REN

CARRYING THE FUTURE

Report & Accounts

2020

2020 IN NUMBERS

REN The network of all networks.

REN Investidores

REN Energia

Access all the information on REN via
a single platform. Download our app at:

Available on the iPhone App Store

GET IT ON Google Play

ELECTRICITY AND NATURAL GAS INDICATORS

48.8TWh
Electricity consumption

66.9TWh
Natural gas consumption

59%
national supply
from renewable production
in 2020

25% hydroelectric

25% wind

6.5% biomass

2.6% photovoltaic

FINANCIAL INDICATORS

Investment
173.3M€
in electricity and gas

Average RAB
3,635.0M€

Net result
109.2M€

PERFORMANCE INDICATORS

697 - 25KH
Employees **of training**

117,262
Planted trees

REN

CARRYING THE FUTURE

More than just transmission, transport or distribution, we bring the skills and resilience of many together into a single purpose and will. Prioritizing excellence, safety, balance and quality, our ongoing goal for all our stakeholders is to be there for them when they need us. For all and for tomorrow, together we transmit, deliver and manage better energy, for a better future.

»FOR ALL AND FOR TOMORROW, TOGETHER WE TRANSMIT, DELIVER AND MANAGE BETTER ENERGY, FOR A BETTER FUTURE.«

01 MESSAGE FROM THE CHAIRMAN

02 APPROACH TO REPORT

03 REN AT A GLANCE

04 MANAGEMENT REPORT

05 SUSTAINABILITY AT REN

06 CONSOLIDATED AND INDIVIDUAL ACCOUNT

07 CORPORATE GOVERNANCE

ANNEXES

GLOSSARY

CONTACTS

01

MESSAGE FROM THE CHAIRMAN

Commitment means raising operational efficiency and providing an excellent service.

Together, for better energy for everyone.

CARRYING COMMITMENT

01
MESSAGE FROM THE CHAIRMAN

The first item on my letter which accompanied the 2019 Report and Accounts addressed the pandemic, which had just started. Nothing would lead us to believe that, exactly one year later, the situation would have become so serious.

We have experienced some very difficult days since February 2020. We went through a first wave of the epidemic, a second wave and then a third. In Portugal, hundreds of thousands of people have been infected and around 15,000 people have lost their lives. These numbers are just a part of the dramatic impact which Covid has had on our country.

At REN, despite the difficulties, we have managed to overcome all the operational challenges we have been faced with. We always combine our concern to fulfil our mission with ensuring the safety of both in-house and external workers. And like many other organizations, we have also helped the community face this still ongoing crisis.

Always in full compliance with recommendations from health authorities, we put extraordinary measures into place which helped us overcome the frequent obstacles we have encountered. We maintain the hope that the path ahead will now be more positive, and that communities all over the world come together to consolidate the successes we are achieving.

2020 will go down in our history forever as a year when we were taken by surprise by a disease which proved to be practically unstoppable, causing what would have previously been regarded as an unimaginable number of victims.

It was also a year when schools were forced to close on several occasions, we ceased to travel for work or pleasure, remote working became the norm for many people, and shops and establishments of all kinds were closed.

Home lockdown became a recurrent habit, stopping us from living our lives as we were used to.

At REN, we suffered as everyone did and several of our co-workers came down with Covid. We're happy to share with you the fact that all of our colleagues have recovered and are well. However, we cannot forget that the danger has not passed. Neither can we let this opportunity go by to thank all our teams for the commitment they have shown, and to extend our thoughts to all the families which have lost loved ones in the battle against this illness.

Our year was a constant struggle to preserve our capability to provide services.

In March and April, we were forced to interrupt the development of investment projects. Even during this short period of time, we did not neglect any critical activity and our quality of service always remained at levels of excellence.

In Portugal, as well as in Chile, despite facing the challenges we have mentioned, our operating and financial results were in line with or exceeded our expectations. Throughout the year, we always maintained the same focus and discipline for which we are recognized and in situations such as those we experienced in 2020, these capabilities proved to be particularly effective.

Gonçalo Morais Soares
CFO and member of the Executive Committee

Rodrigo Costa
Chairman of the Board of Directors and the Executive Committee

João Faria Conceição
COO and member of the Executive Committee

The most negative aspect which continues to persist is the Extraordinary Levy on the Energy Sector, a tax which absorbs around 30% of our net profits. 2020 was the seventh consecutive year where our company was subject to this tax, having already paid the Portuguese State more than180 million euros. This figure corresponds to almost two years of company profits, which impacts on our market value and constitutes a serious obstacle to our ability to invest.

Despite this situation, we remain committed to maintaining the company on its path to sustainability, counting on the support of all our shareholders, particularly, the most relevant.

The Report and Accounts which follows has all the information required for a detailed analysis of all our activity and results.

We hope that a reading of this document will help you evaluate our work, not just in 2020, but in the three-year period of the current Board of Directors.

We can see the plan we proposed, from 2018 to 2020, with its strategic objectives to comply with our operating responsibilities while also achieving economic and financial sustainability for the company.

We also complied with our remuneration aims for shareholders, with continued investment in our technical and management teams, and consolidated our presence internationally.

It is also important to note that our management has reflected compliance with the principles of the United Nations Global Compact, always following the best principles of corporate governance and observing the rules laid down by the regulators which oversee our work.

Thank you
Rodrigo Costa

02

APPROACH TO REPORT

Trust is shown every day by the commitment of our employees to supply a permanent service, 24 hours a day, 365 days a year.

Together, for better uninterrupted energy.

CARRYING TRUST

»REN'S MAIN ACTIVITIES ARE THE TRANSMISSION OF ENERGY AND THE MANAGEMENT OF ENERGY TRANSMISSION SYSTEMS.«

Proximity and resilience were the themes for 2020.

02 APPROACH TO REPORT

The aim of this report is to **provide transparent information** on economic, **social and environmental issues.**

This report brings together the information required to meet our legal and financial reporting obligations as well as our commitments to sustainability reporting. The aim of the report is to provide transparent information on economic, social and environmental issues which have been identified as most relevant to the company and its stakeholders. It also deals with corporate governance and ethics during 2020. Since 2010, REN has combined financial and sustainability reporting in a single document issued every year. The consolidated and individual financial statements for the financial year ending 31 December 2020 were approved by the Board of Directors at their meeting of 18 March 2021. The remainder of this report was also generally approved by the Board in 2021. It is the Board of Directors' opinion that the information in this report accurately reflects the financial position of the Group and its different subsidiary companies and provides a balanced overview of its present situation, policies, organization, practices and operating results in areas of sustainability considered to be most relevant in compliance with the reference Standards and Directives as implemented.

This report is complemented by the following publicly available information :

- Sustainability brochure 2020;
- Company Website.

Sustainability reporting

This report, as with previous reports, was drawn up in accordance with GRI (Global Reporting Initiative) guidelines, the international standard for the development of sustainability models and in accordance with the conformity option 'broad based'. Following GRI guidelines, an analysis was conducted of the materially relevant areas which provided the focus of the report on social, environmental and economic issues.

REN respects the commitment arising from having joined the United Nations Global Compact (UNGC) initiative in 2005 to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures.

This report is also the vehicle for this information and as such, the correspondence table between the content of this report and the GRI and UNGC references is included. Further information on the UNGC initiative can be consulted on the REN website (www.ren.pt).

REN satisfies the principles of standard AA1000AP (inclusion, materiality, responsiveness and impact). This report also demonstrates how these principles are incorporated into the management of our business, more specifically with regard to the information in Chapter 5. Equally relevant and taken into account are the principles of standard NP-4469-1, through which REN certified its Social Responsibility Management System.

Financial reporting

The consolidated financial statements have been drawn up on the assumption that operations are to continue using the accounting books and records of the companies included in the consolidation (Note 6). This accounting information is maintained in accordance with accountancy standards in effect in Portugal, adjusted during the consolidation process so that the consolidated financial statements are in accordance with International Standards on Financial Reporting as implemented throughout the European Union, in effect for financial years starting on 1 January 2020. Both the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC) and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standard Interpretation Committee (SIC), which have been implemented in the EU, should be understood as forming part of those standards.

The attached financial statements were drawn up in accordance with Portuguese law, including Decree-Law No 158/2009 of 13 July 2009, updated by Decree-Law No 98/2015 of 2 June and by Ministerial Implementing Order No 220/2015 of 24 July, and also in accordance with the structural concept, accountancy, reporting and other requirements applicable to the financial year ending 31 December 2020.

For further information on the principles and rules followed for financial information, please see Chapter 6.

The accounts were audited by Ernst & Young, Audit & Associados, SROC S.A..

Context of the Corporate Governance Report

REN considers corporate governance as a key feature in the active corporate citizenship followed by the group. It generates positive impact and is a reference in the communities and ecosystems where REN is involved, not just in respect of the form and content of the information provided to shareholders and the market, but also through the pursuit of professionalism and excellence in all our corporate bodies.

The Corporate Governance Report is drawn up in accordance with current legislation and regulations to which REN is subject in relation to the disclosure of information on corporate governance and as a company issuing shares traded on the regulated Euronext Lisbon market.

In line with other similar organizations, REN decided to implement the recommendations set out in the Code of Corporate Governance of the Portuguese Institute of Corporate Governance (IPCG). The most recent recommendations made in this code have been followed as a reference in this report, as have the standards on interpretation.

In the final part, the Corporate Governance Report includes an analysis of compliance with the IPCG code, with details of the terms of implementation for each recommendation.

Independent external verification

This document was verified by PwC, an external independent entity, in accordance with the principles of standard ISAE 3000 (International Standard on Assurance Engagements 3000). It also took into consideration the principles of standard AA1000AS (Accountability 1000 Assurance Standard - 2008), the GRI, the AA1000APS (Accountability Principles - 2018) and the Portuguese Standard NP-4469-1.

Coverage

This report covers the financial and sustainability performance of all REN Group companies from 1 January 2020 to 31 December 2020.

List of material aspects

In accordance with GRI requirements, this report focuses mainly on the issues identified as relevant in the materiality analysis. In line with GRI recommendations, REN has heard its stakeholders and taken into consideration other external and internal factors, such as sustainability references and reports. This material was used to sample materially relevant topics for purposes of sustainability management which are reflected in this report.

LIST OF MATERIALLY RELEVANT TOPICS

Environmental policy / Environmental management systems

- Energy efficiency
- Biodiversity
- Awareness and environmental training

Governance model

- Corporate governance
- Ethics and conduct
- Risk and crisis management
- Stakeholder engagement
- Anti-corruption

Health and safety at work

- Employee satisfaction and wellfare

Management of human capital and diversity

- Respect for human rights
- Management of human capital and training
- Diversity and equal opportunities

Impact on communities

- Support for Local communities

Safety, reliability, quality and guarantee of supply

- Innovation, research and technology
- Integration of energy markets
- Integration of renewable energies
- Quality of information on service

03

REN AT A GLANCE

Growth means contributing to energy transmission quality and to its sustainable and balanced evolution.

Together, for better energy for tomorrow.

CARRYING GROWTH

»REN OPERATES IN THE TRANSMISSION OF VERY HIGH VOLTAGE ELECTRICITY AND HIGH-PRESSURE NATURAL GAS.«

03
REN AT A GLANCE

REN's core business is the management of energy transmission systems and the company is present in the **electricity and natural gas markets.**

3.1. REN PROFILE

3.1.1. OUR WORLD

REN is one of the few operators in Europe with this characteristic. In more detail:

- In electricity, REN operates through the very high voltage (VHV) transmission and the general technical management (GTM) of the national electricity system, under a 50-year public concession service, which REN – Rede Eléctrica Nacional, S.A., a company wholly owned by REN, has held since 2007;
- In natural gas, REN operates through the high-pressure (HP) transmission and the GTM of the national natural gas system, from the reception, storage and regasification of liquefied natural gas to the underground storage of gas, under a 40-year public service concession which the REN Group companies, REN Gasodutos, S.A., REN Atlântico – Terminal de GNL, S.A. and REN Armazenagem, S.A., (respectively), have held since 2006.

Through REN Trading, S.A., REN manages the energy to be acquired from two electrical power producing centres, under power purchase agreements which were not subject to early termination.

Since 2002, REN has also been present in the telecommunications sector through RENTELECOM – Comunicações, S.A., established with the aim of using the surplus capacity of the safety telecommunications networks which are vital to electricity and natural gas transmission.

In November 2010, the Portuguese state awarded Enondas, Energia das Ondas, S.A., a company wholly owned by REN, a concession for wave energy production in a pilot area to the north of S. Pedro de Moel. The concession has been granted for a period of 45 years and includes authorization to build the infrastructures required to connect to the public power grid.

Group business functions are conducted by REN Serviços, S.A. (REN Serviços), more specifically, this includes support functions for the concession holders and with regard to back-office services. In addition to this support work, REN Serviços also operates as a commercial extension of REN, providing consultancy and/or engineering services to third parties within the energy sector.

In October 2017, the REN natural gas segment also came to include the natural gas distribution network in the northern coastal region of Portugal. This was a result of the acquisition by REN Gás, S.A. of all the capital of EDP Gás, S.G.P.S., S.A. and its subsidiary EDP Gás Distribuição, S.A. (now REN Portgás Distribuição, S.A.), under the public service concession, the contract for which was signed by EDP Gás Distribuição, S.A. with the Portuguese State on 11 April 2008 with validity until 1 January 2048.

This deal also included the acquisition of the subsidiary company EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A., but in July 2018 the shares representing all of the capital of the then REN Portgás GPL, S.A. were sold to ENERGYCO II, S.A.

At the end of 2018, the company REN PRO S.A. (REN PRO) was formed within the Group. The aim of this company is to differentiate support functions, which are more market directed, from functions more focused on regulated concessions. In addition to this aim, REN PRO also seeks to provide services of greater added value and potential for companies outside the REN Group, more specifically in communication and sustainability, marketing, commercial management, business development and consultancy and I.T. projects.

In October 2019, through its subsidiary with registered offices in Chile (Aerio Chile SpA and Apolo Chile SpA, a subsidiary formed in 2019), REN acquired Compañia General de Electricidad, S.A. and Naturgy Inversiones Internacionales, S.A., all of the capital of Empresa de Transmisión Eléctrica Transemel, S.A., a company which owns and operates 92 km of electricity transmission lines and five substations, located mainly in the north of Chile the income from which is approximately 93% regulated. This operation represented the second investment which the REN Group made in Chile (after the acquisition, in 2017, of relevant holdings of 42.5% in Electrogas, S.A.).

Corporate holdings

REN maintained its holdings in the following companies:

a) Further to the agreement between Portugal and Spain on the forming of an Iberian electricity market, REN has:

   i. holdings of 40% in OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. which in turn holds (i) 10% in OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A. (ii) 50% holdings in OMIP – Operador do Mercado Ibérico de Energia (Portuguese Hub), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. and (iii) 50% in OMI – Pólo Español S.A.;

   In turn, the company OMIP – Operador do Mercado Ibérico de Energia (Portuguese Hub), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. holds 50% of OMI CLEAR – Sociedade de Compensação de Mercados de Energia, S.G.C.C.C.C., S.A., with the remaining 50% held by OMI – Pólo Español, S.A.; and

   ii. 10% holdings in OMEL - Operador del Mercado Ibérico de Energía, Polo Español, S.A., the company formed under Spanish law which is the counterpart of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. These companies also have holdings (direct and/or indirect) of 20% and 10% in the capital of MIBGAS, S.A., respectively;

   OMEL – Operador del Mercado Ibérico de Energía, Polo Español, S.A. which in turn holds (i) 10% of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A., (ii) 50% in OMIP – Operador do Mercado Ibérico de Energia (Portuguese hub), Sociedade Gestora de Mercado Regulamentado, S.G.M.R., S.A. and (iii) 50% in OMI – Pólo Español S.A..

   Through these holdings, REN operates in the development of the energy market in the Iberian Peninsula.

b) MIBGAS, S.A., a company to which the main functions have been awarded of Operator in the Organized Gas Market or gas hub on the Iberian Peninsula, and in which REN, through its subsidiary REN Gasodutos, S.A., has holdings of 6.67%;

c) Coreso, S.A., a Belgian law based company with registered office in Brussels, is one of the European Regional Security Coordinators (RSCs) performing the duties attributed to these entities by European market and electricity system operation codes. REN – Rede Eletrica Nacional, S.A. currently has holdings of 7.90% in this company;

d) Hidroeléctrica de Cahora Bassa, S.A., the concession holding company operating the Cahora Bassa hydro-plant in Mozambique, and, in general, the production, transmission and sale of electrical power, including power import and export, where REN has direct holdings of 7.5%;

e) Red Eléctrica Corporación, S.A., a company operating Spanish electricity transmission system, where REN Serviços, S.A., a subsidiary of REN, has holdings of 1%;

f) Electrogas, S.A., a Chilean company which operates a key gas pipeline in central Chile, in which REN has had a 42.5% stake in capital since February 2017. The operation was finalised through a company with registered office in

Chile (Aerio Chile SpA), in which REN, through its subsidiary REN Serviços, S.A., owns 100%. This acquisition was an important milestone in REN's internationalization process (this was followed in 2019 with the acquisition of all of the equity capital in the Chilean company Empresa de Transmisión Eléctrica Transemel S.A.);

g) MIBGAS Derivatives, S.A., a company which manages the business of the organized market for natural gas futures products, LNG spot products and spot products in underground storage on the Iberian Peninsula since January 2018, in which REN has holdings of 9.7% through its subsidiary REN Gás, S.A..

3.2. CORPORATE BODIES, DEPARTMENTS AND OTHER MANAGING BODIES (31.12.2020)

CORPORATE BODIES

Board of the General Meeting

Pedro da Maia, *chairman*

Rui Pereira Dias, *vice-chairman*

The Board of Directors

Rodrigo Costa, *chairman*

João Faria Conceição, *member*

Gonçalo Morais Soares, *member*

Guangchao Zhu, *vice-chairman*

Mengrong Cheng, *member*

Lequan Li, *member*

Omar Al-Wahaibi, *member*

Jorge Magalhães Correia, *member*

Manuel Sebastião, *member*

Maria Estela Barbot, *member*

Gonçalo Gil Mata, *member*

José Luis Arnaut, *member*

Ana Pinho, *member*

Executive Committee

Rodrigo Costa, *chairman*

João Faria Conceição, *member*

Gonçalo Morais Soares, *member*

Audit Committee

Manuel Sebastião, *chairman*

Maria Estela Barbot, *member*

Gonçalo Gil Mata, *member*

Remunerations Committee

João Duque, *chairman*

José Galamba de Oliveira, *member*

Fernando Neves de Almeida, *member*

Corporate Governance Committee

José Luís Arnaut, *chairman*

Jorge Magalhães Correia, *member*

Lequan Li, *member*

Nominations and Appraisals Committee

Manuel Sebastião, *chairman*

Lequan Li, *member*

Omar Al-Wahaibi, *member*

Rodrigo Costa, *member*

Statutory Auditor

Ernst & Young, Audit & Associados, SROC, S.A., *effective*

Ricardo Miguel Barrocas André, ROC, *alternate*

Company Secretary

Marta Almeida Afonso, *effective*

Diogo Macedo Graça, *alternate*

DEPARTMENTS AND OTHER MANAGERS

Internal audit:
Hugo Domingos

Chief Technical Officer:
Zhang Xin

Electricity Unit

Holding:
Albertino Meneses

System Management:
Albino Marques

UN Natural Gas Transmission

Holding:
Paulo Ferreira

System Management:
Fernando Valter Diniz

UN Natural Gas Distribution

REN Portgás Distribuição:

Maria José Clara, *chair*

Victor Baptista, *member*

Nuno Fitas Mendes, *director*

Concession Support

Network Plannings:
Rui Marmota

Asset Management:
João Afonso

Investment:
Nuno Ribeiro

Regulation and Statistics:
Pedro Furtado

Operational Services:
Isabel Figueira

European Energy Agenda:
Maria José Clara

Operational studies and innovation:
Pedro Ávila

Support Duties

Investor Relations:
Ana Fernandes

Control, Accounting and Taxation:
Brígida Palma

Human Resources:
Teresa Barreiros

Institutional Relations:
Maria José Clara

Information Systems:
Inês Lucas

Buildings and General Services:
João Correia Botelho

Purchasing:
João Correia Botelho

Legal Services:
Marta Almeida Afonso

Financial Management:
Nuno Rosário

UN REN PRO

Business Planning and Development:
João Pedro Pires

Communication and Sustainability:
Margarida Ferreirinha

Commercial Management:
Isabel Fernandes

I.T. Consultancy and Project Management:
Inês Lucas

REMAINING UNS

RENTELECOM:

Rui Franco

ENONDAS:

Victor Baptista

REN FINANCE:

Nuno Rosário

TRANSEMEL:

Rodrigo Guerrero

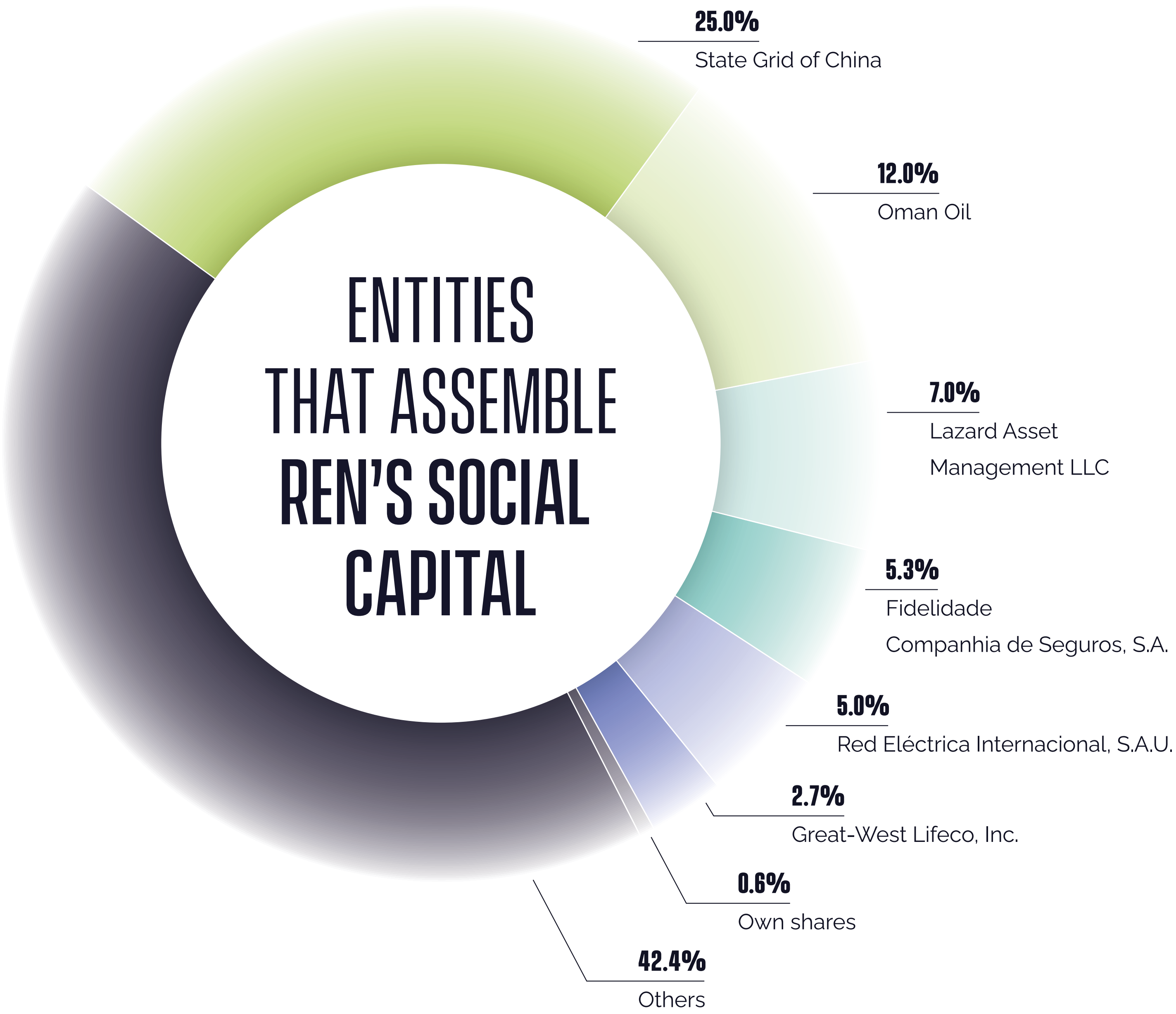
REN TRADING:

Nelson Cardoso

Tiago Andrade and Sousa

3.3. VOTING RIGHTS

SHAREHOLDER STRUCTURE AT 31TH DECEMBER 2020




REN

3.4. MILESTONES IN 2020

MAIN REN GROUP EVENTS

535.1M€

Investment in PDIRT2018-2027

55M€

Investment in PDIRT-GN2018-2027

01 JANUARY

New maximum historic in gas transmitted by the national network

On 24 January a new maximum historic in gas transported by the national network was registered, reaching 297.2GWh, exceeding the previous maximum of 275,3GWh registered on 5 December 2017.

The EllaLink Group signed an agreement with RENTELECOM to use dark fibre in Portugal and Spain to complete the interconnection of DataCenters between Europe and Latin America via an underwater cable which will connect Portugal to Brazil and which is to come online in May 2021. To provide this service in Spain, RENTELECOM formed a partnership agreement with its counterpart REINTEL in the REE Group.

02 FEBRUARY

The REN Chair in Biodiversity has now been running for five years

REN, in partnership with the Foundation for Science and Technology (FCT) and the University of Porto (UP), marked the five years of the REN Chair in Biodiversity, with the holding of the 3rd Symposium, in Lisbon.

03 MARCH

Approval for the start-up of EEGO, GO and CO activity

REN, as the Guarantees of Origin Issuing Entity (EEGO), received approval from the competent authorities to start the activity of issuing and managing Guarantees and Certificates of Origin (GO and CO).

04 APRIL

Support for the Portuguese pulmonary ventilator project

REN, EDP, the Calouste Gulbenkian Foundation and La Caixa/BPI became the first entities to support the Portuguese pulmonary ventilator project, developed at CEiiA in collaboration with the medical and scientific community in response to the national and global health emergency caused by COVID-19.

05 MAY

Regulation for the electricity sector until 2021 approved

ERSE - Energy Services Regulatory Authority, approved the extraordinary extension of the regulation period 2018-2020 of the electricity sector until 2021, with the consequent application in 2021, of the regulatory parameters approved for the regulation period 2018-2020.

REN joined Manifesto “Make the most of the crisis to launch a new sustainable development paradigm”, promoted by BCSD Portugal, together with another 64 companies, of which over half belong to the PSI20.

06 JUNE

Membership of the Association of Issuing Bodies

REN issued the first Guarantees of Origin (GOs), which certify electricity produced in Portugal from renewable energy sources.

REN joined AIB - Association of Issuing Bodies, an association which brings together alll the European entities responsible for certifying green energy.

The ratings agency, Fitch, kept REN's long-term rating at 'BBB' and reviewed the outlook from stable to negative.

07 JULY

H2 Sines project viability assessment proposal

REN, EDP, Galp, Martifer, Vestas and several European partners put forward a proposal to assess the viability of the H2 Sines project, which aims to implement an industrial cluster for the production of green hydrogen with a base located in Sines. This project is in answer to the challenge launched by the Portuguese Government under the National Strategy for Hydrogen.

08 AUGUST

Government approval for the National Strategy for Hydrogen

Community co-financing approved for the transmission network project to connect renewable power production centres located in the sea off the coast of Viana do Castelo.

On 14 August 2020, the Government approved the National Strategy for Hydrogen EN-H2 (RCM 63/2020).

Decree-Law No 62/2020 laying down the organization and operation of the National Gas System (SNG) was approved, as well as the respective legal regimes, including the new regulatory regime for the production of gases of renewable origin, including hydrogen.

On 24 and 25 August, the Portuguese Government successfully held the second photovoltaic plant capacity connection auction. As a result of this auction, capacity connection to the electricity network of 670 MW was allocated, broken down into 12 different batches and a new world record was reached with a price of €11.14 MW-hour (MW/h), in the fixed price mode.

09 SEPTEMBER

First cross-border exchange of electrical power

Portugal conducted the first electric power cross-border exchange of replacement reserves in Europe. This operation was carried out on the trans-European platform of the TERRE project (Trans-European Replacement Reserve Exchange), in which REN has participated since 2013.

10 OCTOBER

New maximum historic in natural gas consumption

REN came in 3rd place in the category of Energy, in the ranking of "Portugal's Most Attractive Employers 2020", an evaluation carried out by Employer Branding Universum.

On 16 October, the consumption of natural gas for electrical power production in the National System reached a new historical maximum, with a daily figure of 136.5 GWh.

S&P, the ratings agency, kept REN's long-term rating at 'BBB' and outlook at stable.

12 DECEMBER

REN commits to energy transition

REN, together with seven other TSOs (Transmission System Operators), took on the commitment to lead the energy transmission to a more sustainable and carbon-free world. This was the position communicated to its suppliers in a letter entitled "The Greenest Choice".

REN entered the IGCC project operation stage and now participates in the imbalance netting mechanism for mainland Europe electricity systems as provided for in the European balancing market code.

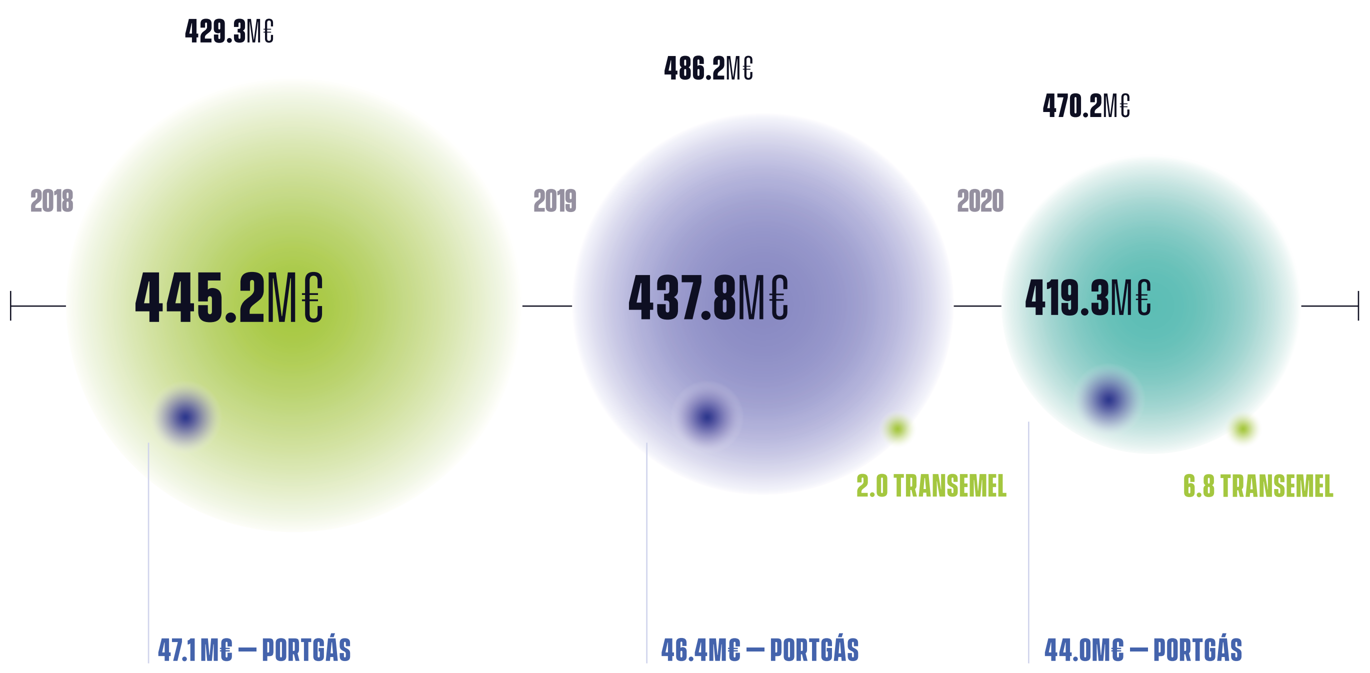
REN Gasodutos joined the European Clean Hydrogen Alliance, a European alliance whose mission is to promote the development and implementation of technologies to produce green hydrogen, on a Europe-wide scale.

3.5. MAIN PERFORMANCE INDICATORS

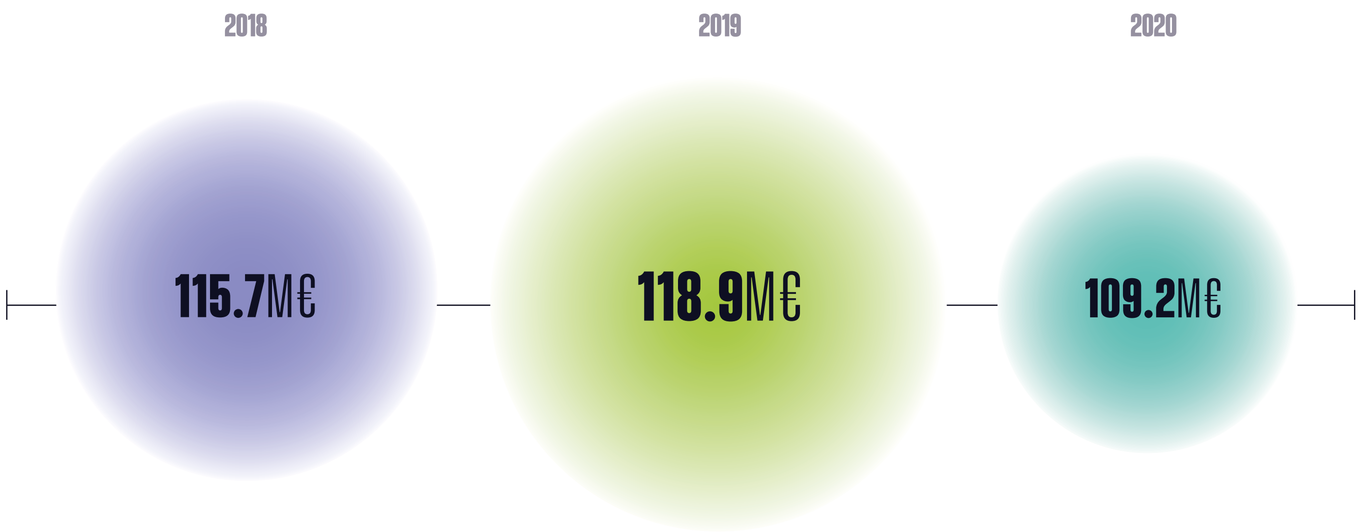
3.5.1. FINANCIAL INDICATORS

OPERATING PROFITS (M€)	2020	2019	2018	2017	2016	∆% 2020-2019
EBITDA	470.2	486.2	492.3	487.5	476.0	-1.2%
EBIT	229.0	250.6	257.2	265.5	261.3	-2.6%
Financial profits	-46.8	-52.5	-57.8	-61.2	-79.9	-9.1%
Pre-tax profits	182.2	198.1	199.5	204.3	181.4	-0.7%
Net income	109.2	118.9	115.7	125.9	100.2	2.8%
Recurrent net income	131.7	144.8	137.2	154.8	126.3	5.5%

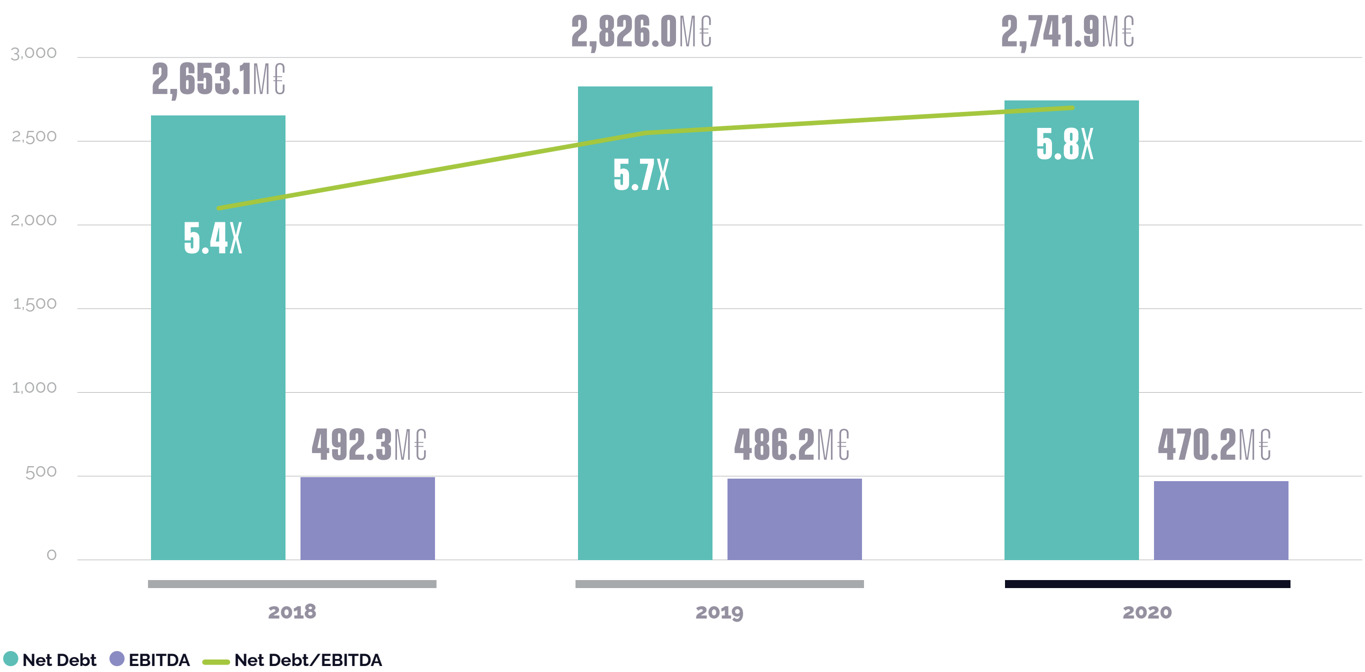
EBITDA



NET INCOME



NET DEBT/ EBITDA



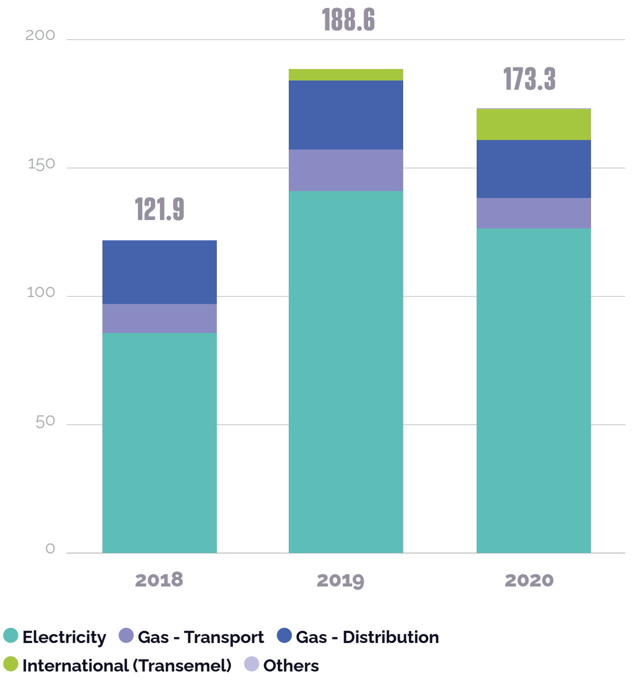
ASSETS, INVESTMENT AND DEBT (M€)	2020	2019	2018	2017	2016	Δ% 2020-2019
RAB Average rate of return, %	4.6%	5.1%	5.3%	6.1%	6.1%	-19.4%
Investment (Capex), millions of Euros	173.3	188.6	121.9	155.6	171.5	54.7%
Net debt, millions of Euros	2,741.9	2,826.0	2,653.1	2,756.2	2,477.7	6.5%
Net debt/EBITDA, x	5.83 X	5.74 X	5.39 X	5.30 X	5.20 X	0.35 X

INVESTMENT (M€)	2020	2019	2018	2017	2016
Electricity	126.4	140.9	85.6	134.8	157.5
Gas - Transmission	11.9	16.2	11.3	14.2	13.8
Gas - Distribution	22.6	26.9	24.9	6.3	0.0
International (Transemel)	12.1	4.5			
Others	0.3	0.1	0.1	0.3	0.2
TOTAL INVESTMENT	**173.3**	**188.6**	**121.9**	**155.6**	**171.5**

AVERAGE RAB (M€)	2020	2019	2018	2017	2016
Electricity	2,000.0	2,061.4	2,091.9	2,138.4	2,152.6
Hydro Land	217.9	230.4	242.9	255.6	268.3
Gas - Transmission	945.5	988.5	1,032.6	1,075.5	1,116.1
Gas - Distribution	471.6	464.9	456.1	455.2	-
TOTAL AVERAGE RAB	**3,635.0**	**3,753.3**	**3,832.0**	**3,924.7**	**3,537.1**

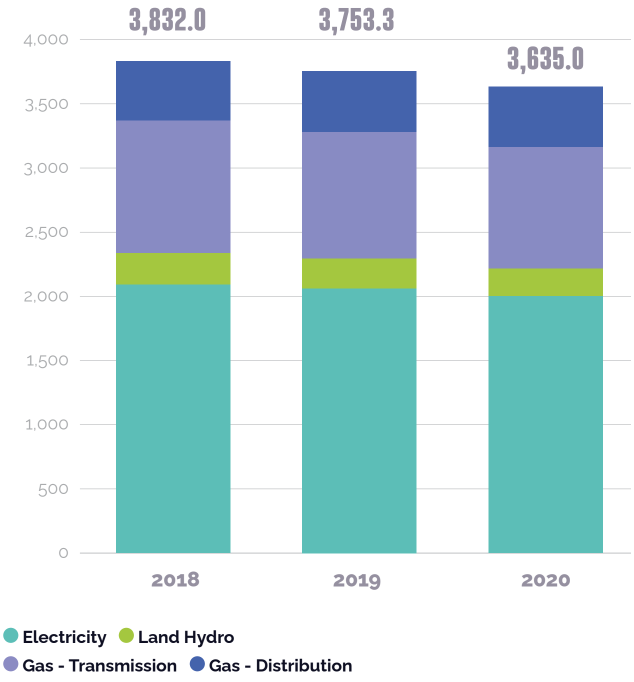
CAPEX

M€



AVERAGE RAB

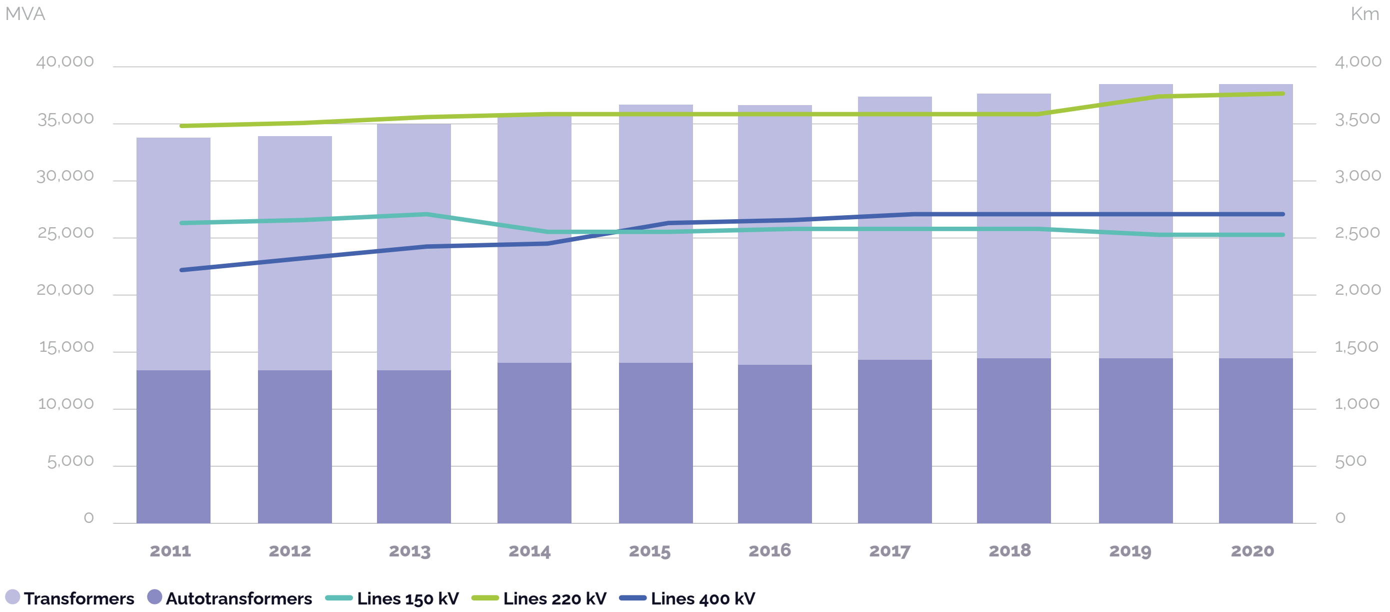
M€



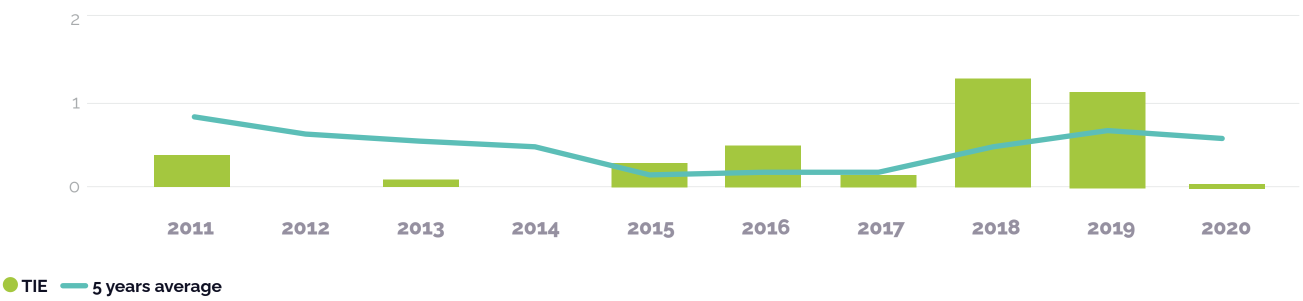
3.5.2. ELECTRICITY INDICATORS

TECHNICAL INDICATORS ELECTRICITY	2020	2019	2018	2017	2016
Consumption, TWh	48.8	50.3	50.9	49.6	49.3
Annual variation in electricity consumption, %	-3.1%	-1.1%	2.6%	0.7%	0.6%
Installed power, MW	20,413	20,218	19,969	19,789	19,519
Energy transmitted by the RNT, TWh	42.8	43.0	47.2	47.2	46.7
Length of lines, km	9,036	9,002	8,907	8,907	8,863
Transformation power (MVA)	38,463	38,463	37,638	37,382	36,636
Losses in energy transmission, %	1.84%	1.71%	1.66%	1.51%	1.72%
Equivalent interruption time, minutes	0.03	0.72	0.83	0.11	0.34

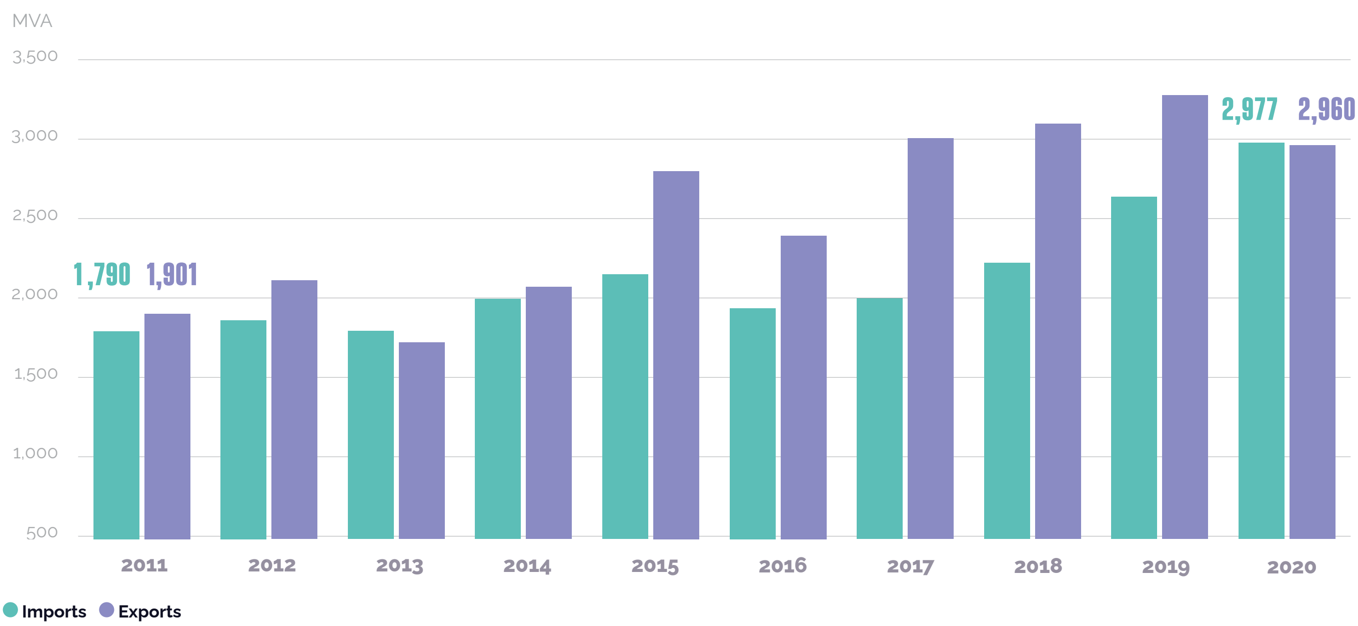
LINE LENGTH AND TRANSFORMATION POWER



EVOLUTION OF EQUIVALENT INTERRUPTION TIME (EIT) (MINUTES)



IMPORT AND EXPORT CAPACITY, MW

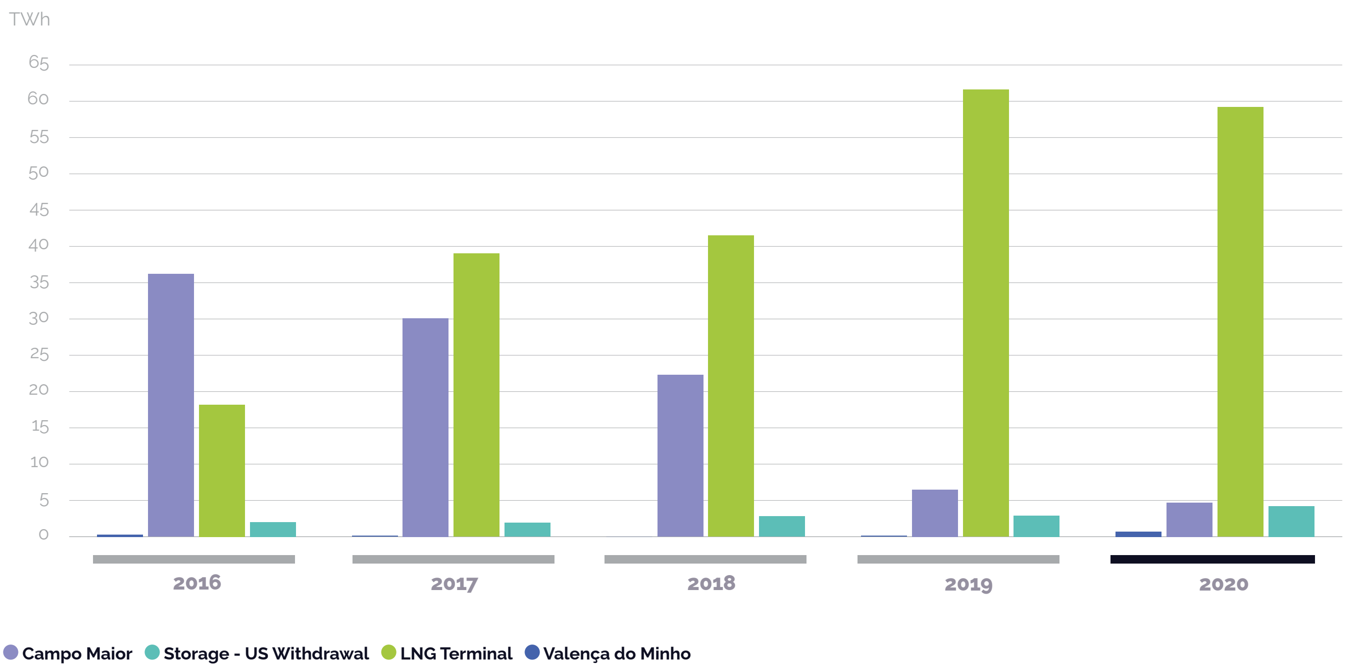


3.5.3. NATURAL GAS INDICATORS

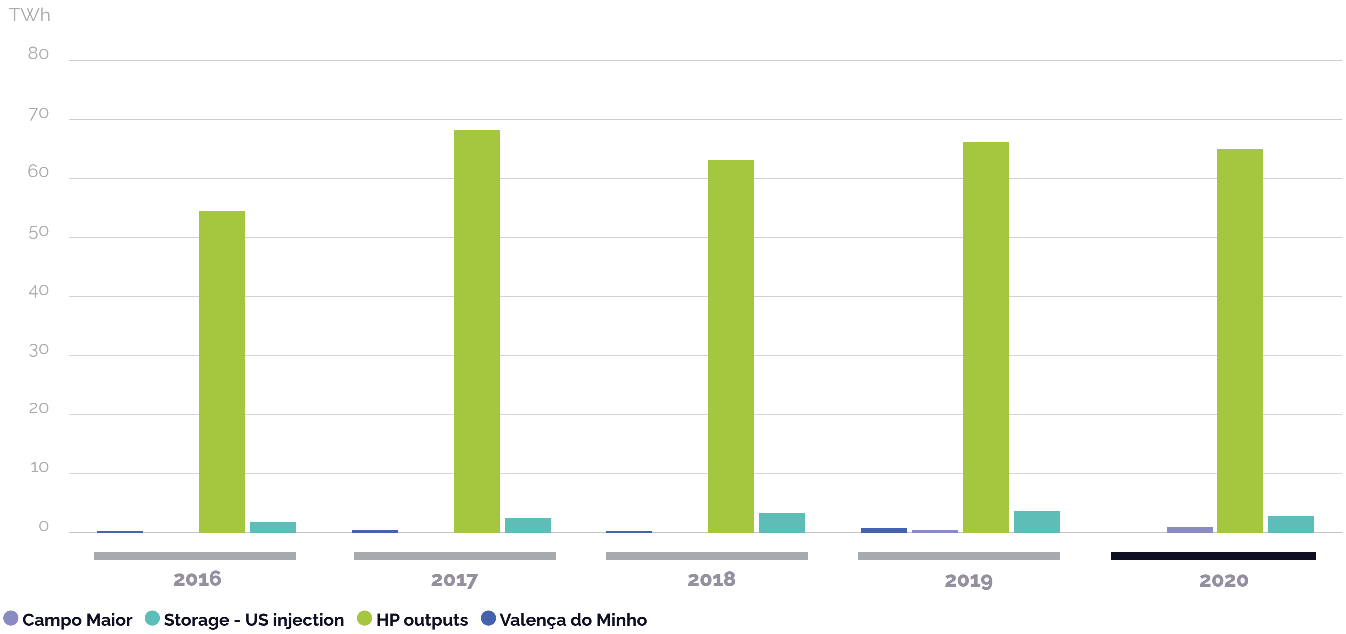
TECHNICAL INDICATORS — NATURAL GAS	2020	2019	2018	2017	2016
Consumption, TWh	66.9	67.9	64.8	69.7	52.2
Annual variaton in natural gas consumption, %	-1.6%	4.8%	-7.0%	24.8%	6.9%
Outputs from RNTGN, TWh	68.86	71.10	66.64	71.09	56.58
Length of high-pressure gas pipelines, Km	1,375	1,375	1,375	1,375	1,375
Underground Gas Storage Capacity, Mm^3(*)	300.0	300.0	300.0	300.0	300.0
Supply interruption duration per offtake (sido), minutes/offtake	0.00	0.00	0.02	0.00	0.00
Consumption supplied by REN Portgás Distribuição, TWh	7.3	7.3	7.3	7.2	7.1
Length of distribution network REN Portgás Distribuição, Km	5,897	5,705	5,486	5,267	5,085
Supply interruption duration per client REN Portgás Distribuição, minutes/client	3.85	10.13	1.92	1.73	4.47

(*) The volume indicated expresses the maximum capacity available for commercial purposes, which is conditioned by the specific thermodynamics of high-pressure, natural gas storage in salt caverns.

