



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

Audit Committee Report on the Financial Year of 2015

I. Introduction

REN - Redes Energéticas Nacionais, SGPS, S.A. (REN) has adopted an Anglo-Saxon management and supervision model which consists of a Board of Directors and an Executive Committee as corporate management bodies and an Audit Committee to supervise and monitor the Company's business activity.

The REN Audit Committee consists of three independent members in compliance with criteria defined in Article 414(5) of the Portuguese Companies Code.

The members currently on the Audit Committee, elected at the General Meeting of 17 April 2015, are:

- Chairman: Mr. Manuel Ramos de Sousa Sebastião
- Member: Ms. Maria Estela Guedes Barbosa Rodrigues de Magalhães Barbot
- Member: Mr. Gonçalo Miguel Marques dos Santos Gil Mata

All the members of the Audit Committee comply with compatibility criteria for performing their respective duties as set out in Article 414-A(1) of the Portuguese Companies Code.

The Audit Committee's main powers, competences, and forms of organization are set out in the respective Internal Regulations.



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II. Audit Committee Activity during the Financial Year of 2015

In 2015, the Audit Committee held fourteen meetings, for which the respective minutes were drawn up. The three members of the Audit Committee were always present at the meetings.

At the invitation of the Audit Committee, also participating in these meetings whenever requested, were the CFO, the Head of the Internal Audit Department (GSAD-AI), the Statutory Auditor and External Auditor, the Company Secretary and the heads of REN's different departments. The Company Alternate Company Secretary provided secretary services at the meetings.

Based on the 2015 Activities Plan, the actions undertaken by the Audit Committee focused on the following areas:

- 1) Supervision of the Board of Directors' management of the company, and of compliance with the law and the Articles of Association;
- 2) Supervision of compliance with accounting policies and practices and of the legal review of accounts, external auditing and the process of preparation and disclosure of financial information;
- 3) Analysis of the activity and inspection of the independence of the Statutory Auditor and the External Auditor;
- 4) Company business with related parties;
- 5) Supervision of the activity of the REN Internal Audit Department (GSAD-AI)
- 6) Monitoring and inspection of the effectiveness of the internal control and risk management systems;
- 7) Reporting of irregularities.



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1) Supervision of the Board of Directors' management of the company and of compliance with the law and the Articles of Association

In 2015, the Audit Committee monitored the functioning of the corporate governance system implemented by REN.

Work carried out by the Audit Committee on compliance with the law and the Articles of Association, which always took into account the structure of Corporate Governance in effect at the Company, included the analysis and assessment of the conclusions of the Statutory Auditor and External Auditor, provided to the Audit Committee throughout the year.

The Audit Committee also monitored the evolution of legal and regulatory provisions as well as the relevant recommendations for it to perform its duties, especially those issued by the Portuguese Securities Market Commission (CMVM), more specifically by monitoring the activities described in more detail below of the Internal Audit Department (GSAD-AI), the Statutory Auditor and the External Auditor.

In 2015, the Audit Committee participated in actions to improve REN's corporate governance, more specifically through the setting up of two specialized committees within the Board of Directors – the Nominations and Appraisals Committee and the Corporate Governance Committee – which started work at the end of the year after the appointment of the Members of the Board of Directors who sit on these committees.

The Nominations and Appraisals Committee has two aims:

- 1) To support the Board of Directors in the preparation of succession plans for the executive members of the Board of Directors and provide recommendations on candidate profile for future appointments to the Board of Directors; and
- 2) To provide assistance to the Board of Directors in the appraisal of the overall performance of the Board of Directors, its executive members and the specialized committees.



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The aim of the Corporate Governance Committee is to support the Board of Directors in the preparation of the annual corporate governance report and, in general, compliance with legal obligations and the adopting of best practices in corporate governance.

With this initiative, REN continues to adjust its governance model to best practices and the recommendations of the Portuguese Securities Market Commission.

Furthermore, the Audit Committee received and analysed the minutes of meetings held by the Executive Committee in 2015.

