



Redes Energéticas Nacionais

Redes Energéticas Nacionais (“REN”)

Green Finance Framework

February 2021

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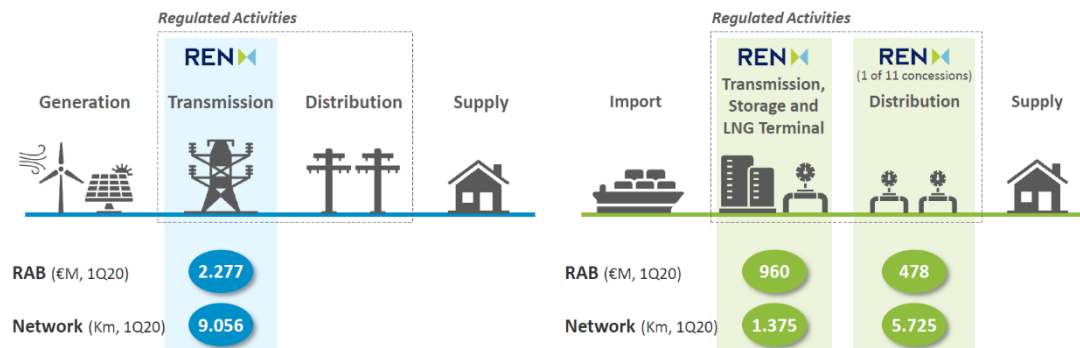
1. Sustainability at REN

Our commitment goes beyond our mission.

About REN

Redes Energéticas Nacionais (“REN”) is a Portuguese company (TSO – Transmission System Operator) whose core business is the transmission of electricity and natural gas. REN operates in two major business areas:

- **Transmission in very high voltage electricity and overall technical management of the National Electricity System**
 - REN is the sole Transmission System Operator (TSO) for Portugal (concession until 2057)
- **Transmission of high-pressure natural gas and overall technical management of the National Natural Gas System, guaranteeing the reception, storage and regasification of LNG and underground storage of natural gas**
 - REN is the sole Transmission System Operator (TSO) for Portugal (concession until 2046)



REN's mission is to ensure the uninterrupted supply of energy to the entire country, thus contributing to the development of communities and improved quality of life for the residents of Portugal. This is a task requiring ongoing effort and dedication. **Our commitment goes beyond our mission.** We believe in active corporate citizenship with significant involvement in the communities in which we work, from both a social as well as an environmental perspective. Taking on this commitment means that all REN activities are guided by principles of sustainability, adhering to stringent and measurable criteria, respecting standards of excellence without ever losing sight of the positive impact we wish to have on communities and ecosystems.

REN aims to be one of the most efficient energy transmission operators, while creating value to the parts - shareholders, workers, clients, local communities, partners and suppliers - 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 our control.

REN Sustainability Strategy

REN has a sustainability strategy aligned with the 17 Sustainable Development Goals (SDGs) created by the United Nations in 2015. All of REN's activities must be guided by sustainability principles to make these goals a reality. Starting with this principle, and with the topics of material relevance according to the stakeholder hearing held at the end of 2018 and completed in 2019, the sustainability strategy is based on four fundamental pillars with following strategic priorities:

1 Promoting internal welfare

Being recognised as a good place to work, by ensuring best management practices among our employees, fostering diversity and equal opportunities, and promoting occupational health and safety

- **Gender Equality** | In 2019, REN had 27% of women in 1st and 2nd line management positions
- **Training** | In 2019, REN gave to its employees a total of 29,858 hours of training which comprises around 43.46 hours per employee



27% of women in management positions

2 Stakeholder engagement and satisfaction

Encouraging engagement with stakeholders, striving for their satisfaction, while simultaneously ensuring the safety, reliability, quality and supply of electricity and natural gas

- **REN Award** | Award to the best Master and Doctoral theses in energy in Portugal
- **AGIR Award** | Support projects which solve social problems
- **MEDEA Project** | National high school contest in the area of electromagnetic fields
- **SHARE Program** | REN corporate volunteer program



24% of employees engaged in corporate volunteering

3 Environmental protection

Being recognised as an environmentally responsible company, by acting according to best environmental management practices and playing a proactive role in fighting climate change

- **"Heroes of all species"** | Educational program on biodiversity for 3rd and 4th grade students
- **Reforestation program** | Reforestation of right of way passages with native species
- **REN's Chair in Biodiversity** | Together with the Science and Technology Foundation and the University of Porto



More than **1m indigenous trees** planted since 2010

4 Governance & ethics

Aligning the company's activities with best international governance and ethics practices, by involving the company's stakeholders and promoting a culture of fighting corruption and absence of risk control