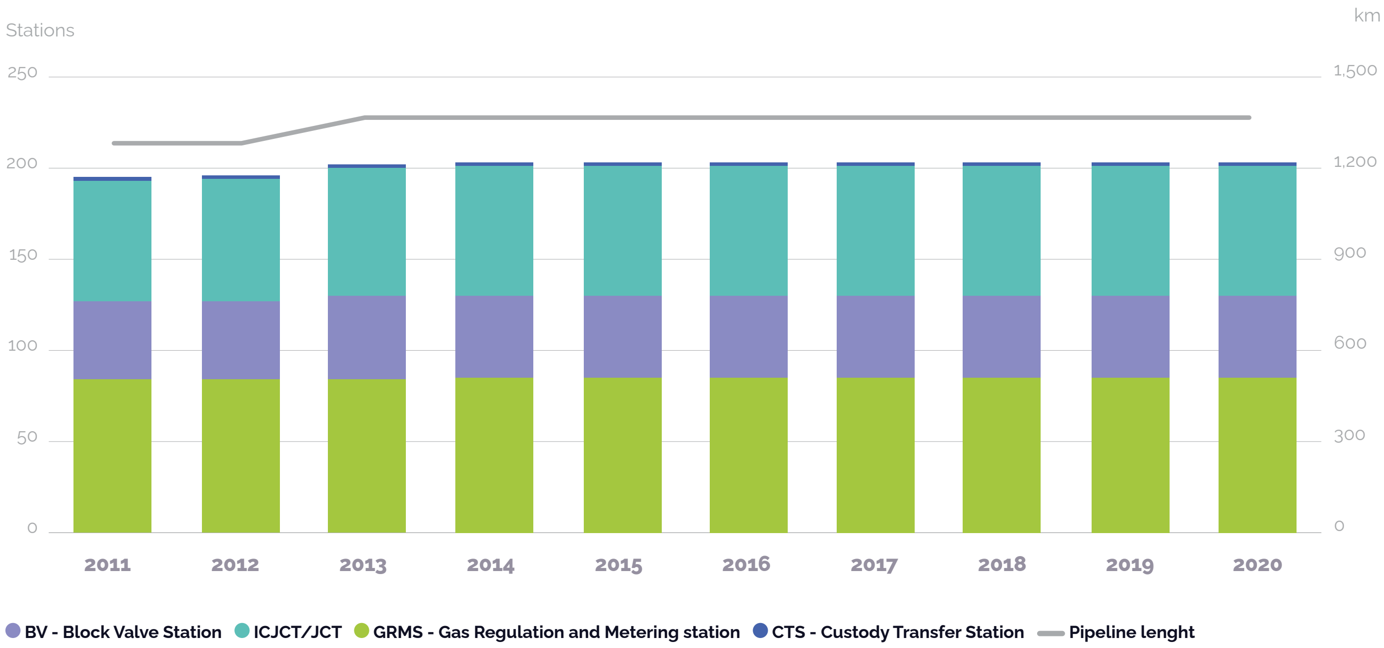
INPUTS TO RNTGN



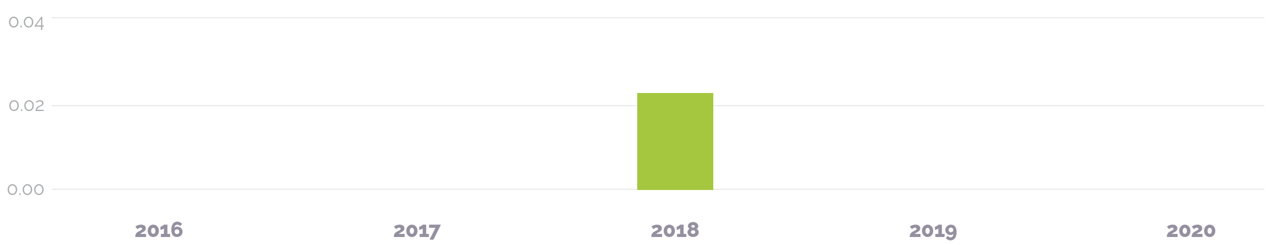
OUTPUTS FROM RNTGN



RNTGN - CHARACTERISTICS



AVERAGE TIME OF INTERRUPTIONS PER OUTPUT POINT (DIPS) (MINUTES/OFFTAKE)



"

IN 2015, REN SUBSCRIBED TO THE 17 SUSTAINABLE DEVELOPMENT GOALS.

3.5.4. SOCIAL AND ENVIRONMENTAL INDICATORS

In 2015, REN subscribed to the 17 Sustainable Development Goals (SDGs), created by the United Nations. With the goal of achieving the set targets, REN continues to promote, support and develop projects that have been identified as priority and that are aligned with the company's sustainability strategy and that are directly related to the SDGs that REN defined as critical: Quality Education; Gender Equality; Dignified Work and Economic Growth, Industry, Innovation and Infrastructures, Sustainable Cities and Communities; Climate Action; Protecting Life on Earth, Partnerships for Implementing Goals.

Based on the four pillars of the REN Sustainability Strategy (internal well-being; stakeholder involvement and satisfaction; protection of the environment; governance and ethics), these goals are achieved through a range of collaborative actions and projects. These include the different initiatives in the Junior Achievement Portugal (JAP) Programme, the EOIS project, the forest corridor reforesting programme "Planting Tomorrow Together", the MEDEA project, the AGIR Award, the REN Award and the REN Chair in Biodiversity, etc. REN's association with a number of leading companies in the forest industry should also be noted. These are non profit and R&D entities and the goal was to found the Association Forestwise - Collaborative Laboratory for the Integrated Management of Forest and Fire. This consortium is working in the development of projects for the enhancement of Portuguese forests by implementing strategies for the integrated management of forests and fire, with respect to Protecting Forests against Fires.

In order to achieve the goals which REN has committed to, it is necessary to set targets and objectives, but mutual help and human relationships are also crucial. The outbreak of the COVID-19 pandemic in 2020 on a national and international level, made the achievement of these goals a challenge of even greater complexity.
Throughout the pandemic, REN strengthened its commitment towards institutions around the entire country, contributing to the implementation of relevant solutions in the preservation of public health and the fight against COVID-19. In March, with the donation of 125,000 NK95 masks to the national health service, in May, with the delivery of around 75,000 individual protection masks to the Social Services of Valongo, Maia, Pombal and Lisbon, and of 2,000 masks to the Bucelas Day Centre, and in June with the donation of 30,000 masks to the Sines Santa Casa da Misericórdia. The financing of the ATENA project (first ventilators made in Portugal) and the contribution towards the purchase of diagnostic equipment for the Litoral Alentejano Hospital, to name just a few of our support actions, are also proof of such commitment.

Under the NÓS Programme, REN intends to ensure welfare, diversity and inclusion, personal accomplishment, work-life balance and general employee satisfaction in order for each individual to excel, one of REN's strategic priorities. During 2020, which was impacted by the management of the pandemic, 49 initiatives were undertaken involving 294 REN employees, as part of the the three pillars making up the programme: balance, equality and Inclusion.

Internal communication was reinforced, with programmes and initiatives to bring employees closer. The Nós, Mais Próximos initiative, at a time when a great number of employees were working from home, provided a series of online activities such as workshops, remotely taught fitness classes, also including several activities for the children of employees (yoga, dance, workshops), who were also on synchronous classes. Later, with a safe return to work of its employees in mind, in May REN created a good practices manual and a video setting out guidelines named 'REN, Returning in Safety. The COVID-19 page available on the intranet brought together, in a more direct and intuitive manner, a ranges of information on the topic: from guidelines and good practices for safety and hygiene to be followed, not only at work but also at home, to internal plans and procedures, and also multiple information published by national and worldwide health organisms, standards and applicable legislation, frequently asked questions and even news and internally published documentation on the novel Coronavirus.

One of the fundamental pillars of REN's sustainability strategy is involvement with the community, which has guided the company's action with respect to Social Corporate Responsibility.

In 2020, the 7th edition of the REN's AGIR Award, dedicated to promoting employment and professional integration of people in a vulnerable situation, awarded first prize, from 45 applications submitted to the "It's a Restaurant" project, run by the CRESCER Association (https://crescer.org/). This is a restaurant which employs homeless people, allowing them to benefit from social and psychological assistance, access to health care and housing, while also helping them integrate into the community . As a result of the Covid-19 pandemic, the restaurant adapted and started cooking and delivering food to other homeless people. Other winners were the "Network of Smiles" project, which seeks to help the homeless who are beneficiaries of the Platform + Employment, run by the Porto Santa Casa da Misericórdia (https://www.scmp.pt/) and the "TecMeUp" project, which supports people suffering from mental illness, providing them with greater independence, promoted by the São João de Deus Institute, (https://www.isjd.pt/). Since 2014, this award has directly benefited more than 6,511 people all over Portugal.

With regard to innovation and development in the Portuguese energy sector, in cooperation with educational institutions, a special mention should be made of the REN Award, the oldest scientific award in Portugal, which in its 25th year, saw 28 applications submitted. Created in 1995, the REN Award continues to demonstrate REN's commitment to accompany the transformations and developments which have shaped the energy sector, to foresee challenges, identify problems and propose innovative solutions.

The winning masters theses focused on topics related to converting photovoltaic generated energy with synthetic inertia, the issue of the security and stability of energy systems and new ways to analyse electric networks. Two other masters theses were recognized with honourable mentions.

Through its MEDEA Award and in partnership with the Portuguese Physics Society, REN once again recognized the work of outstanding school science projects in the subject of electromagnetic fields. In addition to gaining greater scientific knowledge and developing their critical thinking, students are also challenged to search for scientifically reliable information on the potential effects of electromagnetic fields on human health. At the 2020 awards, MEDEA saw participation by 48 teams, and first place was awarded to a team of students from the José Gomes Ferreira Secondary School, in Lisbon. Three teams with students from the Camilo Castelo Branco Secondary School, in Vila Nova de Famalicão, the Romeu Correia Secondary School, in Feijó, Almada, and the Rainha Dona Leonor Secondary School, in Lisbon were distinguished with honourable mentions.

In 2020, corporate volunteer actions were extensively affected by the COVID-19 pandemic. The suspension of some activities was compulsory, while others could to be monitored online. Some actions on REN's calendar did not take place or were suspended, such as the traditional Cleaning of the National Hunting Grounds of Mafra and the preparation of suppers at the Comunidade Vida e Paz, to name just two. Nevertheless, at the beginning of 2020, through the Corporate Volunteer Programme Share, REN carried out 19 volunteer initiatives involving 79 employees, which represents 11% of employees. Specific initiatives were defined for each of the three axes that guide the REN volunteer strategy: education, environment and social support.

In addition to volunteer actions, REN strengthened its support for institutions, increasing the amount of donations allocated in 2020, namely with regard to the fight against COVID-19.

In relation to education, of note was an increase in employee participation in entrepreneurship programmes for young people from the Junior Achievement Portugal project (41 employees). During the pandemic, this programme was adapted to an online format (www.japportugal.org). The REN Potential – Maths Tutoring initiative, a volunteer project fighting school drop out and lack of academic success, developed in partnership with EPIS - Empresários para a inclusão Social (www.epis.pt), also suffered in 2020 as the programme was forced to stop due to the closure of schools. Despite this, REN maintained its support and in September 2020, it restarted the programme with the Escalada de Pampilhosa da Serra group of schools, in an online format, having also offered the students of Seomara da Costa Primo

School, in Amadora, six computers allowing them to join the online classes. During the 2020 school year, this programme saw participation by 23 REN volunteers and the 2020/2021 edition enjoyed the participation of five more employees in relation to the previous year.

In relation to social support, of note was REN's participation fund. In total, 16 projects were selected, covering a total of nine districts and 14 municipalities, which benefited from REN's financial support under the company's Social Responsibility Policy and Sustainability Strategy, which supports local communities and environmental protection.

In 2020, REN once again took part in Giving Tuesday Portugal(www.givingtuesday.pt), a worldwide solidarity initiative that connects companies, social organizations and civil society to contribute with essential goods, an act of generosity, or simply donate one hour of time to a cause/institution. This year, having to adapt to circumstances, instead of face-to-face actions at REN's partner institutions, food, clothing, toys,

»REN STRENGTHENED ITS SUPPORT FOR INSTITUTIONS, INCREASING THE AMOUNT OF DONATIONS ALLOCATED IN 2020, NAMELY WITH REGARD TO THE FIGHT AGAINST COVID-19.«

and other essential goods were collected at the different REN facilities all across Portugal. In total, REN donated goods to the communities of the Vera Cruz de Gondomar Santa Casa da Misericórdia (http://www.misericordia-gondomar.pt/), the Bucelas Day Care Centre (www.iasfbucelas.pt), the Ermesinde Social Centre (https://www.cse.pt/), the Sines Food Bank (www.bancoalimentar.pt), ao Centro Paroquial da Ramada (https://centrocomunitariodaramada.org/), the São João de Brito Parish Centre (https://paroquiasjbrito.pt/centro-paroquial-de-sao-joao-de-brito/), the Champagnat Foundation (https://fundacaochampagnat.org/), the Banco do BÉBÉ (https://www.bancodobebe.org/), Lisbon City Council (https://www.lisboa.pt/), Cercisiago in Sines (https://www.sines.pt/pages/813?poi_id=38), and the "Trata-me por tu" Community Intervention Association in Vermoim and the Ilha Parish Social Centre, in Pombal.

Also within the social support axis, REN maintained its connection with Comunidade Vida e Paz, in the preparation of Christmas suppers for Lisbon's homeless people during the months of January and February. Also of special note was the support provided by volunteers, even during the pandemic, for the campaign to collect food for the Food Bank, and campaigns to collect clothing and toys for children, food and supplies for animals, held at the company's facilities, and support for the Gil Foundation home care project (https://fundacaodogil.pt/) and the association "Kastelo- No meio do nada".

In 2020, the "Em Linha" (Online) Project was continued with assistance from five REN volunteers who joined the Comfort Calls initiative run by the REN/EDP Retiree Association (www.arep.pt), which promotes interaction among former employees.

REN also partnered with the solidarity movement Emergência abem: COVID-19 which will help people to access health care who, due to the current situation, have specific needs caused by these difficult times.

During the Christmas period, and due to the difficult times the country is facing, REN strengthened its support for three institutions that play a particularly important role with people in need: APSA (the Portuguese Asperger's Syndrome Association (APSA), the Comunidade Vida e Paz and the Food Bank Federation/Entreajuda.

In relation to the environment, annual awareness raising actions to clean the National Hunting Grounds of Mafra (www.tapadademafra.pt), covering 16 hectares, and the cleaning of Belinho beach at the North Coast Nature Reserve, did not take place due to the pandemic.

In the field of sports, REN continued to support employees in their pursuit of different sports including mountain biking, triathlon and running. The company renewed its sponsorship of the APD Braga wheelchair basketball team and the wheelchair athlete João Correia. REN supported the activities of social institutions such as the Fifth Essence Association (www.quintaessencia.pt), whose mission is to maximise the autonomy and integration of people with cognitive impairment, and the Portuguese Asperger's Syndrome Association (www.apsa.org.pt) and its employability programme which aims to develop social skills to help inclusion and professional and social integration.
In this field, REN once again supported the "For a New Future" Concert by the New Future Association (www.novofuturo.org). Support for the arts, culture and education saw REN maintain its partnerships with the National Museum of Ancient Art(www.museudearteantiga.pt), the Serralves Foundation (www.serralves.pt) and the Arpad Szenes Foundation(www.fasvs.pt), where it is patron.

Due to the pandemic, the environmental protection programme Heroes of Every Kind (Heróis de Toda a Espécie) - an educational initiative for 3rd and 4th year children all over the country, did not take place. However, the website (www.heroisdetodaaespecie.pt) was constantly updated so it could be used by teachers and students. More than 500 students from the north to the south of the country have participated in person in this REN Project in partnership with the Ministry of Education and the Ministry of the Environment and Energy Transition.

Environmental protection has always been a constant concern for the company whose goal is to collaborate in the creation of a collaborative national forest cleaning network . As such, in July, we announced the planting of more than 30,000 native species in Penacova. In the same month, we donated seven vehicles to help in the defence of forests against fires to seven Volunteer Firefighting corporations (Alvalade - Santiago do Cacém, Águas de Moura - Palmela, Marco de Canaveses, Ponte de Lima, Salto - Montalegre, Sacavém - Loures and Terras de Bouro). A vehicle was also donated to the Forest Fire Research Centre (CEIF), at the Mechanical Engineering Department (DEM) of the Science and Technology Faculty of the Coimbra University (FCTUC). Since 2010, REN has planted more than one million trees, in an area of more than 3,000 hectares, substituting rapid growth species with native species, which are more resistant to fires. More than 15,000 land owners were involved during this conversion, who can now earn income from land that was abandoned, while also promoting an increase in biodiversity.

In this regard, the partnership with the ECO Movement – Companies against Fires (www.movimentoeco.pt) was maintained. The aim of this programme is to promote forest fire prevention and raise awareness among the public with regard to activities that could lead to fires.

On an internal level, 2020 was once again impacted by the pandemic, due to the fact that it was not possible to carry out all our planned actions. However, environmental issues remain relevant and the urgency to act for the survival of the planet and future generations is vital. REN participated and publicized the webinar 'Forest Bioeconomy', which is part of the BIOTECFOR project (www.biotecfor.com) and the 'The Forest and Fire during the Pandemic", organized by the Collaborative Laboratory Forestwise (https://www.forestwise.pt/pt/institution/). REN is also one of the first Portuguese companies to join Act4nature, an initiative promoted by BCSD (Business Council for Sustainable Development), whose aim is to mobilize and encourage companies to protect, promote and restore biodiversity.

With respect to strategic governance and ethics, REN is one of the Portuguese companies which has signed the letter of commitment "Business Ambition for 1.5º", an initiative by the United Nations challenging companies around the world to implement measures to fight climate change.

As a founding member of the Portuguese Network of the United Nations Global Compact (www.unglobalcompact.org), a commitment which has been in place since 2005, REN has implemented an action plan in recent years to reduce its direct emissions, particularly with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in high voltage equipment. In this regard, REN has taken part in international working groups where these issues are discussed, and has implemented a range of measures to minimize the environmental effect associated with emissions of GHG. REN also maintains its commitment to the BCSD Portugal CEO Guide to Human Rights - Business Council for Sustainable Development (www.bcsdportugal.org), an initiative whose goal is to encourage business leaders to promote human rights and improve peoples living conditions.

REN is also a signatory to the Transparent Management project - Gestão Transparente.org - Practical Guide to the Management of Corruption Risks In Organizations (www.gestaotransparente.org), (transparent management) which seeks to raise awareness in corporate circles and civil society to the problems associated with corruption. It also highlights the advantages of prior identification of risks and implementation of policies and internal and external actions to promote transparency and fight corruption.

REN has also established a protocol with the Forum of Organizations for Gender Equality - IGEN (www.forumigen.cite.gov.pt) whose goals include the promotion of actions and good practices in equality and non-discrimination. The REN Group has further implemented a Code of Conduct which is regularly reviewed and monitored. In this field, REN joined the United Nations Programmes, Target Gender Equality and Women's Empowerment Principles, in July and August, respectively (Women's Empowerment Principles). The practical effects of these actions undertaken by REN have already brought results, and 33% of women now have management roles.

Additionally, in relation to the governance model, REN maintained certification in 2020 awarded by APCER for its Social Responsibility Management System (standard NP 4469-1). This means that the best practices implemented within the company with respect to sustainability and social responsibility are recognized by an independent entity.

HUMAN RESOURCES PROFILE

NUMBER OF EMPLOYEES	2020	2019	2018
Full time employees	**692**	**670**	**675**
Men	523	508	506
Women	169	162	169
Fixed term contracts / Internships	**5**	**14**	**16**
Men	5	10	9
Women	0	4	7
TOTAL	**697**	**684**	**691**

At the end of 2020, 697 employees was recorded, 13 more than in December 2019. This growth was mainly due to the replacement of employees who left in 2018, but also due to hiring for the recently acquired company - Transemel.

REN's hiring policy, as well as the consistency and maturity of our business, continues to be reflected in the type of contracts offered. Most REN workers are full-time.

AVERAGE LENGTH OF SERVICE

	2020	2019	2018
Average age (overall)	**45.40**	**45.39**	**44.71**
Men	45.98	46.16	45.47
Women	43.60	42.98	42.51
Average length of service (overall)	**16.93**	**17.09**	**16.49**
Men	17.57	17.96	17.37
Women	14.94	14.36	13.94

The average age and average length of service remained unaltered compared to 2019, standing at 45 and 17 years, respectively.

ROTATION RATE

	2020	2019	2018
Overall	4.82%	3.57%	3.90%
Men	4.74%	2.82%	3.38%
Women	5.06%	5.81%	5.46%

There was a slight increase in the Rotation Rate, resulting from the need to replace personnel leaving through natural termination of employment.

GENDER DIVERSITY

	2020	2019	2018
Men	528	518	515
Women	169	166	176
TOTAL	**697**	**684**	**691**
% Women	**24.25%**	**24.27%**	**25.47%**

GENDER DIVERSITY IN MANAGEMENT POSITIONS

	2020	2019	2018
Top Management	**27**	**27**	**28**
Men	18	18	20
Women	9	9	8
Management	**50**	**50**	**53**
Men	38	38	40
Women	12	12	13
% Women (Board/Management)	**27.27%**	**27.27%**	**25.93%**

The percentage of women employees at REN was maintained in 2020 with respect to 2019 (representing around 1/4 of the total). In management roles, the percentage was also steady compared to 2019.

FUNCTIONAL GROUP

	2020	2019	2018
Top Management	**27**	**27**	**28**
Men	18	18	20
Women	9	9	8
Management	**50**	**50**	**53**
Men	38	38	40
Women	12	12	13
Senior Managers	**385**	**375**	**372**
Men	278	270	261
Women	107	105	111
Field / Administrative	**235**	**232**	**238**
Men	194	192	194
Women	41	40	44
TOTAL	**697**	**684**	**691**

REN's organizational structure has remained stable in recent years, demonstrating full alignment with current needs and suitability for the challenges of the business. The slight increase of employees in 2020 is essentially related to the replacement of outgoing employees from previous years, as well as the formation of a team for Transemel operations, a company acquired in 2019 in Chile.

AGE GROUPS	2020	2019	2018
Up to 29 years old	57	60	61
Men	37	36	36
Women	20	24	25
From 30 to 49 years old	394	382	397
Men	291	284	292
Women	103	98	105
50 or older	246	242	233
Men	200	198	187
Women	46	44	46
TOTAL	697	684	691

REN employees are aged mostly between 30 and 49. In 2020, this age range represented around 57% of REN's population.

ACADEMIC QUALIFICATIONS	2020	2019	2018
PhD	3	3	4
Men	2	2	3
Women	1	1	1
Master's Degree	159	143	139
Men	106	94	90
Women	53	49	49
Higher Education	308	309	311
Men	222	222	218
Women	86	87	93
Secondary education	184	181	186
Men	162	159	161
Women	22	22	25
Primary education	43	48	51
Men	36	41	43
Women	7	7	8
TOTAL	697	684	691
Higher Education (global)	67.43%	66.52%	65.70%
Men	62.50%	61.39%	60.39%
Women	82.84%	82.53%	81.25%

The weighting of degree holders at REN (67%), slightly higher than in 2019, demonstrates the company's sustained focus on the academic qualifications of our personnel.

TRAINING

	2020	2019	2018
No of Hours of training (overall)	**25,325.10**	**29,858.00**	**29,930.40**
Men	19,432.50	21,423.00	22,510.80
Women	5,892.60	8,435.00	7,419.60
No of Participants (overall)	**3,432**	**3,959**	**3,897**
Men	2,470	2,933	2,876
Women	962	1,026	1,021
No of Hours of training per Employee	**36.44**	**43.46**	**43.25**
Men	36.87	41.60	43.46
Women	35.08	49.04	42.64

AREA OF TRAINING (NO OF HOURS)

	2020	2019	2018
Behavioural	7,064.80	4,877.00	5,685.70
Technical	10,565.90	16,594.10	15,808.70
Quality, environment and safety	4,337.40	4,520.40	4,668.10
Management	3,357.00	3,866.50	3,767.90
TOTAL	**25,325.10**	**29,858.00**	**29,930.40**

NÓS PROGRAMME INDICATORS

	2020
No of Initiatives	49
No of Participations	294

ABSENTEEISM RATE

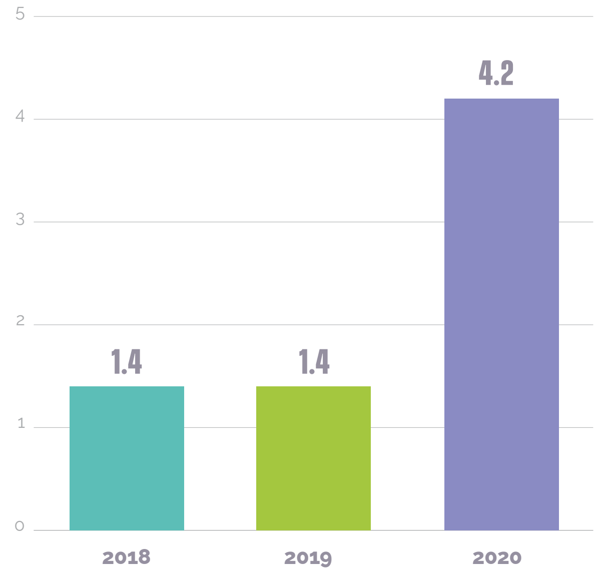
	2020	2019	2018
Overall	2.13%	2.20%	2.11%
Men	2.13%	1.88%	2.11%
Women	2.12%	3.16%	2.09%

Absenteeism at REN remains stable at around 2%.

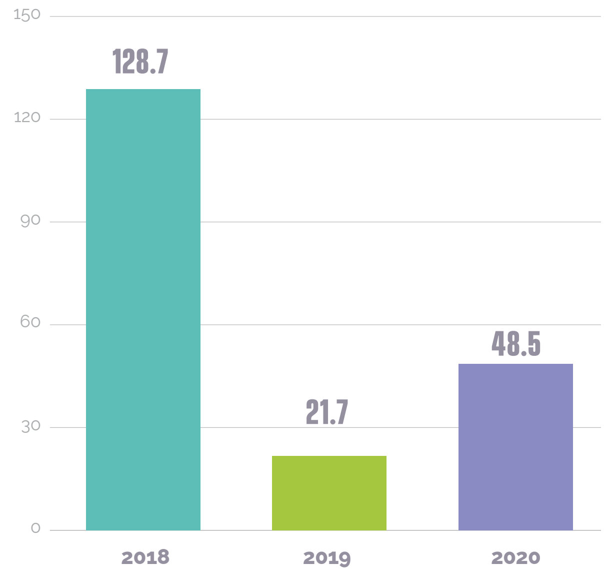
Safety

INCIDENCE AND SEVERITY INDEXES — REN

INJURY RATE



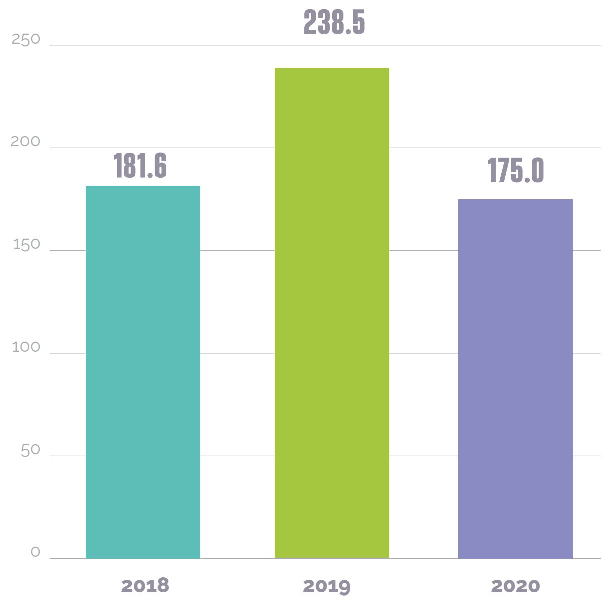
LOST DAY RATE



INCIDENCE AND SEVERITY INDEXES — SERVICE PROVIDERS AND CONTRACTORS

INJURY RATE

LOST DAY RATE



Note: To calculate the indices shown in the graphs above,
only full-time employee accidents were considered in days lost.

ENERGY CONSUMPTION AT REN (GJ)	2020	2019	2018
Electrical energy of infrastructure and buildings	369,071.30	372,808	269,580
Natural gas (boilers, pilots and controlled flares)	321,851.92	337,004	294,248
Propane gas	98.90	30	117
Natural Gas	2,821.40	7,095	38,960
Fuel (Diesel and Petrol)	21,936.68	27,768	23,477
Losses in the electricity transmission network	2,842,778.34	2,647,516	2,826,004
Losses in the gas transmission network (purges)	2,456.52	2,290	1,614
TOTAL	3,561,015	3,394,511	3,454,000

EMISSIONS

GREENHOUSE GAS EMISSIONS (TON CO_2E)	2020	2019	2018
Scope 1	21,737	23,005	21,746
Natural gas purges (CH4)	1,159	1,080	761
Flare burn	103	0	17
Own consumption by boilers	17,953	18,906	1,6491
Sulphur hexafluoride (SF_6)	738	567	545
Natural Gas (buildings)	158	398	2186
Propane Gas (buildings)	6	2	7
Diesel (equipment and fleet)	1,620	2,052	1,739
Scope 2	175,768	235,720	241,607
Electricity	20,197	29,096	21,039
Electricity losses in the network	155,571	206,624	220,568
Scope 3	106	557	559
Air Travel	106	557	559

	2020	2019	2018
Number of train trips (Lisbon-Porto)	66	378	326

Through its access corridor reforestation programme, REN has already planted more than 1 million trees in recent years (2010- 2020) in an area of almost 2,922 hectares, involving more than 17,000 land owners.

In 2020, a total of **117,262 trees** were planted in an approximate area of **424 hectares**, where the **strawberry tree** was the most planted species, with an area of 274 hectares (65%).

»AT THE END OF 2020, THE BALANCE OF DIFFERENCES WAS 74.7 MILLION EUROS TO BE RECOVERED BY REN.«

3.6. REGULATED ASSETS

3.6.1. ELECTRICITY

Electricity Business

Through REN - Rede Eléctrica Nacional, S.A., REN works in two regulated areas: General System Management (GSM) and Transmission of Electrical Power (TEP). The revenue allowed from GSM and TEP is received by applying two regulated tariffs: the tariff for the General Use of the System (GUS) and the tariff for the Use of the Transmission Network (URT), respectively.

Both tariffs are defined annually by the Energy Services Regulatory Authority (ERSE) based on demand, costs, revenues and investment.

The current regulation period started in 2018, with changes being seen with regard to the form of regulation and the updating of regulatory parameters. The main changes were: (i) introduction of an incentive for the economic rationalisation of RNT operator investment costs replacing the incentive for maintaining equipment at the end of economic working life in operation, (ii) cancellation of the incentive to increase the availability of RNT elements, (iii) extension of the regulation for operating cost incentives in GSM, (iv) actuarial gains and losses are excluded from efficiency targets and accepted with a fixed value over 11 years and, (v) expenditure in the fire protection corridors is now included in the revenue cap.

The efficiency factor applied to operating costs for TEP and GSM was set at 1.5% (applicable in 2019 and 2020). The annual remuneration rate is indexed at the annual arithmetic mean (1 Oct n-1 at 30 Sep n) of the daily trading yield on 10 year Portuguese Republic Treasury Bonds, where the starting point stands at 270 b.p. for an initial base remuneration rate of 5.5%. Limits to the remuneration base rate for the 2018-2020 period are 4.50% and 9.50%.

On an exceptional basis and due to the crisis caused by the pandemic, the regulatory period was extended for one more year until 2021, and the established parameters apply to 2021 with due adaptations.

Regulation of Activities

In the current regulatory period, which started in 2018, incentives regulation was extended to controllable operating costs in GSM activity. The regulation methodology was maintained for investment costs (remuneration rate applied to assets used in operations, net of amortization and subsidies).

Activity relating to TEP is regulated by incentives: (i) to efficient investment in the transmission network, (ii) to operating cost efficiency by establishing a cost ceiling plus a further component depending on the level of company activity, (iii) to economic rationalization of RNT operator investment (IREI).

The aim of the investment incentive is to reward, as additional remuneration to the base rate, the efficiency obtained in investment subject to reference costs and which falls within set parameters.

The value of operating costs set for the first year of the regulation period evolves in subsequent years in line with the variation rate of the Implicit Price Index of GDP, and with an efficiency target determined by ERSE, which for 2019 to 2021 was 1.5%.

Added to this amount is the change in OPEX due to the annual growth in the transmission network (in kilometres of lines and in the number of panels at substations), calculated with the corresponding incremental costs, also set by ERSE.

The incentive for economic rationalization of RNT operator investment seeks to: (i) stimulate deferral of investment to replace fully amortized assets still displaying suitable functional performance – seeking to be technologically neutral and flexible in investment decisions and in the choice of the most effective mix between new and existing assets – varying the incentive in line with the ratio between the average value of the asset net of amortizations and subsidies and the average value of the gross asset in operation, and (ii) ensure that, in its investment decisions, the RNT operator continues to ensure good network performance, more specifically with regard to the quality of service provided and RNT efficiency and operating safety.

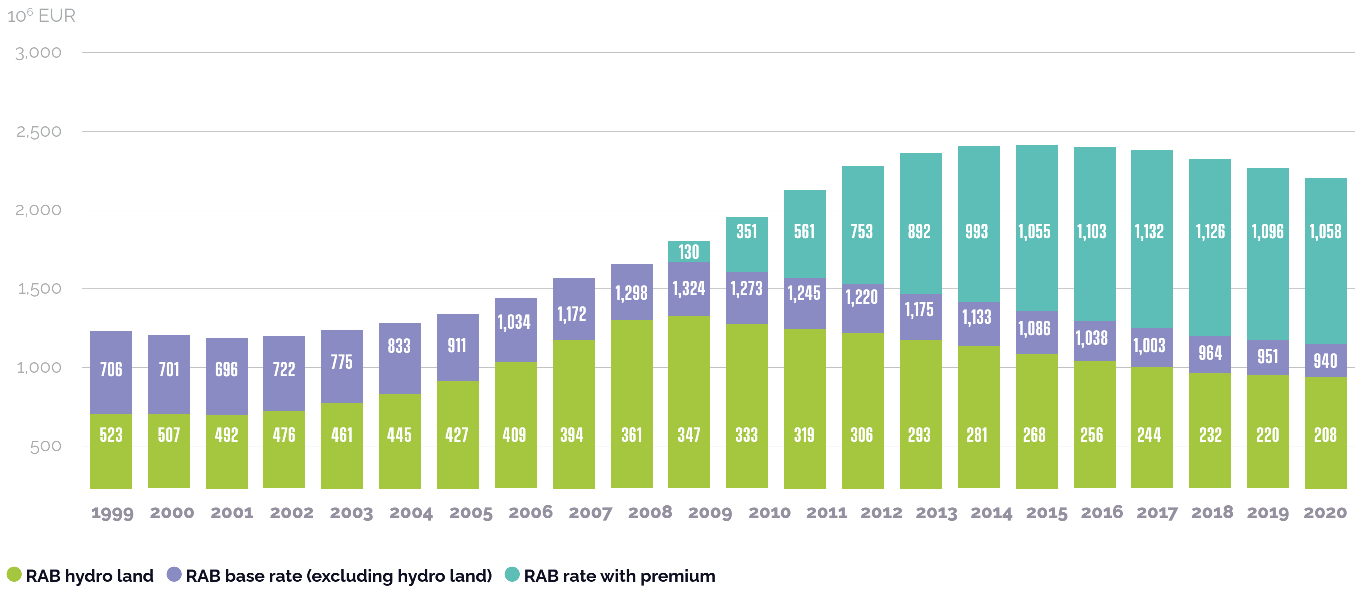
The electricity regulated assets base (RAB) consists of the assets net of amortizations and subsidies allocated to the TEP and GSM activities.

In GSM activity, the principle of RAB valuation is based on historical costs. In these cases, the remuneration rate of 4.60% is applied. In 2020, the average RAB for GSM activity stood at 36.7 million euros. Assets used in this activity also include land in the public water domain used in hydro power production, in the sum of 208.2 million euros, remuneration for which, in accordance with Ministerial Implementing Order No 301-A/2013 of 14 October, depends on the classification allocated to the performance of the RNT concession holder by a group formed especially for the purpose. The rate may vary between -1.5% and +1.5%. As no performance reports have been issued since 2015, ERSE stated that the rate would be zero with retroactive effects to 2017, therefore, the value considered for 2020 was 0%.

With regard to Electrical Power Transmission, with the aim of promoting more efficient behaviour by the transmission system operator in investment, the reference costs mechanism was introduced into the 2009-2011 regulatory period. This mechanism was published in September 2010 through Official Order No 14 430/2010 of 15 September, with etroactive application to investment transferred to operations since 2009. The first update was in 2015 with the entry into force of ERSE Directive No 3/2015 of 29 January. In 2020, the average RAB on which the premium rate of 5.35% is applied, was 1,058.5 billion euros, while the remaining 903.2 million euros is remunerated at a non-premium base rate of 4.60%.

The following graph shows the RAB for the different asset groups:

EVOLUTION OF THE REGULATED ASSET BASE



The tariffs set by ERSE also reflect tariff deviations which, after two years, reconcile (to the extent they are justified and accepted by ERSE) the forecast and real values of income and costs and differences in demand.

The adjustments arising from the differences are recovered or returned two years after they have occurred. This sum is remunerated at a regulated rate equal to the 1 year Euribor average seen each year, plus a spread published annually by ERSE for the year in question.

At the end of 2020, the balance of differences was 74.7 million euros to be recovered by REN Rede Eléctrica Nacional, SA..

"

IN JANUARY 2020, A NEW THREE-YEAR REGULATORY PERIOD STARTED.

REN Trading

REN Trading places production from non-terminated Electricity Acquisition Contracts (CAE) relating to the Tejo Energia and Turbogás thermal power plants on the market (MIBEL).

The difference between the contract cost within the scope of PPA and the income from the market sale of power and system services supplied by the respective power plants, plus the incentives to optimize their management and the efficient management of the CO_2 emission licences, is incorporated into the Overall System Use tariff borne by energy users.

REN Trading income derives from incentives defined by ERSE which is based on the sharing with electricity consumers of the benefits of the optimising and management of supply from these power plants. The final value of the incentives is a result of company work, both through the optimizing of energy sales from the power plants, and by minimizing acquisition costs for fuel and CO_2 emission licences.

In 2020, the balance of the tariff difference account from the purchase and sale of electrical power, within the scope of PPA management, was 156 million euros to be recovered.

3.6.2. GAS

Gas Business

The gas activities listed below are subject to economic regulation by ERSE:

- The high-pressure transmission of gas – through REN Gasodutos. S.A.
- General technical management of the SNG – through REN Gasodutos, S.A.
- Reception, storage and regasification of LNG – through REN Atlântico Terminal de GNL, S.A.
- Underground storage of gas – through REN Armazenagem, S.A
- Gas distribution – through REN - Portgás Distribuição, S.A.

In January 2020, a new four-year regulatory period started which will terminate at the end of 2023.

The main changes introduced by the regulator were: (i) extension of the regulatory period to four years, (ii) definition of parameters for the calendar year; (iii) change of the gas year to the period 1 Oct n-1 to 30

Sep n, which now coincides with the capacity year; (iv) the extension of the regulation by incentives to the overall use of the system, excluding expenditure which cannot be controlled by the company.

The remuneration rate was maintained at the annual arithmetic mean of the daily trading yield on 10 year Portuguese Republic Treasury Bonds. The starting point is 150 b.p. for an initial base remuneration rate of 5.2% for NG distribution and 5% for remaining activities. Limits to the remuneration base rate indexed to the 2020-2023 period were changed to 4.7% and 9.0% of distribution activity and 4.5% and 8.8%, for remaining activities.

Regulation of Activities

Currently, the level of operating costs accepted for calculating revenue on activities subject to regulation by incentives, has an allowed value which includes a fixed parcel and one or more other variable parcels, which are dependent on cost drivers recognized by the regulator and are characteristic of each type of infrastructure.

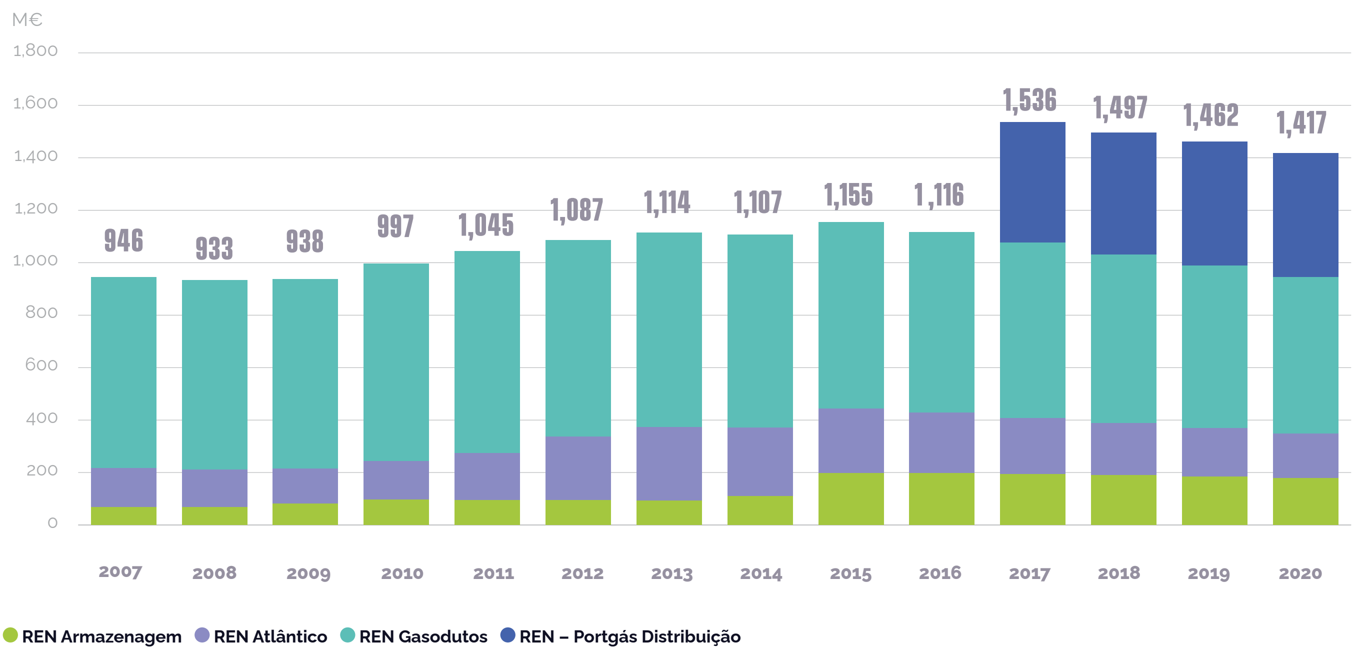
The value approved for OPEX in the first year of the current regulation period evolves, in following years, in line with the efficiency targets set and published by ERSE for these years and with the variation rate of the Implicit Price Index of Gross Domestic Product (GDP). The variable associated with the consumption of electricity at the LNG terminal (energy) evolves in line with the average annual variation in the price of electricity on the futures market, published by OMIP, and with the efficiency target set by ERSE.

The efficiency targets for the current regulatory period vary between 2% and 3% per year.

Income relating to invested capital stems from the return on fixed assets in operation, net of amortisations and subsidies (RAB), at a rate set by the Regulator at the start of every regulatory period, plus the corresponding amortisations. In 2020, the remuneration rate applied to the regulated asset base was 4.76% in Gas Distribution activity and 4.56% in remaining activities.

Up to the end of 2020, the RAB for the natural gas companies had the following evolution:

EVOLUTION OF THE REGULATED ASSET BASE



Tariffs are set based on estimates of quantity and the total income permitted as calculated for each activity. They include remuneration on assets, the recovery of the value of amortizations and established operating costs, by activity. Tariff adjustments from previous years are also included.

The adjustments are recovered or returned on a transitional basis every year based on estimates. The real value of adjustments arising from the differences is recovered or returned two years after they have occurred based on the comparison of provisional adjustments. This sum is remunerated at a regulated rate equal to the 12 month Euribor average seen each year, plus a spread published annually by ERSE for the year in question.

At the end of 2020, the balance of differences was 82 million Euros to be recovered from tariffs.

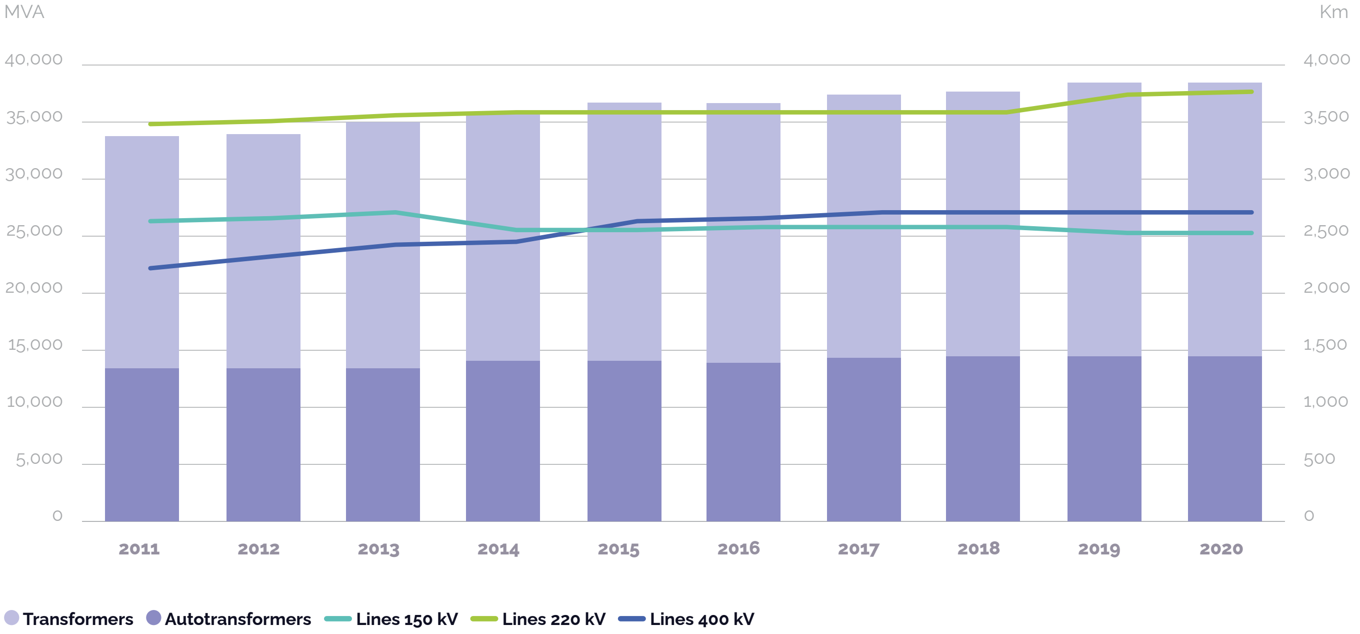
3.7. TECHNICAL INFRASTRUCTURES

3.7.1. ELECTRICITY

At the end of 2020, the National Electricity Transmission System (RNT) consisted of 9,036 km in lines and 68 transformer substations and 14 step-down, switching and transition substations. The RNT ensures the flow of electrical power from power plants to the transformer substations where connections are made directly to both VHV consumers and at 60 kV between the national transmission system and the national distribution system.