During 2015, and at the request of the Remunerations Committee, the Audit Committee verified quantitative information on the Executive Committee performance assessment.

Also within the context of monitoring matters relating to Corporate Governance, the Audit Committee analysed the Corporate Governance Report for the financial year of 2015, and confirmed that this report includes the information required by Article 245-A of the Portuguese Securities Market Code and CMVM Regulation 4/2013.

2) Supervision of compliance with accounting policies and practices and of the legal review of accounts, external auditing and the process of preparation and disclosure of financial information

In this regard, Audit Committee meetings were held with the Statutory Auditor and External Auditor, the CFO and the Heads of two departments, Accounting and Planning and Management Control.

Supervision of compliance with accounting criteria, policies and practices and the reliability of financial information was also conducted, through an analysis of the audit conclusions and assessments of procedures carried out during the financial year by the Statutory Auditor and External Auditor.

The Audit Committee analysed quarterly reports drawn up by the Statutory Auditor.



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The Audit Committee supervised the legal review and external audit to the accounting documents for the financial year of 2015. It concluded that these processes were suitably carried out and covered the activities required by Articles 446 and 451 of the Commercial Company Code (more specifically, with regard to the correctness of accounting records and supporting documentation, accounting policies and value criteria, accuracy of documents and legal certification of accounts).

The Audit Committee issued an opinion on the Consolidated Accounts for the semester, also taking into consideration the reports produced by the Statutory Auditor and External Auditor.

Moreover, the Audit Committee analysed the Management Report for the financial year of 2015, as well as the proposals and individual and consolidated financial statements expressed therein, and as set out in the corresponding opinion, understands that they are in accordance with applicable accounting, legal and statutory provisions, and as such (i) expressed its agreement with the annual Management Report and accounts for the financial year, (ii) recommends their approval at the General Shareholder Meeting, and (iii) analysed and issued opinion in accordance with and for the purposes of Articles 423(F), 451 and 452 of the Commercial Company Code.

The Audit Committee participated at the Executive Committee meeting in which the Company's individual and consolidated financial statements for 2015 were analysed.

Access by the Audit Committee to financial information and the preparing of this information by REN Executive Directors was unhindered and no constraints were placed on the performance of its duties.

In light of the above, the Audit Committee considers that, during 2015, it implemented the measures required to monitor the process for the preparation and disclosure of financial information as followed by management.



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3) Analysis of the activity and inspection of the independence of the Statutory Auditor and the External Auditor

The Audit Committee performed its duty of main Company interlocutor with the Statutory Auditor and the External Auditor and as first recipient of the respective reports. The Audit Committee further ensured that all the necessary conditions were in place for them to conduct their work.

In 2015, the Audit Committee carried out an evaluation of the activity of the Statutory Auditor and the External Auditor, through regular monitoring of their activities, namely, through the analysis of periodic reports and overseeing the performance of audit and review services, as well as by assessing any changes in procedures recommended by the Statutory Auditor or the External Auditor.

The Audit Committee also conducted an annual assessment of the work carried out by the Statutory and External Auditors in 2015, considering that they provided their services in a satisfactory manner, complied with rules and regulations, including international auditing rules and that the required technical level was evident in their work. As such, a proposal to appoint new Statutory and External Auditors in this current term of office is not required.

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

Within the scope of compliance with the independence rules laid down for REN's External Auditor, in 2015, the Audit Committee monitored the provision by Deloitte & Associados, SROC, S.A., of non-audit services so as to ensure that no conflicts of interest arose in compliance with Portuguese Securities Market Commission (CMVM) Recommendation IV.2. This recommendation states that such non-audit services should



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not exceed 30% of the value of all services provided by the external auditor. In fact, they did not exceed 8.4% in 2015, approximately half of the 17% seen in the previous year.

The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of REN in terms of auditing, as well their complementarity regarding audit services, would justify such adjudication, especially because of the advantage offered in the associated cost control.

4) Company business with related parties

The 2015 Corporate Governance Report contains the description of the main elements of the business and operations carried out between the REN Group companies and holders of qualified shareholdings or entities with which they are in any relationship, under the terms of Article 20 of the Portuguese Securities Code.