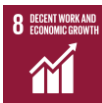












- **United Nations Global Compact** | Founding member. REN adopted the 10 principles related to human rights, labour practices, environmental protection and anti-corruption
- **CEO Guide to Human Rights BCSD Portugal** | Agreement in defense of human rights and improving people's living conditions



CSR management system **certified**

REN's commitment towards the United Nations Sustainable Development Goals ("SDG")

REN is committed to respecting the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations. Fully aware of this commitment, REN 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 strategic pillar are as follows:

| REN Sustainability Pillar | 2019 Initiatives | UN SDG |
|---|--|---|
| Promoting internal welfare | NÓS programme: As part of this programme, which pursues actions to foster well-being within the company and quality of life, diversity and inclusion and personal fulfilment helping to conciliate personal and professional life while improving the overall satisfaction of employees, in 2019, 32 initiatives were undertaken involving 526 REN employees in line with the programme's three pillars: Balance, Equality and Inclusion |    |
| Stakeholder engagement and satisfaction | REN AGIR: In 2019, the 6th REN AGIR Award, dedicated to fighting early school leaving and promoting academic success, rewarded the work of several of the 47 applications submitted |     |
| Environmental protection | "Heroes of Every Kind": With respect to environmental protection, of special note is the "Heroes of Every Kind" programme, an educational initiative for 3rd and 4th year children all over the country, involving five primary schools in 2019. More than 500 students from the north to the south of the country participated in this REN Project in partnership with the Ministry of Education and the Ministry of the Environment and Energy Transition |     |
| Governance & ethics | <p>Portuguese Network of the United Nations Global Compact: As a founding member of the Portuguese</p> <p>Network of the United Nations Global Compact, a commitment which has been in place since 2005, REN has implemented</p> <p>an action plan in recent years to reduce its direct emissions, particularly with regard to emissions of sulphur hexafluoride (SF6), a gas used as an electrical insulator (dielectric) in high voltage equipment</p> |    |

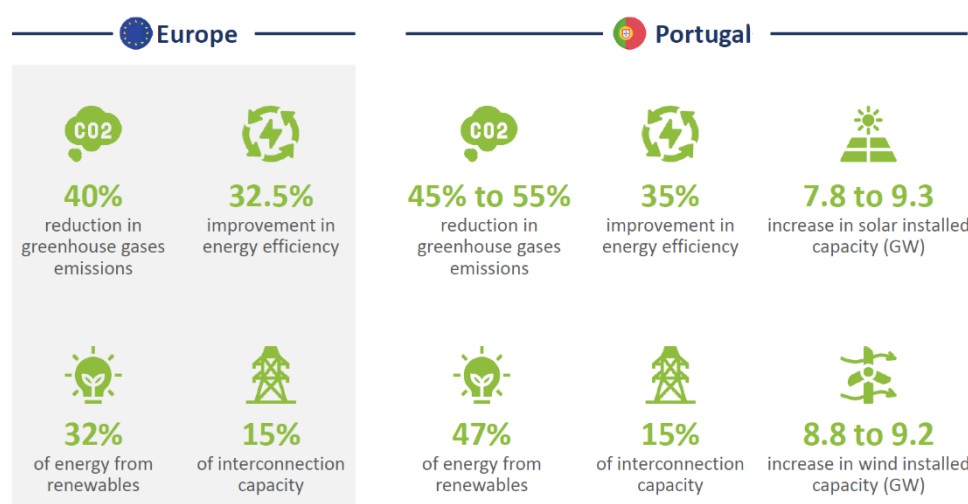
REN's initiatives to prevent Climate Change are aligned with environmental regulations

Alignment with European Energy Policy and Domestic Energy Policy

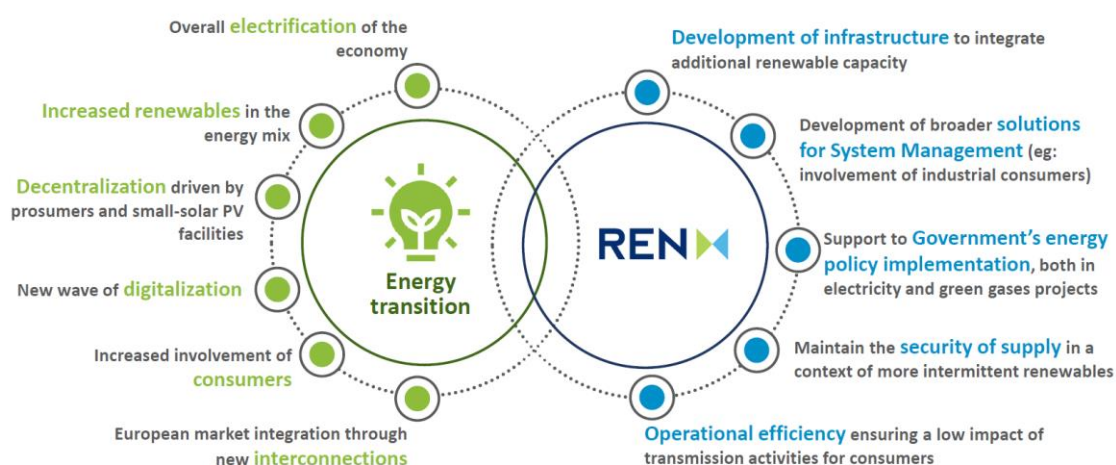
Throughout 2019, EU institutions continued to pursue the transition to cleaner energy and compliance with commitments made under the Paris Agreement to reduce greenhouse gases emissions and reinforce Europe's role in the fight against climate change. The conclusion of the Clean Energy Package for all Europeans marked a significant step towards the implementation of the Energy Union strategy, adopted in 2015.

