to Environmental Impact Assessment (EIA) and Research, Development, and Innovation (RDI);
ii. Applied research programme on birdlife; and
iii. Scientific advice relating to the development of REN's natural capital management strategy.

This new protocol, resulting from an unprecedented collaboration of 11 consecutive years of joint work, ensures the continuity of scientific work, the consolidation of knowledge in the organization and the respective application throughout the life cycle of the activity.

Climate Adaptation

Climate adaptation measures are pursued by REN with the aim of increasing system resilience and mitigating the impacts resulting from extreme weather phenomena. In relation to some of the Very High Voltage system lines in service, extreme weather phenomena occurrences can induce requests on the system that exceed system design parameters and/or may accelerate infrastructure aging. Recent occurrences of severe storms in mainland Portugal affected elements of the RNT, causing catastrophic failures with extensive damage to several lines, which was associated with high repair costs and prolonged outages.

Climate adaptation-related interventions made by REN will be focused on infrastructure resilience enhancement, with reinforcement of metallic structures and their foundations, and adaptation of the conditions for regulating conductor and guard cables, based on convergence with the European and Portuguese standard NP EN 50341.

Electromagnetic fields

Electromagnetic fields (EMF) are present everywhere in our environment, and they can be of natural origin, such as lightning in a thunderstorm, or human-made, generated by electric appliances.

In the last decades, growing concerns have arisen regarding extremely low frequency electromagnetic fields produced by overhead power lines. These concerns led to the establishment of threshold levels considered by health authorities as safe for humans[4].

An overhead line project considers these threshold levels, as well as routing alternatives, in order to ensure that the measured EMF values are always well below the defined thresholds.

REN, with the cooperation of the Portuguese Physics Society, has developed the MEDEA project. This project has as object of study the concrete measurement and scientific knowledge of the electric and magnetic fields of very low frequency (0 to 300 Hz) produced by any of the equipment or electrical circuit, at schools, in the home environment and in the vicinity of electric power transmission lines.

This initiative, in which the Portuguese high-schools schools can participate through one or more teams, allows the practical application of training provided in educational institutions, combining scientific knowledge to the daily life of students - demonstrations and experiments by themselves, inside and outside the classroom.

Participating schools receive a meter which can detect electric and magnetic fields of very low frequencies.. Each team creates a website dedicated exclusively to MEDEA, which presents all the results obtained, research completed and other information relevant to the draft final report. The teams with the best research receive awards annually. This award has been given for the last 15 years.

Through the project, MEDEA students, in addition to acquiring a greater scientific knowledge, are also challenged to find scientifically credible information about the possible effects of electromagnetic fields on human health.

Energy management and renewable energy

REN supports Portugal’s ambition to become climate neutral by 2050 assuming an increasing role at the core of energy transition, catalysing its community impact and creating a sustainable and integrated vision of the electricity and natural gas sectors operating model that fosters energy system and people development.

To achieve these goals there are some important topics REN is currently addressing:

- integration of higher share of renewables and decentralized generation in the electricity system;
- development of infrastructure to integrate additional renewable capacity;
- maintain the system stability and guarantee security of supply;
- develop broader solutions for System Management; and

[4] Portuguese regulations regarding public exposure to electromagnetic fields include (i) Portaria 1421/2004: introduces basic restrictions and sets reference levels relating to the population's exposure to electromagnetic fields and (ii) DL 11/2018: establishes basic restrictions/reference levels regarding human exposure to electromagnetic fields derived from high/very high voltage lines, installations and other equipment. The regulations define the maximum exposure values to electromagnetic fields for the general public and REN is obliged to comply with them in project planning, and to subsequently carry out measurements to confirm the predicted values.

- develop sector coupling (an integrated vision of electricity and gas).

Additionally, the sector is undergoing profound changes, leveraged by the strong reduction in RES costs and continuous innovation, the digitalization of the sector along the value chain, with a strong focus on smart infrastructure and operations, and the Security of Supply and network resilience, particularly in a context of Climate Change, constitutes an enormous challenge. In the long-term REN is preparing to enable the introduction of offshore wind in the future energy mix, according to Portugal's public energy policy.

REN will continue to connect Portugal's ambition portfolio of new renewable projects while expanding grid capacity to foster the decarbonization.

With regard to the gas sector, the current reception, storage, transmission and distribution infrastructures will play an important role in allowing the introduction, distribution and consumption of renewable gases in the different sectors of the economy, allowing increasing levels of RES to be incorporated into final energy consumption. The injection of renewable gases into current networks will help achieve energy transition objectives, more specifically, the gradual reduction of GHG emissions from the gas sector.

With regard to connecting new green hydrogen and biomethane production centres to the National Gas Transmission Network, as part of our General Technical Management of the National Gas System, REN is responsible for coordinating injection conditions along the gas route. The goal is to maximize the reception capacity of renewable or low-carbon gases by the Public Gas Network, while maintaining quality and safety conditions, contributing to the integration of renewable energy sources and the decarbonization of the gas system.

With regard to distribution, REN Portgás launched a project to ensure the full compatibility of its infrastructures with 100% of renewable gases, more specifically, hydrogen and biomethane.

REN also started the development of the H2G Backbone project under the H2 Green Valley agenda. The main objective of the project is to create a shared access infrastructure for producers and consumers of 100% green hydrogen in the Sines region, enhancing the development of the first hub of this type in Portugal. Furthermore, in November 2023 the European Commission approved the list of candidates for Projects of Common Interest, including the CelZa interconnection (Celorico-Zamora), part of the H2MED project (for the transmission of hydrogen between Portugal, Spain, and France).

REN will strengthen the gas infrastructure to ensure security of supply and be ready to enable green hydrogen and biomethane ramp-up.

Waste Management and Circular Economy

The responsibility for managing waste generated during the construction of new infrastructure, as well as during the remodelling or maintenance of existing infrastructure and equipment, is ensured by the executing entity (entity to which the work or provision of services will be awarded) and the contractual documents have specific clauses. REN is responsible for ensuring this through its own resources or through environmental inspection or monitoring teams retained for this purpose.

REN has established a Waste Management Standard setting out the approach to waste management as follows:

- Waste management operations are selected according to the hierarchy defined by applicable legislation;
- The waste operators selected by the executing entity, as subcontracted entities, are licensed by the National Waste Authority;

- Uncontaminated soil and rock waste may be sent to final destinations other than licensed waste operators, in accordance with current legislation;
- The correct sorting of waste is ensured during its production and, in the case of Construction and Demolition Waste (RCD), in accordance with the Construction and Demolition Waste Prevention and Management Plan (PPGRCD), if applicable;
- All waste transportation is accompanied by the necessary records (Waste Monitoring Guide Model A or Construction and Demolition Waste Guide, according to the legally defined models) and carried out in accordance with current legislation;
- Proof final destination of the waste is demonstrated through a document produced in triplicate (Model A Waste Monitoring Guide - GAR) or a reception certificate RCD. In cases evolving RCDs where the recipients are not licensed waste management operators, - that is, those identified by the criteria of paragraph 3 of article 13 of Decree-Law no. 46/2008, of 12 March, and considering that the operations in question do not require prior licensing - a copy of the Construction and Demolition Waste Monitoring Guide (GARCD) must also be received;
- The PPGRCD, which is an integral part of the execution project prepared by REN on a pre-contractual basis, can be changed by REN during the work execution phase, based on a proposal from the executing entity. In the case of design-construction contracts, the same Plan might be amended by the executing entity, upon authorization from REN, in duly substantiated cases;
- There is also a correct labelling and containerization procedure of stored waste;
- Whenever technically feasible, when carrying out construction work on new facilities or remodelling facilities covered by the Public Contracts Code, we ensure the incorporation of a minimum 5% recycled materials or containing at least materials containing recycled content in relation to the total amount of raw materials used in construction;
- Whenever the contract requires the provision of a deposit by the successful tenderer, verification of full compliance with legal requirements associated with waste management is a necessary condition for its release, a circumstance that is mandatory to be include in the pre-contractual and contractual documents. This guarantee may be enforced by REN, as compensation, in the event of any of non-compliance event on the part of the executing entity or any of its possible subcontractors, which could lead to potential liability of REN as an actor in the cycle of waste life;
- In the case of contracts in which the provision of a deposit is not mandatory, REN reserves the right to demand as compensation from the executing entity an amount that covers all expenses, costs incurred and damages suffered, in the event of a scenario of non-compliance with legislation by the company or any of its possible subcontractors, which could lead to possible liability for REN as an actor in the waste life cycle. This possibility must be explicitly mentioned in pre-contractual documents and in the contracts themselves;
- All waste produced during operation interventions and periodic maintenance of infrastructures carried out by REN technicians will be sent to an appropriate final destination by licensed operators. The transfer of responsibility for waste management to the relevant operators must be ensured in the pre-contractual and contractual documents prepared for the acquisition of waste management services.