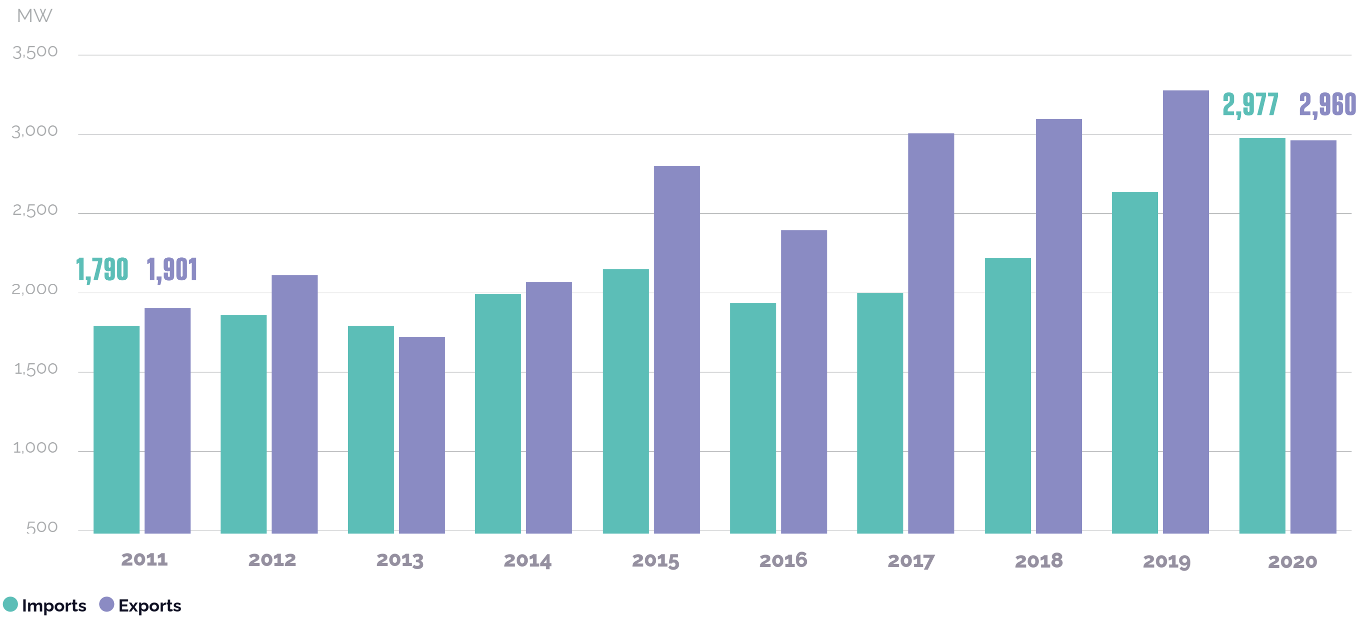
THE NATIONAL ELECTRICITY TRANSMISSION NETWORK	31.12.2020	31.12.2019	VARIATION
Length of lines in service (km)	**9,036**	**9,002**	**0.4%**
400 kV	2,711	2,711	0.0%
220 kV	3,780	3,746	0.9%
150 kV	2,545	2,544	0.0%
Transformation power in service (km)	**38,463**	**38,463**	**0.0%**
Autotransformation (MVA)	**14,470**	**14,470**	**0.0%**
400/220 kV	7,200	7,200	0.0%
400/150 kV	6,440	6,440	0.0%
220/150 kV	830	830	0.0%
Transformation (MVA)	**23,993**	**23,993**	**0.0%**
400/60 kV	4,250	4,250	0.0%
220/60 kV	12,977	12,977	0.0%
150/60 kV	6,306	6,306	0.0%
150/130 kV	140	140	0.0%
220/30 kV	320	320	0.0%

LINE LENGTH AND TRANSFORMATION POWER



The RNT also connects to the European Transmission System through ten interconnection points (nine lines at 220 and 400 kV and one at 130 kV) with the Spanish Transmission Network. This interconnection is provided by three 220 kV lines at Douro International and by six 400 kV lines, two between Minho and Galicia, one at Douro International, one at Tejo International, one between the Alentejo and the Extremadura and one between the Algarve and Andalusia. Furthermore, in exceptional cases for regional support for the distribution network, a 130 kV line is established between Minho and Galiza.

IMPORT AND EXPORT CAPACITY, MW



THE NATIONAL ELECTRICITY TRANSMISSION NETWORK

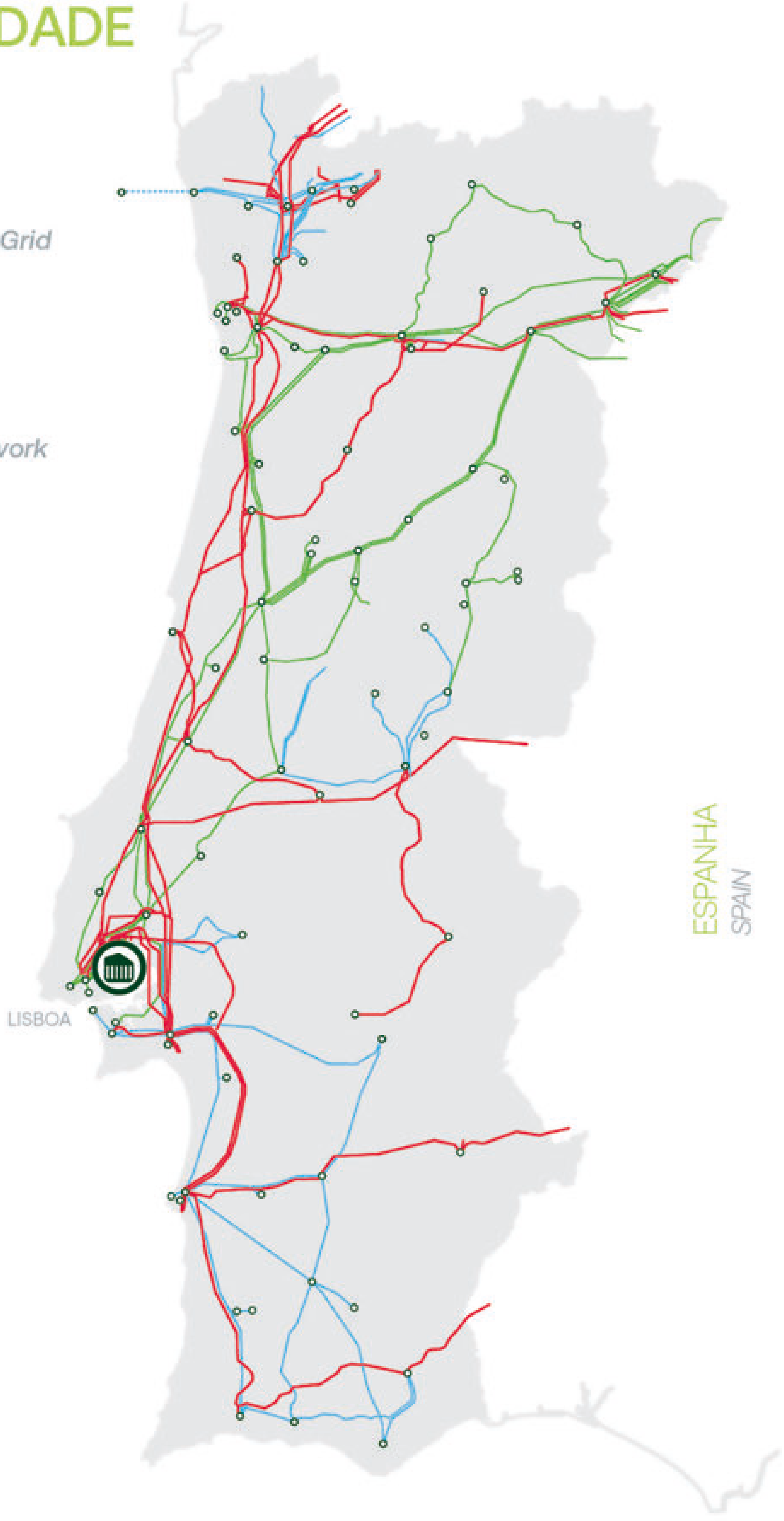
ELETRICIDADE

Rede Nacional de Transporte

National Transmission Grid

Rede de muito alta tensão

Very high-voltage network



PORTUGAL CONTINENTAL

- LINHA 400 kV / 400 kV LINE
- LINHA 220 kV / 220 kV LINE
- LINHA 150 kV / 150 kV LINE
- LINHA offshore / offshore line
- DESPACHO NACIONAL / NATIONAL DISPATCH

3.7.2. GAS

Transmission, Storage and LNG Terminal

REN's natural gas infrastructures include:

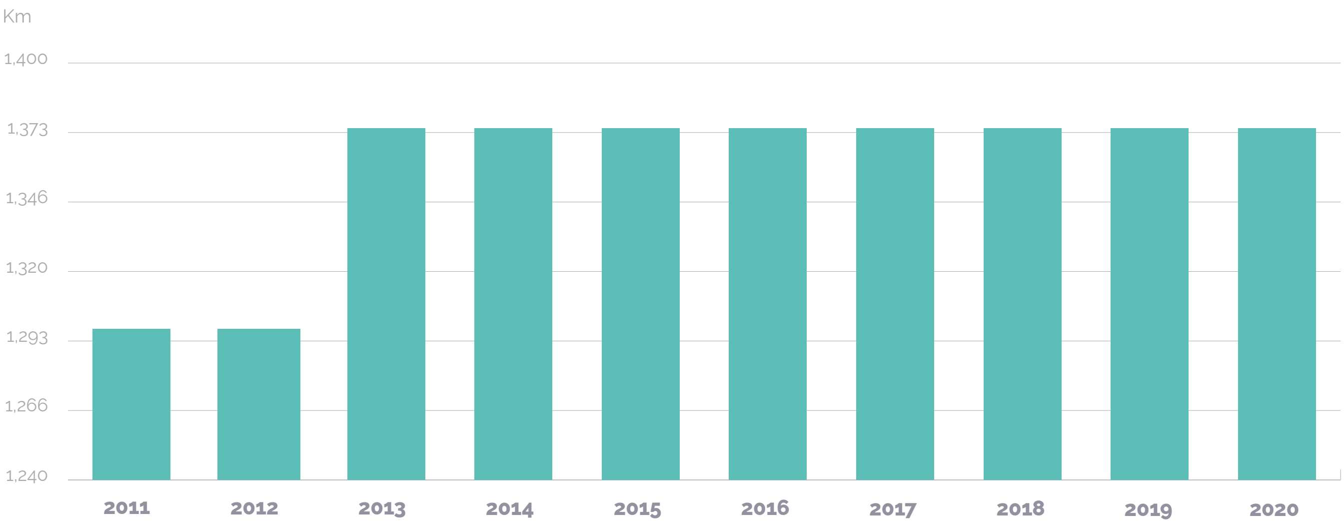
- The National Gas Transmission Network (RNTG);
- The Sines Natural Gas Liquefaction terminal (NGL);
- The Carriço natural gas underground storage facilities (6 caverns and 1 surface station).

Therefore, at the end of 2020, the RNTG consisted of the following infrastructures:

- 1,375 km of high-pressure gas pipelines;
- 66 junction stations for pipeline branching;
- 45 block valve stations;
- 5 T-branch interconnection stations;
- 85 gas pressure regulating and metering stations;
- 2 custody transfer stations.

Since the start of operations in 1997, the high-pressure (HP) natural gas transmission network has undergone the following developments:

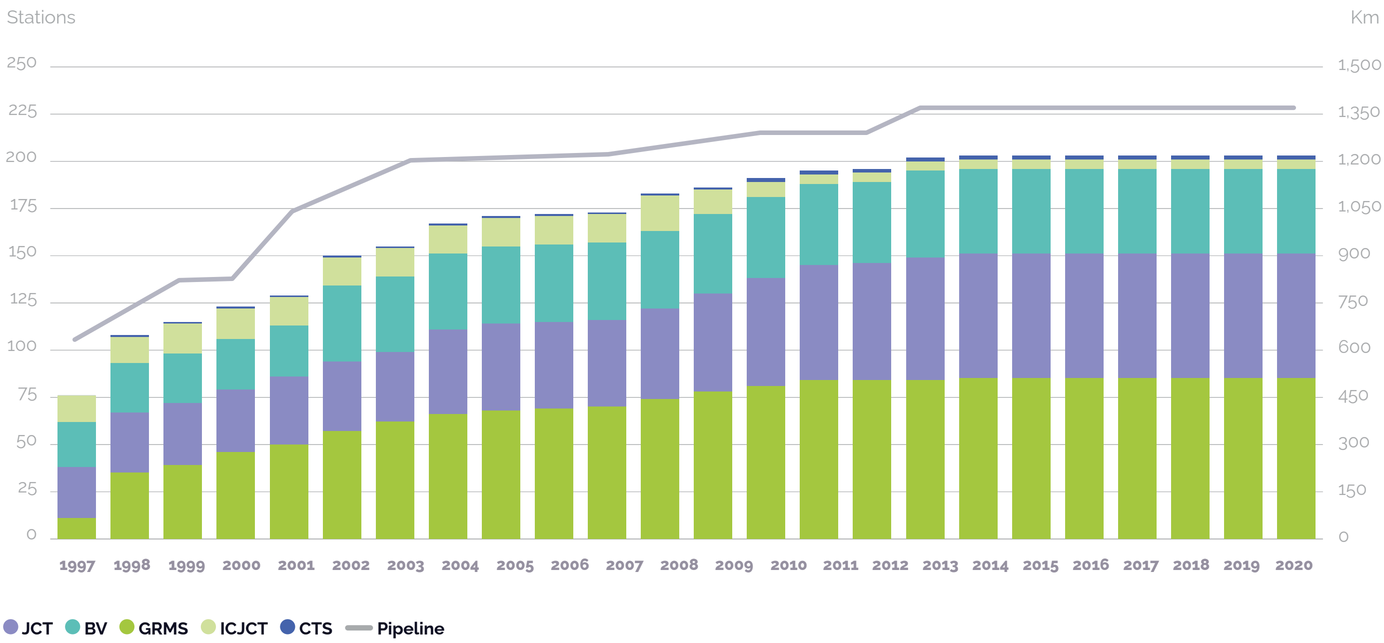
LENGTH OF THE HP NATURAL GAS TRANSMISSION NETWORK



LENGTH OF THE HP NATURAL GAS TRANSMISSION NETWORK

		Ø (MM)	KM
Batch 1	Setúbal – Leiria	700	173
Batch 2	Leiria – Gondomar	700	164
	Gondomar – Braga	500	50
Batch 3	Campo Maior – Leiria	700	220
Batch 4	Braga – Valença	500	74
Batch 5	Monforte – Guarda	300	184
Batch 6	Mealhada – Viseu	500	68
Batch 7	Sines – Setúbal	800	87
Batch 8	Mangualde – Celorico – Guarda	700/300	76
High-pressure lines		150-700	278
TOTAL			**1,375**

RNTGN - CHARACTERISTICS



In 2020, the maximum values of available capacities for commercial purposes at the relevant points of the RNTG were as follows:

AVAILABLE CAPACITY OF RELEVANT POINTS FOR COMMERCIAL PURPOSES	GWh PER DAY	MM³(N) PER DAY
Opening		
Sines	200	17
Carriço (Withdrawal US)	85.70	7
VIP - Iberian(*)	144	12
Output		
Sines (**)		
Carriço (Injection US)	24	2
VIP - Iberian(*)	80	7
Delivery points (total)	93	-

(*) VIP – Iberian: virtual interconnection point between the Portuguese and Spanish gas systems which includes the capacities of both the existing physical interconnections, more specifically Badajoz / Campo Maior and Valença do Minho / Tuy.

(**) Capacity announced daily, taking into account the operating conditions forecast for each day.

Supervised from a state-of-the-art National Dispatch Centre using redundant fibre-optic technology telecommunication systems, the RNTG connects the gas pipeline stations with the Sines LNG Terminal and the Carrico underground storage facility in Carriço, Pombal. All systems are equipped with digital communication, especially with regard to the reading of network input and output flows. This allows for the best practices to be adopted both in relation to information quality and supervision response.

The Sines LNG Terminal operating capacities are as follows:

- Annual natural gas regasification capacity of 8 bcm;
- Storage capacity of 390,000 m^3 (2.5 TWh);
- Mooring adapted for methane tankers with capacities ranging from 40,000 to 216,000 m^3;
- Maximum output to the RNTG of 1,350,000 m^3(n)/h;
- Tanker loading capacity: 36 tankers/day.

Gas is stored at great depth in underground salt caverns which connect to a gas station allowing the management of gas stored by injection through natural gas compressors and withdrawal through natural gas dehydration systems for subsequent injection into the transmission network.

At the end of 2020, the natural gas underground storage facilities were as follows:

- Six operational caverns;
- Maximum capacity: 3,967 TWh <> 333 Mm^3(n);
- Nominal capacities of the surface station:
  - Injection: 84,000 m^3(n)/h (24 GWh/day);
  - Withdrawal: 300,000 m^3(n)/h (85.7 GWh/day.
- REN Armazenagem is responsible for the operation of the surface station.

THE NATIONAL GAS TRANSMISSION NETWORK

REN Portgás Distribuição

The concession zone for the 29 municipalities in 2020 is summarized in the following table, with a series of key technical and commercial indicators.

TECHNICAL INDICATORS	2020	2019	2018	2017
Gas distributed, TWh	7.3	7.3	7.3	7.2
Network length, km	5,897	5,705	5,486	5,267
Number of supply branch line, #	135,115	128,468	121,132	114,325
Active supply points, #	385,969	377,747	366,141	352,765
Active penetration rate, (%)	31.1%	30.5%	29.6%	28.5%
Supply points/km secondary network, accumulated	78.1	79.1	79.9	80.3

»REN PORTGÁS DISTRIBUIÇÃO INFRASTRUCTURES ARE SUPPLIED BY 11 GRMS INJECTING GAS INTO THE PRIMARY NETWORKS.«

Statistical data relating to active supply points are in line with the reporting requirements made to the market this year, and the respective adjustment was made to historical data. This update reduced the number of supply points by 21 with reference to 2019.

In demographic terms, the concession zone corresponds to 4,366 km2 in area, divided into 29 municipalities, which have a resident population of approximately 2,563,000 people living in around 1,242,000 dwellings. It is important to note that REN Portgás Distribuição works in all the counties of the concession area, with the exception of Paredes de Coura, where investment is planned in 2021.

At the end of 2020, the REN Portgás Distribuição natural gas distribution infrastructure included assets consisting of:

- 11 interconnection points with the transmission network (GRMS);
- 404 km of medium-pressure gas pipelines;
- 643 block valve stations in the medium-pressure network;
- 89 regulating and METERING POSTS (R&Ms);
- 4,940 km of low-pressure network;
- 45,667 block valve stations in the low-pressure network;
- 135,115 client supply branch lines;
- 553 km of client branch supply lines.

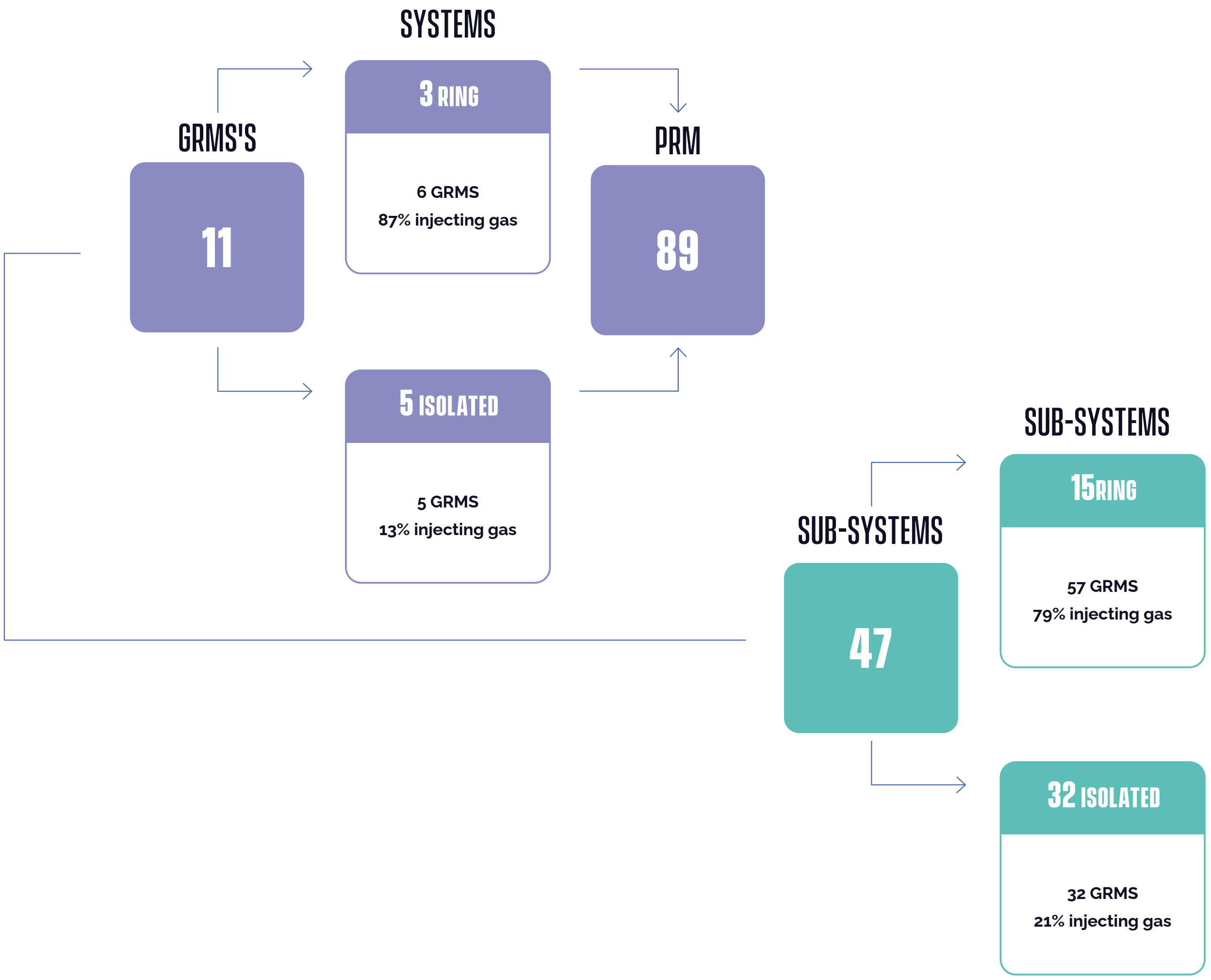
In total, REN Portgás Distribuição infrastructures are supplied by 11 GRMS injecting gas into the primary networks which, in turn, supply 89 network R&Ms. There are 6 GRMS interconnected by primary network ring systems and the remaining 5 GRMS are isolated, ensuring the supply of the secondary network sub-systems.

The 6 interconnected GRMSs supply the following systems:

- Metropolitan Port Area Network;
- Vale do Ave Network;
- Vale do Cavado Network.

In addition to these three systems which consist of two GRMS each, there are a further two systems which are fed directly by the REN Gasodutos high-pressure network, as there is practically no medium-pressure distribution network. This is the case in the Valença and Ponte de Lima GRMS. In Viana do Castelo, Vila Nova de Gaia and Avintes, REN Portgás Distribuição built a primary network with some extension lines up to the supply of PRMs.

With respect to the secondary network, the 89 R&Ms are distributed throughout the concession area and are concentrated in the large urban areas - Metropolitan Porto and Braga - and in Vale do Ave, where there is a high concentration of industrial clients. A significant number of the PRMs are interconnected, with a total of 44 network sub-systems, 30 of which are isolated and 14 in ring formation. The isolated systems only represent 12% of the total volume supplied in the secondary network.



3.8. SUPPLY CHAIN

Supply chain

The REN Group has a centralized Purchasing Department which deals with the purchase of all goods, services and construction work involving more significant sums (corporate purchases) for the different companies in the REN Group. Lower value purchases are made directly by the operational areas of Group companies (local purchases), based on procedures and requirements defined by the Purchasing Department.

The mission of the Purchasing Department is to ensure that goods, services and contract work are acquired under optimized conditions in terms of price, quality and service, thus helping generate value for the Group, as well as ensuring clarity and transparency in purchasing procedures based on the principles of ethics and sustainability. Work by this department is supported by specific I.T. systems to register suppliers, their qualification, the assessment of their performance and manage the purchasing process life cycle.

With a view to ensuring the suitability of suppliers in meeting company needs, REN has a single Supplier Qualification and Assessment System.

The main activities of the supply chain are as follows:

A. ANNUAL PLANNING OF PURCHASES

Consists of the identification and planning of REN Group company purchasing needs with the aims of defining acquisition strategies for every category of purchase, creating acquisition volume, identifying potential synergies and generating savings for the Group.

B. PURCHASE

1. Definition of requirements

Consists of defining the functional and technical needs of the goods, service or contract work to be acquired in line with requirements and standard levels of service and market conditions which ensure compliance with regulations and environmental legislation and health and safety at work.

2. Market consultation

This stage is the responsibility of the Purchasing Department where consultation documents are prepared based on functional and technical requirements. The type of procedure to be implemented is defined in line with the specificities of the purchase and legislation. Suppliers are selectedto submit bids.

3. Analysis of proposals, negotiation and award

Proposals received from competitors are analysed from a technical and commercial viewpoint in line with the REN segregation and responsibilities model. Should proposals be considered techically valid, the Purchasing Department will deal with the process, notifying competitors which were not considered technically valid and negotiating, should the procedure so provide for, with the emaining competitors.

4. Award proposal

Based on the results of the negotiation, technical and commercial analysis and previously defined ward criteria, the Purchasing Department will propose award to the entity competent for the purpose.

C. CONTRACT MANAGEMENT AND PAYMENT

After approval of the award proposal, the requesting area is responsible for the management of the contract under the terms and conditions agreed with the suppliers and for the acceptance of the goods or services which will allow the suppliers to issue their respective invoices. These invoices will then be paid within the contractually agreed times by the REN department with payment responsibility.

D. SUPPLIER QUALIFICATION AND ASSESSMENT

REN operates a Supplier Management Model which deals with Supplier Qualification and the Performance Assessment.

The Qualification System allows candidates which qualify as REN Group Suppliers to be invited to submit bids to tender requests launched by REN. This in turn allows such suppliers to establish a relationship of cooperation and partnership with the Group which is governed by demanding professional and ethical standards as well as strict compliance with legislation and in line with exacting medium and long-term sustainability policies.

The principles of this model are the principles of competition, equal treatment and opportunities for all potential Group suppliers, based on clear and objectives rules and criteria with the aim of gauging the real capacity of every potential Group supplier.

The solidity behind REN's approach is based not only on its own conduct but also on the conduct of those with whom it works. For this reason, REN seeks to work with suppliers which share these values and principles.

As REN is a member of the United Nations Global Compact, it has drawn up a Code of Conduct for suppliers which sets out the 10 fundamental principles of the Compact which address human rights, labour practices, environmental protection and anti-corruption and are derived from universally accepted declarations. All REN suppliers are required to join the Supplier Conduct Code (http://www.ren.pt/pt-PT/o_que_fazemos/fornecedores/codigo_de_conduta_do_fornecedor/).

The Qualification System consists of the following steps:

REN mainly establishes contracts for energy sector related equipment and products and with the architects, contractors and service providers who work in the construction of overhead power cables and gas pipelines who are able to meet the specific business needs of the REN Group and are directly involved with the development of the concession infrastructure.

REN suppliers are grouped as follows:

- **Specific Goods and Services of the Business**

Example: Bare Cables for MHV Lines and Sub-Stations; Control and Protection Systems (CPS); Construction Contracts, Remodelling and Maintenance of MHV Power Lines; Tubes, Conduits and Accessories; Contracts for the Construction of Saline Cavities for NG Storage; Contracts for the Construction of High-Pressure NG Infrastructure (HP); etc.

- **Corporate Goods and Services**

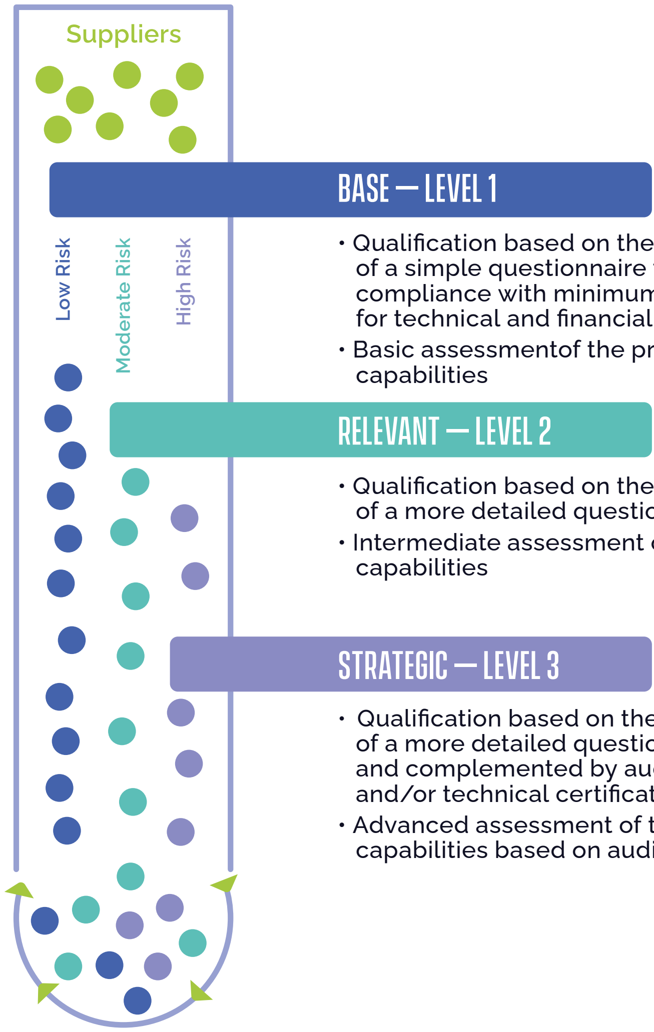
Example: Environmental Impact Studies; Catering, Vending; Micro I.T. and I.T. Consumables; etc.

With the aim of ensuring the capacity and suitability of suppliers for needs, three levels of qualification have been created based on the complexity, criticality and representation of expenditure, in accordance with the following approach:

Low Risk
This purchasing category has no impact on the operation or safety of the transmission infrastructure and has minimum representation in annual expenditure (e.g.: professional consultancy)

Moderate Risk
This purchasing category may impact on the safety and operation of the infrastructure and/or represent a high annual expenditure (e.g.: specific construction projects)

High Risk
This purchasing category may impact on the safety and operation of the infrastructure, has high technical complexity and/or represents a high annual expenditure (e.g.: power transformers; control and protection systems)



BASE — LEVEL 1

- Qualification based on the completion of a simple questionnaire to assess compliance with minimum requirements for technical and financial capacity
- Basic assessmentof the provider's capabilities

RELEVANT — LEVEL 2

- Qualification based on the completion of a more detailed questionnaire
- Intermediate assessment of the provider's capabilities

STRATEGIC — LEVEL 3

- Qualification based on the completion of a more detailed questionnaire and complemented by audits and/or technical certification
- Advanced assessment of the provider's capabilities based on audits

Suppliers are broken down as follows based on type, size and geographical organization:

TYPE AND GEOGRAPHIC ORIGIN OF SUPPLIERS	LEVEL 1	LEVEL 2	LEVEL 3
SUPPLIERS OF GOODS	Small, national companies supplying standardized, low-value goods	Medium and large European companies supplying standardized goods or goods with customer specific requirements of medium or high value	Multinationals supplying complex goods of very high value
SERVICE PROVIDERS	Small, national companies providing standardized, low-value services	Small and medium-sized national companies providing specific, medium or high value services	Medium and large European companies providing complex high value services
CONTRACTORS	Small, national building companies with a single speciality, low value	Medium and large national construction companies with multiple specialities, medium or high value	Large Iberian construction companies with multiple specialities of very high value and complexity (turnkey)

Description of REN Group Suppliers based on payment volume in 2020:

REN Group companies with registered offices in Portugal:

GEOGRAPHY OF SUPPLIERS	% VOLUME OF EXPENDITURE (~290M€)	% NUMBER (~1 170)
Extra-Community	0.2	2.4
Intra-Community	5.8	11.0
Domestic	94.0	86.6

REN Group company with registered office in Chile:

GEOGRAPHY OF SUPPLIERS	% VOLUME OF EXPENDITURE (~13M€)	% NUMBER (~185)
Domestic	100	100

After the contracts have been concluded, the contract managers, based on objective criteria and through comparison with contractual arrangements, assess supplier performance, gauging their capacity for compliance with contracts signed with REN, thus contributing to more efficient management.

Significant changes to the organisation or supply chain

In 2020, a project was started to implement a new platform providing support for the integrated management of suppliers. This platform has several aims including that of processing Group supplier qualification and assessment processes, allowing a consolidated and 360º view of suppliers, based on clear and objective criteria. With this initiative REN ensures access to a specialized portfolio of suppliers per purchase category, with efficient and effective risk management.

During 2020, the Purchasing Department also carried out the process to integrate Transemel, the Chilean company recently acquired by the Group, by providing processes, practices and support tools so that this company could make purchases autonomously. It also directly dealt with purchasing processes to ensure the smooth running of the integration project already underway, more specifically, with regard to consultancy and information systems.

The portfolio of qualified suppliers remained stable in 2020 with respect to the previous year. Moreover, two new purchasing sub-categories were added to the supplier qualification systems, more specifically:

- 100,602 Electrical Power Markets Operating Platforms (REN);
- 106,001 Gas Meters (REN PORTGÁS).

And two new sub-categories were excluded, namely:

- 200,101 Architecture Services (REN);
- 200,701 Transmission Systems (REN).

With a view to consolidating expenditure and simplifying recurrent purchases, the incentive to create electronic catalogues was maintained.

Initiatives for the ongoing improvement of support systems for purchasing were maintained as one of the Department's priorities with the aim of improving the efficiency of our activities and consolidating results.

Proportion of expenditure at local suppliers in important operational units

Bearing in mind Community and national legislation requirements, the sector and REN's position as public service concession holder, the specificity and technical and technological complexity of REN purchases and the geographical location of main suppliers, no policy exists for working with preferential suppliers.

With regard to companies based in Portugal, around 94% of expenditure is concentrated in Portuguese suppliers. Included in this group of suppliers are large multinational companies based in Portugal, with significant weighting in REN Group expenditure.

In the company based in Chile, around 100% of expenditure is concentrated in Chilean suppliers, of which a part is made up of multinationals.

3.9. AWARDS AND ACKNOWLEDGEMENTS

In 2020, REN received the following awards and acknowledgements:

- Excellence, Digital Report & Accounts 2020, The Communicator Awards;
- "Good Practice of the Year", "Environmental impact studies: virtual visit", Renewables Grid Initiative;
- 3rd place, "Portugal's Most Attractive Employers 200", Employer Branding Universum.

"

REN ENSURES ACCESS
TO A SPECIALIZED PORTFOLIO
OF SUPPLIERS PER PURCHASE CATEGORY,
WITH EFFICIENT AND EFFECTIVE
RISK MANAGEMENT.

04

MANAGEMENT REPORT

Efficiency means progressing based on balanced investment and differentiation in innovation.

Together, for better energy to grow.

CARRYING EFFICIENCY

»REN'S CORE BUSINESS IS THE MANAGEMENT OF ENERGY TRANSMISSION SYSTEMS AND THE COMPANY IS PRESENT IN THE ELECTRICITY AND NATURAL GAS MARKETS.«

04 MANAGEMENT REPORT

In the first semester of 2020, **global economic activity went into an unprecedented** deep recession as a **result of the Covid-19 pandemic**.

4.1. ENVIRONMENT

4.1.1. ECONOMIC ENVIRONMENT[1]

World economy

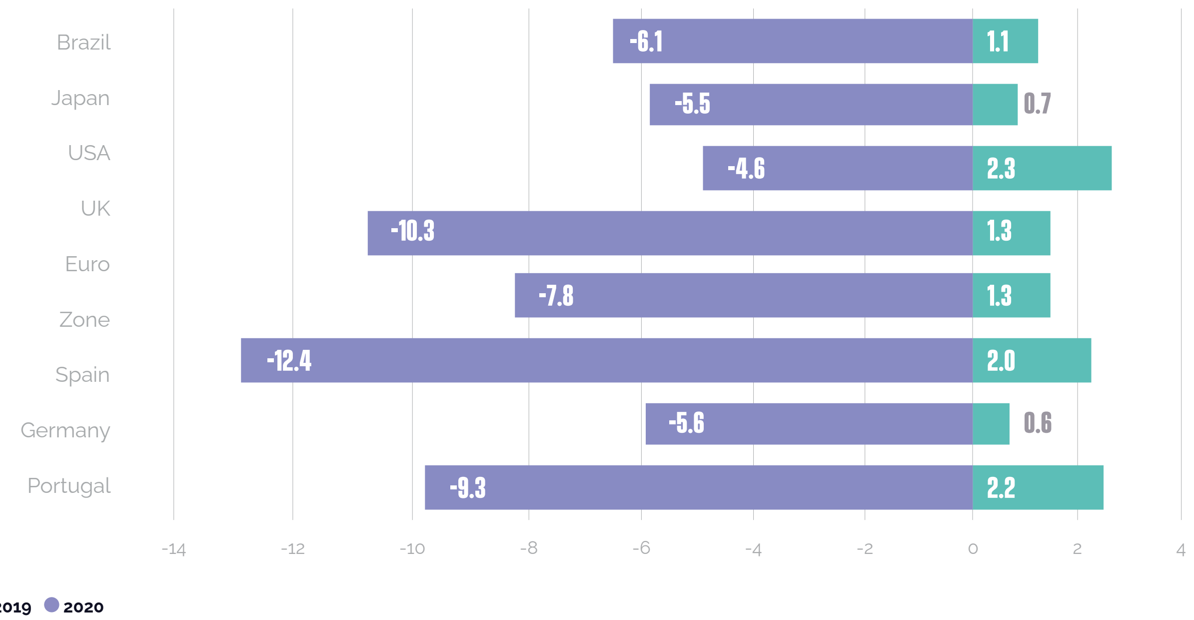
In the first semester of 2020, global economic activity went into an unprecedented deep recession as a result of the Covid-19 pandemic. The extraordinary macroeconomic measures implemented throughout the world and the gradual lifting of containment measures helped stimulate a recovery, although this recovery was uneven over the summer period. As a result, global GDP is expected to contract by 4.3% in 2020 and China will be the only large economy which grew in 2020 (2.1%, vs 6.1% in 2019). This growth was due to the fact that the outbreak of the virus started there earlier and the control and support provided by the State enabled activity to recover more quickly.

However, the economic repercussions of the pandemic varied greatly among countries, reflecting the level of propagation by the virus, the thoroughness of public health measures implemented to contain it, the breakdown of the different economies and the firmness of national policy response.

[1] Source: European Commission: European Economic Forecast, Autumn 2020, except when a different source is indicated. The economic statistics for 2020 mentioned in this chapter refer to the European Economic Autumn Forecast published on 5 November 2020, and should not be considered as final figures for the year.

Real Growth in GDP

YOY VARIATION (%)



Chile[2]

In 2020, the COVID-19 pandemic led to the worst economic recession in Chile since 1982. OECD forecasts point to a fall in GDP of 6.0% in 2020. Employment recorded historic minimums after almost 25% of the active population lost tBrazilheir jobs and the unemployment rate rose from 7.2% in 2019 to 10.8% in 2020.

As a result of the gradual lifting of emergency measures since July, the economic recovery started to be seen, particularly in industry, and both company and consumer confidence also showed signs of returning.

Euro Zone

In the first semester of 2020, the Euro Zone was plunged into a severe economic and social crisis due to the Covid-19 pandemic, followed by good recovery seen over the summer after the gradual lifting of lockdown measures. However, the increase in the number of cases in the following months and the return to the necessary containment measures, impacted negatively on private consumption and investment which fell by 8.7% and 11.2%, respectively in 2020. The European Commission estimates that the Euro Zone economy will see record contraction which could be as high as 7.8% of GDP in 2020, after growth of 1.3% the previous year.

However, the measures implemented by Member States to protect employment helped attenuate the impact of the pandemic in jobs markets. Unemployment in the Euro Zone increased from 7.5% in 2019 to 8.3% in 2020.

The aggregate Euro Zone public deficit increased significantly from 0.6% in 2019 to 8.8% in 2020, as a consequence of the increase in social support and a drop in tax revenue caused by exceptional measures to prop up the economy. The aggregate ratio of debt/GDP in the Euro zone also increased from 85.9% of GDP in 2019 to 101.7% in 2020.

The sharp drop in energy prices in August and September led to a fall in the rate of inflation to negative figures. Furthermore, lower demand for services, primarily in tourism, and the effect of a

[2] OECD Economic Outlook, December 2020

reduction in VAT and other measures implemented by some Member States were reflected in the Euro Zone rate of inflation. It is expected that average inflation in the Euro area, measured by the Harmonised Index of Consumer Prices (HICP) will be 0.3% in 2020.

Financial Markets

Despite the global economic crisis, financial markets remained relatively stable, as a result of the measures adopted by central banks all over the world and support for liquidity. On 10 December 2020, the Governing Council of the European Central Bank (ECB) decided to increase the asset purchase programme to help deal with the pandemic (pandemic emergency purchase programme – PEPP), which it launched in March in response to the effects of the pandemic, by 500 billion euros, to reach a total of 1,850 billion euros. The European refinancing rate and deposit rates remained at 0% and -0.5%, respectively[3].

Euribor rates fell in the last months of 2020, after the slight improvement seen in spring. On 31 December 2020, Euribor rates for 3, 6 and 12 months stood at -0.545% (vs. -0.383 at the end of 2019), -0.526% (vs. -0.324%) and -0.499% (vs. -0.249%), respectively[4].

Yields on 10-year USA treasury bonds fluctuated close to 0.7%, after a significant fall during the early months of the year when yields stood at approximately 1.8%. In the last month of the year, however, some recovery was seen, rising to 0.94% on 28 December 2020[5]. In Portugal, yields on 10-year Portuguese bonds during 2020 fell to an historic low of -0.04% (on 15 December).

»DESPITE THE GLOBAL ECONOMIC CRISIS, FINANCIAL MARKETS REMAINED STABLE.«

Portuguese Economy

For 2020, the European Commission (EC) expects a recession of 9.3% for the Portuguese economy, higher than the European average (-7.4%). After the slight recovery in economic activity, albeit gradual, up to August after lockdown had been lifted after the first wave of the pandemic, Covid-19 once again started to spread during September in a second wave, reaching a new high in November. The country was again forced to implement a state of emergency, with subsequent negative results on the economy.

While domestic demand components such as private consumption and investment fell 7.9% and 10.2%, respectively, exports also fell more than imports. Tourism was most affected by the economic crisis caused by Covid-19, falling more than 90% in the second quarter of 2020 and remained substantially below pre-pandemic levels throughout the summer.

The EC further expects deflation of 0.1% in 2020 (vs. Inflation of 0.3% in 2019, as measured by HICP), reflecting the low prices of oil and weak consumer confidence.

The Commission also estimates that public debt will increase from 117.2% of GDP in 2019 to 135.1% in 2020. The Covid-19 pandemic has also worsened budget balance, with the deficit standing at 7.3% of GDP in 2020, reverting surplus seen last year.

Around 750,000 employees, or approximately 15% of the total workforce benefited from a range of temporary support measures provided by the State at the height of the crisis, and as such the unemployment rate rose moderately from 6.5% in 2019 to 8% in August 2020.

[3] Source: ECB reference rates (www.ecb.int)
[4] Source: European Money Markets Institute
[5] Official site of the US Government (www.treasury.gov)

4.1.2. SECTOR ENVIRONMENT

Electricity demand and production

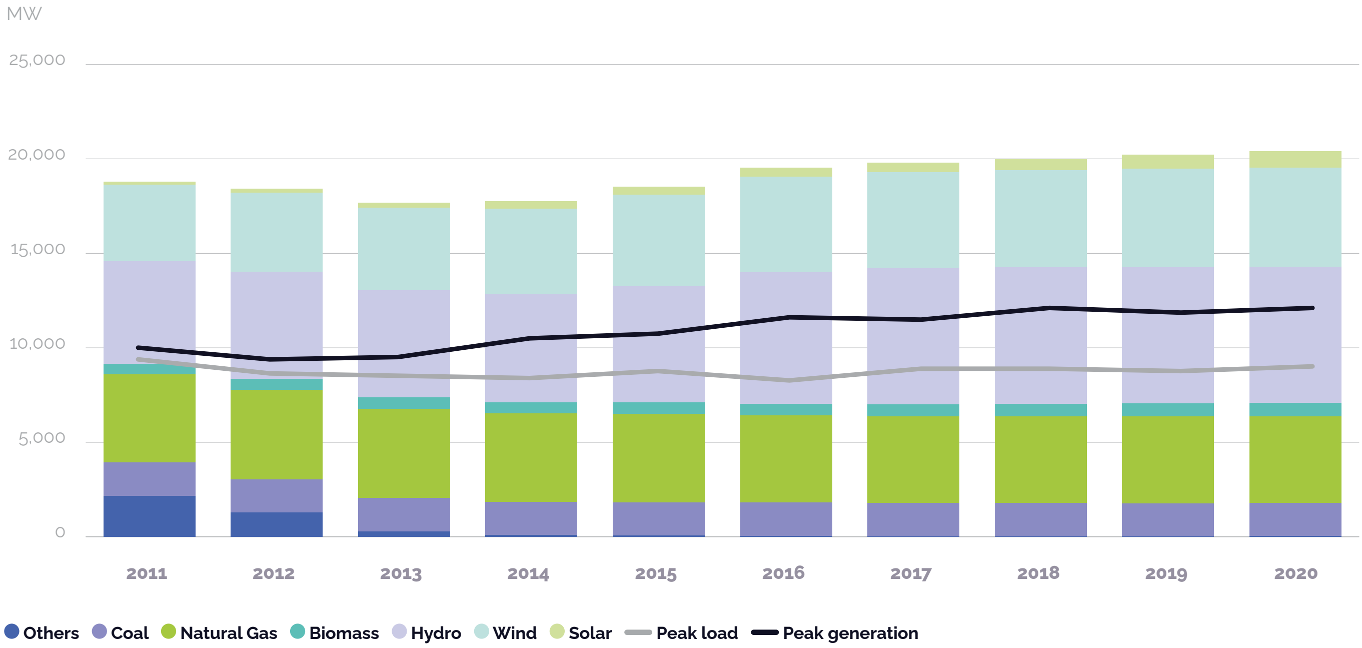
In 2020, electricity consumption supplied by the public network totalled 48.8 TWh, with a variation of -3.0% over the previous year, or -3.7% taking into consideration corrections relating to temperature effects and the number of working days. This is the steepest fall in consumption since 2011, which was most significant during lockdown, but then attenuating in the second semester. This consumption is the lowest since 2005 and 6.5% off the historic maximum recorded in 2010.

TWh	CONSUMPTION	VARIATION	CORRECTED
2020	**48.8**	**-3.0%**	**-3.7%**
2019	50.3	-1.1%	-0.2%
2018	50.9	2.6%	1.7%
2017	49.6	0.7%	1.5%
2016	49.3	0.6%	0.4%

Maximum power requested from the national system was recorded on 13 January at 19:45 with 8,906 MW, around 250 MW above that seen last year, but around 500 MW below the historic peak of 2010.

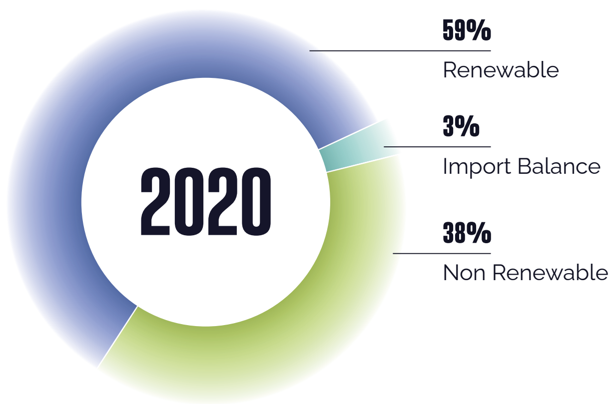
Peak production was seen on 9 January at 19:30, with a figure of 11,965 MW, just 30 MW off the highest ever figure recorded in 2018. This peak, much above national consumption, was recorded at a time when the national system was exporting 3,420 MW.

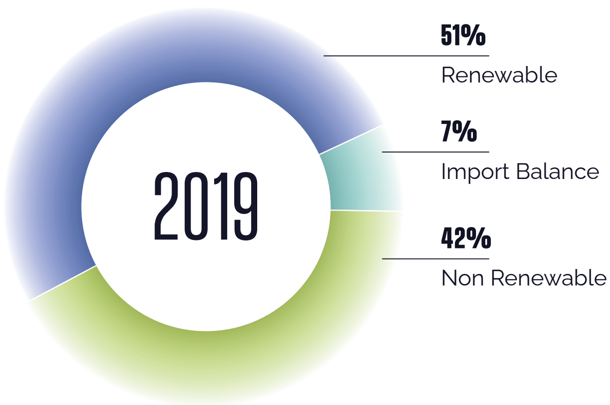
As has been the case in recent years, installed power in the national electricity system did not see any major variations in 2020, recording an overall increase of 195 MW, to total connected power at the end of the year of 20,413 MW. This figure is broken down into facilities connected to the Transmission Network, with 14,909 MW and those connected to the Distribution network, with 5,503 MW. The increase in connected power this year relates essentially to new photovoltaic plants, power for which grew by 136 MW- The two most important plants are those of Herdade da Serra and Glória with 36 MW and 20 MW, respectively. Currently, the national system has 7,215 MW of hydro power, 5246 MW wind power and 879 MW photovoltaic. It is expected that photovoltaic power will increase in coming years and grow in importance.



In 2020, national renewable production supplied 59% of consumption, as compared to the 51% recorded last year. This was mainly due to a less favourable hydro scenario and lower consumption. Under average weather conditions, renewable production accounts for around 60% of national consumption.