During 2019, the Portuguese government strengthened its focus on energy transition with the aim of achieving carbon neutrality by 2050. New legislation published focused particularly on promoting the expansion of renewable sources, self-consumption and renewable energy communities and electric mobility. In the National Energy and Climate Plan 2030, Portugal commits to a share of 47% of renewable energies in final gross energy consumption by 2030, corresponding to a share of 80% in the case of electricity.

Below, the European and Portuguese **2030 targets** / goals are depicted on which REN aims to make a contribution:

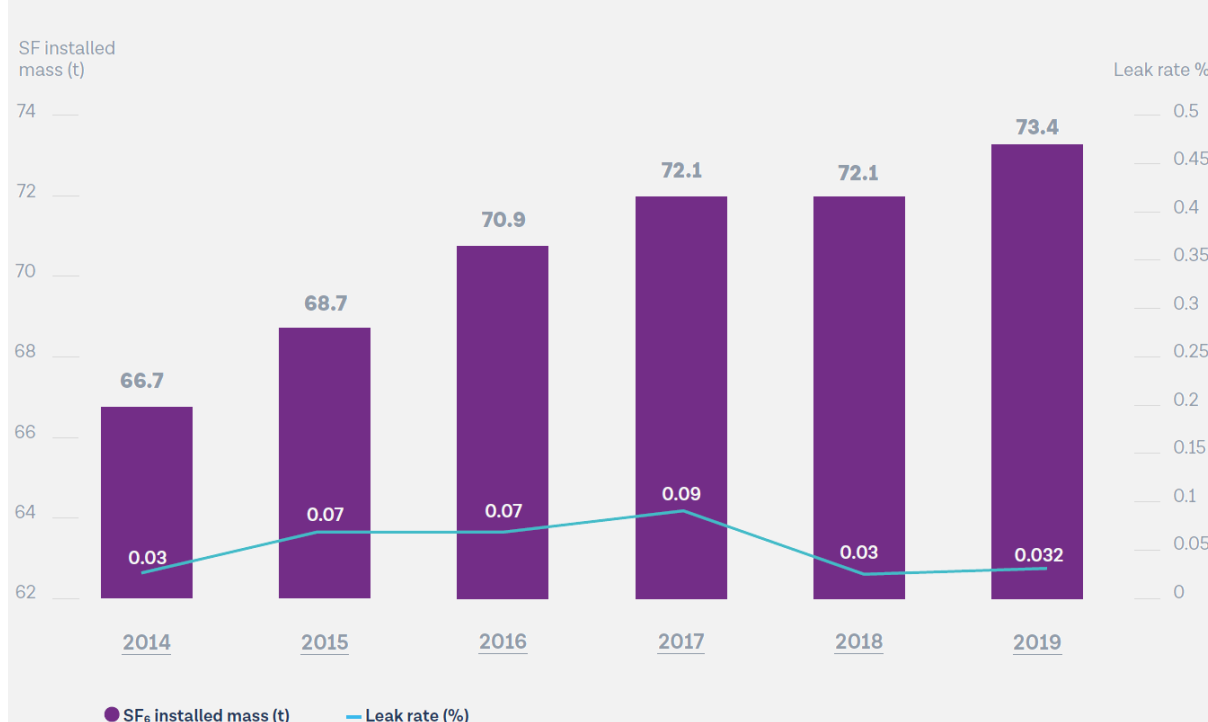


Building on these goals and targets, REN's **role in the energy transition and contribution** to the European Energy Policy and Domestic Energy Policy can be seen as follows:



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.

For example: In the area of preventing and controlling greenhouse gas emissions, over the course of recent years REN has implemented a strategy to minimize its direct emissions, namely with regard to emissions of sulphur hexafluoride (SF₆), a gas used as an electrical insulator (dielectric) in different high and very high voltage equipment. In 2019, the leak rate was maintained at practically the same level. The company’s efforts to reduce SF₆ leakages is reflected in the evolution of the leakage rates for this gas, with results considered to be highly positive from a technical viewpoint on an international level.