Vehicle re-use

REN fleet vehicles typically have a 4-to-5-year use timeframe within the company. After this period, they are usually sold to new owners. Certain vehicles are overhauled, repaired and transferred to Portuguese firefighter associations or other charities, as part of the REN social responsibility and community involvement strategy.

Social Risk Management[5]

Ethics and Corporate Governance Committee

The REN Ethics and Corporate Governance Committee (ECGC) draws up, considers and approves the Corporate Governance Report (CGR) which forms an integral part of REN's Integrated Report[6]. This annual report sets out compliance with the group's governance requirements. In order to compile this report, the ECGC, relevant REN departments and specialized external consultants (law firms and other consultants) review the information to be included in the CGR, and assess and analyse the degree of compliance with corporate governance requirements each year.

Code of Conduct

The REN Code of Conduct addresses three fundamental areas of business conduct:

- Support and respect for fundamental Human Rights[7] in the workplace (Prohibition of Child Labour, any kind of inhumane treatment or threat thereof, Decent Salary Policy, Working hours, Prevention of Forced Labour, Respect for Collective Bargaining);
- Respect for applicable rules and principles on environmental sustainability and health and safety in the workplace, respect for the environment, etc);
- Ensuring that high standards of business ethics and integrity are maintained (equality and non-discrimination).

Stakeholder Engagement

REN carries out Stakeholder Engagement and satisfaction assessment procedures bi-annually[8].

Consultation exercises are carried out by an external provider, and the outputs assist REN in identifying the material impacts associated with the company, including with respect to human rights[9]. With the assistance of internal resources, REN identifies relevant stakeholders from its main stakeholder groups and develops specific engagement methodologies as required.

REN has established a stakeholder communication channel to support engagement with local communities[10], and has also established a 'whistle-blower' system[11] for reporting and investigation of irregularities.

Health & Safety

REN has established a Health & Safety Management System certified to the ISO 45001 Standard.

---

[5] For further information in this area, refer to the REN Integrated Report 2023, Chapters 4.2 Responsible management of the Supply Chain, 4.4 Communities and 4.5 Human capital: https://www.ren.pt/media/hvwmf10s/item-1-annual-accounts-2023-ren.pdf.
[6] https://www.ren.pt/media/hvwmf10s/item-1-annual-accounts-2023-ren.pdf (pages 372 to 471).
[7] REN is currently working on implementing a Human Rights Due Diligence process in 2024/2025, in accordance with the 'Minimum Safeguards' expectations set by the EU Taxonomy and the proposed Human Rights Due Diligence requirements published by the European Commission in 2022. REN is planning to launch of this project during 2024 with the support of an external consultant, in order to ensure compliance before the required deadline.
[8] https://www.ren.pt/media/3ennibik/ren_stakeholder-engagement-2024.pdf.
Stakeholder Consultation processes are also described in more detail in our Integrated Report chapter 2.1, page 82, available here: https://www.ren.pt/media/hvwmf10s/item-1-annual-accounts-2023-ren.pdf
[9] https://www.ren.pt/media/3ennibik/ren_stakeholder-engagement-2024.pdf.
[10] https://www.ren.pt/en-gb/contacts.
[11] https://www.ren.pt/media/qytlyebk/ren_procedures-for-communication-of-irregularities.pdf

Business Ethics

In its Integrity Policy, REN defines the principles of action and duties applicable to the REN Group companies' employees and other partners, in order to prevent corruption, money laundering and terrorist financing. It also seeks to promote ethics, integrity and transparency in the company's activities, ensuring compliance with legislation and regulations in force.

Suppliers

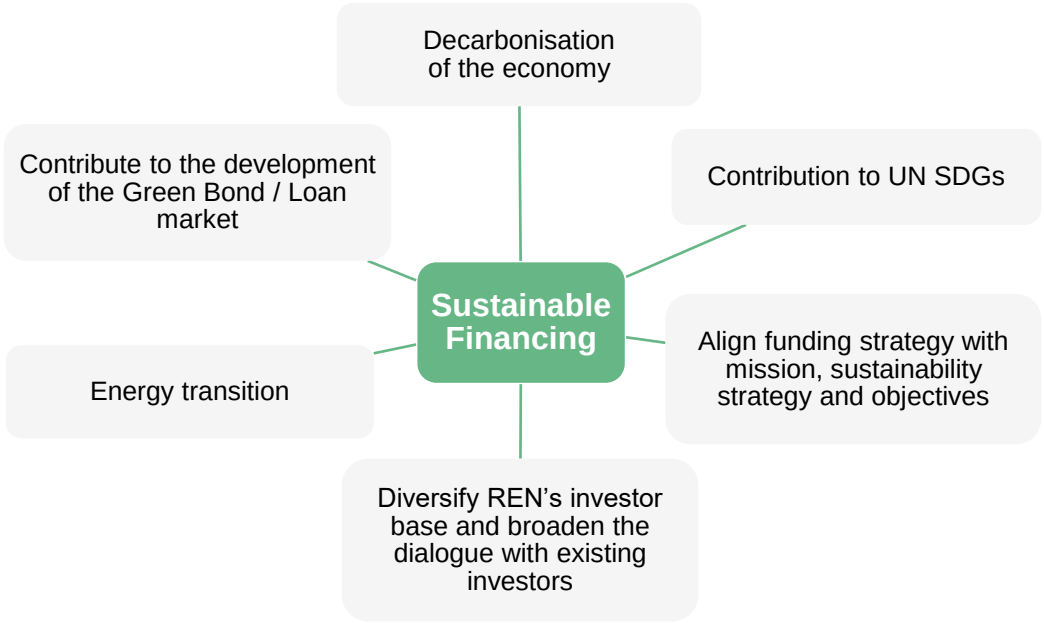
In REN's Supplier Code of Conduct, the "Support and respect for fundamental human rights in the workplace" is one of three fundamental principles of business conduct. Under the terms of the Supplier Code of Conduct, REN's suppliers are required to make best efforts to implement sustainability policies and to promote levels of requirement equivalent to those of the Supplier Code of Conduct.

1.5 Basis for Sustainable Financing

REN believes that Sustainable Financing Instruments are an effective tool to channel investments to projects that have demonstrated climate benefits and thereby contribute to the **achievement of the SDGs**. REN sees the commitment to **decarbonisation of the economy** as a sustainability priority. The Portuguese Government, within its National Energy and Climate Plan 2030 ("NECP"), defines a roadmap to achieve decarbonisation and to position Portugal's leadership in clean energies and technologies.