RENEWABLE AND NON-RENEWABLE PRODUCTION



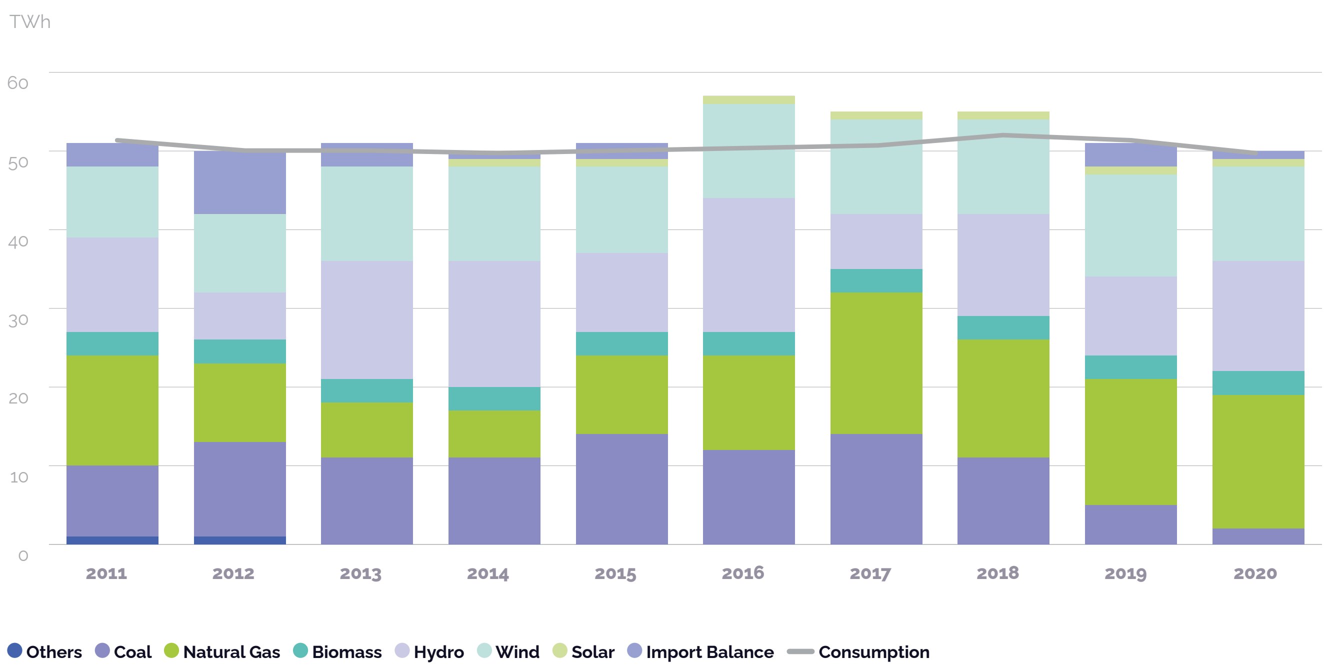


Hydroelectric Capability Index of 0.97 was seen in 2020, compared to the 0.81 in the previous year. Wind production was lower than average at 0.94, against 1.07 the previous year. Conditions were also less favourable for photovoltaic production with a Capability Index of 0.97, as opposed to the 1.00 recorded in 2019.

In 2020, hydro and wind production had similar shares, each representing about 25% of consumption. Also with regard to renewable sources, biomass, including classical plants and cogeneration had the highest share ever at almost 7% of consumption, and lastly photovoltaic with 2.6%, which reaches new maximum figures every year. In non-renewable production, of note are natural gas plants, including combined cycle and cogeneration, which supplied 34% of consumption, while coal-fired plants continue to reduce their participation in supply to just 4%, which is the lowest share recorded since the full entry into service of the Sines thermal plant in 1989.

As was the case in 2019, where imports supplied 7% of national consumption, the national electricity system once again saw a trend towards imports, with an annual balance of around 3% of national consumption.
For consumption of 48.8 TWh, national production reached 49.3 TWh, with an import balance of 1.5 TWh, while pumping operations accounted for 2.0 TWh.

MEETING DEMAND



Natural gas demand and supply

As was the case with electricity, consumption of natural gas was also affected by the pandemic in 2020, falling by 1.6% to a total of 66.9 TWh. As was also the case with electricity, falls were steepest during the lockdown period, but gradually attenuating in the 2nd semester.

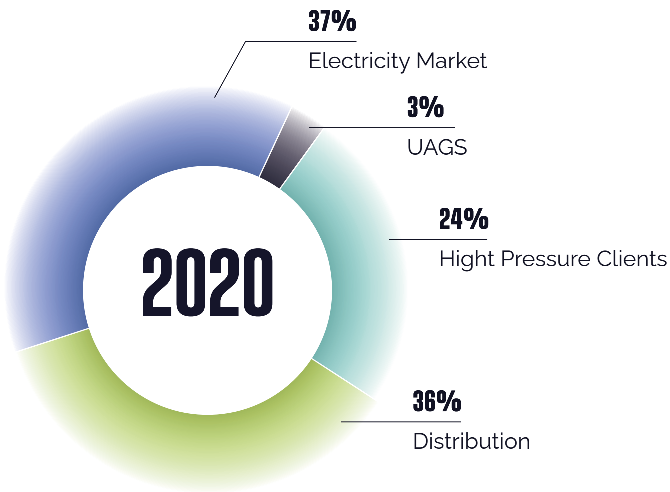
TWh	CONVENTIONAL	VARIATION	ELECTRIC	VARIATION	TOTAL	VARIATION
2020	42.2	**-4.5%**	24.7	**3.8%**	**66.9**	**-1.6%**
2019	44.1	0.2%	23.8	14.6%	67.9	4.8%
2018	44.0	4.6%	20.8	-24.7%	64.9	-7.0%
2017	42.1	4.1%	27.6	79.4%	69.7	24.8%
2016	40.5	-1.8%	15.4	39.3%	55.8	6.9%

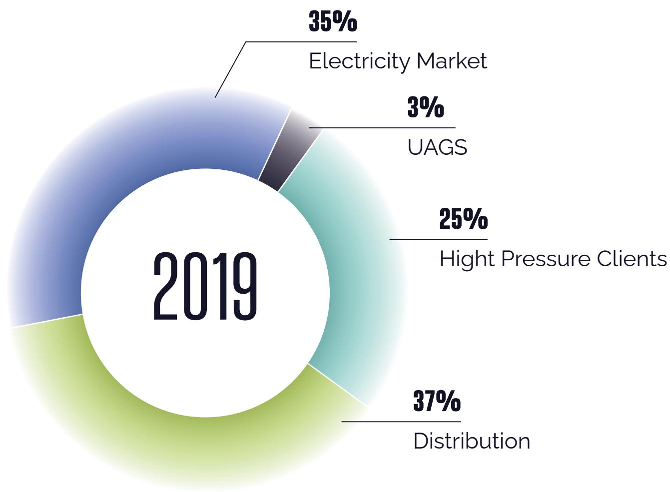
As such, the conventional segment grew around 4.5%, with consumption of 42.2 TWh, representing 63% of total natural gas consumption.

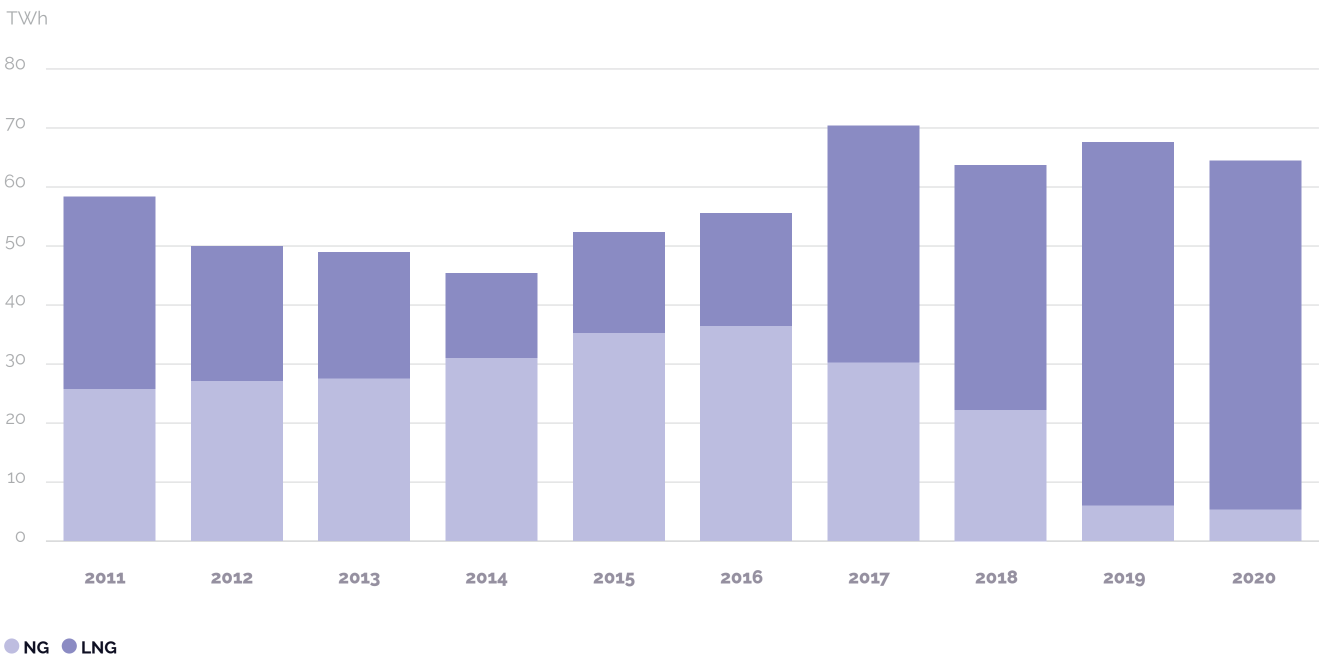
The electricity production segment partially offset the fall in the conventional market with consumption of 24.7 TWh, an increase of 3.8% over the previous year. This growth was driven by the increase in competitiveness of natural gas over coal, production from which has fallen significantly. Consumption by electrical power stations represented 37% of total natural gas consumption, as against 35% in 2019.

The maximum hourly consumption recorded on 7 January at 20:00 was 13.5 GWh, which was 100 MWh more than the previous historic maximum of 24 January 2017.

CONSUMPTION







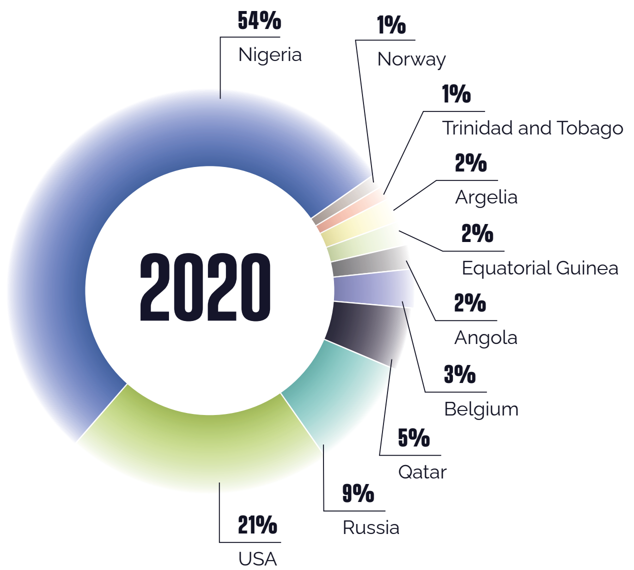
The Sines LNG Terminal continued the trend of the last four years as the main source of supply for the national system with 59.2 TWh, accounting for 92% of all gas intake to the system. Movement at the Sines terminal of 62 vessels which unloaded 62.0 TWh, represented the second largest historic maximum, after 2019 with 62.7 TWh.

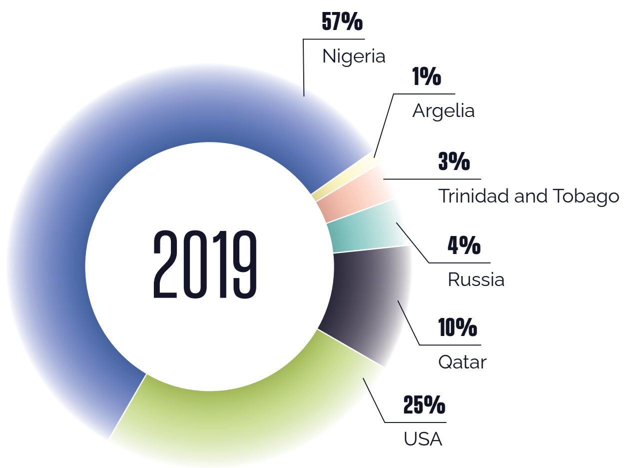
5.3 TWh entered through the Campo Maior and Valença interconnections, which is 12% less than the previous year, corresponding to 8% of all natural gas entering the national system.

In the export direction, the interconnections also saw significant use with movement totalling 0.8 TWh, the highest figure ever recorded.

Supply

Gas received through the interconnections was mostly from Algeria, while LNG received at the Sines terminal was principally from Nigeria, representing 54% of energy unloaded. Also of note was an increase in supplies from the USA, as well as from other sources such as Equatorial Guinea and loads from Norway. Ten different origins were involved with greater diversity when compared to previous years.





4.1.3. REGULATORY ENVIRONMENT

European energy policy

The COVID-19 pandemic led to changes in perspectives for the evolution of the global energy system with regard to supply and demand (greatest global fall since the second world war) and reinforced the advantages of pursuing the climate targets set out in the Paris Agreement.

Accordingly, throughout 2020 EU institutions defined a series of specific measures for energy, industry, agriculture, foodstuffs, biodiversity and the promotion of decarbonisation of the energy and transport sectors, on a road to transition to cleaner energy.

The strengthened ambition addressed by the European Green Deal to reduce greenhouse gas emissions and the role of Europe in the fight against climate change and the focus on carbon neutrality as a new model for economic and social development together with creating employment demonstrate how the EU aims to become a world leader in this movement.

In this new setting, the EU binding climate target for 2030 consists of a reduction in net GHG emissions of at least 55% in relation to 1990 levels. In order to support this new framework and stimulate a climate-neutral Europe, a series of documents were developed and published, and of particular note are those which set out strategies specifically for the energy sector:

- Powering a climate-neutral economy: An EU Strategy for Energy System Integration (COM(2020) 299) - "The new actions outlined in this communication will add the necessary scope and speed to move towards the energy system of the future, contributing to the EU's increased climate ambition and to shaping the legislative revisions to be proposed in June 2021";

- A Hydrogen Strategy for a Climate-Neutral Europe (COM(2020) 301) – "Renewable and low-carbon hydrogen can contribute to reduce greenhouse gas emissions ahead of 2030, to the recovery of the EU economy, and is a key building block towards a climate-neutral and zero pollution economy in 2050, by replacing fossil fuels and feedstock in hard-to-decarbonise sectors. Renewable hydrogen also offers a unique opportunity for research and innovation, maintaining and expanding Europe's technological leadership, and creating economic growth and jobs across the full value chain and across the Union."

EU strategy to reduce methane emissions [COM(2020) 663]:

- An EU Strategy to harness the potential of offshore renewable energy for a climate neutral future (COM(2020) 741) – "This Strategy sets out the scaling up of offshore renewable energy and its use as an EU priority. Offshore renewable energy potential is present, in different forms, in all European oceans and sea basins, including islands and outermost regions. Its development would have positive industrial, economic and social impacts spread across the EU and its regions.";

- EU Sustainable and Smart Mobility Strategy (COM(2020) 789) – "The sustainable European transport system that the EU strives for must be smart, flexible and adaptable to ever-changing transport patterns and needs, based on cutting-edge technological advancements".

Energy system integration – the coordinated planning and operation of the energy system 'as a whole', across multiple energy carriers, infrastructures, and consumption sectors – is the pathway towards

»INTEGRATION OF THE ENERGY SYSTEM IS CONSIDERED TO BE THE PATH TO EFFECTIVE DECARBONIZATION.«

an effective, affordable and deep decarbonisation of the European economy, The measures announced in this strategy are coordinated around six pillars:

- A more circular energy system, with 'energy-efficiency-first' at its core;

- Accelerating the electrification of energy demand, building on a largely renewables-based power system;

- Promote renewable and low-carbon fuels, including hydrogen, for hard-to-decarbonise sectors;

- Making energy markets fit for decarbonisation and distributed resources;

- Focus on a more integrated energy infrastructure and a digitalised energy system;

- and a supportive innovation framework,

Also in this regard, in addition to harnessing the potential of offshore RES, the UE recognises the significant potential of hydrogen to support its commitment to achieving carbon neutrality by 2050. Hydrogen is seen as a means of storage, along with batteries and in transport based on renewable energy sources, as a substitute for fossil fuels in some intensive carbon industrial processes where electrification is not the solution, as a resource for certain sub-sectors of transport and as a mobilizer in the adaptation or reuse of parts of existing natural gas infrastructure. This latter approach will avoid gas pipelines and distribution networks from becoming assets which are simply obsolete and abandoned.

Of special note in 2020 was the creation by the EU of the Recovery and Resilience Facility – a 750 billion euro plan - which has the aim of attenuating the economic and social impact of the pandemic and making economies more sustainable and resilient. It is a financial aid instrument for Member States to intensify public investment and reforms in innovation and ecological and digital transition.

Domestic energy policy

During 2020, the Portuguese government reinforced their focus on energy transition with the objective of reaching carbon neutrality by 2050.

With the public hearing processes concluded and approval obtained from the European Union, Council of Ministers Resolution No 53/2020 of 10 July 2020, published the National Energy and Climate Plan (NECP) 2030. This document incorporates the first cycle of integrated energy and climate policies of national scope for the 2021-2030 period, with a view to achieving carbon neutrality by 2050. The targets are ambitious and are based on electrification, incorporation of RES, energy efficiency and the reducing carbon intensity, underlining the importance of developing a complementary strategy for the production of renewable gases, with emphasis on hydrogen and biomethane.

Green hydrogen will play a key role as an efficient option to promote, extending and facilitating energy transition, while also constituting an opportunity for economic, industrial, scientific and technological development in Europe. EN-H2 (approved by Council of Ministers Resolution No 63/2020 of 14 August) is an incentive and stability facility for the energy sector, promoting the gradual introduction of green hydrogen as a sustainable pillar which will be integrated into a broader transition strategy for a decarbonised economy.

In order to achieve this aim, EN-H2 sets out a series of initiatives and targets for incorporating hydrogen into a range of sectors, with emphasis on those where electrification is seen as being technically unviable. Of note among the initiatives addressed in the document are:

- Implementing support mechanisms for the production of green hydrogen and investment in projects involving this energy source;
- Creating a regulatory framework necessary for the hydrogen value chain;
- Setting targets to incorporate hydrogen into the different sectors of the economy to ensure the demand side and;
- Establishing targets for the injection of hydrogen into gas infrastructure,

"

DURING 2020, THE PORTUGUESE GOVERNMENT REINFORCED THEIR FOCUS ON ENERGY TRANSITION WITH THE OBJECTIVE OF REACHING CARBON NEUTRALITY BY 2050.

Decree-Law No 62/2020 transposes Directive (EU) No 2019/692 and takes into account EN-H2, renaming the National Natural Gas System (SNGN) as the National Gas System (SNG) and redefines its organisation and functioning, as well as the respective legal framework. In addition to de incorporating the figure of renewable gas producer and implementing smart systems into the Public Gas Network (RPG), this publication also promotes the gradual integration of the SNG and the National Electricity System (SEN). Key changes in responsibilities per segment of the value chain include:

- Guaranteeing the accommodation of other gases in the infrastructure, ensuring the quality of operation of the SNG and its technical limits;
- Ensuring that the gas to be transported in the RPG complies with technical characteristics and specifications;
- Ensuring that the Monitoring Report on Gas Supply Security (RMSA-G) incorporates the production of other gases;
- Ensuring that the Development and Investment Plan (PDIRG) for the National Transmission, Network, Storage Infrastructure and LNG Terminal System (RNTIAT) considers the incorporation of other gases, and ensuring that;
- Planning takes into consideration the integrated management of energy resources and sets out the necessary conditions for future supply security for gas consumption.

The publication of Decree-Law No 60/2020 seeks to adapt the system for issuing guarantees of origin for electricity from renewable sources, as set out in Decree-Law No 141/2010, for the certification of low carbon content gases and gases of renewable origin, establishing the framework and procedures which guarantee their origin for end consumers. The development of a system for issuing guarantees of origin to accommodate such gases is a key instrument for to decarbonise the gas sector, allowing this sector to be enhanced from production to sale. It will also allow its incorporation into the different types of consumption to be quantified.

With regard to energy efficiency, Decree-Law No 64/2020 transposes Directive (EU) No 2018/2002 and lays down a new obligation for Portugal to achieve cumulative targets, throughout the 2021-2030 period, which are equivalent to new annual savings of at least 0.8% of final energy consumption.

In addition to the regulatory framework mentioned earlier, in 2021 the Government has focused on a series of measures of particular importance for the sector:

- To end the production of electrical power from coal, with the closure of the Sines thermoelectric power plant at the start of 2021 and the closure or conversion of the Pego plant, by the end of the year;
- To attain a large-scale increase in the capacity to produce solar power by implementing the results of auctions – allowing systems with storage, and agreements between promoters and REN,

Liberalized market in Portugal

Following on from Law No 2/2020 of 31 March, which approved the State Budget for 2020, Ministerial Implementing Order No 83/2020 of 1 April extends the deadline for the compulsory supply by suppliers of last resort for normal low voltage electricity (BTN) and natural gas to customers with annual consumption of less than or equal to 10,000 m^3 to 31 December 2025, whenever such consumers do not exercise their right to change to a free market supplier.

Electricity

In October 2020, the free electricity accounted for 5.3 million consumers. Since October 2019, the number of consumers in the free market has grown 2.0%.

Annualized consumption in the free market stood at 41,877 GWh and represents growth of around 2.8 p.p. in year-on-year terms (consumption of 43,085 GWh in October 2019).

Almost all consumption by heavy users is carried out on the free market. In the case of domestic consumers, free market consumption represented around 88% of the total of this segment (1.0 p.p. More than October 2019).

Natural gas

The total number of customers in the liberalised natural gas market in October 2020 reached 1,274,000, representing an increase of around 2.5 % with respect to October 2019 (average monthly rateof approximately 0.2%).

Annualised consumption in the free market stood at 40,197 GWh. A reduction of 6.6% was seen in YoY terms (43 Gwh in October 2019). Overall, the free market represents 97.6 % of all natural gas consumption.

96% of industrial consumers are supplied by the free market while the figure for SMEs and household consumers stood at 77% and 85%, respectively.

4.2. ELECTRICITY

4.2.1. RNT OPERATION

Use of transmission system

In 2020, the RNT transmitted 42.8 TWh, 0.2 TWh less than the figure seen in 2019. Despite the slight reduction in electricity transmitted, network power reached a new historic maximum on 22 January at 19:30, with 9,618 MW. This was 12 MW above the previous maximum which occurred in 2019.

Production centres injected 32.9 TWh into the transmission network, 0.3 TWh above the figure for the previous year, corresponding to 2/3 of all national production. From the 15.8 Twh of production directly connected to the Distribution network, 2.4 TWh were injected into the Transmission Network due to absence of local consumption. This injection into the Transmission Network, with peaks close to 1,300 MW, was in line with figures for the previous year.

Transmission network losses totalled 790 GWh, representing 1.84% of energy transmitted, slightly higher than the 1.71% recorded in 2019.

TRANSMISSION SYSTEM BALANCE

TWh	2020	2019
Energy Intake into the Network	42.8	43.0
Power plants	32.9	32.6
Interconnections	7.6	8.1
Distribution Network	2.4	2.4
Energy Output by the Network	42.0	42.3
Power plants / Direct Customers	4.1	3.8
Interconnections	6.1	4.7
Distribution Network	31.8	33.8
Own Consumption	0.0	0.0
Losses	0.8	0.7
Losses (%)	1.84	1.71

Average interconnection capacities offered to the daily wholesale market stood at 2,977 MW for import and 2,960 MW for export. As was the case in the previous year, the national system saw imports during most periods, with congestion occurring (after the daily market) in the import direction in 1.9 % of periods and in 2.2 % in the export direction.

Quality of service

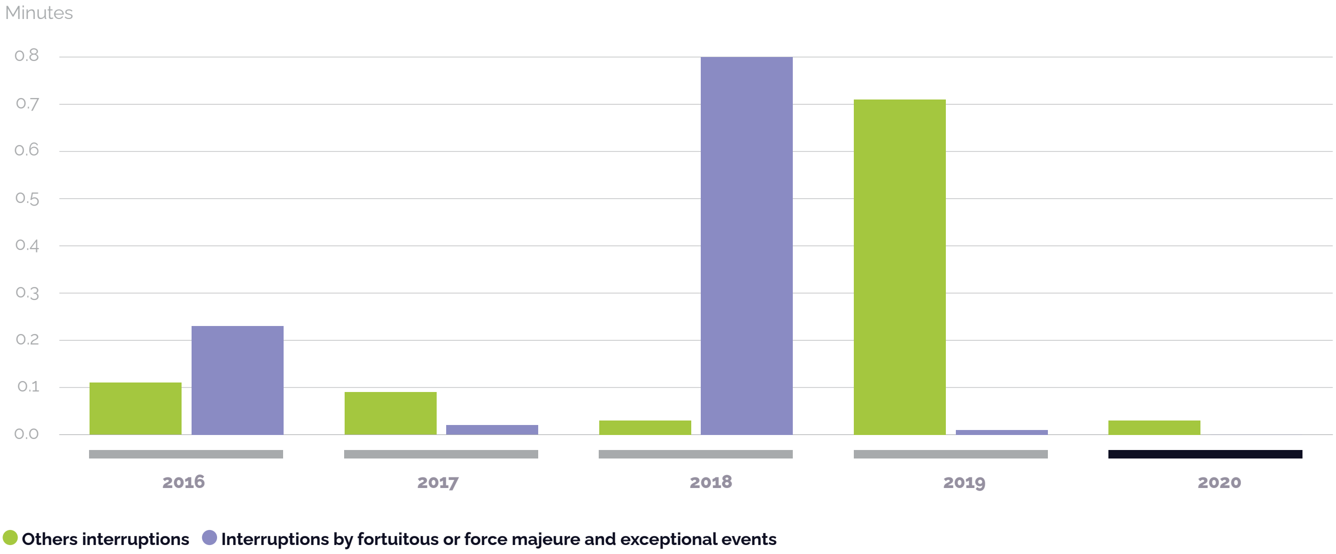
in 2020, the quality of service of the National Electricity Transmission Network was marked by an interruption of service at the Évora delivery point of 6.5 minutes, corresponding to energy not supplied of 2.8 MWh. Despite this, the quality of technical service provided - understood as being security and continuity of supply of electrical power with the necessary technical characteristics - was positive - consolidating the suitable performance of the RNT.

The general indicators for service continuity set out in the Quality of Service Regulations recorded generally positive values. The System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI) saw the second best figures ever, only bettered by 2012 when no interruptions greater than three minutes' duration occurred.

The remaining indicators also recorded a positive performance, with figures below the average of recent years. In this regard, the policies and strategies adopted for the activity of electrical power transmission have promoted the suitability and efficiency of RNT operation.

EIT, an indicator of overall performance commonly used by electrical utility firms, attributed directly to REN, was 1.8 seconds. This corresponds to energy not supplied of 2.8 MWh. This overall EIT value represents what would be a practically uninterrupted supply of electrical power (99.99999% of the time) to a single 'equivalent' consumer (corresponding to mainland Portugal), with power and energy which would represent all the different delivery points to the national electricity distribution network and consumers directly connected to the RNT.

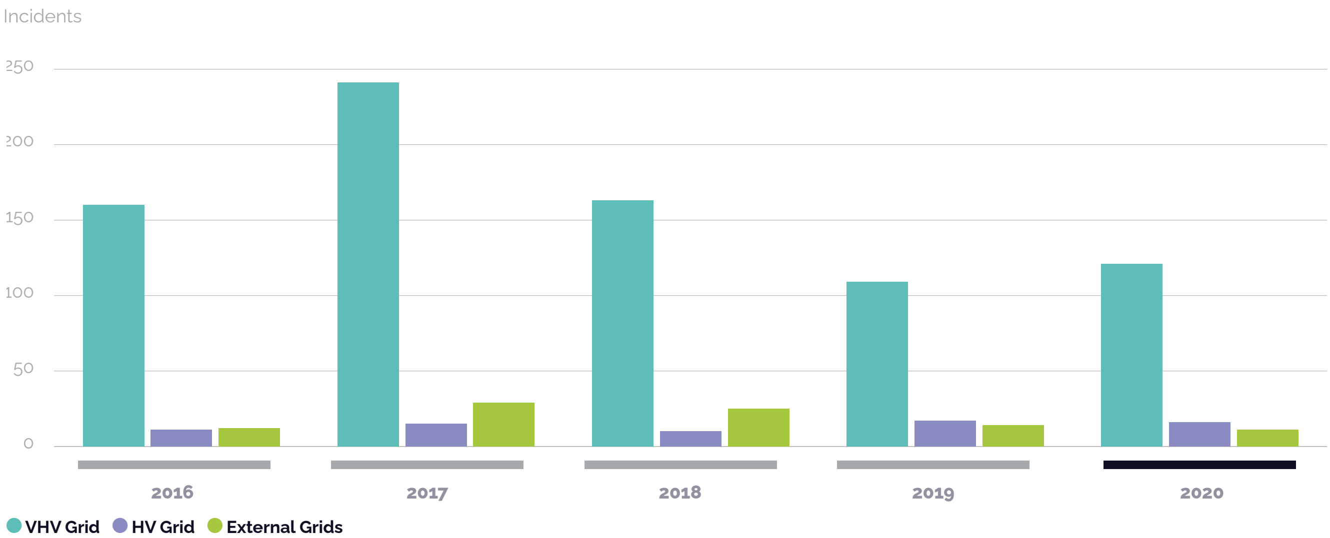
EQUIVALENT INTERRUPTION TIME



In 2020, the monitoring of voltage waveform quality continued at delivery and interconnection points on the RNT. Measurements continued to show results that, with a limited number of exceptions in individual and localized cases, match the figures recommended in the Quality of Service Regulations.

The overall level of the electrical energy quality depends on the number of incidents recorded or which impact on the transmission grid. In a similar manner to that which took place in 2019, in 2020, the number of incidents was significantly lower than the average of the last five years. In 2020, there were a total of 148 incidents (5.7 % more than in 2019), 121 of which originated in the Extra High Voltage Network (EHV), 16 in the High Voltage Network (HV) and 11 in other networks but impacting on the RNT EHV and HV networks. Only three incidents (2.0% of the total) actually caused interruptions to the supply of electricity to customers, having caused three interruptions at delivery points.

EVOLUTION IN THE NUMBER OF INCIDENTS

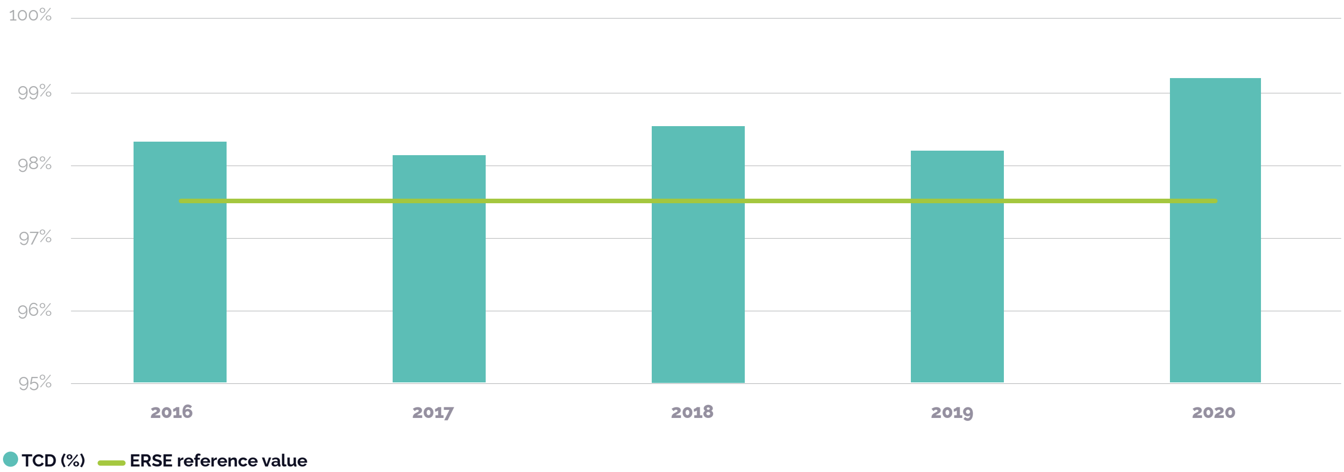


Performance of transmission system assets

Availability

The combined availability rate – an indicator defined by the Energy Services Regulator ("ERSE") which analyses the availability of RNT transformers and lines – was 99.20% in 2020. This figure corresponds to a new maximum historic, against a very specific background caused by COVID-19, impacting on activities and more particularly, on investment. The following graph shows the annual evolution of this indicator over the last five years. This performance represents effective coordination and programming of grid outages during the period in question and to a certain extent, the reliability of RNT assets.

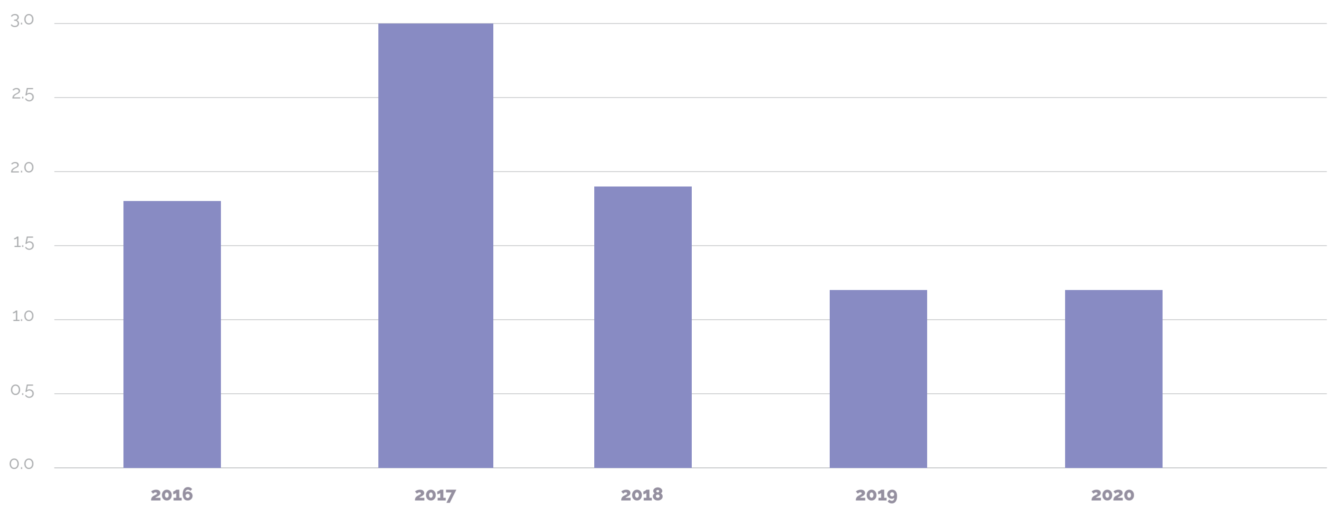
COMBINED AVAILABILITY RATE



Performance of the lines and substation equipment

In general, sub-station and their respective equipment and systems recorded suitable performance. The number of breakdowns in power transformers and trip switches was similar to figures for 2019. More in-depth technical detail is available in the Quality of Service Report published annually by REN. The majority of incidents originated in RNT lines, and in 2020, the number of faults per 100 km of circuit was very close to the figure for the previous year: 1.2 faults per 100 km of circuit.

EVOLUTION IN THE NUMBER OF FAULTS ORIGINATING IN RNT LINES PER 100 KM OF CIRCUIT



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RNT BEHAVIOUR IN 2020 WAS GENERALLY SUITABLE, IN A YEAR MARKED BY THE COVID-19 PANDEMIC WHICH IMPACTED CONSIDERABLY ON THE NATIONAL ELECTRICITY SYSTEM.

Network Behaviour

The behaviour of RNT in 2020 was generally suitable, in a year set against pandemic with wide-ranging impact on the National Electricity System (SEN), more specifically on maintenance activities and the construction of network infrastructure. During 2020, the major congestions that occurred in the RNT were associated with grid element outages, which were solved through generation constraints or the introduction of topological changes to the network. In this regard, of particular note were outages which occurred due to the remodelling of 400-kV lines in the Minho area and 220 Kv in the Lisbon area which required special topological measures. These measures sought to minimize restrictions on power generation and maximize the commercial capacity of the interconnection with Spain.

System Operation

In 2020, consumption in mainland Portugal saw a sharp fall of -3.0 % over the previous year, totalling 48.8 TWh. The pandemic contributed considerably to this annual reduction, impacting directly on Portugal since March 2020, especially during the weeks of tighter lockdown, when the reduction in consumption when compared to the same weeks in the previous year, reached 13%. It should also be noted that 59% of the abovementioned consumption was supplied from renewable energy sources representing an increase of around de 8%in comparison with 2019.

In January 2020, the coordinated calculation of interconnection capacity in South West Europe was started, a region which includes Portugal, Spain and France. This procedure took place in accordance with the methodology established in Article 21 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management. This Regulation was approved by national regulators in November 2018.

Market Operation

In 2020, five new market agents started activity in the National Electricity System (SEN) while two closed down operations. At the end of the year, there were 50 market agents, three of which are producers.

With the publication of Directive No 2-A/2020 regulating the activity of guarantee management, risk anagement and the provision of guarantees with respect to the National Electricity System (SEN), the passing of risks and guarantees in SEN to the Integrated Guarantee Manager was concluded.

On 29 September, the TERRE Project - Trans-European Replacement Reserves Exchange (a project to facilitate the cross-border exchange of energy relating to Replacement Reserves) was extended to SEN. With the extension of the TERRE project to SEN, the first European cross-border exchange of replacement reserves took place through the Spain Portugal border.

As of 10 December, 30-minute products became available at the French-Belgian border, 15-minute products at the Austrian-Hungarian border and 30 and 15-minute products at the Belgian-German, Belgian-Dutch and Dutch-German borders.

On 15 December, as a result of joint work by Electricity Market Operators and Transmission System Operators, the extension daily market to Greece was confirmed. The Greek daily market is now integrated through the Greek-Italian border in the European Daily Electricity Market.

This extension represents a further in the European Daily Electricity Market which is expected to be finalised in 2021.

On 16 December, the European project "IGCC - International Grid Control Cooperation" was extended to the Portuguese electricity system. The aim of this project is to optimize the use of automatic Frequency Restoration Reserves (aFRR), which had so far been referred to as automatic secondary reserves or teleregulation.

4.2.2. INVESTMENT IN THE RNT

Projects concluded in 2020

In addition to improving the internal safety and reliability of the network and the overall operation of the national electricity system, RNT projects concluded in 2020 also helped reinforce feeding to the National Electricity Distribution Network (RND) and create new connections (reinforcing production reception capacity) for new production.

Of note in the reinforcement of the National Electricity Transmission Network is the conclusion of two 220 kV panels, one at the Valpaços substation and another at the Vila Pouca de Aguiar substation, as well as the connecting of the 2nd Valpaços - Vila Pouca de Aguiar three-core cable. In relation to the feeding of distribution networks, a highlight in 2020 was the conclusion of a 60 kV panel at the Pocinho substation.

To receive new production through direct connection to the RNT, panels were concluded at the following substations: Chafariz 220 kV panel, Falagueira, Tavira and Portimão 150 kV panels, Alqueva and Ferreira do Alentejo 60 kV panels.

In addition to the development projects mentioned above, modernization investment was also made in assets at end of working life. This work included the remodelling of the 400 kV Riba d'Ave- Recarei 2 and the 220 kV Aguieira – Pereiros 2 lines, as well as the conclusion of remodelling of equipment and systems for protection and automation and control at the Estarreja, Falagueira, Sacavém and Vila Chã substations.

Main investments underway

Connection of large hydro-plant to RNT

- 400 kV axis in Minho between the Porto region (Vila Nova de Famalicão substation) and the Pedralva substation, passing through the future Ponte de Lima substation. This reinforcing of the network, which now only requires the closing of the connection between the Ponte de Lima area and the Vila Nova de Famalicão sub-station (under construction), is vital for ensuring the flow of high quantities of power generation from Cávado/Alto Minho, substantially increased after the Salamonde II and Frades II plants came online. This network reinforcement will provide a 400 kv alternative corridor to the current Pedralva – Riba d'Ave – Recarei axis while also strengthening international exchange capacity through integration into the future interconnection with Spain which is planned for this area.

- 400 kV axis between the planned new Ribeira de Pena substation and the current Vieira do Minho and Feira substations to create conditions for new generation connection and reception capacity throughout the Alto Tâmega hydro region (around 1,150 MW of installed power) – the Ribeira de Pena substation and the southern stretch of the Feira Ribeira de Pena line are under construction; the construction of the northern stretch of this line is dependent on several environmental constraints being overcome and legal cases underway in the courts; the project for the Ribeira de Pena Vieira do Minho 1/2 line is at the new environmental impact assessment procedure stage and is awaiting conclusion and subsequent procedure for the issue of the licence, enabling construction work to start.

Connection to the RNT of production other than large hydro or thermal power

- As part of the work to connect the Viana do Castelo offshore power centres to RESP, a step-down station is under construction in the port of Viana do Castelo. This step-down station, which is expected to be concluded in 2021, will offer a transition facility providing monitoring, switching and step-down functions between the undersea cable and the underground connecting cable to the onland RESP:

- In the Beira Interior, establishing of the new 400 kV Fundão – Falagueira axis through the extension of the current Falagueira – Castelo Branco 3 line to the Fundão region where a new 400/220 kV sub-station in under construction. This will create capacity to receive new production throughout this region and eliminate the technical restrictions to current and future renewable wind production and production from new photovoltaic plants which are not yet connected. These plants are expected to be completed during 2021:

- To create additional reception capacity for new solar photovoltaic production resulting from competitive procedures for connection power allocation to RESP launched by the Portuguese State, studies were started for new RNT infrastructure and the reinforcement of transmission capacity for some existing infrastructure.

Feeding of consumption centres in distribution networks and VHV clients.

- In the Alto Alentejo, the passage of the 400 kV Falagueira – Estremoz — Divor — Pegões axis, providing electrical power to the railway line between Évora and Elvas/Caia, as well as other facilities This project and the respective installation licences since obtained, will also allow reception capacity to be created in the RNT for new generation in the Alto Alentejo, improving power feeding to consumers depending on the Estremoz and Évora substations as well as ensuring better network connection for power transfer between the north and south of Portugal;

- In the Setúbal Peninsula, the second 150 kV connection between the Fernão Ferro and Trafaria substations, with conclusion expected during 2021;

- In different areas of the network, introduction of RNT/RND transformation or reinforcing of existing power, more specifically, at the Vila Nova de Famalicão, Valdigem, Falagueira, Carregado, Alcochete and Estremoz substations to meet supply security requirements and adaptation to regulatory standards.

Reinforcement of the RNT with respect to the shutting down of production at the Sines coal-fired thermal power station

- Included in the reinforcement of the RNT in the Lisbon and southern mainland Portugal areas are technical-environmental studies for 400 kV RNT axes which will contribute to the structural matching of network performance to deal with the shutting down of production at the Sines coal-fired thermal power station, which was brought forward.

Reinforcement of the interconnection capacity between Portugal and Spain

- In order to reinforce exchange capacities between Portugal and Spain, more specifically in the import direction, a project is underway for a new 400 kV interconnection in the Minho region, connecting the future Ponte de Lima substations on the Portuguese side to Fontefría on the Spanish side. This project is at the environmental assessment stage.

Remodelling of equipment and systems at the end of working life

- In addition to RNT development investment, several modernization projects are also underway for transmission network assets. This involves remodelling and replacing high and very high voltage equipment at sub-stations, protection, automation and control systems, power transformers and overhead lines.

Transmission Network Development and Investment Plan (PDIRT)

At the start of 2020, ERSE launched a public hearing for the proposed Development and Investment Plan for the Electricity Transmission Network for the 2020 2029 period (PDIRT 2020-2029). Once the public hearing was concluded and the reasoned opinion had been received from ERSE, REN reviewed the content of the proposed plan and incorporated a series of amendments arising from the hearing. REN has now sent the new version of the proposed PDIRT 2020 2029 to the Directorate General for Energy and Geology (DGEG).

With respect to the process of Strategic Environmental Assessment (AAE), the proposed PDIRT 2020-2029 was accompanied by a "Technical note justifying the non-completion of the AAE

for PDIRT 2020-2024 (2029)", drawn up by REN with the collaboration of the Faculty of Engineering at the University of Porto. This note was submitted for consultation to the Entities with Specific Environmental Responsibilities. When the public hearing was finalised and the reasoned opinion received from ERSE on PDIRT, REN reviewed the content of the Technical Note and incorporated a series of amendments arising from the hearing.

Projects of Common Interest for Electricity (PIC)

In March 2020, the 4th List of European Union Projects of Common Interest (PCI) was published in the Official Journal of the European Union. The RNT projects on this list designated by PCI 2.16.1, PCI 2.16.3 and PCI 2.17 for the integration of new renewable sources and the increase in interconnection capacity between Portugal and Spain, once again had their PCI status renewed, as they had already been included on the 1st, 2nd and 3rd PCI lists in 2013, 2015 and 2017, respectively. In November 2020, the process was started to prepare the 5th PCI List. The period for submitting applications was between 25 November 2020 and 7 January 2021, and REN once again applied for the three projects previously considered as PCI. The selection process will take place during 2021.

4.2.3. NETWORK CONNECTIONS

With respect to connections to RESP, REN coordinates connection and integration processes for consumer and producer facilities which connect directly to RNT, so as to ensure the respective safety and quality of service and the effective integration of renewable energy sources into the National Electricity System.

Decree-Law No 172/2006 of 23 August, republished by Decree-Law No 76/2019 of 3 June, allows access to RESP by renewable energy production plants through three alternative methods, all requiring the prior reservation of reception capacity in RESP:

- General Regime, to reserve existing reception capacity;
- The competitive / auction procedure, under terms to be defined by the Portuguese State;
- Signing of an agreement between the applicant and the operator of RESP ("Agreement") to build new infrastructure not provided for in the respective network development and investment plans, aiming to create reception capacity to enable connection by the energy production plant in question (in this case, the investment cost will be taken on by the applicant).

Under the new general regime framework, up to the end of December in 2020, REN issued 13 Capacity Reserve Titles (TRC), corresponding to 940 MVA.

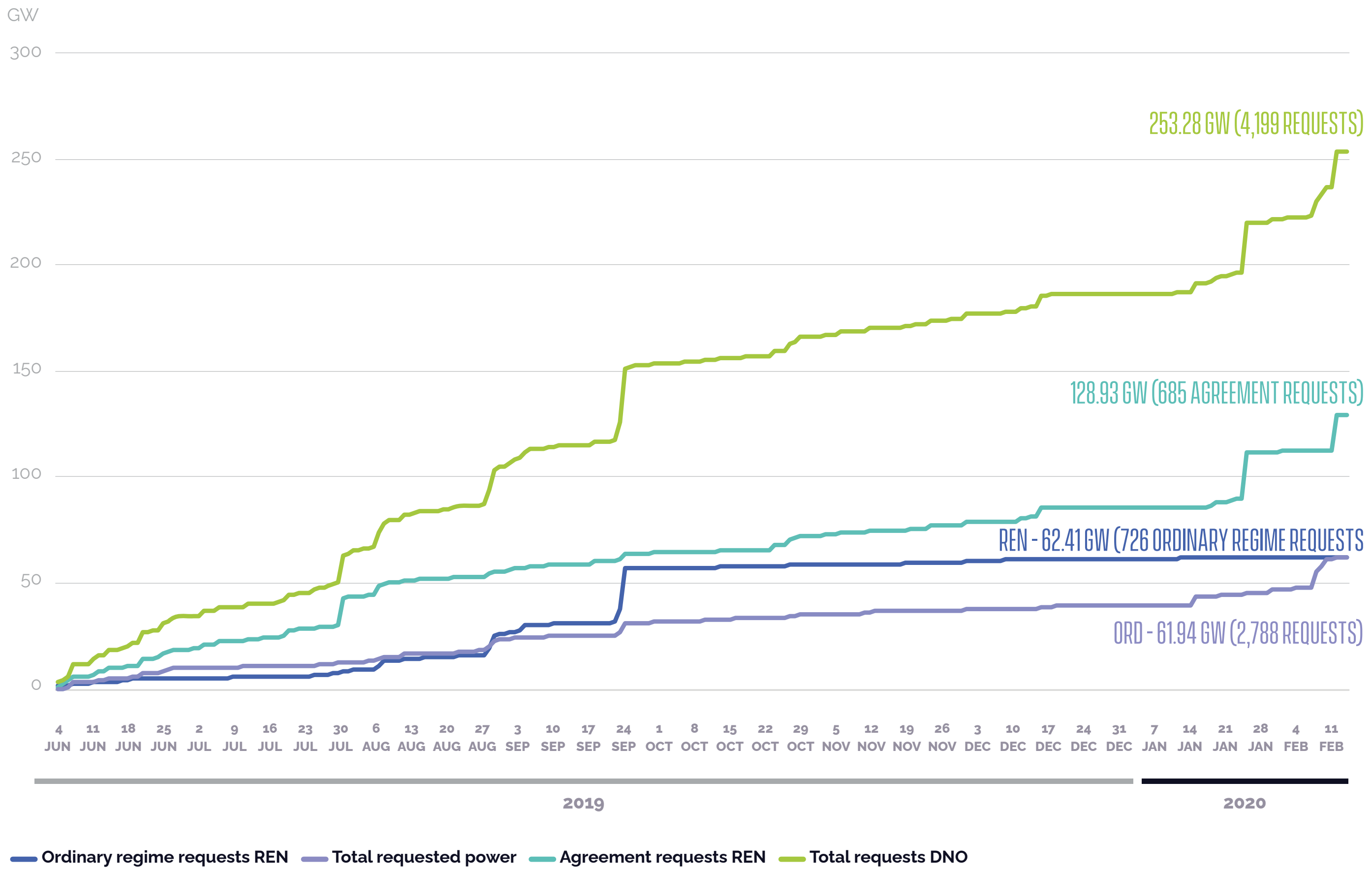
The second RESP capacity auction took place in August 2020. In this competitive procedure, reception capacity of 583 MVA was awarded to connect seven photovoltaic plants to the RNT, most with power storage capacity via batteries, and REN issued the respective seven TRC.

In February 2020, total capacity requested through the agreement scheme to connect photovoltaic plants stood at almost 129 GVA. In the same month, DGEG published the Reference Conditions (TdR) establishing the criteria under which REN classifies and orders these requests, seeking to filter the volume of the 685 requests received. This allows network reinforcements to be studied in blocks thus maximizing their integration into RNT. Prior to the publication of the TdR, a block of 14 requests was studied, corresponding to 3.5 GVA, and the formalization of the respective agreements with REN was being finalized at the end of 2020.

Evolution in the number of connection requests from photovoltaic plants to RESP, under the general and agreement schemes from June 2019 to February 2020 can be seen in the graph below. (Excludes Small Production Units and Production Units for Self-Consumption which connect to RND through their own scheme).

CONNECTION REQUESTS TO RENEWABLE ENERGY PRODUCTION PLANTS

PERIOD FROM 4 JUNE 2019 TO 16 FEBRUARY 2020

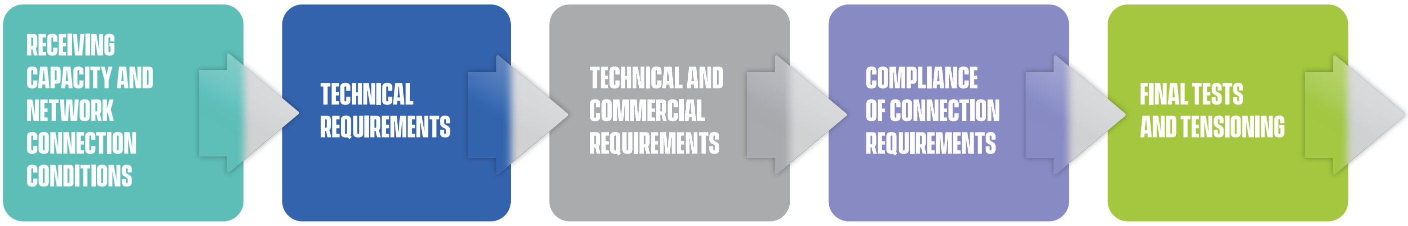


Connections underway in 2020

Connections to the RNT at the end of 2020 were underway for 41 photovoltaic plants, three wind farms, three hydro power plants and three consumer facilities (one industrial customer in Sines, and two traction substations, one to feed the Western railway line and another for the Sines – Elvas/Caia goods line).

One photovoltaic plant concluded the connection process to the RNT in 2020.