In addition, to learn about best practices in handling this gas, REN attends international working groups where these issues are discussed. REN also strives to minimise its environmental impact associated with greenhouse gas emissions by implementing different measures, in particular:

- Control of natural gas purges which occur along the gas network;
- Preventive maintenance of infrastructures, responsible for the largest amount of CO₂ equivalent indirect emissions into the atmosphere and for the direct emission of SF₆;
- Decrease in indirect emissions associated with Group employees' travel by arranging videoconferences whenever possible between the various facilities and international meetings;
- Promoting and incentivising train rather than light vehicle travel for work-related journeys

Transparent relationships with investors

REN is also committed in keeping transparent relationships with its investors, in what relates with its climate change strategy. Since 2009, REN responds to the CDP's Investors 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 2019, REN's response was scored C (awareness), being in line with the worldwide electric utilities sector.

REN's global scope 1 emissions were 22 812 t CO₂eq, and mainly due to the methane emissions from self-consumption of natural gas in the boilers installed in its gas regulating and metering stations, needed to increase or decrease pressure in the natural gas pipelines.

Global scope 2 emissions (232 200 t CO₂eq) are mainly due to grid losses in the electricity transmission network, being calculated using the mean emission factor for the Portuguese energy mix.

In 2019, REN became one of the Portuguese signatories of the "Business Ambition for 1.5 °C" commitment letter, an initiative of the United Nations that challenges companies worldwide to create measures to combat climate change.

The challenge put forth by the Secretary General of the United Nations, follows the "Global Warming of 1.5 °C", a report presented by the Intergovernmental Panel on Climate Change (IPCC) that addresses the negative impacts and risks arising from rising temperatures and warns of the urgency of creating measures to prevent this warming.

The document, which was already signed by several leaders and prominent companies from around the world at a ceremony in New York last September, integrated in the Climate Week, and which was formalised today in Portugal by 20 companies, encourages organisations to truly commit to the preservation of the planet, with the definition of specific goals that must be achieved in terms of reducing greenhouse gas emissions, crucial to curbing global warming. More specifically, the reduction of emissions to limit the increase of the planet's temperature to 1.5 °C.

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, in order to avoid global warming above 1.5 °C.

All actions defined under this commitment, and their results, will then be validated by an independent organisation, the Science-Based Targets initiative, and seek to contribute to control global temperature.

Environmental management at REN

Environmental policy REN

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 natural 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 GHG emissions
- Energy management and renewable energy
- Electromagnetic fields

Environmental Assessment

REN uses different environmental assessment instruments and processes according to the different phases of its activity: planning, design and construction, operation, maintenance and decommissioning.

The Strategic Environmental Assessment is a recent environmental policy instrument designed to ensure an assessment of the environmental consequences of certain plans and programmes and their prior adoption.

REN's Investment and Grid Development Plan, for both the electricity and natural gas is subject to SEA, as this plan constitutes the global framework from which REN's projects, namely those that are obliged to mandatory environmental impact assessment (EIA) are derived.

Environmental Impact Assessment (EIA) is a tool which is used on the majority of the utility infrastructure projects where REN is the promoter. The EIA process consists of different stages, that are defined in the following diagram.

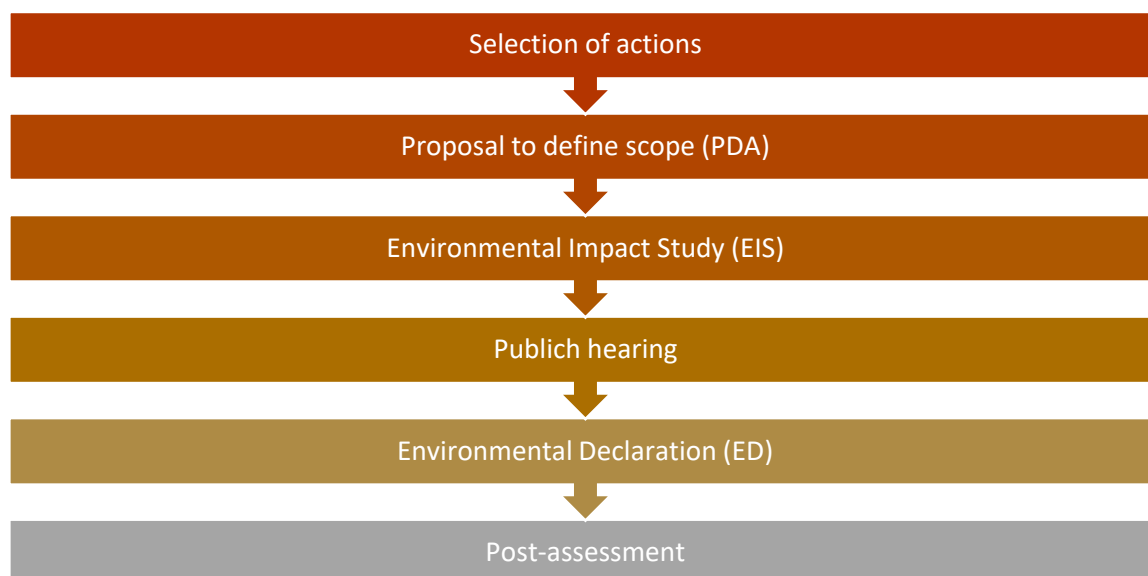
Only after the emission of an individual Environmental Impact Statement by the Portuguese Environmental Agency (APA), the permitting process may be concluded, granting the authorization for building a determined infrastructure.