By issuing Sustainable Financing Instruments, **REN intends to align its funding strategy with its mission, sustainability strategy and objectives**. In fact, REN sees the **energy transition** as a sustainability priority. To achieve such priority, REN invests in the grid network to increase the share of sustainable sources of energy in the Portuguese energy system and therefore contribute to the transformation of the country.

Moreover, **REN aims to contribute to the development of the Sustainable Finance market** and to the growth of SRI investing. Lastly, Green Bonds will help to **diversify REN Group's investor base and broaden the dialogue with existing investors**. Under this Framework, REN has the ambition to issue Sustainable Financing Instruments to incentivise the delivery of corporate targets, and to finance and/ or refinance projects related to Renewable Energy, Energy Efficiency, Green Buildings and Clean Transportation in accordance with REN Group's core businesses and Sustainability Strategy.



2 Integrated Sustainable Financing Framework

REN has established this Integrated Sustainable Financing Framework, under which the Company intends to issue Sustainable Financing Instruments, which may include bonds (including private placements), loans, promissory notes (Schuldscheindarlehen) and any other Sustainable Financing Instruments specified herein.

The REN Integrated Sustainable Financing Framework follows the Green Bond Principles, as published by the ICMA (hereafter "GBPs") 2021 edition,[12] as well as the LMA/LSTA/APLMA Green Loan Principles[13] (hereafter "GLPs") 2023 edition,[14] which provides guidelines in the form of four core components:

1. Use of Proceeds;
2. Process for Project Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

Recognising the emergence of the EU Taxonomy[15] on sustainable economic activities, REN has updated this Framework to provide transparency over the extent to which the Eligible Green Assets demonstrate eligibility under, and alignment with, the Taxonomy.

The REN Integrated Sustainable Financing Framework also follows the Sustainability-Linked Bond Principles[16], as published by the ICMA (hereafter "SLBPs"), 2024 edition, as well as the LMA/LSTA/APLMA Sustainability-Linked Loan Principles[17] (hereafter "SLLPs") 2023 edition.

REN follows the recommendations of the Green Bond Principles and the Sustainability-Linked Bond Principles in relation to External Verification, and has engaged ISS ICS to provide a Second Party Opinion on this Framework.

[12] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
[13] In the case of any Loan instruments issued in accordance with this Framework, only Loans where 100% of Loan proceeds, or all tranches of the Loan are allocated in accordance with the Eligibility Criteria specified in this Framework.
[14] https://www.lma.eu.com/sustainable-lending/documents#green-loan-principles139.
[15] Further details here: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en.
[16] https://www.icmagroup.com/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/.
[17] https://www.lma.eu.com/sustainable-lending.

2.1 Use of Proceeds

An amount equal to the net proceeds of REN's Green Financing Instruments will be used to finance and/ or refinance, in whole or in part, new or existing green assets ("Eligible Green Assets") as defined in the table below.

ICMA/ LMA Green Eligible Category	Description of Eligible Green Assets: Eligibility Criteria	Eligibility for Sustainable Financing	Contribution to UN SDGs	Contribution to EU Environmental Objectives[18]
Renewable Energy[19]	• Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation[20]; • Electricity grid assets[21], in which: - the grid system is the interconnected European system or; - more than 67% of newly enabled generation capacity in the system is below 100 g CO_2e/kWh over a rolling five-year average (measured on a life-cycle basis), or; - the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; • Construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO_2e/kWh measured on a life cycle basis to a substation or network;	**100%**		- **EU Environmental Objective 1: Climate Change Mitigation** (Article 10); - Substantial contribution to EU Objective 1: (1.a) Generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/ 2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid.

[18] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending regulation (EU) 2019/2088. See: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2020.198.01.0013.01.ENG&toc=OJ:L:2020:198:TOC.

[19] Renewable energy defined as that produced via the following technologies: wind, solar, hydropower, and biogas.

[20] In the case of this eligibility criterion, allocations will be made on a pro-rata basis based on the ratio of renewable power generation capacity ratio in Portugal. The renewable power generation capacity ratio is defined as the renewables installed capacity versus all sources of electricity capacity in the Portuguese transmission grid. According to the Portuguese Renewable Energy Association, between January 1 and February 28, 2023 the renewable power generation ratio in Portugal corresponded to 75.6%: https://www.apren.pt/en/renewable-energies/production.

[21] As per the EU Taxonomy, installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant in context of this eligibility criterion.

2.1.1 Exclusions

- Uses of Proceeds under this Framework for the financing of any activities relating to fossil-fuels or nuclear power is excluded.
- Uses of Proceeds under this Framework for financing of infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO_2e/kWh measured on a life-cycle basis is excluded.

2.2 Process for Project Evaluation and Selection

REN has established a clear decision-making process to determine the eligibility of the nominated assets, in accordance with the description of the Eligibility Criteria set out in the Use of Proceeds section of this Framework.

The selection of the Eligible Green Assets is carried out by REN's Sustainable Financing Working Group ("SFWG"), composed of members of the Finance, Sustainability & Communication and Operational Services teams. Eligible Green Asset selection and evaluation is based on:

- Expected eligible amounts;
- Eligibility Criteria described within REN's Integrated Sustainable Financing Framework;
- Clear positive environmental contribution of the selected assets toward reducing CO_2 emissions, or facilitating the reduction thereof, if applicable; and,
- Satisfactory completion of relevant Environmental Impact Assessment procedures as required under Portuguese regulations.

In addition to ensuring that the assets financed and/ or refinanced through the Green Financing Instrument proceeds under this Framework are evaluated and selected based on compliance with the Eligibility Criteria, REN complies with applicable national, European and international environmental and social standards and regulations, to ensure a stringent management of any potential negative environmental and social impacts associated with the Eligible Assets.

Lastly, REN's Sustainability Guidelines and Policies define minimum standards for the business processes, including those financed with the proceeds of Sustainable Financing Instruments issued under this Framework. REN also applies risk management measures in its capital allocation decisions which are supported by company-wide planning, reporting and controlling systems.

Examples of relevant policies and measures implemented by REN in order to ensure appropriate mitigation of environmental risks are detailed below:

- **Quality, Environmental and Safety Policy**[22]: REN acts in accordance with the company's Environmental Policy, based on commitments to protect the environment, mitigate the impacts of its activity, use natural resources rationally, prevent pollution and support the development of renewable energies, in the conduct of its business activities;
- **Strategic Environmental Assessment**[23]: Environmental policy instrument designed to ensure an assessment of the environmental consequences of certain plans and programmes and their prior adoption;
- **Environmental Impact Assessment**: Environmental policy instrument designed to ensure an assessment of the environmental consequences of certain projects; and
- **Impact Minimization**[24]: In the environment in which it operates, REN generates a variety of environmental impacts, although these are usually negligible, and are subject to the mitigation and monitoring measures necessary to ensure the development of the company's activities in a sustainable manner.

[22] https://www.ren.pt/media/4h0esgrz/quality-environment-and-safety-policy-statement.pdf.
[23] https://www.ren.pt/en-gb/sustainability/biodiversity-and-forest
[24] https://www.ren.pt/en-gb/sustainability/biodiversity-and-forest

REN complies with high sustainability and social standards, within its organization and when interacting with other stakeholders, ensuring to correctly address social risks. Examples of relevant Codes of Practice include:

- **REN Group Code of Conduct**[25]: The Code of Conduct establishes a set of principles and values in terms of professional ethics that must be recognized and adopted by all REN employees;
- **Código de Conduta Empresas e VIH (REN Group Code and Principles):** In 2005, REN adopted the ten principles of the United Nations Global Compact (REN is a founding member of the Portuguese UNGC Network), committing itself to accept and to incorporate the principles of the Compact in its daily strategy and activities, and to promote this initiative and its principles with its employees, partners, customers and the general public;
- **Supplier Code of Conduct**[26]: We promote and safeguard, strictly collaborating with our partners, principles of sustainable development, striving to continuously generate value for all our stakeholders; and
- **Stakeholder Relationship Policy**[27]: REN has defined a series of principles regarding all its activities with stakeholders, with the goal of maintaining a mutually positive, honest, and ethical relationship with all stakeholders.