RNT CONNECTION PROCESSES



Also with regard to network connections in 2020, in collaboration with the Distribution Network Operator and ERSE and under the coordination of DGEG, work was continued in the process to implement three new European network connection codes. They are (i) Network Code on Demand Connection (EU 2016/1388), (ii) network code on requirements for grid connection of high voltage direct current systems and direct current-connected power park modules (EU 2016/1447) and (iii) network code on requirements for grid connection of generators (EU 2016/631). This latter code was implemented nationally in 2020 with the publication of Ministerial Implementing Order No 73/2020 which approved the non-exhaustive requirements to be applied for generator modules connecting to the Public Service Electricity Network (RESP).

The aim of the implementation process for Commission Regulation (EU) No 2016/631 of 14 April 2016 was to "establish harmonised rules for grid connection of generators to facilitate Union-wide trade in electricity, ensure system security, facilitate the integration of renewable electricity sources, increase competition and allow more efficient use of the network and resources, for the benefit of consumers".

4.3. NATURAL GAS

4.3.1. RNTG OPERATION

Quality of service

The indicators set out in the Natural Gas Quality of Service Regulations (QSR) had the following annual values.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN GASODUTOS

Average No of interruptions per output point	0
Average time of interruptions per output point	0 MINUTES/POINT
Average duration of interruption	0 MINUTES

Notes:

- Average No of interruptions per output point: ratio between the total number of interruptions at output points during a specific period, divided by the total number of output points at the end of the period under consideration.
- Average duration of interruptions per output point: ratio between the sum of interruption durations at output points during a specific period, divided by the total number of output points at the end of the period under consideration.
- Average duration of interruption: ratio between the sum of interruption durations at output points, divided by the total number of interruptions at output points, in the period under consideration.

The remaining indicators for the supply and characteristics of natural gas fell within the limits set by the QSR.

The aggregate indicator for the frequency of incident occurrence per year per 1,000 km of high-pressure transmission infrastructure for 2020 stood at 0. 436, taking into account the activity of the last five years. The figure for the same indicator published by the European Gas Pipeline Incident Data Group (EGIG) for all TSOs participating in the scheme is 0.155 for the last five years.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN ARMAZENAGEM

Compliance with nominations for natural gas withdrawal	99.95%
Compliance with nominations for natural gas injection	99.80%
Compliance with energy storage	100.00%

Notes:

- Compliance with nominations for natural gas withdrawal: the ratio between the number of nominations complied with and the total number of nominations;
- Compliance with nominations for natural gas injection: the ratio between the number of nominations complied with and the total number of nominations;
- Compliance with energy storage: calculation based on the mean square error between nominated and real energy values resulting from the total requests by the users of both injection and withdrawal of gas

With respect to the unavailability of the REN Atlântico infrastructure, in 2020, stoppages of 2 hours 38 minutes were seen, due to sudden interruptions. This resulted in availability of 99.97%.

GENERAL QUALITY OF SERVICE INDICATORS FOR REN ATLÂNTICO

Compliance with commercial service (nominations)	100.00%
Injection of natural gas into the network (injected/requested)	99.70%
Availability of facility	99.97%

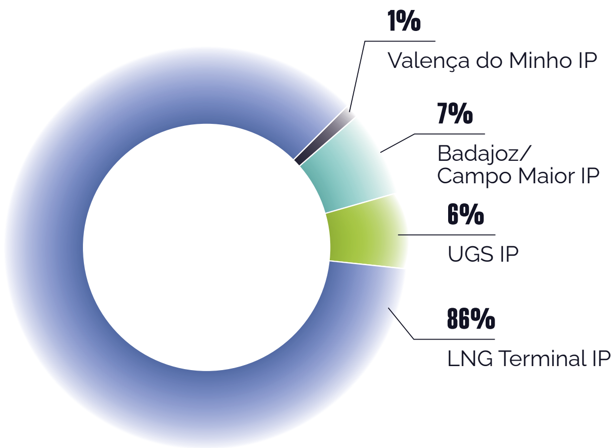
In 2020, intakes of natural gas into the infrastructure operated by the RNTG concessionaire were mostly from the REN Atlântico Sines Terminal (86%). Intakes by Campo Maior through the interconnection with the Maghreb gas pipeline which supplies Portugal with gas mainly from Algeria accounted for 6.9%. The network entry point via Underground Storage corresponded to 6.1%. The Valença do Minho entry point contributed with a residual value of 1% of total inputs seen in the infrastructure. The following graph shows the breakdown of intakes into the transmission system:

- In 2020, the 68,857 GWh (around 5.78 bcm) transmitted through the RNTG included high-pressure national consumption, with a total of 64,960 GWh (5.46 bcm), the injection of natural gas into underground storage of 2,819 GWh (0.24 bcm) and an export of 989 GWh (0.08 bcm) to Spain through the Campo Maior interconnection. There were no exports from the national system through the Valença do Minho-Tuy interconnection;

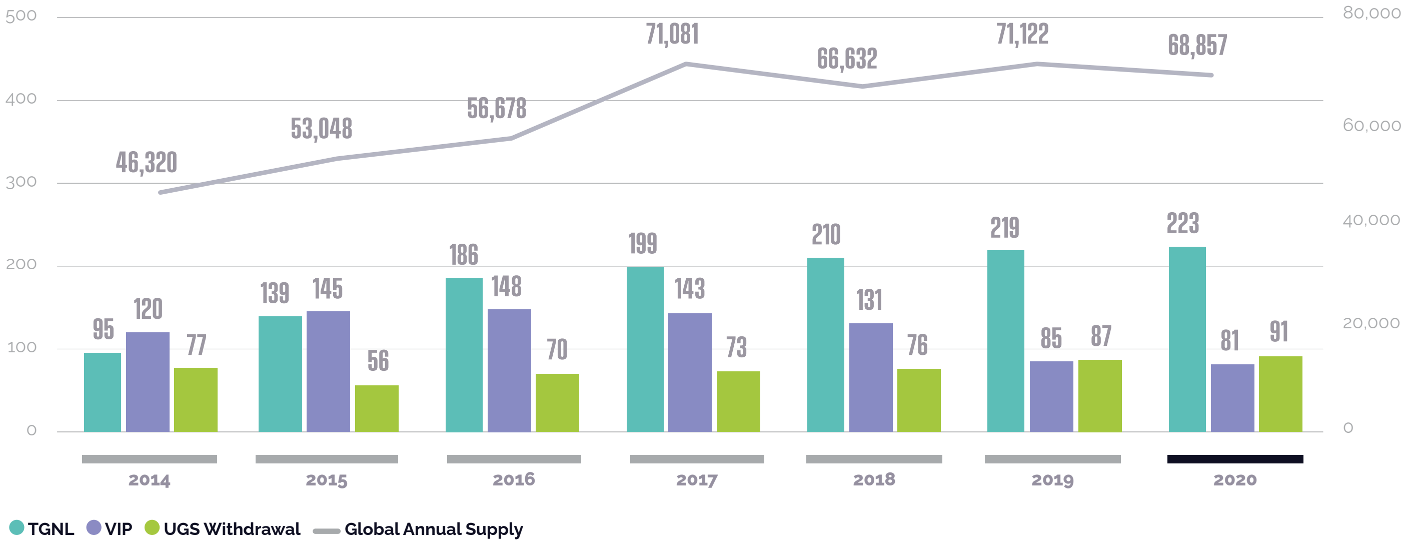
- With regard to the use of system capacity, in 2020 the maximum daily intake figure for the RNTG through the Badajoz - Campo Maior interconnection was 80.8 GWh recorded on 25 July, and 223.3 GWh through Sines on 9 October;

- With respect to use of capacity at RNTG entry points in 2020, a level equivalent to 92% was recorded of the maximum aggregate value made available commercially at the three entry points in the transmission network, the Sines Terminal, VIP Ibérico and Underground Storage. This figure was slightly above the value recorded in 2019 (91%). The following graph shows the growing peak withdrawal seen in the last seven years, which has accompanied overall system use (with regard to natural gas consumption).

SYSTEM OPERATION

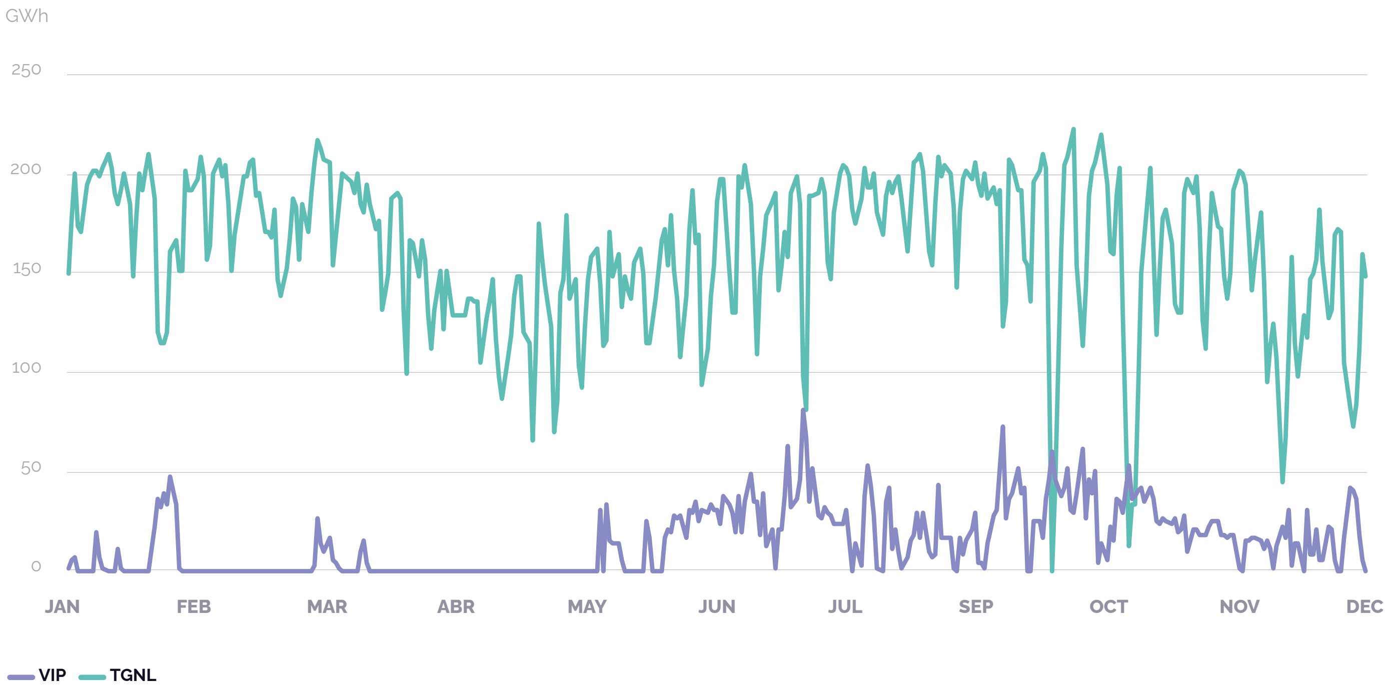


MAXIMUM INPUTS TO RNTG: VIP + LNGT + US WITHDRAWAL (% OF MAX, COMMERCIAL CAP.)



The increase seen in the use of the LNGT with respect to the Iberian VIP was based on a market logic which has been followed since the start of the 2nd semester of 2018. The following graph shows the daily use of each of the abovementioned infrastructures.

SUPPLY OF THE RNTG: SINES TERMINAL *VS*, IBERIAN VIP



In relation to the interface with Underground Storage, maximum daily withdrawal reached 90.1 GWh on 4 December, while injection reached 41.5 GWh on 26 September.

In 2020, a total of 63 LNG tankers were received at the Sines Terminal, 62 of which were to supply the national system. There was a slight fall in the number of unloading operations with respect to the previous year (Δ%2020/2019) of -3%. However, taking into account the amounts actually unloaded, the final variation in energy terms corresponds to (Δ%2020/2019) -1%. At the end of 2020, the total number of LNG tanker reception operations since the infrastructure opened stood at 631.

A breakdown of aggregate annual gas intakes to the transmission network shows that the Sines Terminal accounted for 92% while the figure for VIP Ibérico was 8%. Maximum capacity use at the RNTG entry points, more specifically the VIP-Ibérico and the LNGT, were 56% and 112%, respectively.

With regard to system management of the high-pressure infrastructures of the National Gas System (SNG), in 2020, different activities were carried out which required intervention in relation to the coordination of natural gas flows. This had significant impact on several entities with infrastructures in the SNG, also on occasion, involving the operator of the interconnected network, Enagás. Special remark regarding: (i) the conditioned operation to carry out the inspection programme on high-pressure transmission lines and supply to industrial branches, (ii) the conditioned operation to enable the planned intervention on the LNGT infrastructure with total stoppage of operations over two periods in order to conclude the second stage of the control system upgrade project; (iii) the logistics management for the functioning of the commercial vessel programme; (iv) the operational support for the Spanish system at the de Badajoz/Campo Maior international interconnection point to conduct the respective line inspection operations. Of special note is that all this work was undertaken so as to not affect the normal market operations.

As was the case last year, 2020 was also highly stable with regard to network balancing processes. During the year, no balancing processes were carried out by the Technical System Manager (GTG). In 2020, total accumulated annual imbalance of -20.2 GWh was recorded.

Market operation

On 26 October 2020, the Technical System Manager and MIBGAS, the Iberian Market Operator in natural gas, published a joint schedule to implement the natural gas organized market in Portugal, with start-up planned for 16 March 2021. At the initial stage, this market will allow the purchase and sale of short-term standardised products for delivery in Portugal by the respective qualified market agents. This market will further ensure balancing actions to be undertaken by the Technical System Manager, in compliance with Commission Regulation (EU) No 312/2014 of 26 March establishing a Network Code on Gas Balancing of Transmission Networks, as well as Directive No 14/2020 approving negotiation rules for products delivered to the VTP on the MIBGAS platform along with the associated procedures.

In relation to the abovementioned Network Code on Gas Balancing, infrastructure users play a more important role in network balancing as they are now responsible for maintaining a permanent balance between their entries and exits to the transmission network. Accordingly, the Technical System Manager is also required to carry out network balancing when necessary, using an auction mechanism determined by ERSE until Mibgás (gas transactions platform) starts operations in Portugal. During 2020, the Technical System Manager did not hold any auctions for the purchase or sale of network balancing gas.

With regard to market agents qualified to operate in high-pressure infrastructure, 2020 ended with a total of 33 suppliers with signed contracts of which 28 were active in the SNG. Contributing to this number were five new market agents starting up in 2020.

With respect to coordination responsibilities regarding information of a commercial nature, the response to information requests and complaints plays an important role in ensuring the ongoing satisfaction of infrastructure users. In 2020, 284 information requests and 100 complaints were received, 220 less requests and 81 less complaints in comparison to 2019. In 2020, information requests were processed with an average response time of 1.02 days and complaints with an average response time of 0.62 days, figures lower than the average times recorded for 2019 of 2.57 days and 1.17 days, respectively.

Supply Security

In accordance with legislation in force, it is the responsibility of the RNTG operator to collaborate with DGEG in the preparation of a draft Report on the Monitoring of Gas Supply Security (RMSA-G), to be submitted every year to the Minister of the Environment and Climate Action. The Government publishes the report, sending copies to the European Commission and ERSE. As a contribution to RMSA-G 2020, the study undertaken by REN covers possible measures to implement reinforcement of SNG supply security, including an assessment of the sufficiency of RNTIAT underground storage to ensure compliance with security reserves. The analyses carried out refer to the 2021-2040 period and also took into consideration the SEN Supply Security Monitoring Report for the 2021-2040 period (contributions to RMSA-E 2020).

Network Operation (REN Gasodutos)

Also with respect to RNTG infrastructure operation, in 2020 work was continued on programmes to update technology in management systems and applications.

Operation of the Sines LNG Terminal

With regard to operations, in 2020 the LNG Terminal maintained a very high level of activity, having received a total of 63 ships (62 unloading operations and one cooling operation), corresponding to total unloaded energy of 62.00 TWh and issue of 59.22 TWh to the network. In the same period, 6,668 tankers were loaded, representing a new historic maximum, corresponding to total energy of 1.94 TWh.

The maximum daily issue from the Terminal into the network was on 9 October, with a total of 223.3 Gwh, representing a new historic maximum.

REN Atlântico conducted seven audits, all with positive results, where:

- One audit related to the SEVESO Directive (Audit of APA);
- One audit related to verification of the integrated quality, environment, safety and occupational health management system;
- One audit was conducted by a third party under the APS concession contract;
- One audit was conducted to monitor service quality;
- One audit was conducted with respect to compliance with the ISPS code.
- Insurance Company Audit;
- Financial audit.

One safety drill was conducted with the participation of external entities, which tested the response capacity of REN Atlântico and other bodies involved in safety (PEI-SEVESO) as well as protection (ISPS).

Operation of REN Armazenagem

With regard to the use of underground storage, total natural gas movement was 7,188 GWh, broken down into 4,387 GWh of withdrawals and 2,801 of injection. Overall own consumption by the Gas Station in 2020 corresponded to 23 GWh.

At the end of the year, compared with 2019, the following balance of stocks was seen:

NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)[6]

AT 31 DECEMBER 2019	AT 31 DECEMBER 2020	VARIATION 2020/2019 (ENERGY)
3,678	2,092	-43%

AVERAGE DAILY LEVEL OF NATURAL GAS STOCKS AT REN ARMAZENAGEM (GWH)

2019	2020	VARIATION 2020/2019 (ENERGY)
3,130	3,353	7%

At 31 December 2020, the nominal capacity figures for REN Armazenagem's six caverns in operation were as follows:

REN ARMAZENAGEM INFRASTRUCTURE CAPACITIES (GWH)

	2020	2018
Maximum capacity	3,967	3,967
Effective maximum capacity after technical restrictions	3,570	3,570
Commercially available capacity	3,570	3,570
Cushion gas	2,381	2,381

Notes:

- Cushion gas: permanent volume of gas maintained in caverns in order to ensure the minimum pressure required to safeguard their structural stability;
- Maximum capacity: total capacity minus the cushion gas volume;
- Maximum effective capacity after technical restrictions: maximum capacity minus the volume restrictions for using the caverns due to technical constraints;
- Commercially available capacity: maximum effective capacity after technical restrictions minus the capacity allocated to the SNG overall technical manager for operation gas.

[6] The figures indicated do not include cushion gas.

4.3.2. INVESTMENT IN THE RNTG

RNTIAT development and investment plan (PDIRGN)

In July 2020, the final proposed PDIRGN 2020-2029 was sent to DGEG. This final draft of the plan took into consideration the reasoned opinion by ERSE on the version which was put to the public hearing held by ERSE from 13 February to 27 March 2020. It reflected the comments received from the different entities and stakeholders which formally pronounced on the plan.

Total investment in the RNTIAT in 2020 was 8.33 million euros (external direct costs).

REN Gasodutos

As part of RNTG projects, REN Gasodutos concluded the following investment in 2020:

- Replacement of fibre cement covers on buildings at several substations;
- Replacement of flow computers at the end of working life;
- Inspection by smart tool (pig) of five gas pipelines to verify the integrity of infrastructure, in accordance with regulatory requirements;
- Installation of one PRM DS at the client Smith Paper in Viana do Castelo;
- Upgrading of metal towers at 23 stations;
- Adaptation or remodelling of equipment and systems at different stations;
- Implementation of TCP/IP technology in the supervision and control of gas pipeline stations.

With regard to Technical System Management, the following systems were developed and processes were automated with a view to providing greater efficiency and effectiveness in SNG, including:

- Implementation of a new Individual Agent Registration Code (CRIA) (as as result of Directive No 16/2019 of 6 December 2019), which provides for the centralising and standardising of a new registration code for all entities operating in Portugal in the electricity and natural gas sectors;
- Start of the restructuring process for the @IGN platform for the Third-Party Network Access system (ATR);
- Implementation of the regulatory procedures under MPGTG in the ATR system, including the exchange of information between the REN, MIBGAS and OMICLEAR systems, interruptible capacity management and the provision of complementary capacity;
- Technological updating of the information and operational management system, enabling the storage, quality and availability of operational data;
- Implementation of processes, architecture and developments with a view to increasing the resilience of systems with regard to cybersecurity.

Total investment by REN Gasodutos in 2020 was 3.77 M€ (external direct costs).

REN Armazenagem

In 2020, REN Armazenagem made a series of investments with a view to ensuring supply security and the availability capacity of natural gas storage. This investment included:

- Suitability an/or upgrade of different equipment and systems;
- Installation of a fire detection system.

Total investment in underground storage in 2020 was 1.76 M€.

REN Atlântico

In 2020, REN Atlântico concluded the following investment projects:

- 2nd stage of the upgrade to the Distributed Control System DCS;
- Electrocloration plant;
- Replacement of components in the high-pressure LNG pumping system due to end of working life;
- Upgrade of equipment and systems at the end of working life;
- Anti-corrosion protection of tubing and equipment at facilities to ensure system integrity.

In total, REN Atlântico invested 2.80 M€ in 2020.

»DISTRIBUTION NETWORK, WITH A TOTAL LENGTH OF OVER 5,897 KM IN 2020.«

4.3.3. REN PORTGÁS DISTRIBUIÇÃO

4.3.3.1. Operation and maintenance of the distribution infrastructure

The distribution network, with total length of more than 5,897 km in 2020, requires ongoing monitoring, diagnostics and maintenance. One of the company's priorities is to increase the overall quality of the natural gas distribution system, maintaining a high level of safety and reliability in the operation of the distribution network. This management is highly demanding with respect to the optimization of infrastructure development programmes, requiring the periodic review of network condition simulation models, ongoing monitoring of activities, the introduction of new materials and technologies via innovation, improvement of asset condition assessment methods and an increase in crisis management; methodologies and business continuity.

The REN Portgás asset management policy follows company strategy to set targets and quantifiable goals in order to assess network performance. Asset management has six objectives:

- Safety: ensure that the operation and maintenance of infrastructure is conducted in a manner which is safe for the community, employees and service providers;
- Supply: guarantee the capacity and resilience of distribution networks, complying with the level of service expected by customers;
- Sustainability: promote development plans based on the pillars of economic, social and environmental sustainability;
- Efficiency: continuously seek to optimize work processes and achieve efficiency in operations;
- Reliability: ensure uninterrupted and permanent access to distribution networks;
- Innovation: develop a modern energy infrastructure which promotes integration, reconfiguration and digitalization, maximizing its flexibility.

A series of obligations underlie distribution activity so as to ensure the operation and maintenance of the respective infrastructure under conditions of safety, reliability and quality of service. A further requirement is to ensure the management of natural gas flows in the respective network, guaranteeing non-interruptibility with other connected infrastructures, in compliance with applicable regulations.

Accordingly, the company ensures compliance with a demanding preventive maintenance plan involving work to optimize infrastructure use, guaranteeing their good condition and a suitable balance between compliance with the technical requirements and impact on the environment and communities.

A systematic search for leaks from the distribution network was conducted in 2020 and covered a total of 1,084 Km, 980 Km of which were in secondary network and 104 Km in primary network broken down over 12 concession municipalities.

799 leaks were detected, 81 of which were in the network and 718 were in general trip boxes. The network ratio leak was 7.5 leaks/100Km.

In 2020, research was carried out on insulation failures in 80 Km of network and 193 failures were detected of which 25% have already been repaired. The insulation failure ratio was 2.4 insulation failures/Km.

The steel network, typically medium-pressure, is susceptible to corrosion and requires active and regular protection measures to mitigate this process and preserve the asset - cathodic protection.

The pilot project to install remote monitoring equipment started in 2019, was concluded in 2020 with highly positive results. This monitoring solution was reinforced due to the results obtained, mostly in the Porto metropolitan area, with the installation of a further 12 control units.

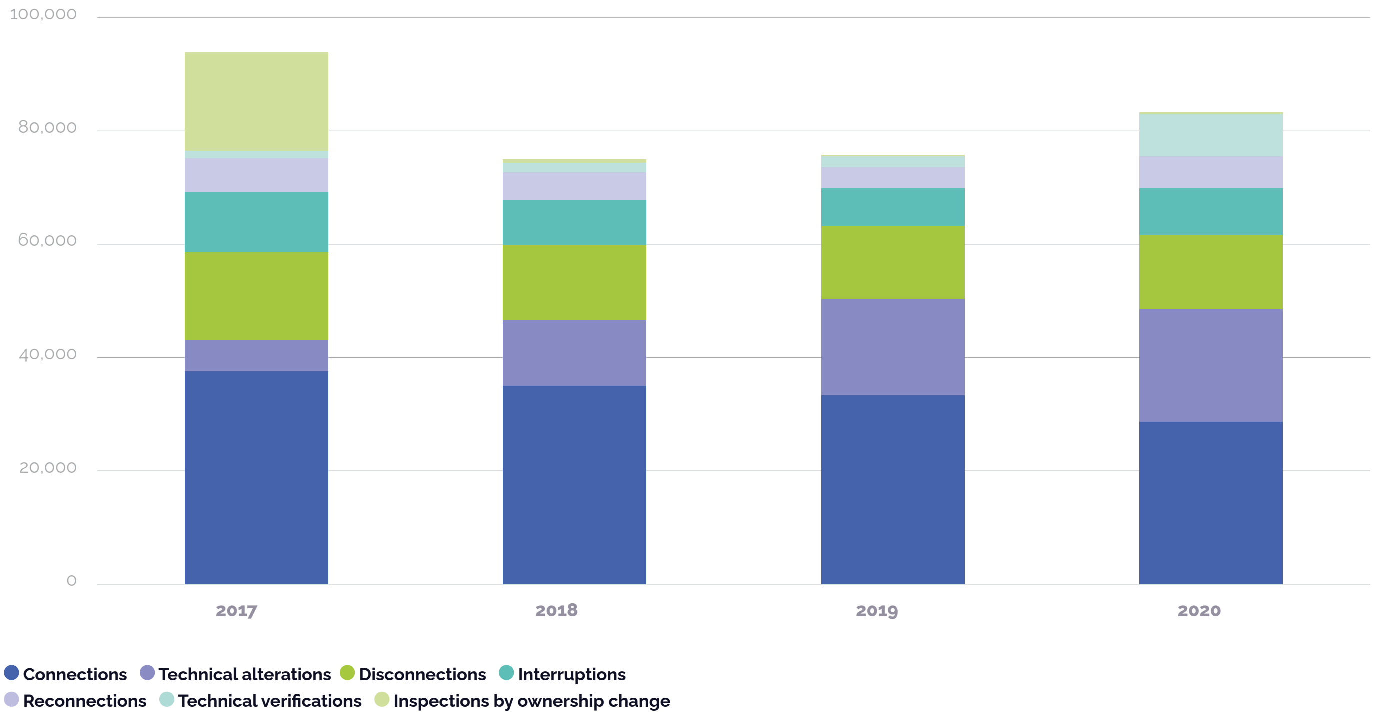
In the Porto metropolitan area protection system, located at the S. João hospital, a new anode bed was installed, as the old one was showing high levels of resistance and no longer performed suitably.

SCADA is a vital tool to ensure the safety of the infrastructure, but also for the efficient and effective management of assets, more specifically in the medium-pressure network, regulation and metering posts and cathodic protection valves and stations. The efficient use of this tool creates value for the organization and allows goals to be met in the strategic pillars of safety, reliability and efficiency.

During the year, the transition of the remote system was started for step down and metering stations for the new system to ensure reliability, support and flexibility for the safe and efficient operation of the gas infrastructure. Transition was completed at 82% of the stations, and the process is expected to be concluded in 2021.

In 2020, around 83,000 operations were carried out at supply points, most were related to activation of supply (34%), and technical changes (24%), and followed by supply interruption (16%).

OPERATIONS AT SUPPLY POINTS



Of note is the continuous increase in the number of operations relating to technical changes, rising from 5,505 in 2017 to 19,895 in 2020 as a result of campaigns to replace meters which are more than 20 years old. This number will increase gradually in coming years and is expected to peak in 2022.

Due to the Covid-19 pandemic and to the different lockdown periods imposed by the government to control the spread of the virus, a reduction in the number of some types of operations was. One of the most significant reductions was in activation of supply (-14%).

A ban on interrupting supply for commercial reasons decreed during part of 2020 led to a slight reduction of 3.4% in supply interruption orders, although reconnections after interruption for commercial reasons saw a slight increase of 1.6%.

The law which approved the State Budget for 2021 (Law 75B/2020 of 31 December), prohibits supply interruption in the first semester of 2021, which will impact on this activity.

The Quality of Service (QoS) regulations in effect since 1 January 2018 require careful planning of orders to be implemented, ongoing improvements in company procedures and effective liaison with different partners in the field.

INDICATORS QUALITY OF SERVICE REGULATIONS	STANDARDS	20	19	18	17
GENERAL INDICATORS					
Average number of interruptions per thousand customers, not controllable	N.A.	8	3	10	12
Average duration of interruptions per customer, not controllable (min.)	N.A.	1.5	10.6	3.8	3
Average duration of interruptions, not controllable (min.)	N.A.	184.4	228.0	369.3	212.8
Percentage of emergency situations with response time up to 60 min.	85%	98.7%	98.5%	96.6%	91.4%
Technical assistance – Time limit of 3 hours after notification of the breakdown (*Change to IQS in 2018 to 4 hours)	UP TO 4 HOURS	100.0%	100.0%	100.0%	98.8%

A total of 5,253 emergency intervention and breakdown requests were dealt with at supply points, representing a reduction of around 20% over 2019.

Among these interventions, 61% were considered as emergency work. The remainder (39%), was considered as technical assistance.

EMERGENCY AND BREAKDOWN LINE	20	19	18	17
No of calls	27,979	26,741	27,053	31,592
No of interventions	5,253	6,579	6,163	5,975
No of interventions/1000 supply points	14	17	17	17
No of emergencies	3,195	3,509	3,192	2,466
Average emergency response time (min.)	22	21	30	37
No of technical assistance operations	2,058	3,070	2,971	3,509
Average technical assistance response time (min.)	28	43	43	50

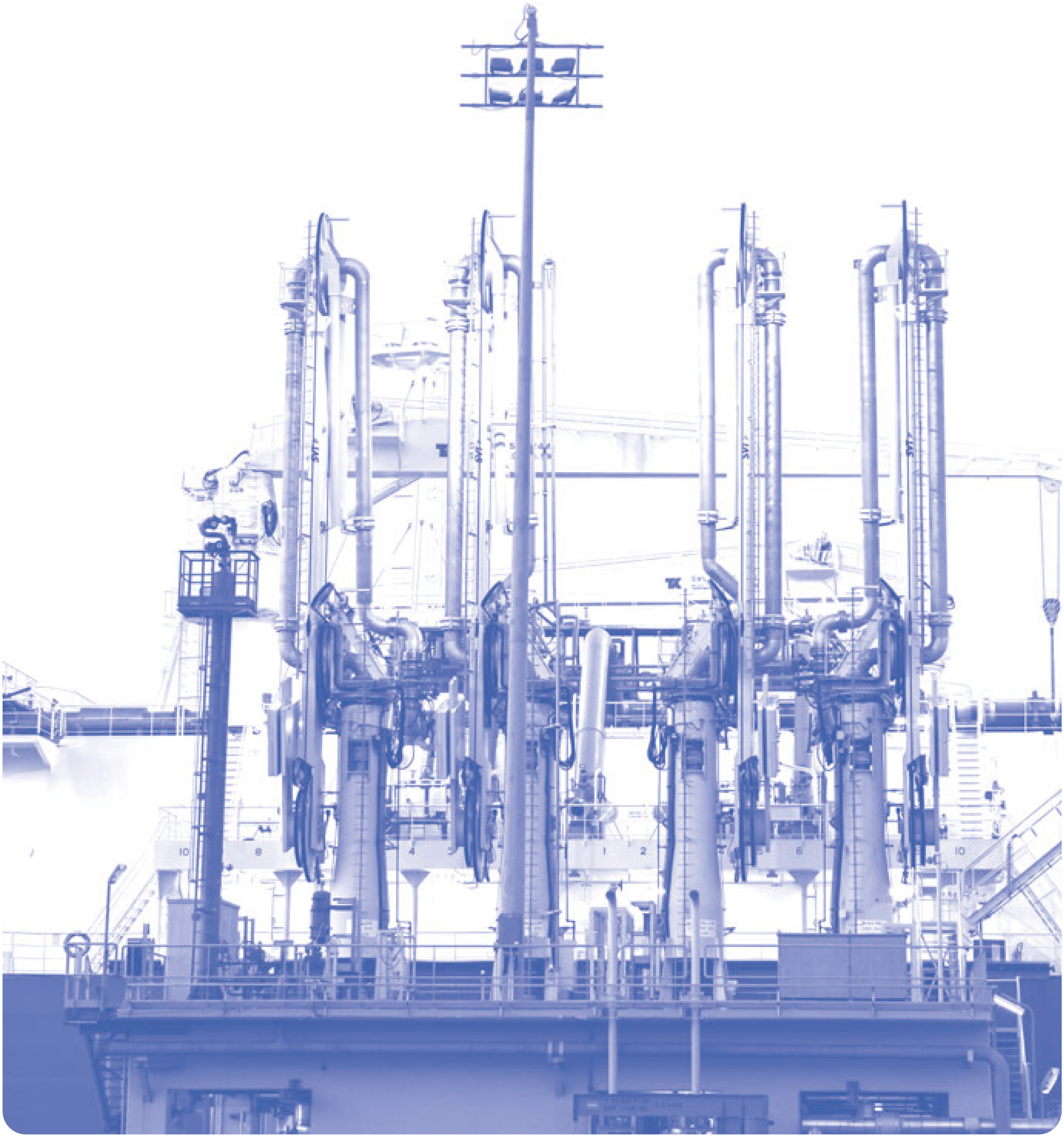
This evolution in the number of interventions is due to the reduction in the number of technical assistance actions with respect to 2019 (-33%), a result of greater effectiveness in resolving calls received at the Contact Center.

The number of interventions in 2020 per thousand supply points fell from 17 to 14, reflecting the reduction in the total number of interventions recorded.

Average response time to emergencies remained stable in comparison with the previous year, recording highly positive evolution with respect to 2017. Response to technical assistance calls showed a significant improvement falling from 43 minutes to 28, a result of greater efforts to raise the awareness of partners together with greater allocation of resources.

The main threat to the security and integrity of the REN Portgás natural gas distribution network comes from work undertaken in the immediate surroundings of the infrastructure by people outside the company. Work to requalify public roads and highways, new building construction work, expansion work, maintenance and improvement to the network belonging to other utility companies and road accidents are the most causes of occurrences in the network. During 2020, a total of 102 occurrences was recorded which were considered as a threat to company infrastructure. Network and branch line ruptures are the most common type of event, generally caused by careless handling of machinery in the immediate vicinity, which in 2020, accounted for 74% of occurrences.

	2020	2019	2018	2017
Ruptures	75	59	41	50
Km of network	5,897	5,705	5,486	5,267
Ruptures/1000 Km	13	10	7	9



4.3.3.2. Investment

The company invested 22.6 million euros last year, including 0.76 million euros by clients, resulting in net investment of 21.8 million euros.

Investment in the distribution network was 13.5 million euros, 1 million euros less than in 2019, resulting in an increase of 167 km in the secondary network and 6,647 more branch lines.

Efforts to capture new supply points resulted in investment of 5.9 million euros, 1.2 million euros more than in 2019. Interior natural gas supply networks were provided for 6,681 dwellings, while 1,916 dwellings already possessing an interior network were adapted and around 27,000 meters were placed or renewed.

A further 0.9 million euros was also applied in information systems to update base hardware and software, as well as operating and application systems for business support.

There was further investment of 0.4 million euros in updating and maintaining buildings and administrative and transport equipment.

The company continued its policy of capitalizing staff costs and structure costs associated with work underway. In 2020, 1.9 million euros was capitalized.

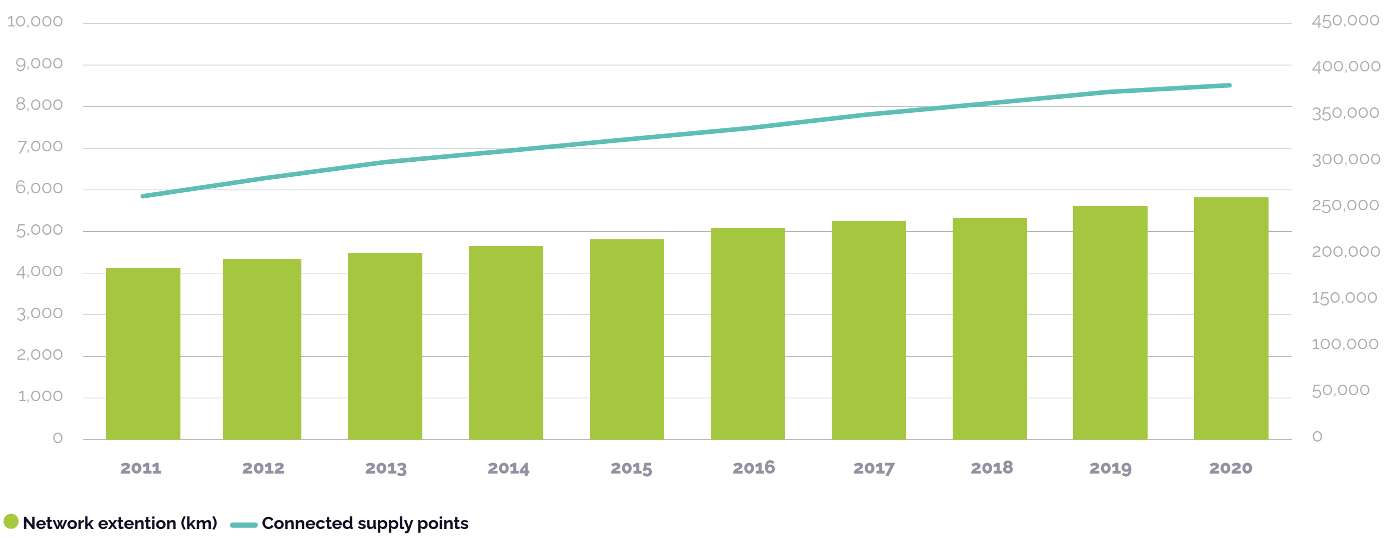
The Distribution Network Development and Investment Plan 2021-2025, was submitted to governing bodies in April 2020. In this plan REN Portgás follows an expansionist policy to capture energy through new supply points. Work is based on both expanding to new areas as well as through the densification of existing infrastructure. More in-depth analysis and improved robustness are also being sought in the planning of networks when assessing infrastructure capacity in order to ensure quality of service.

Still visible in this plan is a guideline from previous plans, more specifically the generating of investment in Decarbonization and the Digitalization of Assets. In this context, the architecture for Portgás Decarbonization and Digitalization was designed and developed, based on the analysis conducted under the 2019 R&I&D Roadmap and the REN Portgás, strategic guidelines. Throughout 2020, a number of activities were implemented to achieve the strategy set out in the Development and Investment Plan for Natural Gas Distribution Networks (PDIRD-GN), more specifically, the defining of priority projects, targets and teams, procurement of key partners in academia and awarding of projects.

4.3.3.3. Commercial and market development

The company ended 2020 with 385,969 supply points, 8,222 more than at the end of the previous year, as a result of the ongoing efforts for creating infrastructure and adapting buildings, allowing them to use natural gas.

TECHNICAL INDICATORS



Supply points essentially consist of residential and small services customers connected at low pressure. Large-scale consumers, connected at both low as well as medium pressure, represent only 0.4% of all supply points.

Throughout 2020, REN Portgás Distribuição established more than 9,000 contracts for access to distribution infrastructure, requiring the adapting of interior infrastructure, where around 42.6% of the contracts were for densification of existing infrastructure while the remainder was for expansion. A further 1,290 new connections were made in the market of existing infrastructure.

In 2020, REN Portgás Distribuição made 48 connections to large-scale consumers through 49 branch supply lines supported on an infrastructure of 14.4 km of secondary network.

In 2020, energy provided through the REN Portgás Distribuição network stood at 7,278GWh of natural gas in the 28 municipal districts currently supplied. In comparison with the previous year, there was a reduction in energy distributed of 0.9%.

Energy supplied by each of these market segments is evenly distributed and the segment referred to as LP < accounted for 1,214 GWh, recording an increase of 2.3% over figures for the previous year. The LP > segment accounted for 1,117 GWh, 10.4% less than 2019 while the MP segment accounted for 4,947 GWh, a rise of 0.7% over last year.

In the same period, the number of supply points connected to the distribution system stood at 385,969, where 384,353 related to the LP< segment, 1,477 to the LP> segment and 139 to the MP segment. Growth in consumption points was also seen with respect to 2017 with an increase of 2.2%. At the end of 2020, the number of consumption points available for contracting in the market reached 429,796.

As already mentioned, statistical data relating to active supply points are in line with the reporting requirements made to the market this year, and the respective adjustment was made to historical data. This update reduced the number of supply points by 21 with reference to 2019.

With regard to market development in consumption points under the REN Portgás Distribuição concession, 91% are now in the free market while the remaining 9% is in the regulated market. This represents a reduction of consumption points in the regulated market. The regulated market accounted for 169 GWh, representing 2% of energy delivered to consumption points in the year.

From a market operating perspective, in 2020 three new suppliers started working in the REN Portgás concession area, namely Capwatt Retail Gás PT, SA; Jafplus Lda and Usenergy, Lda. As such, in 2020 there were 21 suppliers in operation within the company's distribution networks.

2020 was significantly marked by the COVID-19 pandemic, affecting the behaviour of gas consumers and all agents, requiring activities to comply with government and regulatory directives to ensure that all exceptional measures were implemented as defined in numerous publications. These new rules thus required charges and adaptation to tariffs as well as the monitoring of a number of processes relating to interruptions, cancellations and payment agreements leading to interaction with suppliers so as to ensure suitable coordination of all requests.

4.3.3.4. Innovation and sustainability

The company bases the development of its innovation strategy on three strategic pillars:

- The Sustainable Gas pillar, expresses recognition by REN Portgás of the need to be part of the energy transformation process, ensuring the adaptation of its assets to the new requirements to be able to deal with gases from renewable sources;
- The Smart Gas Company pillar constitutes the most technological component. The vision is business based, where assets have a relevant size, but focuses on digitalization as the path to modernize the organization;
- The Customer Engagement pillar challenges equipment manufacturers to develop different solutions for end customers, and to provide communication offering greater closeness.

The Portgás Distribuição R&D&I (Research and Development and Innovation) strategy is based on a model of internal innovation so as to promote the creation of value in the organization, and externally so as to ensure that value is created through an ecosystem of partners.

"PORTUGAL COMMITS TO REACHING CARBON NEUTRALITY BY 2050.

In 2020, the company further developed its ecosystem of partners and its technical surveillance capability, having participated in more than 13 national technical commissions in the sector, associated with the infrastructure and development of natural gas from renewable sources, as a member of the Eurogas European association at the level of the European Commission and as a strategic partner of InnoEnergy, the innovation community of the European Institute of Innovation and Technology.

Due to the pandemic, REN Portgás did not participate as a speaker at as many in-person events as in 2019. However, it did take part in online discussion forums dedicated to energy transition, namely World Hydrogen Leaders and the World Hydrogen Congress.

Over the course of 2020, the Integrated Quality, Environmental and Security Management System at Portgás contributed greatly toward maturing the structure that has been created in recent years, aligning strategic business intentions, the process map and the organisation's performance.

Emphasising compliance with the requirements set out in the different regulations, which are complex and transversal given the nature of the business, considerable effort has been made to include the entire value chain, thus ensuring an effective improvement in all areas of the company's influence.

A corollary of the structuring of the management systems involved the Board of Directors approving a three-year plan of activities for the systems, involving recurring initiatives and timings, as well as defining the strategy for the 2020-2022 period, referred to as the Integrated Sustainability Plan 2022 – Pi-S-22. This challenge included implementing initiatives to improve Management Systems by means of a comprehensive and integrated plan spanning various components: activities, resources, routine actions and improvement. The plan also sought to implement and guide the organisation and management systems in keeping with the principles of the vision and policies reiterated by the REN Portgás board at the end of 2019.

Over the course of 2020, REN Portgás implemented a programme of demanding audits, which sought to involve the entire organisation, using different means, so as to provide a critical and comprehensive analysis of its business processes. To this end, internal audits were carried out along with an audit by an external entity to assess legal compliance. Compliance with the management cycle was also ensured by a certification audit conducted by APCER in December. Moreover, as part of the work underway to implement the business continuity management system, the company was assessed pursuant to the requirements set out in Standard 22301.

In light of the situation in 2020, operational control of the different activities became increasingly important, since requirements were required to be more stringent so as to manage the risks of a pandemic threat. In-depth knowledge of the value chain was vital to this end, through the information system supporting the activity of the accreditation of employees and external companies, coupled with the close monitoring of field operations by the company and by the different supervisory entities hired for the purpose. So as to maximize the accreditation information system already implemented, its scope was expanded to include machinery and equipment throughout the value chain. Using RFID identifiers, which can be read by smartphones to ensure better risk management, this facilitates not only compliance with legal requirements but also with quality requirements for using the equipment itself.

With respect to managing the Covid-19 pandemic, a contingency plan was created in cooperation with the Human Resources and Occupational Health Departments. The plan, named REDITUS, defined the necessary contingency measures to comply with the provisions set out in regulations and to manage risks to avoid contagion. In overall terms, a number of cases of infection were recorded, but they did not originate from within the company. It is also important to note the commitment across the entire value chain to strictly comply with Covid-19 requirements defined by the different competent entities, from ensuring the implementation of suitable contingency plans for providing the various services, to awareness, information and training for all employees with regard to risks, as well as providing individual and collective protection equipment to minimise transmission risks.

4.4. BUSINESS PLANNING AND DEVELOPMENT

The main goals of the Business Planning and Development Department are to originate, analyse and implement non-organic investment projects which have a regulated or similar profile, preferably located in Portugal or places which offer a suitable risk/return ratio and which allow REN to consolidate its international presence already established in Chile. Additionally, this Department is responsible for quantifying REN's strategic objectives, as well as monitoring the performance of relevant annual metrics and indicators, while also promoting the provision of engineering consultancy services.

In 2020, the main milestones in the work of REN's Business Planning and Development Department were:

Non-organic investment activity

- Together with other departments, coordination and management of the plan for the integration of Transemel into the REN Group. This plan sets out the detailed definition of the company's processes and systems, and also defines the implementation of local corporate organization;
- Analysis and monitoring of opportunities in a number of markets, with emphasis on Portugal and Chile.

Engineering consultancy

In the area of engineering services, promoted commercially on a technical level by the Business Development Unit and with specialized technical assistance from REN's operational areas, the following activities are of note:

- Support for Government and Administrative Authorities in the Mozambique Electricity Sector, as well as for EDM – Eletricidade de Moçambique, in the development of regulations and standards applicable to the sector, particularly in the drawing up of Renewable Energy Regulations;
- Provision of supervisory services in Portugal, particularly in projects for constructing very high voltage lines connecting power plants to the grid;
- Active prospecting through meetings with the management of renewable power facilities to promote and inform on REN consultancy services.

In 2021, the Department will continue to work in the areas of non-organic investment and engineering consultancy services, seeking to:

- Analyse and monitor potential opportunities for non-organic growth, preferably in Portugal and Chile;
- Establish partnerships with strategic and/or financial entities which can result in cooperation agreements for the technical exchange of information and evaluation of business of common interest;
- Support the definition of a new REN Group Strategic Plan for the 2021-2024 period.

4.5. OTHER BUSINESS

4.5.1. ELECTROGAS

On 7 February 2017, REN concluded the acquisition of a 42.5% stake in the capital of Electrogas, S.A. This acquisition allowed REN to achieve one of the main goals set out in the strategic plan for the period 2015-18, more specifically that of an international investment project.

Electrogas owns and operates a natural gas transmission system located in central Chile consisting of two main gas pipelines of around 166 km in total which connect the Quintero LNG Terminal to the metropolitan area of Santiago, to a branch line feeding power plants and refineries and the GasAndes gas pipeline which connects the natural gas systems of Chile and Argentina.

The remaining shareholders in Electrogas are Colbún S.A. (42.5%) and Empresa Nacional del Petróleo (ENAP) (15%), a company which is wholly owned by the Chilean State. The relationship between the parties is governed by a shareholders' agreement.

Over recent years, REN has shared its operating experience with its subsidiary Electrogas, providing a positive influence on the company's operating processes. As a shareholder of Electrogas, REN actively participates on the company's Board of Directors and at General Meetings, contributing to strategic, financial and operational decision making. REN considers Chile as a strategic target market due to its good economic indicators, legal security and the growth potential of the energy sector.

As the sole infrastructure in the region, the Electrogas gas pipeline is vital for supplying the power plants providing electricity to central Chile as well as to the natural gas distributor companies in the Santiago and Valparaíso region. The gas pipeline is technically reversible, allowing both the export and import of natural gas to neighbouring Argentina.

The company's main clients include key electrical power generation companies (ENEL and Colbún), industrial organizations (ENAP) and natural gas distributors (Metrogas and GasValpo).

The Electrogas business model is based on solid Take-or-Pay natural gas transmission contracts, with no volume risk.

On average, Electrogas transmits 2.7 to 3.0 BCM of natural gas per year. The level of service is excellent, with no supply interruptions recorded in 2020 and with all performance indicators in line with those of European TSOs.

4.5.2. TRANSEMEL

On 1 October 2019, REN concluded the acquisition of 100% of the capital of Empresa de Transmisión Eléctrica Transemel S.A. (Transemel). This acquisition represents REN's second investment in the Chilean market, where it has had an interest in Electrogás, SA. Since 2017.

The operation falls within REN's strategic plan, which is based on a conservative growth strategy and focuses on projects in sectors where the company specializes and on markets with economic stability and predictable regulatory frameworks.

In order to ensure the correct transition of the company's operations, REN and CGE established a Services Transition Agreement, with a duration of up to 24 months.

Created in 1999, Transemel owns and operates 92 Km of electricity transmission lines and five substations in northern and central Chile. Approximately 90% of its income is regulated, corresponding to perpetual licences.

The company has an investment plan underway, which has been approved by the regulatory authorities, of around 60 million USD to be implemented by 2023. In 2020, Transemel concluded two important projects to expand its asset base – the expansion and reconfiguration of the Cóndores (220kV) substation and the expansion of the Duqueco (220kV) substation.

The northern region of Chile, where most of the company's assets can be found, is strongly influenced by the mining industry and one of Transmel's substations is located close to the largest copper mine in the world, in Calama. It is also influenced by a significant increase in renewable energy generation projects due to the high solar irradiance in this area of the country.

4.5.3. ENONDAS

Financial Year 2020

In 2020, ENONDAS continued a promotional campaign which included participation at conferences and forums on wave energy, such as the business2sea conference promoted by the Ocean Forum and the WavEC seminar. ENONDAS also maintained its representation on the Board and Scientific Council of WavEC.

However, with the evolution of the study and the use of sea or sea-located renewable energy sources to produce electricity and in light of Council of Ministers Resolution No 81-A/2016, and more recently Council of Ministers Resolution No 12/2018, work planned for 2020 was suspended.

With regard to commercial activity, ENONDAS has maintained contacts with potential clients and sector companies with the aim of keeping their interest active in the Portuguese Pilot Zone.

Main investments

As no changes were made to Council of Ministers Resolutions Nos 81- A/2016 and 12/2018, investment in 2020 was zero.

Perspectives for 2021

In accordance with Council of Ministers Resolution No 12/2018 of 19 February 2018, ENONDAS remains expectant with regard to changes in the location and size of the Pilot Zone under the Industrial Strategy for Renewable Marine Energies (EI-ERO), the Action Plan for Marine Renewable Energies.

Monitoring activity in this regard will continue and information will be supplied when requested, through dissemination of the Pilot Zone at sector events and in key publications.

In 2021, solid interaction will continue to be maintained with the public entities responsible for the areas in question. These include the Directorate-General of Energy and Geology, the Portuguese Environment Agency, the Directorate-General of Maritime Policy, the Directorate-General of the Maritime Authority, the Directorate-General of Natural Resources, Safety and Maritime Services, the Portuguese Sea and Atmosphere Institute and the Institute for the Conservation of Nature and Forests.