In 2015, the Audit Committee conducted prior verification on twelve commercial trades, as the criteria arose in which such intervention is required, in accordance with Internal Regulations “Analysis and control of trades with related parties and prevention of conflict of interests.”

With no situations of conflict of interests being detected and after confirming compliance with rules on pre-contract and contract procedures and comparability with normal market conditions, the Audit Committee decided to issue the corresponding favourable opinions.

5) Supervision of the activity of the REN Internal Audit Department (GSAD-AI)

The Audit Committee supervised the activity of the REN Internal Audit Department (GSAD - AI), which reports functionally to the Audit Committee.

The work of the Internal Audit Department (GSAD - AI) was carried out according to its business plan, which was approved by the Audit Committee, which analysed the scope of



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the activities in question and the resources allocated to the Internal Audit Department (GSAD - AI). It also took the initiative of including additional activities in the plan which were considered relevant.

The duties undertaken by the Internal Audit Department (GSAD - AI) were regularly monitored by the Audit Committee, more specifically with regard to the conclusions on how risks relating to processes, systems and business units are managed and the corresponding proposals for improvements to the internal control and risk management systems. For this purpose, the Audit Committee has access to all the reports prepared by the Internal Audit Department (GSAD - AI), which include matters relating to the submission of accounts, potential conflicts of interest and the detecting of possible irregularities.

Whenever deemed suitable, the results of the work done by the Internal Audit Department (GSAD-AI) were reported to the Executive Committee, the Board of Directors, the Statutory Auditor and the External Auditor, in line with the competences of each of these bodies in the management and supervision of Company business and so as to be able to be considered in financial information and the Company's internal control system.

Also with regard to the monitoring of the effectiveness of the internal control and risk management systems, the Audit Committee met with the Statutory Auditor, the External Auditor and the Executive Directors responsible for the respective areas, so as to ensure the compliance of the internal control and risk management systems at the different Group companies with best practices.

As such, the Audit Committee analysed the reports drawn up by the Statutory Auditor and the External Auditor and transmitted the conclusions which were considered relevant to the REN management bodies.



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In 2015, scheduled audits were conducted in operational and support areas, and the established programme was complied with. The goal in all audits was to give due attention to the following aspects:

- 1) Assessment of internal control systems;
- 2) Compliance with established procedures with regard to the delegation of duties;
- 3) Integrity of the information produced and disclosed;
- 4) Efficient use of resources;
- 5) Effective control of processes;
- 6) Verification of compliance with legislation and regulations; and
- 7) Assessment and minimizing of the risks identified.

In summary, the Audit Committee considers that Internal Audit has performed its duties with impartiality and professionalism and, as such, has sought to bring added value to the performance of REN.

6) Monitoring and inspection of the effectiveness of the internal control and risk management systems

The Audit Committee, in line with its activity plan for the financial year of 2015, conducted several actions to monitor, inspect and assess the operation and suitability of the REN internal control, risk management and internal audit systems.

During 2015, the Audit Committee monitored and inspected the integrity and efficiency of REN internal control and risk management systems and that of internal audit, the creation and implementation of which are the responsibility of the Executive Committee and ultimately the Board of Directors. In this regard, the Audit Committee sent to the Executive Committee, the proposals to adjust the abovementioned systems which are considered necessary.

The Audit Committee considers that REN has implemented a series of changes to its internal control and risk management systems, involving the components provided for in



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CMVM Recommendations. In its risk management process, it has also been guided by the rules of the International Organization for Standardization (ISO).

Equally relevant in this sphere is the activity of the Risk Management Committee, an internal structure whose mission is to support the Board of Directors in monitoring the REN Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management.

In 2015, the Audit Committee held two meetings with the Risk Management Committee, the first was on 30 July 2015 and the second on 10 December 2015.

7) Reporting of irregularities

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

In 2015, no potential cases of irregularities within the REN Group were reported to the Audit Committee.

Lisbon, 27 April 2016

Mr. Manuel Ramos de Sousa Sebastião (Chairman)

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

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