EU Taxonomy: Compliance with "Do No Significant Harm" (DNSH) criteria and "Minimum Safeguards"

The Eligible Green Portfolio financed and/ or refinanced through the Green Financing instrument proceeds under this Framework is established based on compliance with the specified Eligibility Criteria, REN's strategic plan, the EU Environmental Objectives, and the relevant Do No Significant Harm (DNSH) and Minimum Safeguards criteria of the EU Taxonomy. REN's activities are also carried out in compliance with applicable national, European and international environmental and social standards and regulations (including, amongst others, the ILO core labour conventions), to ensure a stringent management of any potential negative environmental and social impacts.

REN's strong evaluation and selection process, corporate sustainability and risk management framework, helps to mitigate potential environmental and social risks associated with the Eligible Green Assets, in accordance with the recommendations of the EU Taxonomy in relation to 'Do No Significant Harm' assessment. In the unlikely case of specific asset-related non-compliances with the DNSH obligations under the EU Taxonomy, REN intends to transparently inform investors via the Annual Sustainable Financing Report.

The REN Sustainable Financing Working Group will also be responsible for:

- Monitoring the Eligible Green Asset Portfolio;
- Excluding assets that no longer comply with the Eligibility Criteria, or have been disposed of, and replacing them, on a best-efforts basis;
- As Sustainable Financing Instruments mature, removal of older assets from the Eligible Green Asset Portfolio for and replacement assets to an equivalent amount, to ensure that Sustainable Financing Instruments continue to fund new assets;
- Review and validation of annual reporting for investors; and

[25] https://www.ren.pt/media/eidbo3qq/ren_code-of-conduct.pdf.
[26] https://www.ren.pt/en-GB/suppliers/.
[27] https://www.ren.pt/media/Stakeholder-relationship-policy.pdf.

- Maintaining the Integrated Sustainable Financing Framework and updating as necessary in order to reflect any changes with regards to the evolution of REN's sustainability strategy and targets, and to be in line with market best practices and latest standards.

In 2023, a new eligibility assessment was carried out taking into account the amendments to the Environmental Delegate Act, published in June 2023. The eligibility analysis thus covered changes to existing activities under the Climate Delegated Act, as well as the new activities introduced into the four remaining goals of the Environmental Act. The results are the following:

ACTIVITY	DESCRIPTION OF REN ACTIVITY
4.9 - Transmission and distribution of electricity	REN operates the RNT that connects producers to consumption centres at very high voltage, covering the entirety of mainland Portugal and with interconnections to the Spanish network.
4.14 - Transmission and distribution networks for renewable and low-carbon gases	REN has a series of projects to adapt the gas transmission and storage infrastructure to hydrogen.
6.5 - Transport by motorbikes, passenger cars and light commercial vehicles	Investment associated with the mobile fleet (light vehicles, mostly electric and/ or hybrid vehicles).
7.4 - Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Investment associated with the installation of charging systems to support REN's electric mobility.
7.6 - Installation, maintenance and repair of renewable energy technologies	Investments made in the acquisition and installation of panels to produce electrical and thermal power.
8.1- Data processing, hosting and related activities	Through RENTELECOM, housing services are provided at the datacenters of Lisbon, Sacavém, Ermesinde and Riba de Ave.

REN's natural gas transport activity, the technical management of the National Natural Gas System, as well as the underground storage of gas, were considered ineligible activities, given that they do not feature in the Climate Delegated Act, and are not included in Regulation 2022/ 2014 as regards economic activities in certain energy sectors.

Following this analysis, an assessment was conducted to identify the aligned activities under the EU taxonomy of environmentally sustainable activities, which included:

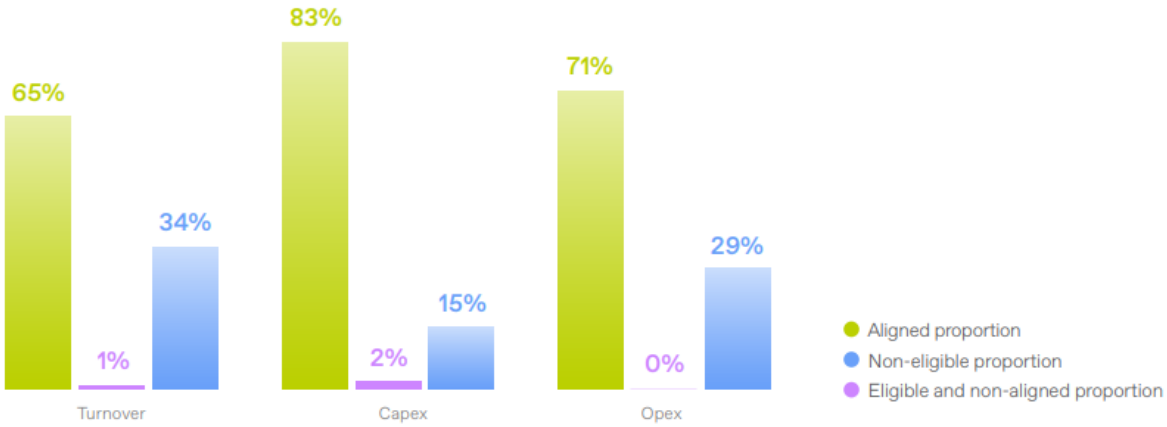
1. analysis of substantial contribution to the mitigation of climate change;
2. analysis of Do No Significant Harm (DNSH) criteria; and
3. analysis of Minimum Safeguards (MS).

Additional details on the above-mentioned analysis, are describe on REN's Integrated Report, and assured by a third party, on pages 506 to 519[28].

- Relevant climate risks (including acute and chronic physical risks) are periodically assessed by REN via a formalised Risk Management System;
- REN is undertaking work for the future full integration of TCFD recommendations into processes for strategy and management of risks and opportunities relating to the climate;
- Environmental Impact Assessment is a risk tool which applies to some of the public utility infrastructure projects developed by REN (also explained further in this document);
- Activities focussed on the protection and restoration of biodiversity and ecosystems are undertaken by REN. For example, during network operation and maintenance, monitoring and supervision actions are carried out to ensure compliance with the attenuation, mitigation and monitoring measures provided for in the Environmental Impact Statement and in the Project Execution Environmental Compliance Report;
- The work developed by REN around the Minimum Safeguards regarding its four main topics: Human Rights, Corruption, Taxation and Fair Competition.

As a final output of the EU Taxonomy analysis, the chart below summarises the eligibility and alignment results:

[28] https://www.ren.pt/media/hvwmf10s/item-1-annual-accounts-2023-ren.pdf.



REN is committed to developing the way we work, striving to achieve the principle of excellence and seeking to go beyond legal requirements, which is why our commitment to certification has been a hallmark of REN activities for nearly 20 years.

We currently have four Management System standards (all certified by an accredited external entity): Quality; Environment; Health and Safety at Work and Research, Development and Innovation.

2.3 Management of Proceeds

REN intends to allocate all of the net proceeds from its Sustainable Financing Instruments to an Eligible Green Asset Portfolio, selected in accordance with the Eligibility Criteria and Project Evaluation and Selection process presented above. This portfolio consists of new and/ or existing assets.