After building an infrastructure, and in order to verify the full extent of the mitigation or compensatory measures, APA also conducts post-evaluation audits.

During the operation and grid maintenance phase there is monitoring and supervision to ensure compliance with the aims and goals defined by REN and the Environmental Impact Statement.

In order to assure a high degree of environmental protection, REN has defined mandatory environmental technical specifications, which cover several environmental protections topics, for global use in all activities, and that are integrant part of all its tenders.

All of REN's activities and infrastructures are covered by means of insurance, regarding its environmental liability.



Biodiversity and ecosystem management

REN is deeply committed to the protection and sustainability of the Portuguese forest, since 60% 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, we have implemented a more active approach to the management of the protection/easement 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 Easement 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 conversion of the protection 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;
- 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 behaviors.

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). Among other initiatives, we successfully developed reforestation actions in Gouveia, Porto, Trofa and Pedrógão Grande and support projects connected to the protection of the forest, such as the Common Forest Programme (Programa Floresta Comum) and LIFE Elia.

The process to convert an easement corridor implies a change in the land use, for example to agriculture (vineyards, pastures, orchards) and the replacement of the existing forest species by species which make it possible to comply with the minimum safety distances. Reforestation is predominantly dependent on the season's climate and soil conditions, on the risk of fire and on its compatibility with the presence of the line (small size and slow growth).

Among the species proposed to landowners are Carob Tree, Holly, Holm Oak, English Oak, Pyrenean Oak, Portuguese Oak, Sweet Chestnut, Strawberry Tree, Walnut Tree, Olive Tree, Stone Pine, Willow and Cork Oak.

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.

Our approach has been receiving recognition from multiple entities as is already a reference concerning vegetation management. REN's project for the "Conversion of Easement Corridors" of its infrastructure was chosen as the reference project in the 2017 "[Good Practice of the Year](#)" award, in the Environmental Protection category. This Award is an initiative organized by the Renewables Grid Initiative, a collaboration of Non-governmental Organizations (NGOs) and multiple Transmission System Operators (TSOs) from all over Europe. Its goal is the promotion and development of transparent grids which are environmentally sensible, to enable the further steady growth of renewable energy and the energy transition.

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 2015](#), a publication of the United Nations.

REN - Redes Energéticas Nacionais signed an agreement with University of Évora for the study and conservation of animal communities under power transmission lines. This partnership was thought 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 SA, 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 few 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's Chair on Biodiversity

REN, together with the Science and Technology Foundation (FCT) and University of Porto (UP), have created a Chair in Biodiversity, to be taught at UP. The partnership between REN, FCT and CIBIO-InBIO (Centre for Research in Biodiversity and Genetic Resources, of University of Porto) reflects the commitment and endeavour of the three entities in this area.

The Chair is based on three pillars: monitoring, minimizing and offsetting impacts; population ecology; and citizenship in science. The first will conduct research in the field of assessment, monitoring, minimization and offsetting the impacts of energy transport networks on biodiversity, with particular attention to power lines.

The second pillar is devoted to analysing the demographic responses of species subject to unnatural mortality. This study may, in the future, help to define the circumstances in which significant minimization or offsetting efforts should be made and where to direct those efforts.

The third pillar focuses on citizenship projects in science (Citizen Science), a growing international trend, although still relatively small in Portugal. These projects have the dual objective of raising the awareness of citizens to the importance of scientific activity through their involvement in specific initiatives, and collecting relatively simple but useful data which would be difficult or too costly to collect by conventional means.

Furthermore, the REN Chair in Biodiversity will allow the work already developed to be systematized and disseminated: identify impacts on biodiversity; assess risks and adopt minimization measures; promote activities with positive impacts; integrate biodiversity into the company's activity and support nature conservation initiatives.

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 all of our electric appliances.

In the last decades, growing concerns have arisen in what concern extremely low frequency electromagnetic fields namely those produced by overhead power lines. These concerns led to the establishment of threshold levels considered by health authorities as safe for human.

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, which has as object of study, 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 school, in the home environment and in the vicinity of electric power transmission lines.