4.5.4. RENTELECOM

The REN Group is present in the Information and Communication Technologies market through RENTELECOM, a company wholly owned by the Group and certified by APCER in accordance with the NP EN ISO 9001, NP EN ISO 14001 and EN 45001 standards.

RENTELECOM was incorporated in 2002 with the primary goal of deriving profits from the surplus capacity of the REN – Rede Eléctrica Nacional secure telecommunications network and it subsequently expanded the scope of its activity to include the REN Gasodutos infrastructure when this company was integrated into the REN Group in 2007.

RENTELECOM works in various activities, including fibre optics rental, data transmission services, data centres and maintenance, projects and consulting services.

Although this was another difficult year in the information and communication technology market, RENTELECOM recorded a significant increase in turnover (+2.7%). The company maintained its focus on the corporate market (59%), and the same exposure to the telecommunications operators' market (41%).

In the area of data centre services, the company increased revenue (+5%) as a result of reinforcing commercial activity in this area of business. This focus also allowed long-term contracts to be signed which will contribute to turnover stability in coming years.

In the area of fibre optic rental, an increase was also seen in income (+5%) as a result of earnings from new contracts. In should be noted that in 2020, RENTELECOM signed a contract with the EllaLink Group to use dark fibre in Portugal and Spain to complete the interconnection of Data Centres between Europe and Latin America through the Ellalink submarine cable which will connect Portugal to Brazil. This undersea cable will be placed in service in May 2021. To provide this service in Spain, RENTELECOM formed a partnership agreement with its counterpart REINTEL in the REE Group. This is an area where RENTELECOM has a relevant portfolio of proposals, and there are strong perspectives of being able to close a number of these business opportunities reinforcing RENTELECOM's role as a supplier of reference in this market.

In the area of circuit rental, there was a fall in income (-9%) due to the planned termination of a number of older contracts. However, new contracts were signed which will allow this service to be maintained as one of the company's main business areas.

Project design and maintenance and management services saw an expected reduction in turnover (-15%). Nevertheless, the company implemented a number of key telecommunications projects in power production plants. In addition to these implementations, new contracts have also been awarded which ensure growth in this area of business in the near future.

4.5.5. REN TRADING

Energy Acquisition Contract (CAE) Management

Power Purchase Agreements (PPA) not subject to early termination in accordance with Decree-Law No 172/2006 of 23 August, are managed until they end by REN Trading, a company wholly owned by REN - Redes Energéticas Nacionais, SGPS.

In the management of the respective PPAs, REN Trading acquires all the energy and system services from the Pego and Turbogás Power Plants.

The sale of electric power on the market is mainly carried out by means of the Iberian Electricity Market (placing daily and intraday sales and repurchase offers on the OMIE platform) and on the System Services market, operated by the System Manager. Participation in the system services market increased in relation to the previous year which saw the lowest values of recent years. Despite the decrease in prices in this market, transaction volume increased significantly.

In this field, in addition to the Natural Gas Consumption Management Agreement (AGC) established with GALP Gás Natural, S.A. (GALP)., it is also necessary to accompany the fuels markets (coal and natural gas) and their respective price indexes.

It is also RENT's responsibility, under the European Emissions Licences Trading scheme (ETS), to acquire all the CO_2 emissions licences required for the two PPA power stations, taking into account the respective annual production of electricity. This consists of acquiring the CO_2 emissions licences on the secondary market though futures contracts, in other words the EUAs (European Unit Allowances).

With respect to ETS, active participation was continued on the Intercontinental Exchange (ICE), the reference exchange for carbon futures trading.

In general terms, the activity of both plants in 2020 was affected by a reduction in the spot price on the electricity market (OMIE) of 29% with respect to figures for 2019. Also with regard to REN Trading activity in the futures market for CO_2 licences, a series of licence acquisitions was seen of around 1.56 billion tons, in other words, 35% less than in 2019.

RENT is a regulated company and its Allowed Operating Revenue is in line with the incentives achieved each year in accordance with the methodology laid down by the Portuguese Energy Services Regulator (ERSE) in Directive No 2/2014 of 3 January.

The final value of the incentive stems from the margin arising from the difference between the annual revenue of the electricity market (Iberian Market and System Services) and the annual variable costs of both plants (natural gas and coal, CO_2 emission licences and O&M costs for both plants).

The operating results of the company in 2020 therefore correspond to the value calculated for the incentives defined by ERSE, which are listed below:

I_{PPA} – Annual value of the incentive for optimising management of PPA from the Turbogás and Tejo Energia Power Plants; (limited to 3 M€, having reached 1 M€ in 2020, a provisional value to be approved by ERSE)

P_{AM} – corresponds to the annual value of the market suitability premium for PPA management (limited to 0.3 M€, fully reached in 2020)

The total value of incentives obtained in 2020 was therefore 1.3 M€ (provisional vale to be approved by ERSE).

4.6. FINANCIAL PERFORMANCE

4.6.1. RESULTS IN 2020

In 2020, the REN Group net income reached 109.2 million euros, a decrease of 9.7 million euros (-8.1%) over the previous year. This evolution was due mostly to a reduction of 21.1 million euros in the domestic business EBITDA (-24.3 million euros in EBIT) essentially as a result of the reduction in Portugal's sovereign bond yields and the consequent reduction in the remuneration rate of regulated assets, and the increase of 3.7 million euros (+15.1%) in the Extraordinary Levy on the Energy Sector, reflecting the inclusion of Portgás. On the other hand, of note is the positive contribution of international business which increased by 5.0 million euros in 2020 as a result of the acquisition of Transemel in October 2019, and the good performance of financial profits which increased by 5.7 million euros (+10.9%).

Similarly to the previous years, the results for 2020 reflect the continuation of the Extraordinary Levy on the Energy Sector (28.1 million euros in 2020 and 24.4 million euros in 2019).

Group investment was 173.3 million euros in 2020, a drop of 8.1% over figures for 2019 (-15.3 million euros), while transfers to RAB stood at 79.6 million euros, less 111.1 million euros in relation to the previous year. Average RAB fell by 118.3 million euros (-3.2%) to stand at 3,635.0 million euros.

The average cost of debt was 1.8%, a 0.3 p.p. decrease y.o.y, and net debt stood at 2,741.9 million euros, a reduction of 3.0% (-84.0 million euros) in relation to the previous year.

MAIN INDICATORS (M€)	2020	2019	VARIATION
EBITDA	470.2	486.2	-3.3%
Financial profits[7]	-46.8	-52.5	10.9%
Net income	109.2	118.9	-8.1%
Recurrent net income	131.7	144.8	-9.0%
Capex total	173.3	188.6	-8.1%
Transfers to RAB[8] (at historic costs)	79.6	190.6	-58.3%
Average RAB (at reference costs)	3,635.0	3,753.3	-3.2%
Net debt	2,741.9	2,826.0	-3.0%
Average cost of debt	1.8%	2.1%	-0.3P.P

[7] Financial income of 0.2 million euros in 2019 and 0.1 million euros in 2020 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), and the Replacement Reserve Exchange were reclassified from Financial Profits to Revenues.

[8] Includes direct acquisitions (RAB related).

OPERATING INCOME — EBITDA

Domestic Power Transmission and Distribution Business

Domestic business reached EBITDA of 456.2 million euros, a fall of 4.4% (-21.1 million euros) over the previous year.

EBITDA — DOMESTIC (M€)	2020	2019	VARIATION %
1) Revenues from Assets	431.2	**445.1**	**-3.1%**
RAB remuneration	165.4	189.2	-12.6%
Lease revenues from hydro protection zone	0.7	0.7	-1.2%
Incentive for economic efficiency of investment	32.0	25.0	28.0%
Recovery of amortization (net of investment subsidies)	214.3	212.3	0.9%
Amortization of investment subsidies	19.0	17.9	6.2%
2) Revenues from OPEX	130.1	**130.0**	**0.1%**
3) Other revenues	18.8	**18.1**	**3.9%**
4) Own work (capitalised in investment)	18.8	**19.3**	**-2.5%**
5) Earnings on Construction (excl, own work capitalised in investment) - Concession Assets	142.0	**164.6**	**-13.7%**
6) OPEX	142.4	**133.5**	**6.7%**
Personnel Costs[9]	55.3	55.3	0.1%
External Costs	87.0	78.2	11.3%
7) Construction Costs – Concession Assets	142.0	**164.6**	**-13.7%**
8) Provisions	0.6	**-0.3**	**N.M**
9) Impairments	-0.1	**2.0**	**-105.1%**
10) EBITDA (1+2+3+4+5-6-7-8-9)	456.2	**477.3**	**-4.4%**

Contributing to the unfavourable evolution in EBITDA were:

- A reduction of 23.8 million euros (-12.6%) in the remuneration from regulated assets, including:
    - A reduction of 9.0 million euros in the electricity transmission sector, reflecting (i) the reduction in the base rate of return (RoR) from 4.9% in 2019 to 4.6% in 2020 – due to the reduction in the interest rate of 10-year Portuguese Republic Treasury Bonds; and (ii) a reduction of 61.5 million euros in average RAB;
- A reduction of 10.3 million euros in the natural gas transmission sector, reflecting (i) the reduction in the base rate of return (RoR) from 5.4% in 2019 to 4.6% in 2020 – reflecting the reduction in the rate of 10-year Portuguese Republic Treasury Bonds; and (ii) a reduction of 43.0 million euros (-4.3%) in average RAB;

[9] Includes costs for training and seminars and provisions for staff costs

   - A reduction of 4.5 million euros in the natural gas transmission sector, as a result of (i) a reduction in the base rate of return (RoR) from 5.7% in 2019 to 4.8% in 2020 – reflecting the reduction in the rate of 10-year Portuguese Republic Treasury Bonds; and (ii) a reduction of 1.4 million euros in average RAB.

- Increase in Opex of 8.9 million euros (+6.7%), essentially caused by (i) an increase of 5.2 million euros in pass-through costs (non-core costs accepted in the tariff), of which +0.4 million euros were in costs with ERSE and +3.7 million euros in costs relating to the cross-border tariff, and (ii) an increase of 3.6 million euros in external core costs. The increase in core external costs was mostly explained by the increase of 3.6 million euros in costs with forest clearing and the dismantling of assets (2.1 million euros), partially offset by the reduction of 1.1 million euros in electricity costs.

Also of note were the following effects which had a positive contribution to the operating performance of the domestic business:

- An increase of 7.0 million euros in the incentive for economic efficiency of investment (+28.0%);

- An increase of 3.1 million euros in the recovery of amortizations (net of subsidies) and amortization of investment subsidies;

- Recognition of an impairment loss of 1.2 million euros relating to fixed assets, more than offset by the impairment reversal recorded in the previous year of 1.6 million euros.

With respect to domestic business, it is also important to note that the natural gas distribution business contributed with EBITDA of 44.0 million euros.

International business

In 2020, EBITDA from international business was 14.0 million euros, a rise of 5.0 million euros (55.8%) over figures for 2019, reflecting:

- EBITDA from Transemel – an electrical power transmission company in Chile – was 6.8 million euros;

- It is important to note that the figures for 2019 only include results from three months as Transmel was acquired in October of that year;

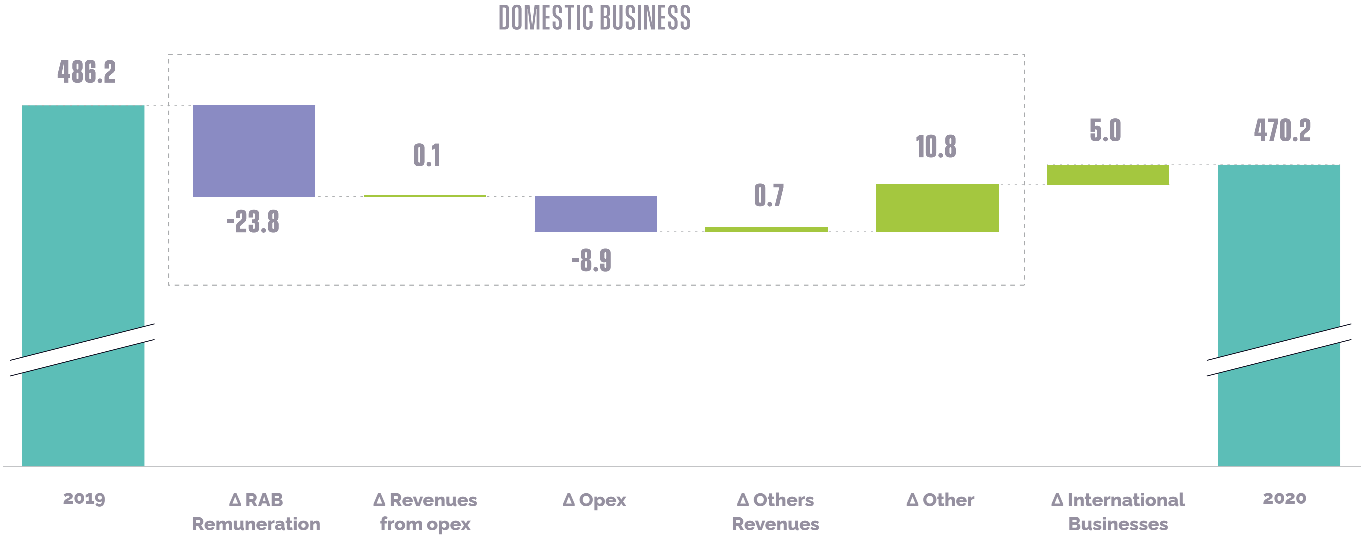
- An increase of 0.1 million euros in recognized income from the 42.5% stake held by REN in the Chilean company Electrogas, which stood at 7.2 million euros in 2020;

- A reduction of 0.2 million euros (-78.5%) in the costs of Aerio Chile.

EBITDA — INTERNATIONAL (M€)	2020	2019	VARIATION %
1) Revenues from the Transmission of Electrical Power	10.1	2.7	271.2%
2) Other revenues	7.2	7.1	1.2%
3) OPEX	3.4	0.9	269.7%
Personnel Costs[10]	0.3	0.0	
External Costs	3.1	0.9	240.1%
4) EBITDA (1+2-3)	14.0	9.0	55.8%

[10] Includes costs for training and seminars and provisions for staff costs

EVOLUTION IN REN GROUP EBITDA 2019-2020



Net income

Net income stood at 109.2 million euros, a fall of 9.7 million euros (-8.1%) over the previous year.

This evolution reflected (i) a reduction of 21.6 million euros in the Group EBIT (-16.1 million euros in EBITDA), impacted by the reduction in domestic business (-21.1 million euros in EBITDA and -24.3 million euros in EBIT), despite the increase in the contribution from international business (+5.0 million euros in EBITDA and +2.7 million euros in EBIT) and (ii) an increase of 3.7 million euros (+15.1%) in the Extraordinary Levy on the Energy Sector, due to the inclusion of Portgás. These effects were partially offset by gains of 5.6 million euros from the recovery of taxes from previous years and by 5.7 million euros of financial profits (+10.9%), which reflected the reduction in the average cost of debt of 0.3 p.p. to 1.8%, an increase in dividends from associates (+0.4 million euros), and a reduction in net debt of 84.0 million euros to 2,741.9 million euros.

Excluding non-recurring items, the Recurrent Net Income for 2020 fell by 13.1 million euros (-9.0%). Non-recurring items considered in 2020 and 2019 are as follows:

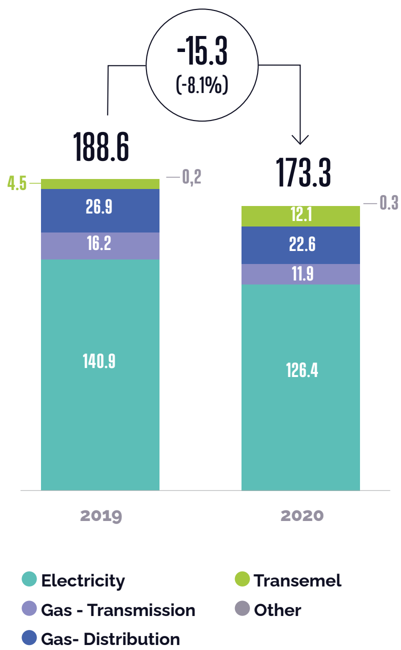
- In 2020: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2020 (28.1 million euros); and ii) gains from the recovery of taxes from previous years (5.6 million euros);
- In 2019: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2019 (24.4 million euros); ii) costs arising from the Transemel acquisition processes (1.8 million euros, 1.5 million euros after tax).

NET PROFITS (M€)	2020	2019	VARIATION
EBITDA	470.2	**486.2**	**-3.3%**
Depreciation and amortization	241.2	235.6	2.4%
Financial profits	-46.8	-52.5	10.9%
Income tax expenses	44.9	54.8	-18.1%
Extraordinary Levy on the Energy Sector	28.1	24.4	15.1%
Net income	109.2	**118.9**	**-8.1%**
Non-recurring items	22.5	25.9	-13.2%
Recurrent net income	131.7	**144.8**	**-9.0%**

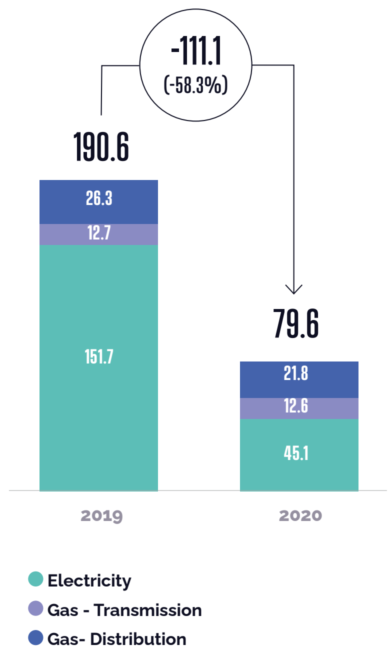
4.6.2. AVERAGE RAB AND INVESTMENT

In 2020, total group investment reached 173.3 million euros, which represents a fall of 8.1% (-15.3 million euros) than the previous year, and transfers to RAB were 79.6 million euros, less 111.1 million euros (-58.3%) over figures for 2019. Transemel, acquired in October 2019, contributed with capex of 12.1 million euros in 2020.

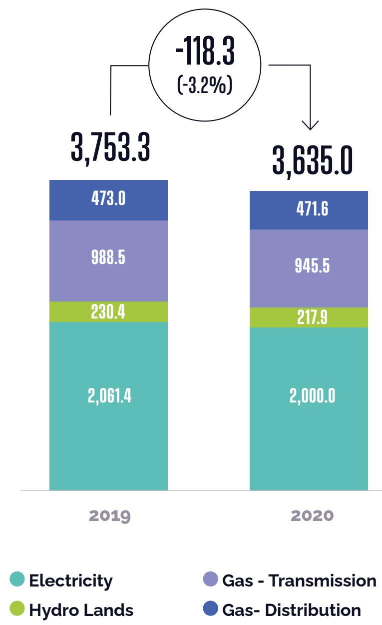
CAPEX (M€)



TRANSFERS TO RAB (M€)



AVERAGE RAB (M€)



Investment

In the electricity segment, investment in 2020 reached 126.4 million euros (-10.3% over the previous year).

Highlights in the National Electricity Transmission Network (RNT) include expansion projects, the remodelling of lines, equipment and systems for protection, automation and control equipment at substations, reinforcing the feed to the National Distribution Network (RND) and connections to new renewable production. Work was also carried out to improve the safety and reliability of the functioning of the National Electricity System (SEN).

Of note in investment made in 2020 is the remodelling of numerous lines (9.4 million euros), the construction of new lines (55.0 million euros), new substations and substations expansion works (33.4 million euros), the remodelling of equipment and systems for protection, automation and control at substations (11.2 million euros) and SCADA support systems and central functions in the Overall Technical Managementof SEN (1.5 million euros).

In the natural gas transmission segment, investment reached 11.9 million euros (-26.7% than in 2019).

Total investment by REN Gasodutos in 2020 was 6.4 million euros. As part of RNTGN projects, of note is the following investment:

- Replacement of flow computers at the end of working life;
- Upgrade and confirmation of integrity with the use of smart "PIG" technology, in five gas pipelines;
- Upgrade of metal towers and replacement of fibre-cement roofing at several stations;
- Upgrade of the odorization system at the Campo Maior custody transfer station;
- Upgrade and/or remodelling of equipment and systems at different stations.

With regard to the Overall Technical Management, the following systems and automated processes were developed with a view to providing greater efficiency and effectiveness in the SNG:

- Implementation of a new Individual Agent Registration Code (CRIA) (as as result of Directive No 16/2019 of 6 December 2019), which provides for the centralising and standardising of a new registration code for all entities operating in Portugal in the electricity and natural gas sectors;
- Start of the restructuring process for the @IGN platform for the Third-Party Network Access system (ATR);
- Implementation of the regulatory procedures under MPGTG in the ATR system, including the exchange of information between REN, MIBGAS and OMICLEAR systems, interruptible capacity management and the provision of complementary capacity;
- Technological update of the information and operational management system, enabling the storage, quality and availability of operational data;
- Implementation of processes, architecture and developments with a view to increasing the resilience of systems with regard to cybersecurity.

In 2020, REN Armazenagem invested 2.2 million euros, with a view to ensuring supply security and the availability capacity of natural gas storage. This investment included:

- Upgrading of different equipment and systems;
- Expansion of the Fire Detection Network.

Investment at REN Atlântico was 3.2 million euros, where projects included:

- 2nd stage of the upgrade to the Distributed Control System (DCS);
- New Electrocloration plant;
- Replacement of components in the high-pressure LNG pumping system due to end of working life;
- Suitability and/or upgrade of different equipment and systems;
- Anti-corrosion protection equipment and components to ensure system integrity.

In the natural gas distribution sector, investment in 2020 totalled 22.6 million euros, with around 29% applied to capturing new supply points and around 65% in the expansion of distribution networks. 14.7 million euros (total costs) was invested in the distribution networks, namely in the construction of 167 km of network and more than 6.647 branch lines. Investment in supply points was 6.6 million euros (total costs), 5.5 million euros of which was to provide new buildings with their own infrastructure for the supply of natural gas and 1.1 million euros for the installation of 27.000 meters. A further 0.9 million euros was also applied in information systems to update base hardware and software, as well as operating and application systems for business support.

MAIN PROJECTS UNDERTAKEN IN 2020



ELECTRICITY

55.0M€	New power lines
33.4M€	New substations
11.2M€	Remodelling of equipment and systems in several substations
9.4M€	Power line remodelling
10.2M€	IT projects
7.2M€	Other projects

TRANSMISSION - GAS

4.5M€	Investment in REN Gasodutos
3.2M€	Investment in LNG Terminal
2.2M€	Investment in REN Armazenagem
2.0M€	Other projects

DISTRIBUTION - GAS

14.7M€	Networks
6.6M€	Supply points
0.9M€	IT projects
0.3M€	Other projects

ELECTRICITY	TRANSMISSION GAS	DISTRIBUTION GAS	TRANSEMEL	OTHER
126.4M€	11.9M€	22.6M€	12.1M€	0.0M€

GROUP INVESTMENT IN 2020: 173.3M€

Transfers to RAB

In the electricity sector, transfers to RAB reached 45.1 million euros, a decrease of 106.6 million euros over the previous year.

In the internal reinforcement of the RNT, of note are the transfers to operations of the expansion of the Valpaços and Vila Pouca de Aguiar substations to establish a new circuit using one of the two three-core cables for the respective interconnecting line. In order to allow the connection of a new renewable power production plant to the RNT, the Falagueira, Alqueva, Ferreira do Alentejo, Tavira, Chafariz and Portimão substations were expanded. To reinforce the connection to the RND, the Pocinho substation was expanded.

In addition to the network development projects mentioned above, modernization investment was also made in assets at end of working life,
This work included the remodelling of the Riba d'Ave – Recarei 2,400 kV lines, and the Aguieira – Pereiros 2 - 220 kV line, as well as the conclusion of remodelling on systems and equipment for protection and automation and control at the Estarreja. Falagueira, Sacavém and Vila Chã substations.

In the natural gas transmission sector, transfers to RAB were 12.6 million euros in 2020, practically in line with the previous year, where the new Terminal Electrocloration Station was of note.

In the natural gas transmission sector, transfers to RAB were 21.8 million euros a fall of 4.5 million euros in relation to 2019.

Average RAB

At the end of 2020, average RAB was 3,635.0 million euros, a reduction of 118.3 million euros over the previous year, influenced by the effect of amortizations greater than the transfers to RAB. In the electricity sector, average RAB (excluding hydro land) was 2,000.0 million euros (-61.5 million euros, -3.0%), 1,058.5 million euros of which was in assets with premium, while hydro land stood at 217.9 million euros (-12.5 million euros, -5.4%). In the natural gas transmission sector, average RAB was 945.5 million euros (-43.0 million euros, -4.3%). while in the natural gas distribution sector, RAB was 471.6 million euros (-1.4 million euros; -0.3%).

4.6.3. FINANCING AND DEBT

In 2020, the average cost of debt was 1.8%[11], a reduction of 0.27 p.p. over figures for 2019. This downward trend has been seen since 2013, as a result of the ongoing refinancing of outstanding debt at more competitive conditions under market conditions with continued high liquidity and very low interest rates, even against a background of an international pandemic.

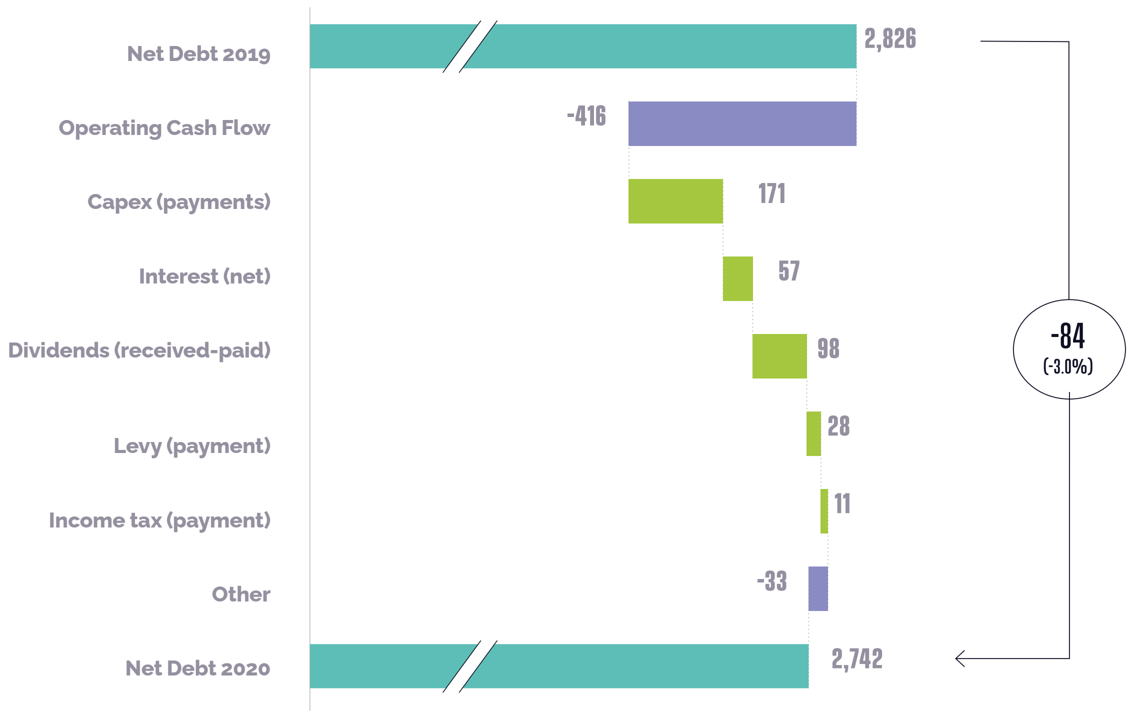
REN's financing strategy, focusing on the flexibility of the financial instruments contracted and a position of solid liquidity, has allowed the company to explore market opportunities and significantly and quickly adjust the cost of debt to improved credit conditions.

REN continues to take advantage of this situation to reduce its financial charges, with the aim of reinforcing financial liquidity and solidity.

During 2020, the following Electrolocation financing operations were undertaken:

- In June, two new long-term financing agreements for a total of 90 million euros was signed with the EIB – European Investment Bank;
- Also in June, the Company established a European Commercial Paper programme for a total of 600 million euros;
- Financing operations negotiated in 2020 were approximately 690 million euros.

At the end of 2020, REN Group consolidated net debt stood at 2,742 million euros, a fall of 84 million euros over the previous year.



[11] The calculated cost of debt mentioned does not include debt in Chilean Pesos (CLP).

FINANCIAL DEBT (MILLIONS OF EUROS) (M€)

IFRS	2020	2019	VARIATION ABSOL	VARIATION %
Gross debt	2,823.4	2,869.5	-46.0	-1.6%
Minus hedging swaps	20.0	22.4	-2.4	-10.9%
Minus cash and cash equivalents	61.4	21.0	40.4	191.8%
Net debt	2,742.0	**2,826.0**	**-84.0**	**-3.0%**

Bond issues were the primary source of financing during 2020, representing 51% of total net debt. followed by commercial paper with a weighting of around 25%.

FINANCING SOURCES CAPITAL OWED (M€)

IFRS	2020	2019	VARIATION ABSLO	VARIATION %	RELATIVE WEIGHTING 2020	RELATIVE WEIGHTING 2019
Bond issues	1,422.9	1,720.7	-297.8	-17.3%	50.8%	60.5%
Bank overdrafts	671.5	657.4	14.0	2.1%	24.0%	23.1%
Commercial paper	700.0	464.0	236.0	50.9%	25.0%	16.3%
Others	4.8	3.9	0.9	23.5%	0.2%	0.1%
TOTAL	2,799.1	**2,846.0**	**-46.8**	**-1.6%**	100.0%	**100.0%**

During 2020, gross debt fell by around 47 million euros with respect to 2019. Net financing costs also fell by 4.8 million euros from 59.2 million euros to 54.4 million euros. This fall is largely explained by the refinancing of outstanding debt under clearly more competitive terms as a result of the improvement in credit market conditions. It is further due to the systematic renovation of opportunist financing operations of shorter maturity where Euribor rates remain negative.

The average cost of gross debt in 2020 was 1.8% , 0.27 p.p. less than in 2019.

Interest rate risk management policy focused on reducing the volatility of earnings. REN's fixed-rate debt represented 62%[13] of total debt.

With regard to the Company's liquidity, continuation was given to ensuring that financing needs were covered for a minimum period of two years.

REN maintained an investment grade rating at the three main ratings agencies. REN's risk ratings are BBB at Fitch (outlook negative), Baa3 at Moody's (outlook stable) and BBB at S&P (outlook stable).

[12] The calculated cost of debt mentioned does not include debt in Chilean Pesos (CLP).

[13] This figure does not include debt in CLP.

4.7. PROPOSED ALLOCATION OF NET INCOME

According to the annual financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A., in the financial year ended on December 31st, 2020, the amount of 109,248,762.80 euros (one hundred and nine million, two hundred and forty eight thousand, seven hundred and sixty two euros and eighty cents) has been established as net income in the IFRS consolidated accounts, and the amount of 111,739,143.38 euros (one hundred and eleven million, seven hundred and thirty nine thousand, one hundred and forty three euros and thirty eight cents) has been established in the individual accounts, in accordance with SNC.

Considering the above and pursuant to article28 of the Articles of Association of REN SGPS, S.A. and articles 31 to 33, article 66(5)(f), articles 294 and 295 and article 376(1)(b) and (2), all of the Portuguese Companies Code, the Board of Directors proposes that the net profit for the financial year of 2020, as seen in the individual financial statements in accordance with National Accounting System rules, amounting to 111,739,143.38 euros (one hundred and eleven million, seven hundred and thirty nine thousand, one hundred and forty three euros and thirty eight cents) be transferred as follows:

- To the legal reserve: 5,586,957.17 euros (five million, five hundred eighty six thousand, nine hundred and fifty seven euros and seventeen cents); and

- To retained earnings: 106,152,186.21 euros (one hundred and six million, one hundred and fifty two thousand, one hundred and eighty six euros and twenty one cents).

Furthermore, the Board of Directors also proposes the following distribution:

- As dividends to shareholders from accumulated available reserves: 114,089,705.80 euros (one hundred and fourteen million, eighty nine thousand, seven hundred and five euros and eighty cents), corresponding to a distribution of 104.4% of REN, S.G.P.S., S.A. consolidated profit for the financial year of 2020, standing at 109,248,762.80 euros (one hundred and nine million, two hundred and forty eight thousand, seven hundred and sixty two euros and eighty cents), equivalent to a gross dividend per share of 0.171 euros;

- For distribution to the employees of REN and its subsidiaries: 3,600,000.00 euros (three million, six hundred thousand euros). Due to the accounting rules in force, this amount is already reflected in the net profit of the financial year ended on 31 December 2020 of REN, S.G.P.S., S.A. (235,000.00 euros – two hundred and thirty five thousand euros) and its subsidiaries (3,365,000.00 euros – three million, three hundred sixty five thousand euros).

4.8. OUTLOOK

This difficult period we are currently experiencing has already been analysed in detail in the introductory note.

However, it should be noted that today – unlike the situation we were experiencing a year ago – we are now looking forward with greater hope.

The vaccination programme is underway and, by the time this document is published, the positive impact of vaccination and the lockdown of the weeks of February and March will have produced important results.

With respect to REN, we are helping our staff and partners maintain a positive, responsible and optimistic attitude.

In recent times, all of us have had to face some type of personal or professional difficulty, but as has been the case with many of our fellow citizens, our work has to go on. As such, we are very aware that our focus has to be on maintaining our services 100% operational and being able to count on our teams to ensure that we meet our responsibilities.

As the same time, we continue to look to the future and we are preparing a strategic plan for the coming three-year period, a plan which our Board of Directors will be presenting at next month's General Meeting of shareholders.

While this is not the time to discuss the plan, we do expect to maintain the responsible, disciplined and transparent approach which has characterised the company and which – dare I say – will continue to deserve the confidence our partners place in us.

Despite the difficulties we have faced this year, the world of energy continues to follow the right path forward. Energy transition is increasingly the main item on the agenda of every country. Decarbonisation targets are ever more global, and even the economies which are less open to such change are reconsidering their strategies. The process towards digitalisation will accelerate, we will continue to focus on growth in renewable power and study the potential of using hydrogen in order to reach the goals set out in the National Energy and Climate Plan (NECP) 2030.

REN will therefore be increasingly at the centre of the changes which aim to make the world not only more sustainable but also a fairer place. The way we achieve this aim will also be more systematic and more quantifiable, where all of our work will be subject to the metrics and control of the most stringent international standards of sustainability.

05

SUSTAINABILITY AT REN

REN

Sustainability is our determination to optimize resources, infrastructure and social and environmental development to create added value.

Together, for a better sustainable energy.

CARRYING SUSTAINABILITY

»OUR COMMITMENT GOES BEYOND OUR MISSION.«

05 SUSTAINABILITY AT REN

Active corporate citizenship is based on community **development and on improving quality of life.**

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 involving significant involvement with 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.

5.1. OUR APPROACH TO SUSTAINABILITY

The sustainability information provided in this annual report refers to 2020 and covers the activities of the REN Group companies - Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., REN Atlântico, S.A., REN Serviços, S.A., RENTELECOM, S.A., ENONDAS, S.A. and REN Portgás Distribuição, and the company Centro de Investigação em Energia REN – State Grid, S.A..

This report was prepared in compliance with the GRI Standards from the Global Reporting Initiative (GRI), based on the protocols for general indicators and on the sectoral supplement for the electricity sector. The report has adopted and fully complied with the requirements of the GRI and the principles of the AA1000AP standard.

AA1000AP accountability principles (2018)

The application of the principles of the AA1000AP standard, which are summarized below, was also reflected in the strategic drivers and in the contents of this report.

Within the scope of Inclusion (participation of stakeholders in the development and implementation of the sustainability strategy) processes and methodologies were defined for the involvement and participation of the different stakeholders. The results were integrated into the REN sustainability strategy review.

Regarding Materiality (determining relevant sustainability topics for REN and their impacts), a benchmark analysis of leading national and international companies and the main industry trends in the sector was carried out. The results of stakeholder consultations held in 2011, 2013 and 2016 were also considered. In 2018, the stakeholders were heard once again, which ended at the beginning of 2019 and the results of which are available on our website (at REN>Sustainability> Our Approach>Involvement with Stakeholders and Governance Model). Regarding response capacity (REN's response to relevant sustainability issues and their impacts, through its decisions, actions, performance and communication), REN seeks to meet the expectations and concerns raised specifically by each stakeholder, either individually or generally. In general terms, this report and the REN website are the main forms of communication used to disseminate the company's strategy, initiatives and performance achieved, as well as the applications REN Energy and REN Investors.

With regard to Impact (monitoring, measuring and reporting on how its actions and activities affect stakeholders), by periodically consulting with stakeholders, REN identifies expectations and assesses its performance and the impacts of the different sustainability topics, defining action plans that meet stakeholder expectations. REN's performance is further based on its Social Responsibility Policy Statement, as well as on its Quality, Environment and Safety Policy Statement and Environmental Policy.

Commitments

REN respects the commitment arising from having joined, in 2005, the United Nations Global Compact (UNGC) initiative to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures Further information on this initiative can be consulted on the REN website (REN>Sustainability>Our approach> Codes and Principles). REN is also a signatory to gestãotransparente.org, has established a protocol with IGEN (Equality Organizations Forum) and has a REN Group Code of Conduct which is regularly reviewed and monitored. Our site has a table showing the correspondence between the contents of this report and the GRI (REN>Sustainability>Our Approach>Main performance indicators) and UNGC guidelines.

Independent external verification

This document was verified by PwC, an external independent entity, in accordance with the principles of standard ISAE 3000 (International Standard on Assurance Engagements 3000). It also took into consideration the principles of standard AA1000AS (Accountability 1000 Assurance Standard - 2008), the GRI, the AA1000APS (Accountability Principles - 2018) and the Portuguese Standard NP-4469-1.

5.1.1. SUSTAINABILITY STRATEGY

REN has defined a sustainability strategy in line with the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations. The topics which are materially relevant to REN are identified on the following page.

Achieving these targets means that all REN work must be based on principles of sustainability. Every two years, REN consults its stakeholders to assess their perspective on the company's performance with regard to sustainability, and to validate materially relevant topics. At the most recent consultation, which was concluded at the start of 2019, new materially relevant topics were identified, this justifying a review of REN's Sustainability Strategy. In addition to the three existing pillars, priority topics such as Governance and Ethics were also considered.

Promoting well-being within the company

Recognizing the importance of human capital is vital to REN if we are to achieve our goals. It is vital to ensure that our employees are provided with the best working conditions to perform their duties and that diversity and equality at work are complied with. In short, our priority is for REN to be an increasingly good company to work for, a company which provides all its workers with an environment in which their talent and work can bear fruit, contributing to personal and professional growth and the good operation of the organization.

Stakeholder involvement and satisfaction

Due to the nature and scope of its mission, REN is a company with a country-wide profile and our work frequently involves interaction with local communities. We promote active corporate citizenship, contributing to the development of communities and people, while also addressing specific social issues and developing joint solutions for a sustainable future.

Protecting the environment

REN is committed to being an active agent for environmental protection, implementing reforesting policies, promoting environmental education, preserving biodiversity, defending the rational use of natural resources and the prevention of pollution, while also playing an active role in the prevention of climate change.

Governance and Ethics

This new pillar reflects the importance of updating and aligning company performance with the best practices in international governance ethics, involving stakeholders and promoting a culture of fighting corruption and the non-control of risk. REN has specific programmes to deal with this topic, such as codes of conduct, certification of the social responsibility management system, Source - an automated, centralized procurement and supplier qualification programme and gestãotransparente.org qualification - to which REN is a signatory. There programmes are now highlighted in the company's Sustainability Strategy, as well as the General Data Protection Regulation.

LIST OF MATERIALLY RELEVANT TOPICS

ENVIRONMENTAL POLICY/ ENVIRONMENTAL MANAGEMENT SYSTEMS	Energy Efficiency;
	Biodiversity
	Awareness and environmental training
GOVERNANCE MODEL	Corporate governance
	Ethics and conduct
	Risk and crisis management
	Stakeholder engagement
	Anti-corruption
HEALTH AND SAFETY AT WORK	Employee satisfaction and well-being
MANAGEMENT OF HUMAN CAPITAL AND DIVERSITY	Respect for human rights
	Management of human capital and training
	Diversity and equal opportunities
IMPACT ON COMMUNITIES	Support for Local communities
SAFETY, RELIABILITY, QUALITY AND GUARANTEE OF SUPPLY	Innovation, research and technology
	Integration of energy markets
	Integration of renewable energies
	Quality of information on service

5.1.2. STAKEHOLDERS

REN periodically identifies and assesses its relevant stakeholders, in accordance with the principles of the AA1000AP standard - Assurance Principle - 2018, as well as through certification in social responsibility, in 2018, in accordance with the NP 4469-1 standard. Renewal of this certification was started at the end of 2020.

Further to the commitment undertaken with stakeholders, at the beginning of 2019, REN concluded the stakeholder consultation process (started at the end of 2018) to identify materially relevant topics, always with the aim of meeting stakeholder expectations and improving performance based on the fundamental pillars of the company sustainability strategy.

REN regularly evaluates the perception of quality and level of satisfaction of its clients, understood to be the users of its infrastructure or customers of the services it provides in the electricity and natural gas sectors and our own internal clients. To this end, in addition to studies in accordance with the European Customer Satisfaction Index (ECSI) methodologies, in the case of infrastructure users/customers, a further study is also currently underway on internal client satisfaction with regard to the support and response capacity of the Support Areas and Concession Support.

5.2. MAIN ACTIONS UNDERTAKEN

We respect the Goals of Sustainable Development

In 2015, REN subscribed to the 17 Sustainable Development Goals (SDGs), created by the United Nations. With the goal of achieving the set targets, REN continues to promote, support and develop projects that have been identified as priority and that are aligned with the company's sustainability strategy and that are directly related to the SDGs that REN defined as critical: Quality Education; Gender Equality; Dignified Work and Economic Growth, Industry, Innovation and Infrastructures, Sustainable Cities and Communities; Climate Action; Protecting Life on Earth, Partnerships for Implementing Goals.

Based on the four pillars of the REN Sustainability Strategy (internal well-being; stakeholder involvement and satisfaction; protection of the environment; governance and ethics), these goals are achieved through a range of collaborative actions and projects. These include the different initiatives in the Junior Achievement Portugal (JAP) Programme, the EOIS project, the forest corridor reforesting programme "Planting Tomorrow Together", the MEDEA project, the AGIR Award, the REN Award and the REN Chair in Biodiversity. REN's association with a number of leading companies in the forest industry should also be noted. These are non profit and R&D entities, to found the Association Forestwise - Collaborative Laboratory for the Integrated Management of Forest and Fire. This consortium is working in the development of projects for the enhancement of Portuguese forests by implementing strategies for the integrated management of forests and fire, with respect to Protecting Forests against Fires.

In order to achieve the goals which REN has committed to, it is necessary to set targets and objectives, but mutual help and human relationships are also crucial . The outbreak of the Covid-19 pandemic in 2020 on a national and international level, made the achievement of these goals a challenge of even greater complexity. Throughout the pandemic, REN strengthened its commitment towards institutions around the entire country, contributing to the implementation of relevant solutions in the preservation of public health and the fight against COVID-19. In March, with the donation of 125,000 NK95 masks to the national health service, in May, with the delivery of around 75,000 individual protection masks to the Social Services of Valongo, Maia, Pombal and Lisbon, and of 2,000 masks to the Bucelas Day Centre, and in June with the donation of 30,000 masks to the Sines Santa Casa da Misericórdia. The financing of the ATENA project (first ventilators made in Portugal) and the contribution towards the purchase of diagnostic equipment for the Litoral Alentejano Hospital, to name just a few of our support actions, are also proof of such commitment.

“

REN REINFORCED ITS COMMITMENT TO INSTITUTIONS ALL OVER THE COUNTRY.

REN contributed to the implementation of relevant solutions to help preserve public health and in the fight against COVID -19.

WE PROMOTE THE WELFARE OF OUR EMPLOYEES

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 17 PARTNERSHIPS FOR THE GOALS

Under the NÓS Programme, REN intends to ensure welfare, diversity and inclusion, personal accomplishment, work-life balance and general employee satisfaction in order for each individual to excel, one of REN's strategic priorities. During 2020, which was impacted by the management of the pandemic, 49 initiatives were undertaken involving 294 REN employees, as part of the the three pillars making up the programme: balance, equality and Inclusion.

Internal communication was reinforced, with programmes and initiatives to bring employees closer. The Nós, Mais Próximos initiative, at a time when a great number of employees were working from home, provided a series of online activities such as workshops, remotely taught fitness classes, also including several activities for the children of employees (yoga, dance, workshops), who were also on synchronous classes. Later, with a safe return to work of its employees in mind, in May REN created a good practices manual and a video setting out guidelines named 'REN, Returning in Safety. The COVID-19 page available on the intranet brought together, in a more direct and intuitive manner, a ranges of information on the topic: from guidelines and good practices for safety and hygiene to be followed, not only at work but also at home, to internal plans and procedures, and also multiple information published by national and worldwide health organisms, standards and applicable legislation, frequently asked questions and even news and internally published documentation on the novel Coronavirus.

RESPONDING TO SOCIAL PROBLEMS INVOLVING OUR STAKEHOLDERS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 17 PARTNERSHIPS FOR THE GOALS

One of the fundamental pillars of REN's sustainability strategy is involvement with the community, which has guided the company's action with respect to Social Corporate Responsibility.

In 2020, the 7th edition of the REN's AGIR Award, dedicated to promoting employment and professional integration of persons in a vulnerable situation, awarded first prize, from 45 applications submitted, to the "It's a Restaurant" project, submitted by the CRESCER Association (https://crescer.org/). This is a restaurant which employs homeless people, allowing them to benefit from social and psychological assistance, access to health care and housing, while also helping integrate into the community . As a result of the Covid-19 pandemic, the restaurant adapted and started cooking and delivering food to other homeless people. Other winners were the "Network of Smiles" project, which seeks to help the homeless who are beneficiaries of the Platform + Employment, run by the Porto Santa Casa da Misericórdia (https://www.scmp.pt/) and the "TecMeUp" project, which supports people suffering from mental illness, providing them with greater independence, promoted by the São João de Deus Institute, (https://www.isjd.pt/). Since 2014, this award has directly benefited more than 6,511 people all over Portugal.

With regard to innovation and development in the Portuguese energy sector, in cooperation with educational institutions, a special mention should be made of the REN Award, the oldest scientific award in Portugal, which in its 25th year, saw 28 applications submitted. Created in 1995, the REN Award continues to demonstrate REN's commitment to accompany the transformations and developments which have shaped the energy sector, to foresee challenges, identify problems and propose innovative solutions.

The winning masters theses focused on topics related to converting photovoltaic generated energy with synthetic inertia, the issue of the security and stability of energy systems and new ways to analyse electric networks. Two other masters theses were recognized with honourable mentions.

Through its MEDEA Award and in partnership with the Portuguese Physics Society, REN once again recognized the work of outstanding school science projects in the subject of electromagnetic fields. In addition to gaining greater scientific knowledge and developing their critical thinking, students are also challenged to search for scientifically reliable information on the potential effects of electromagnetic fields on human health. At the 2020 awards, MEDEA saw participation by 48 teams, and first place was awarded to a team of students from the José Gomes Ferreira Secondary School, in Lisbon. Three teams with students from the Camilo Castelo Branco Secondary School, in Vila Nova de Famalicão, the Romeu Correia Secondary School, in Feijó, Almada, and the Rainha Dona Leonor Secondary School, in Lisbon were distinguished with honourable mentions.

WE DEFINED A VOLUNTEER STRATEGY SO THAT EACH PERSON CAN 'GIVE THE BEST OF HIMSELF OR HERSELF'

In 2020, corporate volunteer actions were extensively affected by the COVID-19 pandemic. The suspension of some activities was compulsory, while others could to be monitored online. Some actions on REN's calendar did not take place or were suspended, such as the traditional Cleaning of the National Hunting Grounds of Mafra and the preparation of suppers at the Comunidade Vida e Paz, to name just two. Nevertheless, at the beginning of 2020, through the Corporate Volunteer Programme Share, REN carried out 19 volunteer initiatives involving 79 employees, which represents 11% of employees. Specific initiatives were defined for each of the three axes that guide the REN volunteer strategy: education, environment and social support.

In addition to volunteer actions, REN strengthened its support for institutions, increasing the amount of donations allocated in 2020, namely with regard to the fight against Covid-19.

In relation to education, of note was an increase in employee participation in entrepreneurship programmes for young people from the Junior Achievement Portugal project (41 employees). During the pandemic, this programme was adapted to an online format (www.japportugal.org). The REN Potential – Maths Tutoring initiative, a volunteer project fighting school drop out and lack of academic success, developed in partnership with EPIS - Empresários para a inclusão Social (www.epis.pt), also suffered in 2020 as the programme was forced to stop due to the closure of schools. Despite this, REN maintained its support and in September 2020, it restarted the programme with the Escalada de Pampilhosa da Serra group of schools, in an online format, having also offered the students of Seomara da Costa Primo School, in Amadora, six computers allowing them to join the online classes. During the 2020 school year, this programme saw participation by 23 REN volunteers and the 2020/2021 edition enjoyed the participation of five more employees in relation to the previous year.

In relation to social support, of note was REN's participation fund. In total, 16 projects were selected, covering a total of nine districts and 14 municipalities, which benefited from REN's financial support under the company's Social Responsibility Policy and Sustainability Strategy, which supports local communities and environmental protection.

In 2020, REN once again took part in Giving Tuesday Portugal(www.givingtuesday.pt), a worldwide solidarity initiative that connects companies, social organizations and civil society to contribute with essential goods, an act of generosity, or simply donate one hour of time to a cause/institution. This year, having to adapt to circumstances, instead of face-to-face actions at REN's partner institutions, food, clothing, toys, and other essential goods were collected at the different REN facilities all across Portugal. In total, REN donated goods to the communities of the Vera Cruz de Gondomar Santa Casa da Misericórdia (http://www.misericordia-gondomar.pt/), the Ermesinde Social Centre (https://www.cse.pt/), the Sines Food Bank www.bancoalimentar.pt), the Ramada Parish Centre (https://centrocomunitariodaramada.org/), the São João de Brito Parish Centre (https://paroquiasjbrito.pt/centro-paroquial-de-sao-joao-de-brito/), the Champagnat Foundation (https://fundacaochampagnat.org/), the Banco do BÉBÉ (https://www.bancodobebe.org/), the Lisbon Municipal Council (https://www.lisboa.pt/),Cercisiago in Sines (https://www.sines.pt/pages/813?poi_id=38), the "Trata-me por tu" Community Intervention Association in Vermoim and the Ilha Parish Social Centre, in Pombal.

Also within the social support axis, REN maintained its connection with Comunidade Vida e Paz, in the preparation of Christmas suppers for Lisbon's homeless people during the months of January and February. Also of special note was the support provided by volunteers, even during the pandemic, for the campaign to collect food for the Food Bank, and campaigns to collect clothing and toys for children, food and supplies for animals, held at the company's facilities, and support for the Gil Foundation home care project (https://fundacaodogil.pt/) and the association "Kastelo- No meio do nada".

In 2020, the "Em Linha" (Online) Project was continued with assistance from five REN volunteers who joined the Comfort Calls initiative run by the REN/EDP Retiree Association; www.arep.pt), which promotes interaction among former employees.

REN also partnered with the solidarity movement Emergência abem: COVID-19 which will help people to access health care who, due to the current situation, have specific needs caused by these difficult times.

During the Christmas period, and due to the difficult times the country is facing, REN strengthened its support for three institutions that play a particularly important role with people in need: The Portuguese Asperger's Syndrome Association (APSA), the Comunidade Vida e Paz and the Food Bank Federation/Entreajuda.

In relation to the environment, annual awareness raising actions to clean the National Hunting Grounds of Mafra (www.tapadademafra.pt), covering 16 hectares, and the cleaning of Belinho beach at the North Coast Nature Reserve, did not take place due to the pandemic.