Over time, REN will strive to maintain a level of allocation for the Eligible Green Asset Portfolio which matches or exceeds the balance of net proceeds from its outstanding Sustainable Financing Instruments.

Additional Eligible Green Assets will be added to the Issuer's Eligible Green Asset Portfolio to the extent required, in accordance with the Eligibility Criteria.

The relevant members of the Sustainable Financing Working Group will be responsible for identifying eligible assets, which will be added to the Eligible Green Asset Portfolio once operational/commissioned, subject to formal approval by the full Sustainable Finance Working Group. The Asset Portfolio will be updated and reported on a quarterly basis.

Eligible green assets shall qualify for refinancing without a specific look-back period[29], provided that at the time of issuance they align with the relevant Eligibility Criteria. In the event REN selects eligible green capital expenditures or operating expenditures, they shall qualify for refinancing with a maximum three-year look-back period before the issuance year of the Sustainable Financing Instrument.

REN intends, on a best-efforts basis, to fully allocate the proceeds within 24 months after the issuance date of the Green Financing instruments.

Pending the allocation or reallocation, as the case may be, of the net proceeds to Eligible Green Assets, REN will invest the balance of the net proceeds, at its own discretion, into bank deposits, investment funds, money market funds or liquid marketable instruments, until the allocation to new Eligible Green Assets. If for any reason, any assets are deemed

[29] In alignment with the recommendation of the EU Green Bond Standards Usability Guide, published in March 2020 (source: https://finance.ec.europa.eu/system/files/2020-06/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en.pdf)

to be no longer eligible, REN will use its best efforts to substitute such asset, as soon as practical once an appropriate eligible substitution option has been identified.

2.4 Reporting

REN will report on the allocation of net proceeds and associated environmental benefits annually until the proceeds of each Sustainable Financing Instruments have been fully allocated, and as necessary in the event of material changes or in case of substitution of Eligible Green Assets. This report will be made available within the 'Investor Relations' section on REN's website[30].

Allocation Reporting

The allocation report may provide:

- The aggregated amount of allocation of the net proceeds to the Eligible Green Assets, at category and sub-category level, with a description or selected case studies if feasible;
- The balance of any unallocated proceeds invested in bank deposits, investment funds, money market funds, or liquid marketable instruments;
- The proportion of net proceeds used for financing versus refinancing; and
- Where and if relevant, the breakdown per type of Eligible Green Assets.

[30] To be found here: https://www.ren.pt/en-gb/investors/debt-and-rating

Impact Reporting

REN intends to report annually on the environmental impacts of the Eligible Green Assets funded with the Sustainable Financing Instruments proceeds through a dedicated impact report[31]. REN intends to align, on a best effort basis, the reporting with the portfolio approach described in the "Handbook – Harmonized Framework for Impact Reporting (April 2020)[32]".

The impact reporting will provide:

- A brief description of the Eligible Green Assets; and,
- Where feasible, metrics regarding the Eligible Green Assets' environmental impacts, as described below:

Green Bond/Loan Principles Eligible Category	Potential impact reporting indicators to be provided at Eligible Category level
Renewable Energy	• *Capacity (and production) of renewable energy connected to the grid (in MW)* • *Estimated avoided CO_2 emissions (in tCO_2e per year)*

[31] Impact Reporting may be supplemented by qualitative and/ or case-study reports on outcomes and impacts of the Eligible Green Assets funded. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency.
[32] Reference: https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/

3 Sustainability-Linked Financing Framework

The Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA), are voluntary process guidelines that outline best practices for financial instruments to incentivize forward-looking performance outcomes and promote integrity in the development of the Sustainability-Linked Bond market, by clarifying the approach for issuance of a Sustainability-Linked Bond instrument.

Our Sustainability-Linked Financing Framework is in alignment with the five core components of the SLBPs:

1. Selection of Key Performance Indicators (KPIs);
2. Calibration of Sustainability Performance Targets (SPTs);
3. Sustainability-Linked Bond Characteristics;
4. Reporting; and
5. Verification.

Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability performance objectives. In that sense, issuers are thereby committing explicitly (including in bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business.

SLBs are a forward-looking performance-based instrument. The proceeds of SLBs are generally intended to be used for general purposes, unless otherwise specified.

3.1 Selection of KPIs

We have selected relevant KPIs and related ambitious SPTs to support Sustainability-Linked Bond and/or Loan[33] transactions.

For any Sustainability-Linked Bond or Loan issued under this Framework, the company intends to incorporate all of the KPIs and associated SPTs as set out further below.

KPI #1: Absolute aggregated GHG emissions, Scope 1 and 2, tCO2e	
Key Performance Indicator (KPI):	Absolute aggregated GHG emissions, Scope 1 and 2, tCO2e per annum
Rationale:	This KPI has been selected based on clear relevance and materiality[34] for the company evidenced as follows: • The KPI is included in the list of 'Core' KPIs relevant to the Energy and Utilities industry sector, as identified by the ICMA Sustainability-Linked Bonds Working Group[35];

[33] This Framework is also designed to align with the recommendations of the LMA Sustainability-Linked Loan Principles 2023, any may also be used to support issuance of Sustainability-Linked Loan instruments.
[34] To support the demonstration of materiality as per the Sustainability-Linked Bond Principles, it is REN's intention to incorporate Sustainability Performance Targets relating to both KPI 1 and KPI 2 in any Sustainability-Linked instrument issued in accordance with this Framework.
[35] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/

	• Carbon Emissions are identified as a "Key Issue" in the company's MSCI ESG Ratings report[36]; • Carbon (Own Operations) is identified as a Material ESG Issue (MEI) in the Sustainalytics Utilities Industry Report[37]; • The KPI is measurable and quantifiable on a consistent basis, using established methodologies[38] such as the GHG protocol; and, • This KPI is subject to independent assurance by a suitably qualified provider[39].
Baseline Year:	2019
Relevant Methodology	GHG Protocol Corporate Accounting and Reporting Standard: https://ghgprotocol.org/corporate-standard.

KPI #2: Absolute GHG emissions, Scope 3 (Purchased Goods and Services, Capital Goods and Fuel and Energy Related Activities), tCO2e	
Key Performance Indicator (KPI):	Absolute aggregated GHG emissions, Scope 3, tCO2e per annum
Rationale:	This KPI has been selected based on clear relevance and materiality[40] for the company evidenced as follows: • The KPI is included in the list of 'Core' KPIs relevant to the Energy and Utilities sectors, as identified by the ICMA Sustainability Linked Bond Working Group[41]; • Carbon Emissions are identified as a "Key Issue" in the company's MSCI ESG Ratings report; • Carbon (Own Operations) is identified as a Material ESG Issue (MEI) in the Sustainalytics Utilities Industry Report[42]; and • The KPI is measurable and quantifiable on a consistent basis, using established methodologies[43] such as the GHG protocol. • This KPI is subject to independent assurance by a suitably qualified provider[44].
Baseline Year:	2021
Relevant Methodology	GHG Protocol Corporate Accounting and Reporting Standard: https://ghgprotocol.org/corporate-standard.
KPI #3: Absolute GHG emissions, Scope 3 (Category 11 – Use of Sold Products covering transmitted gas), tCO2e	
Key Performance Indicator (KPI):	Absolute aggregated GHG emissions, Scope 3 (Category 11 – Use of Sold Products covering transmitted gas), tCO2e per annum

[36] www.msci.com MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK).
[37] https://globalaccess.sustainalytics.com/#/research/riskIndustry. Refer to relevant disclaimers: https://www.sustainalytics.com/legal-disclaimers.
[38] GHG Protocol Corporate Accounting and Reporting Standard: https://ghgprotocol.org/corporate-standard
[39] Independent Assurance in 2022 provided by Ernst & Young Audit & Associados, SROC, S.A.
[40] To support the demonstration of materiality as per the Sustainability-Linked Bond Principles, it is REN's intention to incorporate the Sustainability Performance Targets relating each KPI specified in this Framework in any Sustainability-Linked instrument issued in accordance with this Framework.
[41] Illustrative KPIs Registry: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/
[42] https://globalaccess.sustainalytics.com/#/research/riskIndustry
[43] GHG Protocol Corporate Accounting and Reporting Standard: https://ghgprotocol.org/corporate-standard
[44] Independent Assurance in 2022 provided by Ernst & Young Audit & Associados, SROC, S.A.