This initiative, in which the secondary and higher education 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 of electric and magnetic fields, for very low frequencies, which use in the course of the project. Each team creates a website dedicated exclusively to MEDEA, which presents all the results obtained, researches made and other information relevant to the draft final report. The teams with the best jobs are awarded annually. This award has been given in the last 11 years.

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

Energy management and renewable energy

Transmission lines are needed to ensure that electricity “travels” from the point where its generated to consumption points. Usually, distances involved extend over several kilometres, and as a mean of reducing energy losses, REN needs to build its infrastructures, as close as they can be from the generation points.

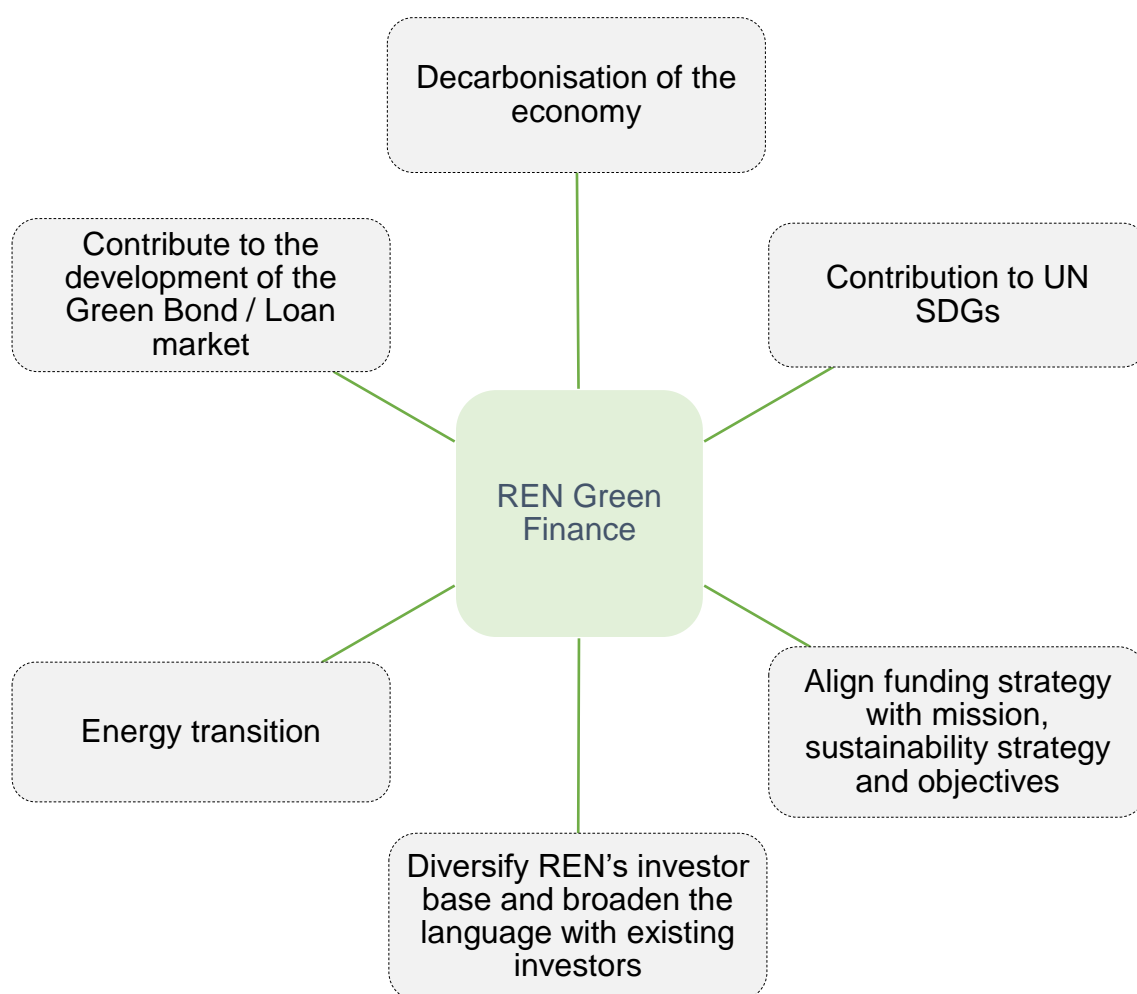
In recent years, the energy sector as seen a paradigm shift to cleaner and renewable energy sources, in an effort to cope with increasingly stringent targets for decarbonisation. In the last two decades, Portugal has strongly invested either in natural gas for energy generation, as in renewable energy sources, namely wind energy. As sole transmission system operator, REN has to ensure that its grid is able to accommodate the needs of the project promoters, and aligns its Investment Plan accordingly.