In the field of sports, REN continued to support employees in their pursuit of different sports including mountain biking, triathlon and running. The company renewed its sponsorship of the APD Braga wheelchair basketball team and the wheelchair athlete João Correia. REN supported the activities of social institutions such as the Fifth Essence Association (www.quintaessencia.pt), whose mission is to maximise the autonomy and integration of people with cognitive impairment, and the Portuguese Asperger's Syndrome Association (www.apsa.org.pt) and its employability programme which aims to develop social skills to help inclusion and professional and social integration. In this field, REN once again supported the "For a New Future" Concert by the New Future Association (www.novofuturo.org). Support for the arts, culture and education saw REN maintain its partnerships with the National Museum of Ancient Art(www.museudearteantiga.pt), the Serralves Foundation (www.serralves.pt) and the Arpad Szenes Foundation(www.fasvs.pt), where it is patron.

WE PROTECT THE PORTUGUESE ENVIRONMENT AND FORESTS

Due to the pandemic, the environmental protection programme Heroes of Every Kind (Heróis de Toda a Espécie) - an educational initiative for 3rd and 4th year children all over the country, did not take place. However, the website (www.heroisdetodaaespecie.pt) was constantly updated so it could be used by teachers and students. More than 500 students from the north to the south of the country have participated in person in this REN Project in partnership with the Ministry of Education and the Ministry of the Environment and Energy Transition.

Environmental protection has always been a constant concern for the company whose goal is to collaborate in the creation of a collaborative national forest cleaning network . As such, in July, we announced the planting of more than 30,000 native species in Penacova. In the same month, we donated seven vehicles to help in the defence of forests against fires to seven Volunteer Firefighting corporations (Alvalade - Santiago do Cacém, Águas de Moura - Palmela, Marco de Canaveses, Ponte de Lima, Salto - Montalegre, Sacavém - Loures and Terras de Bouro). A vehicle was also donated to the Forest Fire Research Centre (CEIF), at the Mechanical Engineering Department (DEM) of the Science and Technology Faculty of the Coimbra University (FCTUC). Since 2010, REN has planted more than one million trees, in an area of more than 3,000 hectares, substituting rapid growth species with native species, which are more resistant to fires. More than 15,000 land owners were involved during this conversion, who can now earn income from land that was abandoned, while also promoting an increase in biodiversity.

In this regard, the partnership with the ECO Movement – Companies against Fires (www.movimentoeco.pt) was maintained. The aim of this programme is to promote forest fire prevention and raise awareness among the public with regard to activities that could lead to fires.

On an internal level, 2020 was once again impacted by the pandemic, due to the fact that it was not possible to carry out all our planned actions. However, environmental issues remain relevant and the urgency to act for the survival of the planet and future generations is vital. REN participated and publicized the webinar 'Forest Bioeconomy', which is part of the BIOTECFOR project (www.biotecfor.com) and the 'The Forest and Fire during the Pandemic", organized by the Collaborative Laboratory Forestwise (https://www.forestwise.pt/pt/institution/). REN is also one of the first Portuguese companies to join Act4nature, an initiative promoted by BCSD (Business Council for Sustainable Development), whose aim is to mobilize and encourage companies to protect, promote and restore biodiversity.

WE FOLLOW AN ETHICAL AND SUSTAINABLE GOVERNANCE MODEL

With respect to strategic governance and ethics, REN is one of the Portuguese companies which has signed the letter of commitment "Business Ambition for 1.5º", an initiative by the United Nations challenging companies around the world to implement measures to fight climate change.

As a founding member of the Portuguese Network of the United Nations Global Compact (www.unglobalcompact.org), a commitment which has been in place since 2005, REN has implemented an action plan in recent years to reduce its direct emissions, particularly with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in high voltage equipment. In this regard, REN has taken part in international working groups where these issues are discussed, and has implemented a range of measures to minimize the environmental effect associated with emissions of GHG. REN continues to subscribe to the CEO Guide on Human rights issued by BCSD Portugal-Business Council for Sustainable Development (www.bcsdportugal.org), an initiative whose goal is to motivate business leaders to promote the defence of human rights and improve people's living conditions.

REN is also a signatory to the Transparent Management project - Gestão Transparente.org - Practical Guide to the Management of Corruption Risks In Organizations (www.gestaotransparente.org), (transparent management) which seeks to raise awareness in corporate circles and civil society to the problems associated with corruption. It also highlights the advantages of prior identification of risks and implementation of policies and internal and external actions to promote transparency and fight corruption.

REN has also established a protocol with the Forum of Organizations for Gender Equality - IGEN (www.forumigen.cite.gov.pt) whose goals include the promotion of actions and good practices in equality and non-discrimination. The REN Group has further implemented a Code of Conduct which is regularly reviewed and monitored. In this field, REN joined the United Nations Programmes, Target Gender Equality and Women's Empowerment Principles, in July and August, respectively. The practical effects of these actions undertaken by REN have already brought results, and 33% of women now have management roles.

»IN 2020, REN MAINTAINED ITS CERTIFICATION AWARDED BY APCER FOR ITS SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM.«

Additionally, in relation to the governance model, REN maintained certification in 2020 awarded by APCER for its Social Responsibility Management System (standard NP 4469-1). This means that the best practices implemented within the company with respect to sustainability and social responsibility are recognized by an independent entity.

5.3. PERFORMANCE MANAGEMENT

5.3.1. SOCIAL PERFORMANCE

2020 was affected by the management of the Covid-19 pandemic, which impacted across the entire organization, company employees and main human resources policies. Focusing on employee health and their protection, implementing large-scale remote work and ensuring a safe work environment for those who can't work remotely, were the main priorities of 2020.

The different human resources processes were reinvented to adapt to the new situation and to the different contingencies established. Digitalization and streamlining of regular processes was given special attention.

Also of note was the start up of operations in Chile, with a new Business Unit - Transemel, acquired in 2019 and the migration plan for which continued to be implemented remotely during 2020.

The enormous challenges relating to management of the pandemic undertaken during 2020 included:

- Implementation of a hybrid working model (remote and on-site) depending on the type of job, activities and contingencies imposed at any given time, where working conditions and individual protection equipment were adapted to meet the requirements of pandemic management and health guidelines;

- Also continued was the Nós Programme, which aims to promote welfare, quality of life and general satisfaction for all REN employees, so as to adapt to different actions with respect to the pandemic. Existing initiatives were restructured and new initiatives established which included online fitness classes, mindfulness classes, psychosocial and financial support for employees directly affected by the pandemic, payment of holiday subsidy in advance and distribution of surgical masks to all the company's employees and former employees, when there was a shortage in the market, to name just a few;

- Implementation of new health protocols to manage different cases of Covid-19 illness within teams, as well as distinct continuity plans.

Notwithstanding this difficult situation, planned activities were adapted and implemented, where the following should be highlighted:

- Monitoring the results of the organizational questionnaire launched at the end of 2019, with the involvement of all organizational areas to design general and specific action plans;

- Implementation of the initiatives under the Plan for Gender Equality 2019-2023, in particular REN joining the WEPs (Women's Empowerment Principles) and the Target Gender Equality programme, both United Nations Global Compact initiatives, allowing REN to reinforce its stand and contribution to sustainable development goals;

- The beginning of a project to design a new training model providing hybrid learning models and identifying and developing future competences that are crucial to business sustainability;

- The communication of human resources activities was adapted, where REN continued to focus on holding the Meetings for Managers and Management and other information sessions, but now taking place remotely, to promote alignment and sense of belonging among the different teams.

HUMAN RESOURCES PROFILE

NUMBER OF EMPLOYEES	2020	2019	2018
Full time employees	692	670	675
Men	523	508	506
Women	169	162	169
Fixed term contracts / Internships	5	14	16
Men	5	10	9
Women	0	4	7
TOTAL	697	684	691

At the end of 2020, 697 employees were recorded, 13 more than in December 2019. This growth was mainly due to the replacement of employees who left in 2018, but also due to hiring for the recently acquired company - Transemel.

REN's hiring policy, as well as the consistency and maturity of our business, continues to be reflected in the type of contracts offered. Most REN workers are full-time.

AVERAGE LENGTH OF SERVICE

	2020	2019	2018
Average age (overall)	45.40	45.39	44.71
Men	45.98	46.16	45.47
Women	43.60	42.98	42.51
Average length of service (overall)	16.93	17.09	16.49
Men	17.57	17.96	17.37
Women	14.94	14.36	13.94

The average age and average length of service remained unaltered compared to 2019, standing at 45 and 17 years, respectively.

ROTATION RATE

	2020	2019	2018
Overall	4.82%	3.57%	3.90%
Men	4.74%	2.82%	3.38%
Women	5.06%	5.81%	5.46%

There was a slight increase in the Rotation Rate, resulting from the need to replace personnel leaving through natural termination of employment.

GENDER DIVERSITY

	2020	2019	2018
Men	528	518	515
Women	169	166	176
TOTAL	697	684	691
% Women	24.25%	24.27%	25.47%

GENDER DIVERSITY IN MANAGEMENT POSITIONS

	2020	2019	2018
Top Management	27	27	28
Men	18	18	20
Women	9	9	8
Management	50	50	53
Men	38	38	40
Women	12	12	13
% Women (Board/Management)	27.27%	27.27%	25.93%

The percentage of women employees at REN was maintained in 2020 with respect to 2019 (representing around 1/4 of the total). In management roles, the percentage was also steady compared to 2019.

FUNCTIONAL GROUP	2020	2019	2018
Top Management	27	27	28
Men	18	18	20
Women	9	9	8
Management	50	50	53
Men	38	38	40
Women	12	12	13
Senior Managers	385	375	372
Men	278	270	261
Women	107	105	111
Field / Administrative	235	232	238
Men	194	192	194
Women	41	40	44
TOTAL	697	684	691

REN's organizational structure has remained stable in recent years, demonstrating full alignment with current needs and suitability for the challenges of the business. The slight increase of employees in 2020 is essentially related to the replacement of outgoing employees from previous years, as well as the formation of a team for Transemel operations, a company acquired in 2019 in Chile.

AGE GROUPS	2020	2019	2018
Up to 29 years old	57	60	61
Men	37	36	36
Women	20	24	25
From 30 to 49 years old	394	382	397
Men	291	284	292
Women	103	98	105
50 or older	246	242	233
Men	200	198	187
Women	46	44	46
TOTAL	697	684	691

REN employees are aged mostly between 30 and 49. In 2020, this age range represented around 57% of REN's population.

ACADEMIC QUALIFICATIONS	2020	2019	2018
PhD	3	3	4
Men	2	2	3
Women	1	1	1
Master's Degree	159	143	139
Men	106	94	90
Women	53	49	49
Higher Education	308	309	311
Men	222	222	218
Women	86	87	93
Secondary education	184	181	186
Men	162	159	161
Women	22	22	25
Primary education	43	48	51
Men	36	41	43
Women	7	7	8
TOTAL	697	684	691
Higher Education (global)	67.43%	66.52%	65.70%
Men	62.50%	61.39%	60.39%
Women	82.84%	82.53%	81.25%

The weighting of degree holders at REN (67%), slightly higher than in 2019, demonstrates the company's sustained focus on the academic qualifications of our personnel.

Personal and professional development

REN TRAINEE PROGRAMME

The REN Trainee Programme is now a consolidated feature, both inside and outside the company. It also enjoys a high level of satisfaction and demand in the market. The programme consists of professional, academic and summer internships, where interns have the opportunity to work on specific projects in different areas of the company, creating value for the organization while also enhancing their own skills.

The pandemic in 2020 had greater impact on non-professional internships and figures were lower than in previous years. However, the celebration of the 10th edition of the REN Trainee Programme should be highlighted, which saw a greater number of professional internships and was also extended to REN Portgás. In addition, this recruitment and selection process was completed entirely remotely, in a joint effort by the Human Resources Department and the different areas of the company involved.

INDICATORS	2020
Professional internships	17
Academic internships	9
Summer internships	0
TOTAL	26

VIVA PROGRAMME

The VIVA Programme – Welcome and Integration – has been a huge success and has had a highly positive effect on new employees joining the Company. In addition to providing an overview of the company, its values, mission and areas of business, it also allows newcomers to identify more quickly with REN and enable networking opportunities among new and existing employees. This programme consists of visits to REN's main installations and an e-learning course providing rapid and simple insight into REN's business.

INDICATORS	2020
No of Editions	2
Satisfaction Rate – VIVA Programme (%)	95%
Satisfaction Rate – VIVA e-learning (%)	100%

REN CAMPUS

The REN Campus is REN's training model which is dedicated to the full development of human capital. Its mission is to provide differentiating value in the management of knowledge by creating across-the-board and specific training programmes which are in alignment with the company's strategy and business. The main aim is to promote the growth and development of the business through the development of people, with differentiated supply directed at the correct management of intellectual capital and the ongoing transfer of knowledge.

In relation to the scenario created by the pandemic, which marked most of 2020, it was necessary to restructure the REN Campus teaching programme for it to be applicable online and to start designing a project for a new learning model, that promotes hybrid learning and identifies and develops future competences that are crucial to business sustainability, while tailoring programme content and structure to the new situation, with the goal of ensuring that the transfer of knowledge and employee development is continued.

TRAINING	2020	2019	2018
No of Hours of training (overall)	25,325.10	**29,858.00**	**29,930.40**
Men	19,432.50	21,423.00	22,510.80
Women	5,892.60	8,435.00	7,419.60
No of Participants (overall)	3,432	**3,959**	**3,897**
Men	2,470	2,933	2,876
Women	962	1,026	1,021
No of Hours of training per Employee	36.44	**43.46**	**43.25**
Men	36.87	41.60	43.46
Women	35.08	49.04	42.64

AREA OF TRAINING (NO OF HOURS)	2020	2019	2018
Behavioural	7,064.80	4,877.00	5,685.70
Technical	10 565.90	16,594.10	15,808.70
Quality, Environment and Safety	4,337.40	4,520.40	4,668.10
Management	3,357.00	3,866.50	3,767.90
TOTAL	25,325.10	**29,858.00**	**29,930.40**

STAR PROGRAMME — PERFORMANCE MANAGEMENT

Despite the need to manage the pandemic, 2020 was a year of stabilization in the performance assessment model for the entire group, taking place in the usual manner, but remotely.

INDICATORS	STAR 2019
Number of employees covered	663
% of assessments concluded	100%
Average – final assessments competences	2.50
Average – final assessments goals	4.12
% of bonuses calculated as compared to the number of assessments	99.85%

Social dialogue and benefits

In the area of social dialogue between management and employee representation structures, and even set against an adverse scenario of pandemic management, numerous remote meetings were held which sought solutions and debate on matters of interest to both parties. As a result of dialogue and based on the ACT agreement established between the parties, a general salary increase of 1% was awarded to all employees covered by the REN ACT. This was also extended to the REN Portgás ACT.

Union membership at REN fell slightly to around 37%.

OTHER INDICATORS	2020	2019	2018
% of Staff who are union members (overall)	**36.87%**	**38.74%**	**38.35%**
Men	41.29%	43.44%	43.30%
Women	23.08%	24.10%	23.86%
% Full-time ACT workers	**99.00%**	**99.56%**	**98.84%**
Men	98.67%	99.42%	99.22%
Women	100.00%	100.00%	97.73%

The REN benefits policy, centred on supporting its employees in important areas of family and personal life, includes a series of additional supports and benefits with regard to health, education and culture, etc.

The REN FLEX Programme which provides a choice of benefits adapted to the life cycle of every employee is now consolidated. In 2020, the range of choices was increased and two new benefits were introduced: parking and technology. Employees of REN Portgás have maintained their specific programme of flexible benefits.

BENEFITS	EMPLOYEES WITH TRANSITIONAL SCHEME FROM PREVIOUS ACT[1]	EMPLOYEES WITH FLEX PLAN[2]	EMPLOYEES	COLABORADORES COM CONTRATO INDIVIDUAL DE TRABALHO[3]
Life insurance/ home loans		X	X	X
Personal accident insurance	X	X	X	X
Health Insurance		X	X	X
Sick leave insurance		X	X	
Complementary Health Scheme	X			
Pensions Plan - Defined Benefit	X			
Pensions Plan - Defined Contribution		X	X	
Electricity at reduced prices	X		X	
Study subsidy	X			
Education and child care vouchers		X	X	
Social Pass		X	X	
Parking		X		
Technology		X		
Training Voucher		X	X	
Holiday Camps	X	X	X	X
Social Support Voucher/Health Plan		X	X	

(1) Series of benefits set out in ACT 2000 which passed to the new ACT signed in 2015;

(2) Employees covered by this flexible benefits programme can choose from the benefits available up to the limit of the annual credits;

(3) Employees covered by this flexible benefits programme have fixed and flexible components and can choose from the benefits available up to the limit of their annual credits;

(4) Standard benefits agreed upon for individual work contracts.

Health & Safety

Aware that a safe and healthy environment is a decisive factor for the satisfaction of stakeholders, REN is committed to the effective management of occupational health and safety. The occupational health and safety management system is certified by an accredited entity and encompasses most Group companies. Its main objective is to prevent work related accidents and illnesses involving Company employees or the employees of contractors and service providers collaborating with REN.

Safety

REN considers that its main asset is its people, and as such, does not accept activity which poses a high level of risk to the health and safety of employees or the employees of contractors and service providers. For this reason, REN is committed to developing and promoting measures to eliminate or mitigate such risks. With the aim of fighting accidents in the workplace, policies are implemented, safety procedures are followed and the best practices in this area are closely adhered to. This is achieved through numerous training courses and strict monitoring of activities so as to ensure demanding operational control. An analysis of the accidents allows reassessment of the risks inherent to the activities in which they occur.

Data for 2020 were as follows:

COMPANY	AVERAGE NO* OF WORKERS		NO OF HOURS WORKED		NO OF FATAL ACCIDENTS		NO OF NON-FATAL ACCIDENTS		NO OF DAYS LOST	
SEX (M/F)	M	F	M	F	M	F	M	F	M	F
REN Eléctrica	184	26	322,670	44,667	0	0	3	0	15	0
REN Serviços	120	85	208,295	142,524	0	0	0	1	0	0
REN Gasodutos	82	14	140,087	22,772	0	0	0	0	0	0
REN Atlântico	28	2	49,694	3,213	0	0	0	0	0	0
REN Armazenagem	11	0	19,841	0	0	0	0	0	0	0
REN Trading	5	1	6,561	1,566	0	0	0	0	0	0
REN TELECOM	3	0	5,301	0	0	0	0	0	0	0
ENONDAS	1	0	1,739	0	0	0	0	0	0	0
REN SGPS	10	11	17,183	17,449	0	0	0	1	0	0
R&D Nester	14	2	24,195	3,520	0	0	0	0	0	0
REN PRO	26	16	44,047	25,434	0	0	0	0	0	0
REN Portgás Distribuição	55	13	93,369	21,841	0	0	2	0	44	0
TOTAL REN	**539**	**170**	**932,982**	**282,986**	**0**	**0**	**5**	**2**	**59**	**0**
Total No of Service Providers and Contractors	**1,059**	**146**	**2,115,067**	**296,115**	**0**	**0**	**18**	**1**	**400**	**22**

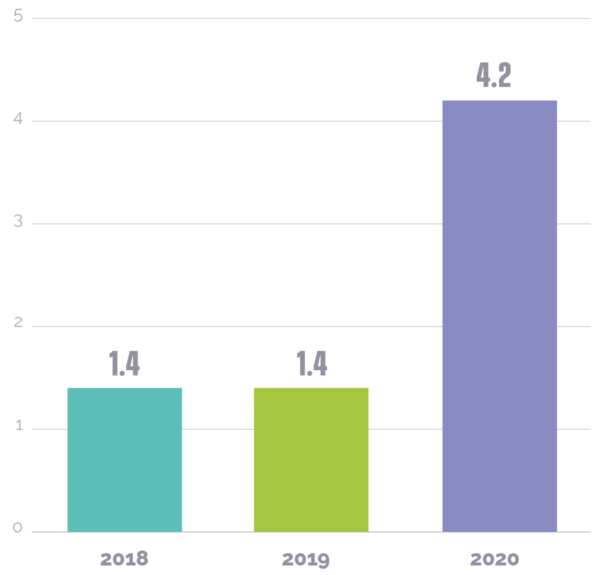
*This is the average number of workers in the year and not the actual number at 31 December 2020.

In 2020, there were two less accidents involving REN workers than in 2019. A total of 21 days were lost. Of the seven accidents, three involved full-time employees, resulting in 59 days lost.

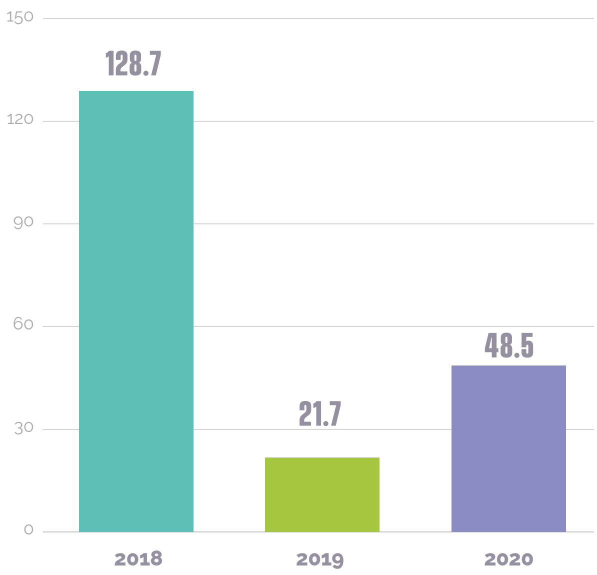
With respect to service providers and contractors, there were eight less accidents in 2020 than in 2019 and 111 less days lost. Of the 19 accidents, 12 resulting in days lost.

INCIDENCE AND SEVERITY INDEXES — REN

INJURY RATE



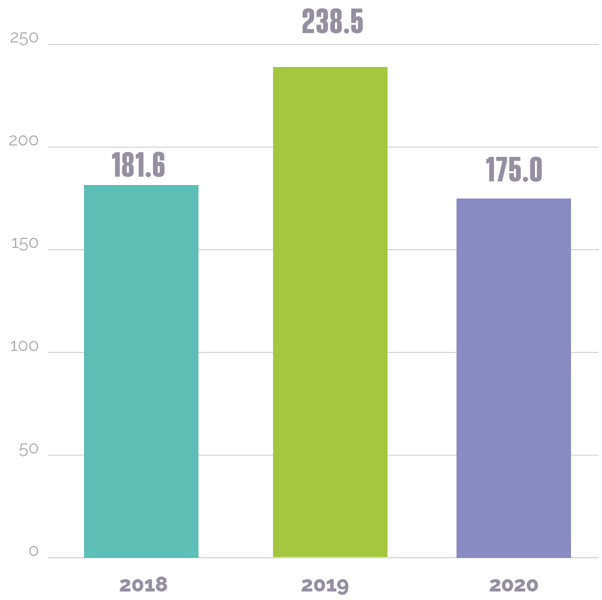
LOST DAY RATE



INCIDENCE AND SEVERITY INDEXES — SERVICE PROVIDERS AND CONTRACTORS

INJURY RATE

LOST DAY RATE



Note: To calculate the indices shown in the graphs above, only full-time employee accidents were considered in days lost.

With regard to REN workers in 2020 when compared to 2019, figures for the incidence and severity indices worsened. It should be noted that compliance with the target set for the severity index (less or equal to 225 days lost per million hours worked) was reached.

In relation to contractors and service providers, in 2020 both indicators evolved favourably over figures for 2019. The target set for the severity index was also attained.

All work and services awarded to contractors and service providers are subject to monitoring and operational control in accordance with legislation in force and REN's own requirements. Occupational health and safety requirements are also observed.

During 2020, in a similar manner to previous years, REN ran training courses and safety awareness actions, involving all contractors and service providers.

With the aims of complying with specific legislation which requires that periodic drills be carried out, determining the effectiveness of emergency response procedures and identifying divergences and opportunities for improvement, complementing the training of all those involved and ensuring compliance with regulations as a group of certified companies, in 2020, safety drills were undertaken at two REN facilities, (the Carriço facility and the Sines LNG Terminal).

Plans for drills at other facilities did not take place due to the COVID 19 pandemic.

Further information on this topic can be consulted on the REN website[1].

Health

For REN, it is vital to ensure that employees are provided with the best health conditions so that they can perform their duties and that general and sector occupational health standards are complied with. With this in mind, REN implements the Healthy Workplace Framework adopted by the World Health Organization (WHO), as a "state of complete physical, mental and social well-being, and not merely the absence of disease".

REN focuses on three basic and interconnected pillars in the field of health: Occupational Health, Curative Medicine and numerous health and well-being initiatives. This approach seeks to reconcile the legal requirement for Occupational Health with Curative Medicine and other actions with the goal of ensuring that our employees live and work better and in greater health.

The aims of this programme are to:

- Provide healthy workplaces by creating conditions conducive to health and well-being;
- Diagnose situations through a multidisciplinary team of doctors and health professionals;
- Furnish employees and their families with the knowledge and skills to enable healthy lifestyles to be adopted.

Considering the challenges the pandemic placed on health care, the individual monitoring strategy of health situations was reinforced through specific appointments for risk groups and employees who fell ill to COVID-19, assistance for managers to report and monitor the cases, promotion and application of the return protocol with complementary measures to those defined by Health Authorities; specialized communication on the topic of prevention of COVID-19 and permanent updating of information, promotion of employee mental health through several different group initiatives and individual monitoring, etc.

With respect to Occupational Health, REN provides all employees with complementary clinical examinations and analyses and in accordance with their duties with the aim of facilitating preventive health care. More specifically, this includes the screening of employees particularly exposed to electromagnetic fields with a view to applying restrictive measures to exposure.

REN has health clinics at larger facilities which cover geographical areas close to Ermesinde, Pombal, Lisbon, Sacavém, Bucelas and Sines which are staffed by occupational health doctors and nurses. Facilities with a high number of employees in Lisbon and Porto also have curative medicine, nutritionists, psychologists and social workers.

In order to overcome possible access difficulties due to location, REN ha implemented a distance consultation programme via telephone and video for these specialisms and social support. All employees have access to internal healthcare services.

[1] www.ren.pt

In addition to numerous internal initiatives, all REN employees are also covered by individual health care plans which can also include the family. Well being activities are also made available in person in large cities or online for other locations.

	2020	2019	2018
Auxiliary diagnostics (per group of examinations) (1)	424	458	378
Medical interventions(2)	262	688	633
Nursing interventions (per group of examinations) (1)	304	458	475
Visits by doctors to places of work(1)	10	16	14

(1) Lower figure than usual as it was not possible to take place during the pandemic;

(2) During the pandemic (March to August) periodic examinations were conducted by telephone.

ABSENTEEISM RATE	2020	2019	2018
Overall	2.13%	2.20%	2.11%
Men	2.13%	1.88%	2.11%
Women	2.12%	3.16%	2.09%

Absenteeism at REN remains stable at around 2%.

NÓS PROGRAMME

The REN NÓS Programme is based on three axes: Balance, Equality and Inclusion, impacting on improvement in the quality of life, experience and satisfaction of employees. In addition to the continuity initiatives which were maintained, as is the case with appointments for curative medicine, screening, the academic merit award, marriage and birth gifts, etc., 2020 was marked by the need to manage the pandemic and a series of new challenges.

Due to the need for us to find new forms of working, spending time together and relaxing remotely, the Balance axis was largely reinvented. With the aim of motivating REN employees, and their family members, either directly or indirectly, a number of new Initiatives were launched and/or existing initiatives were adapted to operate entirely online, maintaining close contact between employees and the company.

Numerous actions were undertaken including online yoga and Pilates classes, mindfulness courses and psychologist and nutritionist consultations which were also online. Free time activities were also provided for children (such as Yoga, Dance and Expression sessions) and relaxation and reflection classes for adults (such as healthy cooking workshops or emotion management sessions), etc.

In addition to these initiatives, the Strategic Plan for Gender Equality was continued (2019/2023) and the initiatives already implemented were monitored. REN also joined two important UN Global Compact initiatives: the Target Gender Equality programme and WEP's (Women's Empowerment Principles).

INDICATORS	2020
No of Initiatives	49
No of Participations	294

POP - PERSONAL OPINION PROGRAMME

Every two years, REN conducts an organizational study – POP (Personal Opinion Programme) so as to get to know the opinion of REN workers and their degree of general satisfaction with topics such as Working Conditions, Commitment and Communication.

In 2020, we disseminated the POP results to our employees, and an action plan was designed in conjunction with all of the teams to improve aspects which were considered as priority at REN.

Relations with the community

Aware of its responsibility with regard to sustainable development, and having the goal of growing with the communities where we work so as to build a socially responsible future, REN supports local communities as one of the main pillars of its sustainability strategy.

This involvement with communities, which extends beyond mere compliance with its mission to manage the country's power transmission systems, also includes active corporate citizenship which seeks to contribute to the improved well-being of people. With this in mind, REN's work involves not only the development of communication plans which are suitable to the actual situation of the communities with which the company interacts, or support for relevant social projects, but also meetings with local government and other local stakeholders, in close coordination with the our operational departments. This approach reflects the company's commitment to effective, clear and transparent communication with the communities where REN operates.

In 2020, the restrictions arising from the COVID-19 pandemic led to changes to a number of REN's activities, more specifically with regard to community involvement. For this reason, REN implemented relevant solutions to help preserve public health and in the fight against COVID 19. Following this line of action, the company donated around 75,000 individual protection masks to institutions and social support structures in the communities where REN is located. This support was provided to the support services departments of the municipal authorities in Valongo, Maia, Pombal and Lisbon, which centralized and coordinated municipal responses to the pandemic. In the second semester of 2020, the company also donated around 30,000 masks to the Sines Santa Casa da Misericórdia.

Of note in our relationships with local stakeholders, videos were made with on-site images showing the main constraints in the terrain and the corridors where power transmission lines could pass. This proved to be a worthwhile exercise, at a time when, because of the COVID19 pandemic, the usual in-person visits to the terrain were impossible by the stakeholders involved in the project. This project was awarded with Good Practice of the Year by the Renewables Grid Initiative in the category of "Communication & Engagement".

The MEDEA project, developed in partnership with the Portuguese Physics Society, promotes knowledge of physics among secondary school students, and which every year motivates participating students to develop a scientific project based on the measurement of very low frequency (0-300 Hz) electrical and magnetic fields in environments such as those around their schools, at home and near power lines. The MEDEA project has involved around 1900 students, 283 schools and 314 teachers. In this 11th edition, in 2020 MEDEA involved 158 students from all over the country and 26 teachers, representing 22 teaching institutions in Portugal. As part of this project, REN also organized a a course for 21 teachers at its premises in Sacavém with the aim of providing them with better and more in-depth knowledge about EMFs so as to be able to work on this subject in their classes with greater effectiveness and help their students to participate in MEDEA.

Heróis de Toda a Espécie (Heroes of Every Kind) is an initiative which fosters good relations with the community in the area of environmental education and awareness. The programme is supported by the Ministries of Education, the Ministry of the Environment and Energy Transition, and is another example fostering our relationship with the community. Started in 2016, this programme is for year three and four primary students and seeks to make these young people more environmentally concious and impart a greater sense of responsibility in the protection of biodiversity, preservation of the Portuguese forests and conservation of endangered plants and animals. This project involves 4,900 primary schools around the country, which every year receive the new materials for the programme. They are also able to access all content via the website (www.heroisdetodaaespecie.pt). In 2020, the restrictions arising from the COVID-19 pandemic suspended teaching programmes at schools. Over the course of four years, this project has taken place in 21 different locations around the country and involved more than 2,000 students and around 114 teachers.

During 2020, due to the pandemic, our reforesting programme "Planting Tomorrow Together" (Juntos Plantamos o Amanhã) was also suspended. This programme seeks to raise awareness among secondary students for the need to create a sustainable ecosystem. These initiatives aim to stimulate more active intervention by owners on their land, which in turn, leads to better management of the corridors in the prevention of fires and creating economic value for such owners. Currently, REN is responsible for cleaning 21,000 hectares of forest all over the country. During access corridor reforesting and conversion initiatives promoted by REN, in the last ten years, more than one million native trees have been planted in an area of around 3,000 hectares, representing 14% of the forest area occupied by its power transmission infrastructures. The aim is to reach 25% by 2025. Also in this regard, REN has promoted a number of information initiatives for municipalities to show the work carried out to clean access corridors and foster the implementation of such initiatives in other areas. In 2020, REN held presentation sessions on this work in the municipalities of Paços de Ferreira, Gavião and Penacova.

With regard to further work in the Defence of the Forest against Fires, REN has actively collaborated with Volunteer Fire Fighting Corporations, enhancing infrastructure so as to prevent and fight forest fires, keeping access corridors clean and supporting these fire fighters by donating vehicles. In 2020, REN provided seven vehicles to seven fire fighting corporations in Ponte de Lima, Marco de Canaveses, Alvalade (Santiago do Cacém), Águas de Moura (Palmela), Sacavém, Salto (Montalegre) and Terras de Bouro. In relation to the prevention of forest fires, REN also donated two vehicles to the Forest Fire Research Centre (CEIF), at the Mechanical Engineering Department (DEM) of the Science and Technology Faculty of the Coimbra University and to Forestwise - Collaborative Laboratory for the Integrated Management of Forest and Fire.

To reinforce social support for local communities, REN donated a further four vehicles to the Pro Outeiro Association, in Oliveira de Azeméis, to the Moncorvo Santa Casa da Misericórdia, in Bragança, to the Ward of Ruivães, in Vieira do Minho and to the Gavião Municipal Authority.

Research, Development and Innovation

Aware of the challenges presented by climate change which has put decarbonization, innovation and digital transition at the centre of public policies, REN has strengthened its commitment to and focus on research, development and innovation (RD&I) as a strategic factor across the different Group companies, through the Department of Studies and Operational Innovation. The innovation strategy is leveraged by four pillars "quality and business continuity, smarter and digital grid & operations, business development & sustainability and new business models".

This commitment is reflected by our ongoing investment, which has allowed us to diversify our portfolio of projects, seeking differentiated solutions which support the requirements of operational areas assisting them to carry out their duties based on the strategic pillars. Moreover, the development of a culture of innovation, more specifically through the promotion of initiatives, such as the Groups for Innovation Leaders and Trainees, as well as in specific actions such as innovation workshops and the creation of roadmaps for emerging technologies which can be applied to company activities, with strategic proposals for their development. This approach takes into account the portfolio of projects and the needs identified, and has allowed innovation at the REN Group to be leveraged.

RD&I activities are conducted internally in close collaboration with operational areas, with an increasingly broad ecosystem of innovation (bringing together start ups, academia, collaborative laboratories and other sector organizations) and with counterpart entities both nationally as well as internationally. There is also the Centro de Investigação em Energia REN-State Grid, S.A (R&D NESTER) - an organization owned by the REN Group to conduct research, development and innovation to encounter solutions in energy systems.

Of note among Operational Innovation Projects are augmented reality technologies, nano sensors, 5G, blockchain and the numerous challenges of innovation set out in the roadmap for the gradual decarbonization of natural gas infrastructure - through the introduction of hydrogen and biomethane.

R&D Investment and Subsidies

Investment in R&D at the REN Group for the period from 2017 to 2019 was around two million euros, maintaining the trend of recent years. In the same period, the R&D Centre (R&D NESTER) invested more than four million euros. In relation to Operational Innovation, and aware of the challenges regarding digital innovation and transition, of special note is the evolution of the pipeline of projects, in comparison to 2019, which has increased by around 280% to more than 30 projects which have been approved and or are already underway, with an investment of approximately four million euros.

This sum relates essentially to expenditure in R&D projects developed internally and/or in cooperation with national and international organizations, including academic institutions recognized by the national scientific and technological system.

In addition to internal investment, companies regularly use sources of external funding for R&D. Under funding programmes through applications to European programmes (e.g.: Horizon 2020, European Space Agency, Programme Interreg, Innovation Fund) and national programmes (e.g.: Portugal 2020), or as tax Incentives, through applications to the so-called SIFIDE (National System of Tax Incentives for Corporate R&D), an approval rate of 100% has been achieved, as a result of the effective nature of R&D in projects submitted in applications by the REN Group and R&D NESTER.

Portfolio of Projects - Highlights 2020

Conclusion of the European Project TDX-ASSIST

The European project TDX-ASSIST[2], coordinated by the BRUNEL UNIVERSITY of LONDON, was concluded in 2020.

Inserted into the topic - Tools and technologies for coordination and integration of the European energy system – this project involved 12 entities and obtained European funding of € 4,175,452.50.

TDX-Assist sought to design and develop new methods and tools in the area of Information and Communication Technology (ICT), with the purpose of facilitating the secure and reliable exchange of data between the transmission system operator and the distribution system operator.

The three new topics addressed were: scalability (capability to deal with the new ecosystem and growing volumes of information and data); security (protection against external threats and attacks) and interoperability (information exchange and communications based on current and emerging ICT patterns for smart networks).

For further information: https://cordis.europa.eu/project/id/774500

New European Projects

As part of European financing programmes and in a consortium with sector partners, participation by REN (as the Electricity Transmission System Operator) and R&D NESTER (as an R&D centre), has intensified.

Of note are the European Projects approved last year under the Horizon 2020 Programme. They include:

- Project BD4Energy[3] (2021-2023) - Big Data for Next Generation EnergyInserted into the topic Big Data Solutions for Energy, this project involved a consortium of 35 partners with total funding of EUR 11,883,025.00 and focused on the use artificial intelligence technologies for the management of large databases in a growing trend to decentralize the energy sector. With this goal in mind, it analyses questions relating to the standardization of data architecture for smart networks and regulatory frameworks which allow data sharing;

»REN REINFORCED ITS COMMITMENT AND FOCUS ON RESEARCH, DEVELOPMENT AND INNOVATION.«

- Project OneNet[4] (2020-2023) - One Network for Europe Inserted into the topic Scale demonstration of innovative grid services through DR, storage and small-scale (RES) generation, the OneNet project is coordinated by the FRAUNHOFER Institute and involves 72 partners, including REN and R&D NESTER, as well as other Portuguese entities such as EDP Distribuição and INESC-TEC. Funding awarded stands at € 21,998,171.13.

This project seeks to achieve the following goals:

1. Identification of services and products which maximize the use of flexible resources (distributed generation, storage, DSR) in a transparent manner and with a consumer centred approach;

2. Converging to a unique IT architecture where different applications and forms of coordination adapted to each geographical situation can coexist respecting rules of transparency and market equality.

The concept proposed by OneNET is tested and implemented in four demonstrations which are located and organized into different geographical clusters.

[2] Project financed under the European Union H2020 Research and development contract programme, with the number 774500.
[3] Project financed under the European Union H2020 Research and development contract programme, with the number 872613
[4] Project financed under the European Union H2020 Research and development contract programme, with the number 957739

Participation by Portuguese entities is mostly centred on the development of the demonstration of the West Cluster in Portugal (WP 9), although they also participate in the project's other WPs.

It should be noted that European institutions are currently analysing, under the Innovation Fund, applications made by the REN Group, as a consortium and individually, where the aim is the decarbonization of gas infrastructure so as to enable such infrastructure to meet the challenges of energy transition, more specifically those set out in EN-H2, the National Strategy for Hydrogen.

During 2020, the projects underway at both the REN Group and R&D Nester are listed below:

HORIZON 2020 PROGRAMME[5]	REN GROUP	R&D NESTER
OSMOSE (2017-2021) – Optimal System-Mix of flexibility Solutions for European electricity	X	X
INTERFACE (2019-2022) – TSO-DSO-Consumer INTERFACE architecture to provide innovative grid services for an efficient power system	X	X
FlexPlan (2019-2022) – Advanced methodology and tools taking advantage of storage and FLEXibility in transmission and distribution grid PLANning	X	X
GIFT (2019-2022) – Geographical Islands Flexibility		X
FLEXITRANSTORE (2017-2021) – An Integrated Platform for Increased FLEXIbility in smart TRANSmission grids with STORage Entities and large penetration of Renewable Energy Sources		X
INTERPRETER (2019-2022) – Interoperable tools for an efficient management and effective planning of the electricity grid		X
FleXunity (2019-2021) – Scaling-up Power Flexible Communities business models empowered by Blockchain and AI		X
Portugal 2020 Programme[6]		
OPTIGRID (2018 – 2021) – Analysis Methodology on the Dynamic Capacity of Lines and Optimized Management of Electrical Networks		X
GreenEst (2018 – 2021) – Green Ester Transformers	X	
rePLANt (2021 – 2023) – Collaborative satellite-based infrastructures for the integrated management of the forest and fire so as to provide greater protection and forecasting of the impact of rural fires on both forestry assets as well as energy infrastructure	X	
LINK4S (2021-2023) – Link for sustainability: Desenvolvimento de uma nova geração de dispositivos de conetividade (nanossensores) que possibilitem a monitorização granular da condição dos ativos de transporte de eletricidade e distribuição de gás natural.	X	
Internal Projects		
Internal capacity building to use fixed-wing drones	X	
Prot.MPLS – Line differential protection tests and teleprotection of the IP/MPLS communications network	X	X
Smart substation testing and implementation	X	X
UltraFor – Development of a persistence model for gaps in solar forecasting with a view to optimizing results, based on a study of different types of clouds and their effect on the radiation of photovoltaic modules.		X
WindForecasting – Research into short-term wind energy forecasting with set learning methods based on diverse data from different sources.		X

[5] Project financed under the European Union H2020 Research and development contract programme
[6] Project funded under the Portugal 2020 contract programme

HORIZON 2020 PROGRAMME[5]	REN GROUP	R&D NESTER
HighSpeedCarrier – Here, the aim is to research the applicability, interoperability and conformity of the communications protocol through the electricity network IEEE1901.1		X
INTEGRATEDENERGYSYSTEMS – The goal of this project is to conduct research into technologies for a comprehensive energy system, considering cross-border interactions. The research will be conducted on four levels: i) system modelling and analysis of security; ii) planning and collaborative operation; iii) dispatch and market transactions; iv) establishing and checking of control prototype system application.		
Use of Augmented Reality for substation training courses	X	
DFOS – Distributed Fibre Optic Sensing to detect birds collision in Very High Voltage lines	X	
Upgrade of energy simulation models (VALORAGUA and PS-MORA Power Systems - Model for Operational Reserve Adequacy) so as to incorporate needs arising from the far reaching changes resulting from energy transition, more specifically, hourly granularity, random breakdown simulation and representation of new policies for exchanging energy and reserves between neighbouring countries)	X	
Online pollution and ageing insulator monitoring system – Device for monitoring leakage currents and flashovers in Very High Voltage line insulators	X	
Stork disturbance online mitigation system for overhead lines – Online detection and mitigation device for potential incidents on VHV lines	X	
Tower Track – System which allows the mapping of accesses to assets (e.g.: support for VHV lines and marking posts in the National Gas Transmission Network)	X	
SLIP – Safety Light Interactive Protection : Interactive virtual sensor barriers which reduce the risk of electrocution by creating delimited working areas both vertically and horizontally	X	
HPEVCS – High Power Electric Vehicle Charging Station - this is a charging solution for electric vehicles working directly from the Very High Voltage Network and has received a favourable decision from the EPO – European Patent Office with regard to the prior procedure for submitting patents.	X	

Participation in associations and national/international bodies

REN and R&D NESTER continue active in establishing **protocols and partnerships with numerous entities in the national scientific system and sector associations**, more specifically with GRTGaz, National GRID, INL, InnoEnergy, Fraunhofer AICOS, Ceiia, INEGI, INESC-TEC, ISEL, LABLEC, EFACEC, LNEG, the University of Coimbra and IST for the development of projects, as well as representation at entities such as COTEC, APREN, CCILC, IEEE, UN CTNC (United Nations – Climate and Technology Center and Network) and the BLUE INVEST COMMUNITY.

Also of note in this regard is the **active participation by the company in international working groups**, including:

- **ENTSO-E** (European Network of Transmission System Operators);
- **CIGRÉ** (Conseil International des Grands Réseaux Électriques);
- European Technology & Innovation Platforms (ETIPs);
- **EERA** (European Energy Research Alliance).

It should be noted that the REN application has been submitted to Hydrogen Europe which represents the hydrogen sector on a European level.

ACAE – 2020

Participation in international working groups

I – ENTSO

REN has continued to cooperate and participate in the activities of the European electricity and gas TSO associations (ENTSO-E and ENTSO-G) with the aim of implementing the different Community legislative packages in the areas of climate and energy.

"THE MINIMIZING OF ENVIRONMENTAL IMPACT HAS ALWAYS BEEN A KEY CONCERN AT REN.

3. ENTSO-E (European Network of Transmission System Operators for Electricity):

In relation to Regulation (EC) No 714/2009, REN has participated in ENTSO-E activities, particularly through its presence at the General Meeting, on the System Development Committee; System Operations Committee; Market Committee; Research and Development Committee; Legal and Regulatory Group.

With respect to Network Codes, REN continues to provide technical support to implement the codes on a national level: in collaboration with the DGEG.

4. ENTSO-G (European Network of Transmission System Operators for Gas)

ENTSO-G continued active during 2020 with working groups in its three main areas of business: Market, System Development and System Operation. With respect to Regulation (EC) No 715/2009, REN has continued its participation in the following ENTSO-G bodies and groups: General Meeting, Liaison Group, Legal Team, System Development - WG Investment; WG Market, WG Market Codes, WG Market Development, System Operations - WG Transparency and Interoperability.

II – European institutions

REN is on the European Transparency Register and as such plays a part in the different stages of the European legislative process at the different institutions.

In relation to European policy and legislation initiatives to reinforce interconnections, of note was REN's participation in the High Level Group on the Interconnectivity of the Iberian Peninsula, accompanying studies on additional electricity and natural gas interconnection projects.

The company continued to monitor the development of the Clean Energy Package which the European Commission launched in 2016 and which led to the publication of different legislative components at the end of 2019.

With the publication of the "Green Deal", monitoring was started on this initiative, a central element in European Energy Policy in coming years.

Due to the situation caused by the pandemic which started in early 2020, the European Commission, developed and published a series of legislative initiatives to support the economy and launch the post-pandemic European recovery. REN accompanied this process and contributed to the respective dossiers at the organizations where it is represented.

III - Working groups presided over by the european commission

With respect to the legislative initiative for the implementation of priority European energy infrastructures, REN actively participated in the NSI West Electricity Cross Regional Group and NSI West Gas Cross Regional Group, under the presidency of the European Commission.

IV - MED-TSO

REN, a founder member of this association of Mediterranean Electricity Transmission System Operators (Med-TSO), plays an active role through its Vice-Presidency of this Association and through participation on several Med-TSO technical committees.

V – GIE (Gas Infrastructure Europe)

At GIE, an association representing European gas infrastructure companies at European institutions and other stakeholders, REN has continued to participate and accompany work and meetings particularly with regard to the development of the Energy Union and the future perspectives for the European Energy System, with a view to the decarbonization of the Natural Gas sector within the 2050 Horizon and its impact in gas infrastructure.

5.3.2. ENVIRONMENTAL

The non-negotiable defending of the environment and the implementation of practices which conserve and protect ecosystems and biodiversity are clear priorities in a culture of sustainability. As environmental protection is one of the three axes which govern REN's sustainability strategy, is is important to analyse the indicators which were compiled in 2020 in this regard.

Environmental Management

Environmental Policy

Minimizing its 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 topics 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 Company approach on this topic can be consulted on the REN website[7].

Energy

REN's energy consumption in 2020 is shown in the table below.

ENERGY CONSUMPTION AT REN (GJ)	2020	2019	2018
Electrical energy of infrastructure and buildings	369,071.30	372,808	269,580
Natural gas (boilers, pilots and controlled flares)	321,851.92	337,004	294,248
Propane gas	98.90	30	117
Natural Gas	2,821.40	70.95	38,960
Fuel (Diesel and Petrol)	21,936.68	27,768	23,477
Losses in the electricity transmission network	2,842,778.34	2,647,516	2,826,004
Losses in the gas transmission network (purges)	2,456.52	2,290	1,614
TOTAL	**3,561,015**	**3,394,511**	**3,454,000**

Strategic Environmental Assessment

Strategic Environmental Assessment (SEA) is an environmental policy instrument (Decree-Law No 232/2007 of 15 June 2007, amended by Decree-Law No 58/2011 of 4 May) which seeks to ensure an assessment of the environmental consequences of specific plans and programmes and its respective prior implementation.

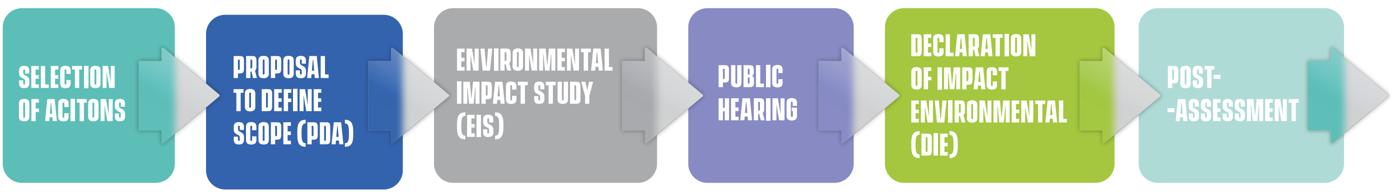
[7] www.ren.pt

The draft versions of the Electricity Transmission Network Development and Investment Plan for the 2020-2029 period (PDIRT 2020-2029) and the Development and Investment Plan for the National Liquefied Natural Gas Transmission, Storage Infrastructure and Terminal Network (PDIRGN 2020-2029) were accompanied by a "Technical note justifying the non-completion of the AAE for PDIRT 2020-2024 (2029)" and a "Technical note justifying the non-completion of the AAE for PDIRGN 2020-2024 (2029)", drawn up by REN with the collaboration of the Faculty of Engineering at the University of Porto (FEUP). These Technical Notes were submitted for consultation to the Entities with Specific Environmental Responsibilities.

During 2020, the abovementioned Technical Notes were reviewed so as to integrate the results of Public Hearings.

It should also be noted that in 2020, the "Environmental Assessment and Control Report (2012-2018)" (RACA) with respect to PDIRT was also drawn up and is available on the REN website[8].

PROJECT ASSESSMENT



Environmental Impact Assessment (EIA) is a tool which can be used on certain public utility infrastructure projects where REN is the promoter. The AIA process consists of different stages.

As part of its activities to expand and improve energy transmission networks, REN has developed a significant set of environmental assessment processes, in the planning phase:

ENERGY CONSUMPTION AT REN (GJ)	2020	2019	2018
Environmental Impact Assessment Processes	4	6	7
Environmental Impact Statements Issued	0	5	2
Environmental Project Studies	1	0	0
Environmental Impact Studies (EIA)	4	1	4
Environmental Compliance Report on the Execution Project (RECAPE)	0	0	3

During network operation and maintenance, monitoring and supervision actions are carried out to ensure compliance with goals and targets defined both by REN and the provisions of environmental impact declarations or decisions on the environmental compliance of and execution project.

[8] www.ren.pt

Information and further details on Strategic Environmental Assessment and Environmental Project Assessment can be consulted on the REN website[9].

In 2020, monitoring actions were also undertaken at different REN infrastructures, covering the following descriptors:

NO OF INFRASTRUCTURES MONITORED BY DESCRIPTOR	2020	2019	2018
Birdlife	5	2	8
Soundscape	4	2	3
Water Resources	0	0	0
Flora	1	0	1
Iberian Wolf	0	0	0
Electromagnetic Fields	2	0	5

In 2020, 18 REN projects were subject to external environmental monitoring and supervision.

Prevention of climate change

Economic Performance

REN recognizes the existence of risks and opportunities for its activities relating to climate change. Physical risks such as the increase in the occurrence of extreme climatic events, the rise in sea level or snow falls in some areas, could lead to temporary failures in the continuity of REN service. In such cases, and bearing in mind that they are covered by insurance, relevant financial implications are not expected. Furthermore, changes in maximum temperatures could lead to increased grid losses of around 1.5%, meaning an increase in operating costs. A rise in temperature could also involve increased risk of forest fires, also possibly leading to failures in continuity of service.