Rationale:	This KPI has been selected based on clear relevance and materiality[45] for the company evidenced as follows: • The KPI is included in the list of 'Core' KPIs relevant to the Energy and Utilities sectors, as identified by the ICMA Sustainability Linked Bond Working Group[46]; • Carbon Emissions are identified as a "Key Issue" in the company's MSCI ESG Ratings report[47]; • Carbon (Own Operations) is identified as a Material ESG Issue (MEI) in the Sustainalytics Utilities Industry Report[48]; and • The KPI is measurable and quantifiable on a consistent basis, using established methodologies[49] such as the GHG protocol. • This KPI is subject to independent assurance by a suitably qualified provider[50].
Baseline Year:	2021
Relevant Methodology	GHG Protocol Corporate Accounting and Reporting Standard: https://ghgprotocol.org/corporate-standard.

3.2 Calibration of Sustainability Performance Targets.

SPT #1: Reduction of Scope 1 and 2 GHG emissions by 55.3% by 2030 vs. 2019

Sustainability Performance Targets Trigger:

Failure to meet SPT by specified date, as determined by reference to relevant data subject to independent assurance process as further specified in this Framework.

Sustainability Performance Target Observation Date: 31 December 2030

2019 Baseline: 258,000 tCO2e

SPT #1 - Data Summary Table[51]

GHG emissions (tCO2e)	2019	2021	2022	2023	2030 Target	SBTi validated

[45] To support the demonstration of materiality as per the Sustainability-Linked Bond Principles, it is REN's intention to incorporate Sustainability Performance Targets relating to both KPI 1 and KPI 2 in any Sustainability-Linked instrument issued in accordance with this Framework.
[46] Illustrative KPIs Registry: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/
[47] www.msci.com. MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK).
[48] https://globalaccess.sustainalytics.com/#/research/riskIndustry
[49] GHG Protocol Corporate Accounting and Reporting Standard: https://ghgprotocol.org/corporate-standard
[50] Independent Assurance in 2022 provided by Ernst & Young Audit & Associados, SROC, S.A.
[51] Data source: as published on REN website. https://www.ren.pt/en-gb/sustainability/performance-indicators Relevant data has been subject to independent external non-financial assurance, as detailed in company's annual reports: https://www.ren.pt/en-gb/investors/results-and-presentations

Scope 1		34,213	30,389	29,437		
Scope 2		126,603	135,105	112,479		
Scope 1+Scope 2	258,000	160,816	165,494	141,916	129,000	✓

Demonstration of Ambition:

REN has developed Science-Based Targets (1.5 degrees scenario) which will be the basis on which REN plans to evolve its business model into alignment with the goals of the Paris Agreement on Climate Change. Validation of the company's Scope 1+2 Science-Based Targets has been received from SBTi[52]. The company believes that setting science-based targets and securing external validation of these targets via the Science-Based Targets initiative is an effective demonstration of ambition as per the recommendations of the Sustainability-Linked Bond Principles.

The extent to which REN is successful in facilitating the maximum availability of renewable energy on the electricity system is a key driver of performance against Scope 1 and 2 targets. Although recent years have shown strong progress in terms of performance against Scope 1 and 2 targets, this has been to an extent driven by an exogenous factors such as elevated output of hydropower plant due to rainfall levels, and high output from other renewables sources such as wind and solar. However this declining trend is not guaranteed (as has been demonstrated in the 2021-2022 period when Scope 1 and 2 emissions increased), and maintaining a downward trend will require REN to be successful in continuing to manage grid operations and develop grid infrastructure in a manner which facilitates maximum contribution from renewable energy sources. Furthermore, the projected increase in electricity consumption will tend to make emissions reductions more difficult, even considering the high level of 'green' electricity in the generation mix. Even if the target could be reached sooner there is always the risk that in a year of severe drought emissions will increase (cyclically, as illustrated in the 2021-2022 period), despite the expected emissions reduction in the medium to long run (structural).

SPT #1 - Factors that support the achievement of the targets:

The principal lever by which absolute emissions reduction targets will be achieved, is anticipated to be via the planned integration of new renewable energy power plants (solar and wind) into the national grid system. REN has submitted the Development and Investment Plan for the National Electricity Transmission Network (PDIRT) and the Gas Transmission Network Development and Investment 10 Year Plan which reflect the planned implementation of projects aligned to the Portuguese National Energy and Climate Plan 'NECP' 2030 which anticipates 85% renewable energy in the electricity system and the progressive introduction of renewable gases into the gas network, combined with a reduction in gas consumption.

The investment plan is aligned with the NECP 2030 targets, and includes, inter alia, the following example projects:

- very high voltage infrastructure projects (currently under construction)[53];
- Methane and Sulphur Hexafluoride (SF6) emissions reduction programs; and,

[52] https://sciencebasedtargets.org/target-dashboard

[53] GHG emissions associated with grid losses are proportional to overall quantum of grid losses and to the specific emission factor of the local energy mix. Electrification and grid developments (the current REN investment plan will be crucial to achieve up 85% RES in 2030) will increase the grid energy losses, since the amount of electricity flowing into the whole system and the number of assets required to operate it in a secure way will increase. However, the integration of RES and low-carbon generation sources into the electricity generation mix will offset this by (i) reducing emissions by lowering the grid carbon emission factor; and (ii) reducing overall emissions in the economy by facilitating the electrification of end demand (not accounted for in grid losses). The combination of a reduced grid emission factor, reduced percentage of grid losses and increase in consumption of electricity as an alternative to more carbon intensive energy sources is predicted to achieve a minimum reduction of 34 000 tCO2 between 2022 and 2030. The continuous reduction in the grid carbon emission factor to 2030 (associated with increased of up to 85% RES in 2030) will also reduce the carbon intensity of the electricity REN uses to power its own operations (saving approximately 4 500 tCO2).

- Introduction of hydrogen into the Portuguese National Gas Transmission Network (NGTN).[54]
- As of June 2024, 59% of REN's vehicle fleet is electrified and REN targets 80% by 2030;
- Up to 5MW PV installation by 2025 and 15 MW by 2030;
- Methane and Sulphur Hexafluoride (SF6) emissions reduction programs (-50% SF6 emission by 2030 vs. 2023) and -30% CH4 emissions by 2030 vs. 2023;
- Introduction of hydrogen and biomethane into the Portuguese National Gas Transmission Network (NGTN)[55] and/or Portgás Distribution Network.

In support of the effort to achieve the established targets, REN has developed a scenario analysis model to model the progress against of the emission reduction targets within the defined timeframes.

Organisational incentives have also been established to support the delivery of ESG objectives: ESG KPIs are defined at different levels of the REN organization (Executive Commission level, Director-level, Deputy Director-level and additional levels, depending on the specific ESG objective).

The Greenhouse Gas emissions reduction objective set out in this Framework falls under the REN 'Operational Area' function, consequently the Operational Sustainability Direction has responsibility for monitoring performance against the selected KPIs and overseeing the arrangements by which the targets are intended to be achieved. The Sustainability Operational Direction meets on a monthly basis with all of the REN Operational Areas to monitor progress against targets.