REN's rationale for green financing

REN believes that Green Finance 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 Green Finance 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 Green Bond / Loan market** and to the growth of SRI investing. Lastly, Green Bonds will help to **diversify REN Group's investor base and broaden the language with existing investors**. Under this Green Finance Framework, REN has the ambition to issue Green Finance Instruments 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. REN Green Finance Framework

REN has established this Green Finance Framework under which the Company intends to issue Green Finance Instruments, which may include bonds (including private placements), loans, promissory notes (Schuldscheindarlehen) and any other green finance instrument, to finance and / or refinance sustainable assets with a positive environmental benefit.

The International Capital Markets Association (“ICMA”) Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green financing instruments. The REN Green Finance Framework follows the ICMA Green Bond Principles (hereafter “GBP”) 2018 edition¹ as well as the LMA Green Loan Principles (hereafter “GLP”) 2020 edition², 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
4. Reporting

The Framework may be subsequently revised or updated as the green finance market continues to evolve, in order to reflect best market practice and in alignment with EU regulation developments, such as the EU Taxonomy and the EU Green Bond Standard.





REN follows the recommendation of the ICMA Green Bond Principles in relation to External Verification and has engaged ISS ESG to review and provide a Second Party Opinion on this Framework.

¹ To be found here: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² To be found here: <https://www.lsta.org/content/green-loan-principles/>



3. Use of Proceeds

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

| ICMA / LMA Green Eligible Category | Description Eligible Assets: Eligibility Criteria | Eligibility to Green Finance | Contribution to UN SDGs | Contribution to EU Environmental Objectives ³ |
|--|---|--|---|--|
| Renewable Energy | - Electricity grid assets built for the sole purpose of connecting renewable energy to the grid (including powerlines and related infrastructure such as substations) | 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 |
| | - Electricity grid assets aimed at integrating and enhancing the transmission capacity for renewable energy in the Portuguese electricity grid | Apply the renewable power generation capacity ratio in Portugal to the full electricity grid asset value ⁴ | | |
| Energy Efficiency | - Fibre optic cable and network assets | 100% |   | - EU Environmental Objective 1: Climate Change Mitigation (Article 10) - Substantial contribution to EU Objective 1: (1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3) (1.g) Establishing energy infrastructure required for enabling the decarbonisation of energy systems |

³ 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

⁴ The renewable power generation capacity ratio is defined as the renewables installed capacity versus all sources electricity capacity in the Portuguese transmission grid. According to the Portuguese Renewable Energy Association, in May 2020 the renewable power generation ratio in Portugal corresponded to 71.63%: <https://www.apren.pt/en/renewable-energies/production>

| | | | | |
|-----------------------------|---|-------------|---|---|
| Green Buildings | <ul style="list-style-type: none"> - New, existing and/ or refurbished office buildings which meet any of the following criteria: <ul style="list-style-type: none"> ▪ Office buildings belonging to top 15% low carbon buildings in Portugal defined via Energy Performance Certificates. Buildings with EPC label \geq "A" qualify ▪ Office buildings that have achieved or are in process of achieving an environmental certification such as: BREEAM certification "Very Good" and/or above ▪ LEED certification "Gold" and/or above ▪ DGNB certification "Gold" and/or above ▪ Any other comparable environmental certification - Refurbished buildings where the refurbishment results in energy savings of at least 30% | 100% |  | <ul style="list-style-type: none"> - EU Environmental Objective 1: Climate Change Mitigation (Article 10) - Substantial contribution to EU Objective 1: (1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3) |
| Clean Transportation | <ul style="list-style-type: none"> - Low-carbon transportation vehicles: fully electrified vehicles within REN's own fleet | 100% |  | <ul style="list-style-type: none"> - EU Environmental Objective 1: Climate Change Mitigation (Article 10) - Substantial contribution to EU Objective 1: (1.c) Increasing clean or climate-neutral mobility |

4. 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 mentioned in the Use of Proceeds section of this Framework.

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

- Expected eligible amounts;
- Eligibility Criteria described within REN's Green Finance Framework;
- Clear positive environmental contribution of the selected assets toward reducing CO2 emissions or facilitating the reduction thereof, if applicable.

In addition to ensuring that the assets financed and / or refinanced through the Green Finance 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 Green Finance 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.

Below we list some examples of relevant Policies and measures implemented by REN in order to ensure a proper mitigation of environmental risks:

- **Environmental Policy⁵:** REN acts in accordance with its Environmental Policy based on the commitments to protect the environment, mitigate the impacts of its activity, use natural resources rationally, prevent pollution and support the development of renewable energies, while conducting its business;
- **Strategic environmental assessment⁶:** 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;
- **Minimization measures⁷:** In the environment in which it operates, the REN generates various environmental impacts, although they are usually negligible, are subject to mitigation and monitoring measures necessary to guarantee the development of the company's activities in a sustainable manner.