Risks to the achievement of the targets:

As has been demonstrated in the 2021-2022 period, Scope 1 and 2 emissions may rise if contributions from renewable energy are reduced. Portugal is already experiencing impacts of climate change which include increased likelihood of drought conditions. Increased drought tends to increase competition for water resources (e.g. from the agricultural sector who are aiming to maintain productivity), leading to increased abstractions from water sources. This increased abstraction impacts on the hydrological regime more broadly leading to reduced volumes of water flow, which has a negative impact on hydropower output.

Other risks to achievement of the targets relate to challenges in the implementation of the company's investment plans, including those that relate to planning and permitting regimes, availability of capital, availability of labour, ability of supply chains to deliver materials required to implement investment plans in the manner anticipated.

Changes to the Government (both EU and national) policy and regulatory regime and the prevailing interest rate environment may also impact on the ability of the company to implement its investment plans.

[54] This includes a process of remodelling chromatographs (devices that measure the quality of the gas in the network). All 16 existing chromatographs in the network are expected to be adapted by end 2023. This process facilitates the securing of the relevant certification in 2023, allowing for the reception and transmission of up to a maximum of 10% green hydrogen in the NGTN during the initial phase. This process follows the technical studies initiated in 2022 under the H2REN Programme.

[55] This includes a remodelling of chromatographs (devices that measure the quality of the gas in the network). This process facilitates the reception and transmission of up to a maximum of 10% green hydrogen in the NGTN during the initial phase.

SPT #2: Reduction of Scope 3 CO2e emissions by 25% by 2030 vs. 2021[26]

Sustainability Performance Targets Trigger: Failure to meet SPT by specified date, as determined by reference to relevant data subject to independent assurance process as further specified in this Framework.

Sustainability Performance Target Observation Date: 31 December 2030

2021 Baseline: 91,711 tCO2e

SPT #2 – Data Summary Table[56]

GHG emissions (tCO2e)	2021	2022	2023	2030 Target	SBTi validated
Scope 3	91,711	83,444	72,273	68,783	

Demonstration of Ambition: REN has developed Science-Based Targets (1.5 degrees scenario) which will be the basis on which REN plans to evolve its business model into alignment with the goals of the Paris Agreement on Climate Change. Validation of the company's Scope 3 Science Based Targets has been received from SBTi. The company believes that setting Science-Based Targets and securing external validation of these targets via the SBTi, is an effective demonstration of ambition as per the recommendations of the Sustainability-Linked Bond Principles.

REN anticipates that significant new infrastructure (to be delivered by the supply chain) and CAPEX will be required to deliver the planned decarbonisation of the electricity system – this is anticipated to present a significant challenge to achieving Scope 3 targets.

Factors that support the achievement of the targets:

89% of Scope 3 emissions corresponds to GHG Protocol categories C1, C2 and C3[57]. Accordingly, REN has promoted a series of alignment and awareness meetings on the need to reduce the carbon footprint. Within the new Supplier Code of Conduct, the ESG topics were expanded to increase the performance expectations of the suppliers. In addition, studies have also been carried out with higher education institutions and with the involvement of suppliers, with the aim of obtaining primary data for calculating emissions. These data will gradually replace secondary data from reference sources. REN has established a roadmap for Scope 3 emissions to support the definition of targets and their achievement.

REN has also introduced supplier carbon footprint-related considerations into procurement processes (for example, mandatory disclosure of prospective supplier carbon footprint data, vehicle fleet emission limits, Environmental Product Declaration (EPD) for products or equipment to be supplied.

REN has also arranged a supplier training program on Science-Based Targets and the SBTi validation process for key suppliers in the REN value chain, and has established a % target for suppliers to have achieved SBTi-validated targets or equivalent by 2025 and/or 2030.

[56] Relevant data has been subject to independent external non-financial assurance, as detailed in company's annual reports: https://www.ren.pt/en-gb/investors/results-and-presentations

[57] Per the GHG Protocol (Category 1: Purchased Goods and Services, Category 2: Capital Goods, Category 3: Fuel and Energy Related Activities not included in Scope 1 or Scope 2).

Risks to the achievement of the targets:

Insufficient capacity of external value chain participants to incorporate the necessary improvements to the carbon performance of equipment, goods or services delivered.

SPT #3: Reduction of Scope 3 GHG emissions (Category 11 'Use of Sold Products' – Transmitted Gas) by 42%

Sustainability Performance Targets Trigger:

Failure to meet SPT by specified date, as determined by reference to relevant data subject to independent assurance process as further specified in this Framework.

Sustainability Performance Target Observation Date: 31 December 2030

2021 Baseline: 13,026,147 tCO2e

SPT #3 – Data Summary Table[58]

GHG emissions (tCO2e)	2021	2022	2023	2030 Target	SBTi validated
Scope 3 (Category 11 – Use of Sold Products – (Transmitted Gas)	13,026,147	12,614,283	9,998,808	7,555,165	

Demonstration of Ambition:

REN has developed Science-Based Targets (1.5 degrees scenario) which will be the basis on which REN plans to evolve its business model into alignment with the goals of the Paris Agreement on Climate Change. Validation of the company's Scope 3 (Category 11 – Use of Sold Products – Transmitted Gas) Science-Based Targets has been received from SBTi. The company believes that setting Science-Based Targets and securing external validation of these targets via the SBTi, is an effective demonstration of ambition as per the recommendations of the Sustainability-Linked Bond Principles.

Factors that support the achievement of the targets:

- the energy sector is undergoing a deep transformation and REN will invest in additional electricity transmission grid capacity to connect new Renewable Energy Sources (RES). This will serve to reduce gas consumption, as the utilization rate of CCGT (Combined Cycle Gas Turbine) to support the electricity system will decrease. Currently an important part of gas consumption relates to the gas used by CCGT plants. In future years (by 2030), and according to the NECP (National Energy and Climate Plan), Portugal will achieve up to 90% of RES in the Electricity consumption, (compared to the current 50-60% share).

- Furthermore, REN is adapting its gas network to facilitate injection of renewable gases (green H_2 and biomethane), targeting the decarbonization of the gas network.

[58] Relevant data has been subject to independent external non-financial assurance, as detailed in company's annual reports: https://www.ren.pt/en-gb/investors/results-and-presentations

- REN is also involved in the construction of the 'H_2 valley' network, aimed at linking producers and significant off-takers of hydrogen. Any excess hydrogen will be injected into the REN gas transmission network.

- Another sector in which a reduction in gas consumption is anticipated is the cogeneration sector, which will be achieved through the progressive finalization of feed-in tariff agreements (gas for cogeneration purposes decreased around 50% between 2021 and 2023).

- In addition, a smaller proportion part of natural gas consumption is expected to be replaced by electricity (fuel switching).

Risks to the achievement of the targets:

- Despite persistent efforts to electrify the energy system and inject renewable gases, REN, similarly to other operators in the power utilities sector, continues to face complex processes to secure the required licenses and permits.

- Executing the necessary works within a short timeframe poses an added difficulty, due to a limited supply chain capacity to implement such projects.

- Insufficient availability of certified lower-carbon gases in the market.

- Insufficient policy and market incentives available to drive increased volumes of lower-carbon gas availability.
- Logistical challenges in achieving increased substitution levels for fossil gas (e.g. distance between existing gas transmission networks and sources of lower-carbon gas production, requiring new infrastructure).

3.3 Recalculation Policy

REN may review this Framework in the event of material changes to the perimeter, data calculation methodology, and other changes which may impact on the ongoing appropriateness of the KPIs and/or SPTs and/or baselines.

In particular, the following events may trigger a recalculation:

- Changes in calculation methodology or improvements in the accuracy of relevant data that result in a significant impact on the baseline year emissions data;

- Discovery of significant errors, or a number of cumulative errors, that are collectively significant;

- Structural changes in the reporting organization that have a significant impact on the KPIs, SPTs and/or baselines, including (i) mergers, acquisitions and divestments and (ii) outsourcing and insourcing of emitting activities.

- Changes to targets as a result of changes to the relevant SBTi-validation methodology.

Such review may result in this Framework being updated and amended. Such changes, if deemed material, will be subjected to review by the relevant Second Party Opinion provider. Any future adjustments to the KPI, SPT or baseline[59] will maintain or increase the proposed level of ambition of the SPTs stated in this Framework. Any future updated version of this

[59] Including as a result of planned validation of REN's Science-Based Targets by the Science-Based Targets initiative (SBTi).

Framework will either maintain or enhance the current levels of transparency and reporting, including the corresponding review by a SPO provider. Any revised Framework will be made available on the Company website and will replace this Framework.

Failure to meet SPTs due to factors outside the Company's direct control may not result in any adjustment to a financing instrument's characteristics being triggered. The calculation of the relevant KPIs or performance against the SPTs may exclude the effects and/or material changes in laws or regulations applicable or relating to the company's activities, in each case to be set forth, if applicable, in further detail in the terms and conditions of each and any Sustainability-Linked Financing instrument.

3.4 Changes to the Financial Characteristics of Debt Instruments

The financial characteristics of any debt instrument issued under this Framework, including a description of the selected KPI, SPT, step-up coupon/interest margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of any relevant Sustainability-Linked Bond).

In respect of any Sustainability-Linked debt instrument issued under this Sustainability-Linked Framework, REN commits to incorporating all of the KPIs and related Sustainability-Performance Targets specified herein.

For any Sustainability-Linked debt instruments issued under this Framework, a variety of Trigger Events impacting the financial characteristics of the security may be established. The occurrence of a Trigger Event will result in a coupon/interest margin step-up (as applicable), accruing from the date specified in the relevant bond (or an increase of the premium, as the case may be).

The relevant timing of the potential coupon step-up will be specified in the bond documentation.

A step-up of the coupon/interest margin (as applicable) shall be triggered if:

- a KPI has not achieved the SPT on the Target Observation Date; or
- the performance against a KPI cannot be calculated in a satisfactory manner; or
- the verification (as per the verification section of this Framework) of the SPTs has not been provided and made public by the time of the Notification Date, as defined in the bond documentation; or,
- the Company fails to provide Satisfaction Notice as of the Notification Date related to achieving the SPT, each as defined in the relevant bond documentation.

3.5 Amendments to this Framework

REN will review this Framework from time to time, with a view to ensuring its ongoing alignment with updated versions of the relevant market guidance, and to reflect evolving market practices.

Any review leading to significant changes to the Framework will be supported by an updated Second Party Opinion.

3.6 Reporting

On an annual basis, REN will publish and keep readily available and easily accessible on our website a report[60] including, where feasible:

1. up-to-date information on the performance of the company against relevant KPIs and Sustainability Performance Targets, including the relevant target baseline;
2. a verification report providing an independent review of performance against SPTs, and confirming any impact on the financial characteristics of any relevant debt instrument;
3. any relevant information enabling investors to monitor the progress of performance against targets.

Information may also include when feasible and possible:

1. qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis;
2. illustration of the positive sustainability impacts of the performance improvement; and/ or

[60] Available at: https://www.ren.pt/en-gb/investors/debt-and-rating

3. any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

3.7 Verification

Annually, and in any case for any date/period relevant for assessing performance against Sustainability Performance Targets (SPTs) leading to a change to the financial characteristics of any relevant Sustainability-Linked debt instrument, REN will seek independent verification of our performance level against relevant KPIs and associated SPTs, by a qualified external reviewer with relevant expertise.

The verification of performance against the SPT will be made publicly available on our website.

4 External review

4.1 Second Party Opinion

ISS ICS will review the portfolio of Eligible Green Assets, as well as the alignment of REN's Integrated Sustainable Financing Framework with the Green Bond Principles 2021 (with June 2022 Appendix 1) and the Sustainability-Linked Bond Principles 2024, as published by the ICMA, the LMA's Green Loan Principles, 2021, and Sustainability-Linked Loan Principles 2023.

ISS ICS will provide a Second Party Opinion (SPO) that will be made available on REN's website.[61]

4.2 Limited Assurance

REN intends to obtain a limited assurance report by its auditor on the allocation of each Green Financing Instrument's proceeds. This report will be incorporated within the REN Sustainable Financing Report.

[61] Available at: https://www.ren.pt/en-gb/investors/debt-and-rating

Disclaimer

THIS DOCUMENT IS INTENDED TO PROVIDE NON-EXHAUSTIVE, GENERAL INFORMATION. THIS DOCUMENT MAY CONTAIN OR INCORPORATE BY REFERENCE PUBLIC INFORMATION NOT SEPARATELY REVIEWED, APPROVED OR ENDORSED BY REN AND ACCORDINGLY, NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY REN AS TO THE FAIRNESS, ACCURACY, REASONABLENESS OR COMPLETENESS OF SUCH INFORMATION.

THIS DOCUMENT MAY CONTAIN STATEMENTS ABOUT FUTURE EVENTS AND EXPECTATIONS THAT ARE FORWARD LOOKING STATEMENTS. NONE OF THE FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS IN THIS DOCUMENT SHOULD BE TAKEN AS FORECASTS OR PROMISES NOR SHOULD THEY BE TAKEN AS IMPLYING ANY INDICATION, ASSURANCE OR GUARANTEE THAT THE ASSUMPTIONS ON WHICH SUCH FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS HAVE BEEN PREPARED ARE CORRECT OR EXHAUSTIVE OR, IN THE CASE OF THE ASSUMPTIONS, FULLY STATED IN THE DOCUMENT. REN HAS AND UNDERTAKES NO OBLIGATION TO UPDATE, MODIFY OR AMEND THIS DOCUMENT, THE STATEMENTS CONTAINED HEREIN TO REFLECT ACTUAL CHANGES IN ASSUMPTIONS OR CHANGES IN FACTORS AFFECTING THESE STATEMENTS OR TO OTHERWISE NOTIFY ANY ADDRESSEE IF ANY INFORMATION, OPINION, PROJECTION, FORECAST OR ESTIMATE SET FORTH HEREIN CHANGES OR SUBSEQUENTLY BECOMES INACCURATE.

THIS DOCUMENT IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL OR FINANCIAL ADVICE. IT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SELL OR ANY SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OR A RECOMMENDATION REGARDING ANY SECURITIES, NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER AND IT HAS NOT BEEN APPROVED BY ANY SECURITY REGULATORY AUTHORITY.

THE DISTRIBUTION OF THIS DOCUMENT AND OF THE INFORMATION IT CONTAINS MAY BE SUBJECT OF LEGAL RESTRICTIONS IN SOME COUNTRIES. PERSONS WHO MIGHT COME INTO POSSESSION OF IT MUST INQUIRE AS TO THE EXISTENCE OF SUCH RESTRICTIONS AND COMPLY WITH THEM.

THE INFORMATION IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED.

THE ADDRESSEE IS SOLELY LIABLE FOR ANY USE OF THE INFORMATION CONTAINED HEREIN AND REN SHALL NOT BE HELD RESPONSIBLE FOR ANY DAMAGES, DIRECT, INDIRECT OR OTHERWISE, ARISING FROM THE USE OF THIS DOCUMENT BY THE ADDRESSEE.