⁵ https://www.ren.pt/en-GB/sustentabilidade/protecao_ambiental/politica_ambiental/

⁶ https://www.ren.pt/enGB/sustentabilidade/protecao_ambiental/politica_ambiental/avaliacao_ambiental/avaliacao_ambiental_estrategica/

⁷ https://www.ren.pt/en-GB/sustentabilidade/protecao_ambiental/politica_ambiental/avaliacao_ambiental/medidas_minimizacao/

REN complies with high sustainability and social standards, within its organization and when interacting with other stakeholders, ensuring to correctly address social risks. Please see below some examples of relevant Codes:

- **REN Group Code of Conduct⁸:** The Code of Conduct establishes the set of principles and values in terms of professional ethics that must be recognized and adopted by all workers at the service of REN;
- **Código de Conduta Empresas e VIH (REN Group Code and Principles):** In 2005, REN adhered to the ten principles of the United Nations Global Compact, of which it is a founding member of the Portuguese Network, committing itself to accept and "to incorporate the principles of the Global 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 Conduct⁹:** We promote and safeguard, strictly collaborating with our partners, principles of sustainable development, striving to continuously generate value for all our stakeholders.

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 recommendation of the EU Taxonomy in relation to 'Do No Significant Harm Assessment'. In the unlikely case of specific asset-related risks, REN intends to transparently inform investors within its Green Finance Report.

The REN Green Finance Working Group ("GFWG") will also be responsible to:

- Monitor the Eligible Green Asset Portfolio;
- Exclude assets that no longer comply with the Eligibility Criteria or have been disposed of and replace them, on a best efforts basis;
- As Green Finance Instruments mature, remove the oldest assets from the Eligible Green Asset Portfolio for an equivalent amount, to ensure that Green Finance Instruments continue to fund new assets;
- Validate annual reporting for investors;
- Maintain the Green Finance Framework up to date 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.

⁸ https://www.ren.pt/pt-PT/investidores/governo_da_sociedade/codigo_de_conduta

⁹ https://www.ren.pt/en-GB/o_que_fazemos/fornecedores/codigo_de_conduta_do_fornecedor

5. Management of Proceeds

REN intends to allocate the net proceeds from its Green Finance 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 Green Finance 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.

Activated eligible green assets shall qualify for refinancing without a specific look-back period¹⁰, provided that at the time of issuance they follow the relevant Eligibility Criteria. In case REN would select 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 Green Finance Instrument. REN intends 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 were 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.

¹⁰ In alignment with the recommendation of the EU Green Bond Standards Usability Guide, published in March 2020 (source: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en.pdf)

6. Reporting

REN will report on the allocation of net proceeds and associated environmental benefits annually until the proceeds of each Green Finance 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 website¹¹.

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;
- Where and if relevant, the breakdown per type of Eligible Green Assets.

Impact Reporting

REN intends to report on the environmental impacts of the Eligible Green Assets funded with the Green Finance Instruments proceeds through a dedicated impact report¹². REN intends to align, on a best effort basis, the reporting with the portfolio approach described in "Handbook – Harmonized Framework for Impact Reporting (April 2020)"¹³.

The impact reporting will provide:

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

| ICMA / LMA Eligible Category | Potential impact reporting indicators to be provided at Eligible Category level |
|------------------------------|---|
| Renewable Energy | <ul style="list-style-type: none">• Capacity (and production, if possible) of renewable energy connected in the grid (in MW)• Estimated avoided CO2 emissions (in tCO2e per year) |
| Energy Efficiency | <ul style="list-style-type: none">• Fibre optic cable and network assets<ul style="list-style-type: none">- Estimated avoided CO2 emissions (in tCO2e per year)- Energy consumption savings |
| Green Buildings | <ul style="list-style-type: none">• Average primary energy consumption savings (in MJ/m2) compared to the Portuguese average• Avoided CO2 emissions (in tCO2e per year)• Environmental certification type and level (if applicable)• EPC label (if applicable) |
| Clean Transportation | <ul style="list-style-type: none">• Number of electric vehicles acquired in REN's own fleet• Estimated avoided CO2 emissions (in tCO2e per year) |

¹¹ To be found here: https://www.ren.pt/en-GB/investidores/relacoes_com_investidores

¹² 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.

¹³ To be found here: <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/>

7. External review

Second Party Opinion

ISS ESG will review the portfolio of Eligible Green Assets, as well as the alignment of REN's Green Finance Framework with ICMA's 2018 Green Bond Principles and the LMA's 2020 Green Loan Principles. ISS ESG will provide a Second Party Opinion (SPO) that will be made available on REN's website¹⁴.

Annual Audit / Limited Assurance on the Allocation Reporting

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

¹⁴ To be found here: https://www.ren.pt/en-GB/investidores/relacoes_com_investidores

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