Other risks considered include those caused by prolonged periods of drought, although in an indirect manner. During prolonged drought, there could be a need for greater production of thermal and intermittent renewable power. In this latter scenario, as these producers are mostly located in the interior of Portugal, increased grid loss will be seen as electricity has to be transmitted over greater distances. Excessive rainfall could cause erosion affecting electricity and gas transmission infrastructures and possibly cause service interruptions.

In 2020, REN started two projects with the aim of Increasing Resilience to Extreme Phenomena (ARFE) onthe Feira-Lavos and Lavos-Rio Maior lines, which are located on the central coastal area of Portugal. These projects involve the removal of trees which, although lying outside the access corridor, they could hit the lines in the event of extreme climatic phenomena.

With regard to regulatory risks, REN is aware of the implications which changes to national and Community law could have on business.

As such, through the different departments, the Company monitored legislative processes on climate change.

With respect to opportunities and taking into account that the main areas of business are highly regulated, unless opportunities are for investment projects seeking to strengthen supply security in electricity and gas transmission networks, any investment would first have to be accepted by ERSE.

Climate change and energy challenges

Since 2010, REN has provided information on company policies and activity with regard to climate change, in line with the Carbon Disclosure Project (CDP).

[9] www.ren.pt

At the last assessment carried out, the company obtained a mark of D. This assessment reinforces the fact that REN is aware of the impacts which its activities have on the environment, particularly with regard to climate change. This awareness will allow steps to be taken to reduce GHG emissions and measure and manage their impact. It will also allow medium and long-term reduction objectives to be defined and implemented while also monitoring the progress of these objectives and implementing activities for emissions reduction.

For further information on the Carbon Disclosure Project disponível em https://www.cdp.net/en

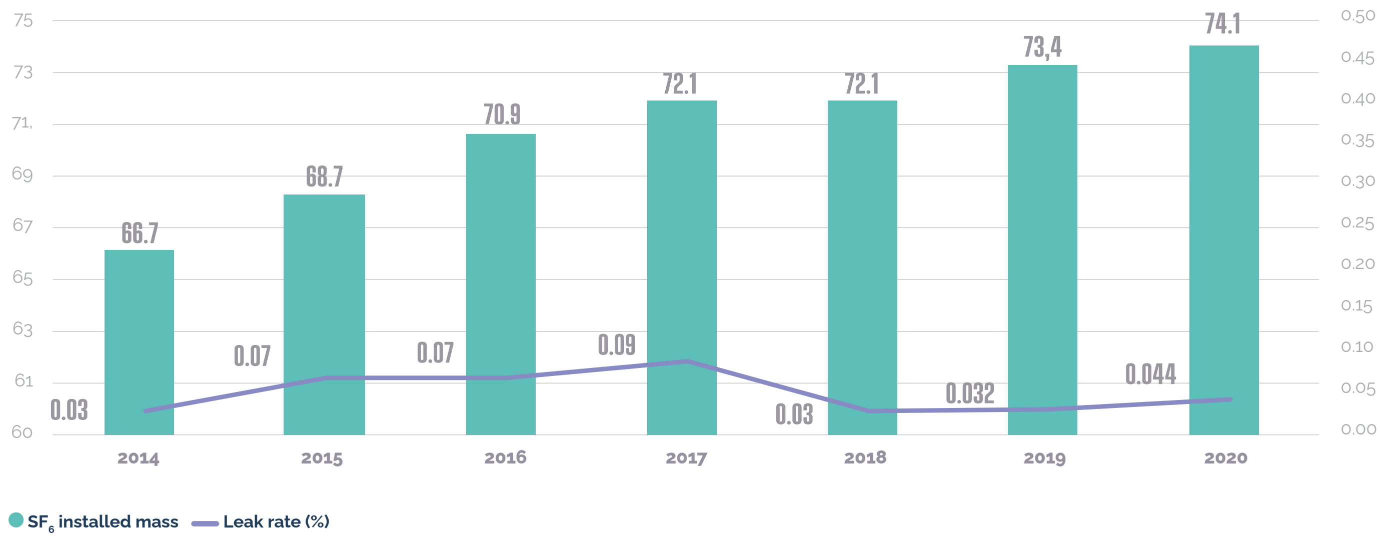
GREENHOUSE GAS EMISSIONS (TON CO_2E)	2020	2019	2018
Scope 1	**21,737**	**23,005**	**21,746**
Natural gas purges (CH4)	1,159	1,080	761
Flare burn	103	0	17
Own consumption by boilers	17,953	18,906	16,491
Sulphur hexafluoride (SF_6)	738	567	545
Natural Gas (buildings)	158	398	2186
Propane Gas (buildings)	6	2	7
Diesel (equipment and fleet)	1,620	2,052	1,739
Scope 2	**175,768**	**235,720**	**241,607**
Electricity	20,197	29,096	21,039
Electricity losses in the network	155,571	206,624	220,568
Scope 3	**106**	**557**	**559**
Plane trips	106	557	559

Since March 2020, the COVID19 pandemic in Portugal has impacted directly on foreign and domestic travel leading to a sharp reduction in the number of train and plane journeys, corresponding to falls of 83% and 74%, respectively over figures for 2019. The impact on video conferencing was marginal.

	2020	2019	2018
Number of train trips (Lisbon-Porto)	66	378	326

With regard to preventing and controlling greenhouse gas emissions,over recent years REN has implemented an action plan to reduce its direct emissions, namely with regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in different high and very high voltage equipment.

In 2020, the leak rate was maintained at low levels in keeping with previous years. The company's efforts to reduce SF_6 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.



Climate change and energy challenges

Fleet

In 2020, REN continued to reinforce its fleet with more sustainable and environmentally friendly vehicles. The REN fleet now has 15 plug-in hybrid vehicles and thirteen 100% electric vehicles in operation, ten of which benefit form recent technological advances as the have a range of 400 Km as measured by the NEDC – the new European standard to assess emission levels and fuel economy in passenger cars. This autonomy allows the majority of travel needs to be met. Also in 2020, REN changed the technical specifications of a number of types of vehicles in the fleet with a view to achieving a faster increase in the number of plug-in and electric vehicles, which will have practical effects as of 2021. The reduction in the ecological footprint of the vehicle fleet is an ongoing concern and REN is constantly searching for solutions which promote greater sustainability and are better for the environment.

Buildings

In 2020, the installation of the new climate control system was concluded in the building on Avenida EUA which led to a reduction in energy consumption and a reduction of water use of 30%. With the conclusion of this process, 186Kg of R22 gas were eliminated.

Energy audits were conducted to the Ermesinde and Riba de Ave Datacenters with the aim of identifying opportunities for savings and improvements in efficiency, land over the year PUE improved from 1.55 to 1.48 in Riba de Ave and 1.76 to 1.73 in Ermesinde.

Energy and gas consumption at administrative buildings both fell due to the low level of occupancy resulting from the pandemic and consequent use of teleworking.

The process to draw up a new national dispatch and new REN head office in Sacavém was started. The buildings in Sacavém are to be renovated with the aim of ensuring high standards of efficiency and resilience.

General remodelling was carried out on the Pereiros substation, with renovation of all framing, installation of more modern and more efficient climate control systems, new LED lighting and replacement of electric storage water heaters with electric heaters given the occasional nature of occupancy at the substation.

Also with regard to substations, a range of HVAC equipment was replaced which was considered as being obsolete as they required extensive repair and/or were not energy efficient and/or contained gases prejudicial to the ozone layer. At different contract facilities (substations, step-down stations and repeaters) 33 items of equipment were replaced, around 20% of which was replaced as they relied on R22 coolant gas.

Climate Change and Energy Challenges: Managing CO_2 emissions from plants with PPAs

Within the scope of its regulated activity as a Commercial Agent, REN Trading is a company that plays an active role in the challenge of climate change. The management of plants which maintain Power Purchase Agreements (PPAs), viz. Tejo Energia and Turbogás, is conditioned by the rules of the European Emissions Trading Scheme (EU ETS).

This situation is the result of an multilateral international negotiation process which culminated in 1997 with the signing of the Kyoto Protocol by Portugal as a member of the EU (European Union). The aim is to mitigate climate change by reducing greenhouse gas emissions (GHG).

ETS was the tool implemented in the EU to comply with the Kyoto objectives and continues to be a key-element in policies to limit GHG, after the international consensus achieved in the Paris Agreement of 2015 and the implementation of the Katowice Conference Agreement of December 2018. Through the allocation of a price on CO_2 (one of the main greenhouse gases, and the measurement unit for remaining gases, in accordance with the UN Intergovernmental Panel on Climate Change, IPCC), under ETS, the goal is to reduce the emissions of the main industrial facilities and covers sectors such as the production of electricity from fossil fuels, steel making, ceramics and petrol refineries etc., and more recently, aviation.

ETS rules are integrated into national law through Decree-Law No 233/2004 of 14 December 2004, and later legislation which came about further to the transposition of Community Directive No 2009/29/EC of the European Parliament and of the Council of 23 April transposed by Decree-Law No 38/2013 of 15 March.

With the aim of minimizing annual expenditure of emissions licences (on the total amount of emissions made by PPA stations, with the end of allocations for the national electric power plants sector), and as such, the total costs incurred by consumers with the purchase of electricity, in compliance with ERSE regulations, REN Trading was active on the futures market in 2020, as a member of the ICE (Intercontinental Exchange), the key market in CO_2 emissions licence futures trading in the EU. It is the responsibility of REN Trading to purchase CO_2 emission licenses due to the environmental requirements of the two PPA plants, which requires buying EUA (European unit allowance) licenses.

The strategy of REN Trading with regard to the market sale of electricity production from these plants has always taken into account the most recent forecast emissions and the associated cost, measured through the EUA market price. It can be seen that, under certain circumstances, as was the case in 2020, the incorporation of CO_2 costs into production costs at the Pego plant (coal fired, a more polluting fuel) could alter its position in the order of merit of supply in the electricity market, making it less competitive. This would therefore require it to be replaced with a less polluting alternative, such as Turbogas (natural gas fired and producing less emissions than coal for power production). In essence, through ETS, the operation of the electricity market is managed and the consequence of this European mechanism can be seen on the emissions of plants and the electrical power programme.

In 2020, there was a decrease in activity, compared with the previous year. REN Trading was active in the futures market, only with regard to purchase operations, a total of around 1.560 million tonnes of CO_2, 35% less than in 2019.

With respect to market behaviour, there was a slight fall in prices in comparison to 2019, where the average spot market price fell by around 1.4% (from €24.85/t to €24.51/t).

This price evolution related to the market stabilization reserve mechanism, which entered operation in 2019, with the aim of establishing a robust price signal for the cost of GHG with subsequent reflection on production and investment decisions (by internalizing this important environmental externality), thus contributing to the decarbonization effort. However, this was not enough to reduce the impact of the pandemic on world economies and consequent reduction in the prices of emissions in the months of March and April 2020, which significantly affected the annual average, despite the rise seen in the second half of the year.

Biodiversity

Biodiversity[10] is one of the most important environmental descriptors considered in the systematic assessment of possible impacts of REN's activities on the different phases of the life cycle of its infrastructure.

Despite our ongoing concern with regard to protecting and promoting biodiversity, a small percentage of REN infrastructure lies within sensitive areas in national territory: locations in Rede Natura 2000, Special Protection Zones and other protected areas which includenational parks, reserves, parks and natural monuments.

INFRASTRUCTURE	OCCUPATION IN SENSITIVE AREAS	% OF TOTAL OCCUPATION
Stations/substations	0.37 KM²	9%
Length of gas pipelines/lines	1,203.49 KM	12%

The occupation of these areas by REN infrastructure is essentially due to historical reasons (the integration of infrastructure was prior to the classification of these protected areas) as well as the need to enable or reinforce the flow of renewable energy from production plants located in these sensitive areas. Whenever these facilities are modified, such as changes in the paths of lines and gas pipelines, such changes are optimized so as to reduce the impact on biodiversity.

Currently, the sites where the infrastructure of the National Transmission Network (RNT) is located are potentially the habitat for classified species on the Red List of the International Union for Conservation Nature (IUCN), in the following categories:

	2020	2019	2018
Critically threatened	2	2	2
Threatened	0	9	8
Almost threatened	69	66	58
Vulnerable	31	28	22
Of minimum concernm	739	697	661

[10] www.ren.pt

REN Chair in Biodiversity

In 2015, in conjunction with the Foundation for Science and Technology (FCT) and the University of Porto (UP), REN created a Chair in Biodiversity to be lectured at the UP. The partnership between REN, FCT and the Biodiversity and Genetic Resource Research Centre at the University of Porto (CIBIO-InBIO) reflects the commitment of these three organizations to this area.

The Chair is based on three pillars: monitoring, minimizing and offsetting impact; population ecology; and citizen science. The first will conduct research into the assessment, monitoring, minimizing and offsetting of impacts by power transmission networks on biodiversity, particularly with regard to power lines. The second pillar is dedicated to the analysis of demographic responses of species subject to unnatural death. In the future, this study could help define the circumstances in which significant effort should be made to minimize or offset, and where to direct such efforts.

The third pillar focuses on projects for Citizen Science, a trend which is growing internationally but so far with reduced visibility in Portugal.

These projects have the double aim of raising awareness among citizens for the importance of science through their involvement in specific initiatives, while also allowing relatively simple but useful data to be collected. This data would be difficult or very costly to compile using conventional processes.

In 2020, the REN Chair in Biodiversity allowed work already carried out to be systematized and disseminated: identifying impacts on biodiversity; assessing risks and implementing minimizing measures; promoting activities with positive impacts; integrating biodiversity into the Company's activities and supporting nature conservation. The REN Chair in Biodiversity promotes scientific research, focussing on decision making that promotes better results in the management of impacts on biodiversity.

On 14 February 2020, the 3rd symposium of the REN Chair in biodiversity took place at FIL PT Meeting Center, in Lisbon.

João Conceição, REN COO, attended this symposium, as did Nathalie Devulder, Director of CSR and the "R&D Program of Environment/Society" at RTE, and Chairwomen of 'EpE's Biodiversity' committee, who spoke about the 'Business for Nature' initiative. To present the general results for the last five years of the REN Chair in biodiversity was Francisco Parada, who is in charge of the QAS at REN and Francisco Moreira, who is in charge of the REN Chair in biodiversity. It was then the turn of Antonella Battaglini, founder and CEO of Renewables Grid Initiative, to present the topic 'Nature and the High-Voltage Grid'. The session also included a round table on the topic of "InovNature" where Pedro Ávila, Director of Studies and Innovation at REN was the moderator. The guests were Luís Seca of INESC TEC, Nuno Lourenço of CeiiA, and Rui Seabra of EletricBlue.

During 2020, a proposal was drawn up for the scientific assessment of the effectiveness of anti-nesting devices (fans), which was approved and is now awaiting implementation by REN.

Also during the course of 2020, the REN Chair in Biodiversity drew up a manual that sets out suitable practices for monitoring the impacts of Power Transmission Lines on bird life and assess the measures used to minimize them. This document is the result of five years of work by researchers from CIBIO - Research Centre in Biodiversity and Genetic Resources from Porto University, in partnership with the Institute for Nature and Forest Conservation (ICNF), in the field of impacts of power lines on biodiversity, and was funded by REN and FCT - Foundation for Science and Technology.

The main recipients of the manual are all the entities involved in the post-assessment stage of projects subject to Environmental Impact Assessment (EIA) or Environmental Incident Assessment, and in environmental consultants in particular.

This manual includes the most recent scientific information compiled and developed by the REN Chair in Biodiversity, as well as other scientific knowledge available on this subject. The manual has been validated by ICNF and REN. As a methodological guide, the manual provides guidelines for correctly assessing the impacts of LMHV on bird life, at the post-assessment stage, as well for assessing the respective mitigation measures, where the most common involve marking lines with anti-collision devices. The document further defines the general standards for implementing offsetting measures in situations where impacts cannot be minimized.

Intensive Energy Consumption

In accordance with Decree-Law No 71/2008 governing the Intensive Energy Consumption Management System (SGCIE), intensive energy users such as REN – Armazenagem and REN Atlântico, are required to comply with a number of targets to reduce their energy consumption, namely regarding Specific Reference Consumption (Ce), Energy Intensity and Carbon Intensity.

Now integrated into the SGCIE system, both companies are currently implementing a Plan to Rationalize Energy Consumption (PREn) for the 2015-2022 period.

With respect to REN Armazenagem, of note in the first quarter of 2021 is the preparation of the 3rd Progress Report on the 2019-2020 period.

A further highlight in 2021 is the project for the renewal and technological updating of the facility power factor compensation system, which will lead to gains in energy efficiency.

With respect to REN Atlântico, during the first quarter of 2021, the 3rd Progress Report on the 2019-2020 period will also be drawn up.

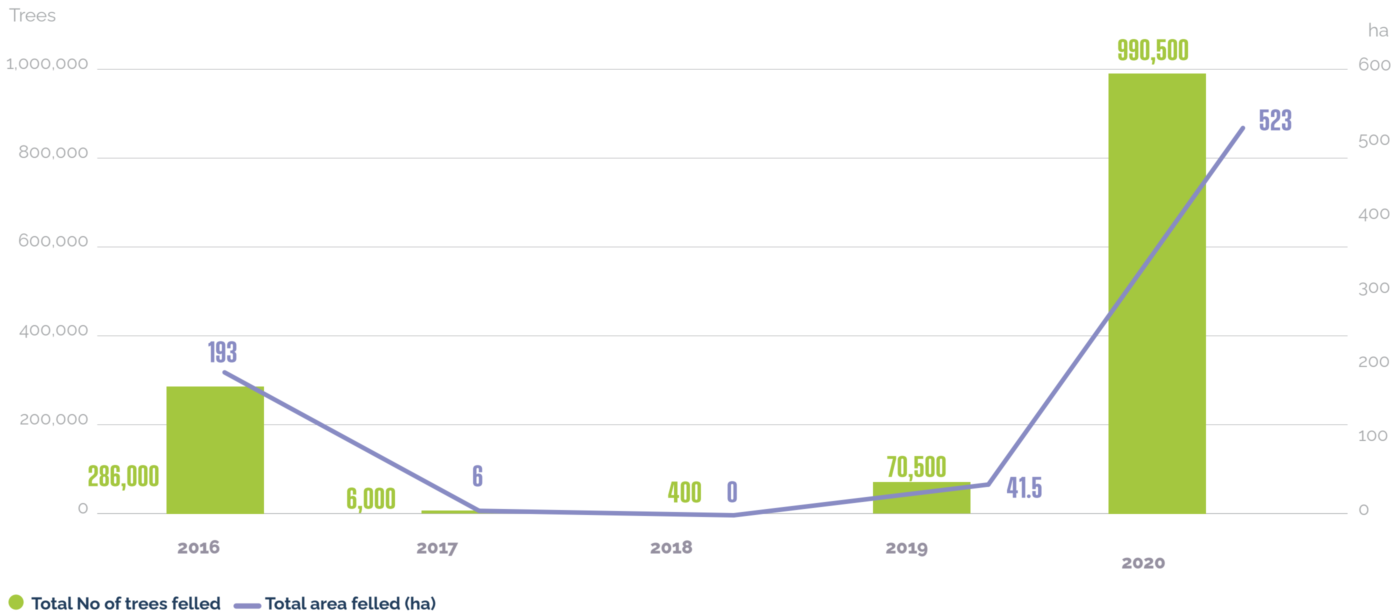
Flora and Soil Use

Number of trees felled (installation of new RNT and RNTGN infrastructures)

After having compiled the information available on the different construction projects, the calculation of the number of trees felled, per REN construction, took into account not only the number of trees felled but also the area covered. In the latter case, the figure is based on an average density estimate (trees/ha) for each region.

As such, around 990,500 trees were felled due to REN construction work in 2020. This was the result of the construction of new lines.

NUMBER OF TREES FELLED IN THE CONSTRUCTION OF NEW REN INFRASTRUCTURE



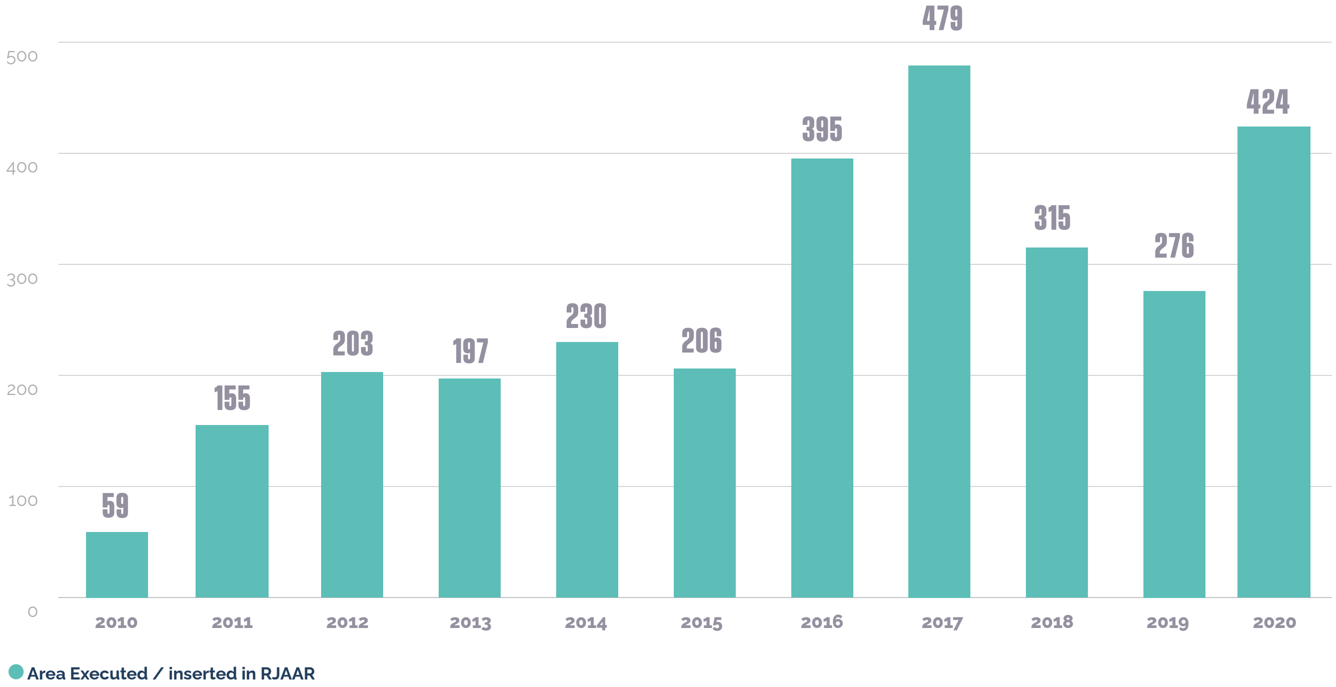
As a result of construction and maintenance activities, REN has a direct impact on flora and soil use.

This impact occurs, for example, at the time when the line buffer corridors associated with REN's infrastructure (electricity lines and gas pipelines) are created or maintained. As a way of offsetting this impact, since 2007 REN has carried out diverse tree planting projects within the scope of building its new facilities and in 2013, extended this methodology to lines already in operation.

Through its access corridor reforestation programme, REN has already planted more than 1 million trees in recent years (2010- 2020) in an area of almost 2,922 hectares, involving more than 17,000 land owners.

In 2020, a total of **117,262 tree**s were planted in an approximate area of **424 hectares**, where the **strawberry tree** was the most planted species, with an area of 274 hectares (65%).

ACCESS CORRIDOR MANAGEMENT SOIL USE CONVERSION (HA)



2010-2020

- Area executed: 2,922 ha;
- N of trees: 1,090,024;
- Owners 17,016;
- Corridors converted 14% of forest space occupied;
- **Target 2025: >25%.**

The strawberry tree is the species which we have most increased in conversion and soil use processes as it is perfectly compatible with the presence of electricity transmission lines. It also has significant economic interest due to the use of its fruit to make brandy (most well-known use) and in the foodstuffs industry. This is an emerging area where potential growth is high.

In a joint programme with the Portuguese Strawberry Tree Cooperative (CPM) and the Coimbra Higher School of Agriculture (ESAC), we created the Strawberry Tree Manual to inform owners about this amazing species, thus promoting good practices when growing these trees.

Relationships with owners

In 2020, **31,093 land owners** were contacted. The land in question is either already used or about to be used for our electricity transmission networks and **1,538 owner compensation processes** were concluded.

These figures clearly demonstrate the importance of this group of company stakeholders, especially in light of the small size of Portugal when compared to most European countries.

Further information on this topic can be consulted on the REN website at www.ren.pt

Protection against Rural Fires

REN is one of the companies which most contributes to the protection and recovery of Portugal's native forest. As 60% of our access corridors can be found within forests, the installation and maintenance of electricity lines integrated into these areas is of particular importance. Permanent care is required in relation to compliance with safety distances between vegetation and REN facilities.

The cumulation of inflammable material, the non-adaptation of species to the location, climate change and monoculture are factors which increase the risk of fire. For this reason, work undertaken by REN seeks to mitigate such occurrences while also promoting the defence of the forest against fires.

With the setting up of the National System of Forest Defence against Fires (SNDFCI), also created were Fuel Management Corridor Networks where REN infrastructure is integrated into the so-called secondary network. Decree-Law No 124/2006 of 28 June (republished by Decree-Law No 17/2009 of 14 January) requires the entity responsible for operating the electricity transmission lines to manage inflammable material in forests as set out in the Municipal Forest Defence Plans against Fires (PMDFCI).

In order to comply with these legal provisions, we maintain the protection corridor for our infrastructure clean. This corridor is a minimum of 45 metres wide for electricity lines and 10 metres for gas pipelines. Within this area, we manage the inflammable material, in other words, we clean undergrowth and fell the trees necessary to ensure the operation of our infrastructure. Land owners are also made aware so as to not plant species which endanger the safety of our infrastructure. By maintaining the corridors clean, we help prevent the occurrence of fires and we create better access for Civil Protection Agents to these areas thus facilitating fire fighting operations.

REN complies with all its obligations in the defence of the forest against fires. This is long-term strategic work which has been praised by the competent authorities and by the communities where we work. In 2020, our service providers worked more than 441,000 hours, which is the equivalent of 218 people per working day assigned to the forest. This number of hours means that this area represents the 3rd largest outsourcing of work by REN.

In 2020, a total area of 10 603 hectares of vegetation was managed, 9 587 of which are corridors and 1 092, in concession properties. Since 2014, work has been carried out on over 39,00 hectares.

Part of this area was cleaned by the five machines (high-yield forestry material shredders) acquired by REN in 2019. This approach was designed to overcome the poor levels of mechanization in companies providing services in the forestry sector in Portugal, particularly in preventive forestry work.

Also in this regard, implements a Prevention, Warning and Action plan during the so-called fire season, which applies to all REN operations and locations. This plan is based on the level of preparedness of ANEPC resources (National Emergency and Civil Protection Authority), defined every year in the Special Programme for Combating Rural Fires.

A Rural Fire Monitoring Group was formed for this plan and involves those responsible for operational areas who meet periodically during the rural fire season. Other extraordinary meetings are also held whenever justified which are also attended by the Executive Committee.

»REN COMPLIES WITH ALL ITS OBLIGATIONS IN THE DEFENCE OF THE FOREST.«

In 2020, from June to 30 September, we maintained six prevention and surveillance teams in operation (EPV). These teams consist of three members and one vehicle with with forest fire fighting equipment. The teams were operational 24 hours a day, seven days a week and are provided with first intervention equipment allowing them to immediately tackle fire incidents. In addition to other REN workers who are on stand-by at this time of year, these teams support operation and dispatch rooms for the REN gas and electricity networks in mainland Portugal.

All this work was carried out in close coordination with civil protection authorities (ANEPC, GNR and Fire Departments). REN took part in multiple coordination meetings with these authorities and in 2020 REN was involved in 357 meetings of Municipal Forest Defence Committees, thus fostering closer ties with all civil protection agents.

Birdlife

Offsetting Measures

A very important area for REN is the implementation of offsetting measures, arising from the Environmental Impact Assessment process for new infrastructure. The measures underway and the main results are available for consultation on the REN website[11].

Compatibility between REN's infrastructures and the white stork population

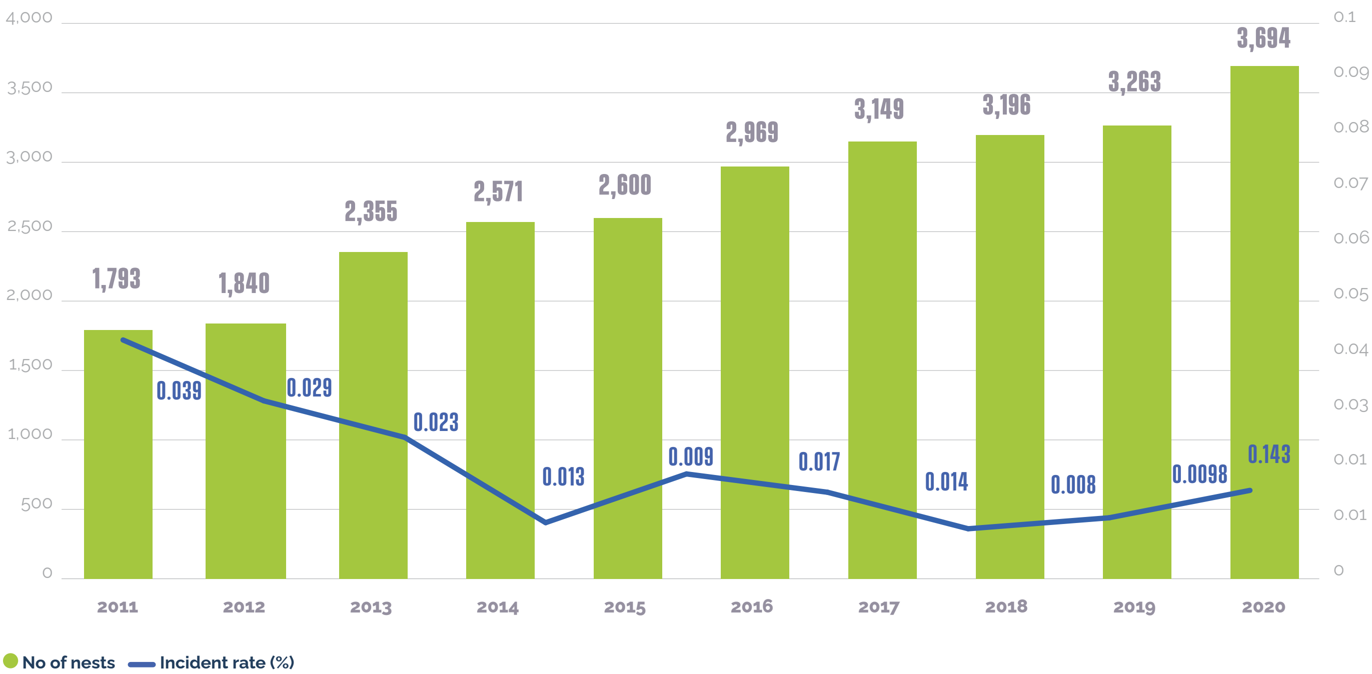
For more than twenty years, REN has monitored the nesting patterns of the white stork population in its infrastructure, creating nesting conditions for this bird in favourable *habitats* and installing devices that minimize the risk of accidents of electrical origin.

[11] www.ren.pt

More actions were implemented in 2020 as compared to the previous year, broken down below by type:

	2020	2019	2018
Number of Platforms Installed	559	87	70
Number of Anti-Perching Devices Installed	253	87	597
Number of nests transferred	170	111	311

During 2020, the rate of incidents involving white storks continued to be low and similar to previous years.



The fitting of fans and platforms stops nesting in places with greater likelihood of incidents, i.e., despite the constant increase in the population of storks causing a relevant increase in the number of nests, the number of incidents has remained stable and low.

06

CONSOLIDATED AND INDIVIDUAL ACCOUNTS

Responsibility involves safeguarding quality, fairness and efficiency, based on orderly growth and solid financial performance.

Together, for better operational energy.

CARRYING RESPONSIBILITY

Consolidated Accounts

1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

		31 DECEMBER	
ASSETS	NOTES	2020	2019
Non-current assets			
Property, plant and equipment	8	127,119	125,649
Intangible assets	8	4,130,562	4,214,916
Goodwill	9	5,367	5,969
Investments in associates and joint ventures	10	158,845	172,278
Investments in equity instruments at fair value through other comprehensive income	12 AND 13	150,850	155,676
Derivative financial instruments	12 AND 16	25,685	27,229
Other financial assets	12	102	71
Trade and other receivables	12 AND 14	45,507	114,509
Deferred tax assets	11	92,575	93,666
		4,736,611	**4,909,964**
Current assets			
Inventories	15	2,450	3,919
Trade and other receivables	12 AND 14	448,099	353,725
Current income tax recoverable	11 AND 12	-	14,921
Derivative financial instruments	12 AND 16	-	1,732
Cash and cash equivalents	12 AND 17	61,499	21,044
		512,048	395,341
TOTAL ASSETS	7	**5,248,658**	**5,305,305**
EQUITY			
Shareholders' equity			
Share capital	18	667,191	667,191
Own shares	18	(10,728)	(10,728)
Share premium	18	116,809	116,809
Reserves	19	289,887	316,681
Retained earnings		240,853	242,853
Other changes in equity	18	(5,561)	(5,561)
Net profit for the period		109,249	118,899
TOTAL EQUITY		**1,407,700**	**1,446,144**
LIABILITIES			
Non-current liabilities			
Borrowings	12 AND 20	2,260,875	2,112,296
Liability for retirement benefits and others	21	100,507	103,309
Derivative financial instruments	12 AND 16	29,215	24,848
Provisions	22	8,508	8,416
Trade and other payables	12 AND 23	371,886	340,627
Deferred tax liabilities	11	144,969	141,774
		2,915,960	**2,731,269**
Current liabilities			
Borrowings	12 AND 20	562,557	757,158
Trade and other payables	12 AND 23	353,800	370,733
Income tax payable	11 AND 12	8,641	-
		924,999	1,127,891
TOTAL LIABILITIES	7	**3,840,958**	**3,859,160**
TOTAL EQUITY AND LIABILITIES		**5,248,658**	**5,305,305**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2020.

THE ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of profit and loss originally issued in Portuguese - Note 37)

		YEAR ENDED	
	NOTAS	31.12.2020	31.12.2019
Sales	7 AND 24	64	79
Services rendered	7 AND 24	563,232	565,707
Revenue from construction of concession assets	7 AND 25	160,856	183,944
Gains / (losses) from associates and joint ventures	10	7,498	8,984
Other operating income	26	26,683	28,049
OPERATING INCOME		**758,333**	**786,763**
Cost of goods sold	15	(719)	(904)
Costs with construction of concession assets	25	(142,036)	(164,636)
External supplies and services	27	(69,022)	(60,500)
Personnel costs	28	(55,529)	(54,745)
Depreciation and amortizations	8	(241,165)	(235,626)
Provisions	22	(185)	310
Impairments	8, 9 AND 14	87	(2,050)
Other expenses	29	(20,895)	(18,240)
OPERATING COSTS		**(529,464)**	**(536,391)**
Operating results		228,869	250,372
Financial costs	30	(59,637)	(65,438)
Financial income	30	5,651	6 254
Investment income - dividends	13	7,318	6 905
FINANCIAL RESULTS		**(46,667)**	**(52,278)**
Profit before income tax and ESEC		182,202	198,094
Income tax expense	11	(44,858)	(54,795)
Energy sector extraordinary contribution (ESEC)	35	(28,095)	(24,400)
NET PROFIT FOR THE YEAR		**109,249**	**118,899**
Attributable to:			
Equity holders of the Company		109,249	118,899
Non-controlled interest		-	-
CONSOLIDATED PROFIT FOR THE YEAR		**109,249**	**118,899**
EARNINGS PER SHARE (EXPRESSED IN EURO PER SHARE)	31	**0.16**	**0.18**

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2020.
THE ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of other comprehensive income originally issued in Portuguese - Note 37)

	NOTES	31.12.2020	YEAR ENDED 31.12.2019
Consolidated Net Profit for the period		109,249	118,899
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains / (losses) - gross of tax		(1,750)	(9,893)
Tax effect on actuarial gains / (losses)	11	524	2,964
Other changes in equity		-	(336)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	19	(24,324)	(553)
Increase / (decrease) in hedging reserves - cash flow derivatives	16	(7,525)	(12,887)
Tax effect on hedging reserves	11 AND 16	1,881	3,563
Gain/(loss) in fair value reserve - Investments in equity instruments at fair value through other comprehensive income	13	(4,826)	(6,876)
Tax effect on items recorded directly in equity	11 AND 13	1,765	1,131
Other changes in equity	10	(11)	84
COMPREHENSIVE INCOME FOR THE PERIOD		**74,983**	**96,097**
Attributable to:			
Equity holders of the company		74,983	96,097
Non-controlled interest		-	-
		74,983	**96,097**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2020.

THE ACCOUNTANT

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of changes in equity originally issued in Portuguese - Note 37)

		Attributable to shareholders										
Changes in the year	Notes	Share capital	Own shares	Share premium	Legal Reserve	Fair Value reserve (Note 13)	Hedging reserve (Note 16)	Other reserves	Other changes in equity	Retained earnings	Profit for the year	Total
At 1 January 2019		667,191	(10,728)	116,809	113,152	57,711	(10,577)	166,620	(5,561)	253,505	115,715	1,463,837
Net profit of the period and other comprehensive income		-	-	-	-	(5,745)	(9,324)	(469)	-	(7,265)	118,899	96,097
Allocation plan to Shares		-	-	-	-	-	-	(363)	-	-	-	(363)
Transfer to other reserves		-	-	-	5,676	-	-	-	-	110,039	(115,715)	-
Distribution of dividends	32	-	-	-	-	-	-	-	-	(113,426)	-	(113,426)
At 31 December 2019		667,191	(10,728)	116,809	118,828	51,966	(19,901)	165,787	(5,561)	242,853	118,899	1,446,144
At 1 January 2020		667,191	(10,728)	116,809	118,828	51,966	(19,901)	165,787	(5,561)	242,853	118,899	1,446,144
Net profit of the period and other comprehensive income		-	-	-	-	(3,061)	(5,644)	(24,335)	-	(1,226)	109,249	74,983
Transfer to other reserves		-	-	-	6,247	-	-	-	-	112,652	(118,899)	-
Distribution of dividends	32	-	-	-	-	-	-	-	-	(113,426)	-	(113,426)
At 31 December 2020		667,191	(10,728)	116,809	125,075	48,905	(25,545)	141,452	(5,561)	240,853	109,249	1,407,700

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2020.

THE ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of cash flow originally issued in Portuguese - Note 37)

	NOTES	YEAR ENDED 31.12.2020		31.12.2019	
Cash flow from operating activities:					
Cash receipts from customers		1,838,089	a)	2,425,093	a)
Cash paid to suppliers		(1,323,307)	a)	(1,909,369)	a)
Cash paid to employees		(78,820)		(74,296)	
Income tax received/paid		(11,456)		(16,889)	
Other receipts / (payments) relating to operating activities		(48,242)		(80,372)	
Net cash flows from operating activities (1)		376,264		344,166	
Cash flow from investing activities:					
Receipts related to:					
Investments in associates	10	220		292	
Investment grants		34,747		7,177	
Interests and other similar income		-		30	
Dividends	10 AND 13	15,105		13,970	
Payments related to:					
Financial investments		-		(162,347)	
Property, plant and equipment		(13,985)		(5,279)	
Intangible assets - Concession assets		(156,631)		(170,567)	
Net cash flow used in investing activities (2)		(120,544)		(316,724)	
Cash flow from financing activities:					
Receipts related to:					
Borrowings	20	2,426,000		5,088,550	
Payments related to:					
Borrowings	20	(2,474 415)		(4,956,395)	
Interests and other similar expense		(53,201)		(59,707)	
Dividends		(113,426)		(113,426)	
Net cash from / (used in) financing activities (3)		(215,042)		(40,978)	
Net (decrease) / increase in cash and cash equivalents (1)+(2)+(3)		40,677		(13,537)	
Effect of exchange rates		(29)		(190)	
Cash and cash equivalents at the beginning of the year	17	20,521		34,096	
Changes in the perimeter	17	-		152	
Cash and cash equivalents at the end of the period	17	61,169		20,521	
Detail of cash and cash equivalents					
Cash	17	-		-	
Bank overdrafts	17	(330)		(523)	
Bank deposits	17	61,499		21,044	
		61,169		20,521	

a) These amounts include payments and receipts relating to activities in which the Group acts as agent, income and costs being reversed in the consolidated statement of profit and loss.

The accompanying notes form an integral part of the consolidated statement of cash flow for the year ended 31 December 2020.

THE ACCOUNTANT THE BOARD OF DIRECTORS

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Translation of notes originally issued in Portuguese - Note 37)

1. GENERAL INFORMATION

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Company" together with its subsidiaries, referred to as "the Group" or "the REN Group"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the spin-off of the EDP Group, in accordance with Decree-Laws 7/91 of 8 January and 131/94 of 19 May, approved by the Shareholders' General Meeting held on 18 August 1994, with the objective of ensuring the overall management of the Public Electric Supply System (PES).

Up to 26 September 2006 the REN Group's operations were concentrated on the electricity business through REN – Rede Eléctrica Nacional, S.A. On 26 September 2006, as a result of the unbundling transaction of the gas business, the Group went through a significant change with the purchase of assets and financial participations relating to the transport, storage and re-gasification of gas activities, comprising a new business.

In the beginning of 2007, the Company was transformed into a holding company and, after the transfer of the electricity business to a new company incorporated on 26 September 2006, renamed REN – Serviços de Rede, S.A., changed its name to REN – Rede Eléctrica Nacional, S.A..

The Group presently has two main business segments, Electricity and Gas, and a secondary business of Telecommunications.

The Electricity business includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007 which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements ("PPA") from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., with the main activity being management of the concession to operate a pilot area for the production of electric energy from sea waves;

d) Empresa de Transmisión Eléctrica Transemel, S.A. ("Transemel"), was incorporated on 1 October 2019, following the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate purpose of promoting, developing and carrying out projects and developments in the gas sector, as well as defining the overall strategy and coordination of the companies in which it has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression);

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company comprise the supply, reception, storage and re-gasification of liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures;

e) REN Portgás Distribuição, S.A. ("REN Portgás"), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in e) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

Additionally, on 24 May 2013, together with China Electric Power Research Institute, a State Grid Group company, Centro de Investigação em Energia REN – State Grid, S.A. ("Centro de Investigação") was incorporated under a Joint Venture Agreement on which REN holds 1,500,000 shares representing 50% of the total share capital.

The purpose of this company is to implement a Research and Development centre in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

On 14 December 2016, Aério Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations.

In addition, on November 21, 2018, REN PRO, S.A. was incorporated, a company fully owned by REN, headquartered in Lisbon, whose purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and IT consulting.

On 17 July 2019, Apolo Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations of entities essentially related to the electric transmission sector.

As of 31 December 2020, REN also holds:

a) 42.5% interest in the share capital of Electrogas, S.A., a provider of gas and other fuels transportation. The participation was acquired on 7 February 2017;

b) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), being its purpose the management of participations in other companies as an indirect way of exercising economic activities;

c) 10% interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;

d) 1% interest in the share capital of Red Eléctrica Corporación, S.A. ("REE"), entity in charge of the electricity network management in Spain;

e) 7.9% interest in the share capital of Coreso, S.A. ("Coreso"), entity that assists the European transmission system operators ("TSO"), in coordination and safety activities to ensure the reliability of Europe's electricity supply;

f) Participations in the share capital of: (i) Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), participation of 7.5%; (ii) MIBGÁS, S.A., participation of 6.67%; and (iii) MIBGÁS Derivatives, S.A., participation of 9.7%.

2. INFORMATION ON THE CONCESSION CONTRACTS AWARDED TO REN

2.1. ELECTRICITY CONCESSION CONTRACT

The concession for the National Transmission Network operator ("NTN") was granted to REN – Rede Eléctrica Nacional, S.A. in accordance with Decree-Law 182/95 of 27 July 1995 (art. 64) to manage the PES system, using the National Transmission Network as well as development of the necessary infrastructures.

The objective of this concession contract consists of the following activities:

i) Purchase and sale of electricity

In this activity REN, S.A. operated up to 30 June 2007 as an agent between electricity producers and distributors. The electricity was acquired based on purchase and sale contracts entered into with producers and sold in accordance with tariffs defined by the regulator, ERSE (Entidade Reguladora de Serviços Energéticos). REN was agent in the sale of the available excess production.

As from 1 July 2007, upon termination of the majority of power purchase agreements ("PPA"), REN has managed the two remaining PPA`s not terminated, with Tejo Energia (Pego power plant) and Turbogás (Tapada do Outeiro CCGT power plant), through REN Trading, selling the energy of these producers into the market.

ii) Electricity transmission

This activity, the object being to transmission of electricity through the National Transmission Network to distributors in HT (high tension) and MT (medium tension), to consumers connected to the National Transmission Network and VHT networks (very high tension), networks to which REN is connected. This activity also includes the planning and development of the National Transmission Network, the construction of new infrastructures and the operation and maintenance of the National Transmission Network.

iii) Global Management of the System

The objective of this activity is global management of the electricity system, REN being responsible for the technical management through systematic coordination, of the National Transmission System installations, in order to ensure its integrated functionality and harmonization and continuity and security of the electricity delivery.

REN can carry out other activities directly, or through subsidiary companies, when authorized by the Government, if this is in the best interests of the concession or its clients.

The concession of the electric transmission activity which includes the global management of the system is performed in an exclusive concession regime through the exploration of the National Transmission Network. The concession was granted for a period of 50 years as from 15 June 2007.

The model of the concession contract ensures the contractual equilibrium, in the conditions of an efficient management, through the recognition of investment costs, operation and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to the operator.

Assets considered concession assets are the very high tension lines, connections and locations of the system manager, which includes:

- the lines, substations, sectioning points and related installations;
- the installations related to the central dispatch and overall management of SEP, including all the equipment essential for its operations;
- the installation of electro producing centres owned by REN; and
- the telecommunications, telemetry and remote control installations relating to the transmission and coordination of the electricity producer system.

In addition, the following are also considered as concession assets:

- the real estate belonging to REN on which the assets referred to above are installed, as well as the related land rights;
- other moveable or immovable assets necessary for the operation of the activities under concession; and
- the legal relationships directly related with the concession, such as labour, works, lease, the rendering of services, the reception and delivery of electricity, as well as the rights to use hydric resources and transport through networks located outside the concession area.

REN has an obligation to, during the concession period, maintain the assets and related means a good operating performance, maintenance and security of the assets and related means, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical conditions.

REN has the right to explore the concession's assets up to termination of the concession. The assets can only be used for the purposes of the concession. On the maturity date of the concession, concession assets will revert to the State in accordance with the terms of the contract, which include the receipt of an indemnity corresponding to the net book value of the concession assets.

The concession can be terminated by agreement between the parties, by early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the concession assets.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: non-compliance with the principles of the concession; opposition to supervision and disobedience of the decisions of the conceding entity; refusal to carry out the repairs and maintenance of the concession's assets, as well as their development; application of higher tariffs than those defined by the regulator; and the unauthorized transmission or sub-concession of the transmission concession.

The conceding entity can cancel the concession whenever motives of public interest justify this, 10 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert as well as to possible profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, this concession contract can be extended for the maximum period of one year, as a lease contract, rendering of services or any other contractual legal form.

2.2. GAS TRANSPORT AND GLOBAL MANAGEMENT OF THE SYSTEM

The concession for the use of the National Gas Transport Network was granted to REN - Gasodutos, S.A., for a period of 40 years, under the legal regime applicable to the organization, operation of the National Gas System and the activities of reception, storage and regasification of liquefied gas, underground gas storage, transport and gas distribution approved by Decree-Law 62/2020 of 28 August 2020, which replaced the previous one Decree-Law 140/2006 of 26 July 2006.

The purpose of the REN Gasodutos, S.A. concession is to manage the National Gas System, operate the high pressure gas transport network and develop the necessary infrastructure, under the public service provision regime, it also became part of the management activity of the interconnection of installations for the production of gases of renewable origin, as well as the design and construction of the monitoring and control facilities.

The concession contract of REN Gasodutos, S.A. consists in the following activities:

i) Global management of the gas system

The objective of this activity is to manage the National Gas Supply System (Sistema Nacional de Abastecimento de Gás - SNGN) through coordination of the national and international connections to the National Gas Transport Network, planning and preparation of the expansion necessary of the high pressure gas transport network, and control of the gas safety reserves. The operators which perform any activity integrated in the SNG, as well as the users are subject to this activity.

ii) Gas Transport

The concession of this activity has the objective to ensure gas transport through the infrastructures that make up the high pressure national network, as well as the construction, maintenance, operation and exploration of all the infrastructures of the National Gas Transport Network and the connections to the network and infrastructures that might be connected, as well, of the installations necessary for its operations.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the assets, to be reflected in the tariffs applicable to the operator.

The concession assets considered include:

- the high pressure gas pipelines used to transport gas, and related pipes and equipment's;
- the infrastructures related to the compression, transport and gas pressure reduction for delivery to medium pressure gas pipelines;
- equipment related to the overall technical management of the National Gas Supply System;
- telecommunications, telemetry and remote control infrastructures used to manage the reception, transport and delivery networks, including telemetry equipment's on the users installations; and
- set of infrastructures from the production facilities of renewable source gases to the injection point, including all the control, monitoring and measurement equipment essential to the operation of the system.

In addition, the concession assets also include:

- the real estate assets owned by REN Gasodutos, S.A., on which the above mentioned equipment is installed, as well as the related land way rights;
- other assets necessary for carrying out the activities of the concession;
- any intellectual or industrial rights owned by REN Gasodutos, S.A.; and
- all the legal relationships related to the concession, such as labour contracts, subcontracts, leasing and external services.

REN Gasodutos, S.A. must, during the concession period, maintain the assets and related means in good operational performance, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical condition.

REN Gasodutos, S.A. is entitled to operate the concession's assets until the concession maturity. The assets can only be used for the purposes of the concession. On the concession date termination, the concession assets will revert to the State in accordance with the terms of the contract, which include an indemnity corresponding to the net book value of the concession.

The concession can be terminated by agreement between the parties, early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the assets related to the concession.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: imminent failure or interruption of the activity; deficiencies in the management and operation of the concession operations; or deficiencies in the maintenance and repair of the infrastructures that compromise the quality of the services, application of higher tariffs than those authorised by the regulator, and the unauthorized transmission of the concession.

The conceding entity can cancel the concession whenever for public interest reasons, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the net book value of the assets as of the date they revert as well as to possible loss of future profits.

2.3. RECEPTION, STORAGE AND REGASIFICATION OF LIQUID NATURAL GAS (LNG)

The concession of the LNG reception, storage and regasification activity, in a LNG terminal, was attributed to REN Atlântico, Terminal de GNL, S.A. for a period of 40 years, under the legal regime applicable to the organization, operation of the national gas system and the activities of reception, storage and regasification of liquefied natural gas, underground gas storage, transport and gas distribution approved by Decree-Law 62/2020 of 28 August 2020, which replaced the previous Decree-Law 140/2006 of July 26, 2006.

The object of the concession contract of REN Atlântico, Terminal de GNL, S.A. comprises the following activities, under the public service provision regime:

i) reception, storage, treatment and regasification of liquid natural gas unloaded;

ii) the injection of high pressure gas into the National Gas Transport Network (Rede Nacional de Transporte de Gás - RNTG);

iii) dispatch of gas by specialised trucks; and

iv) the construction, utilization, maintenance and expansion of the LNG Terminal infrastructures.

The model of the concession contract ensures contractual equilibrium in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered are as follows:

- the LNG terminal and related infrastructures installed in the port of Sines;
- the infrastructures related to liquefied natural gas reception, storage, treatment and regasification, including all the equipment necessary to control, regulate and measure all the infrastructures and LNG terminal operations;
- the infrastructures used to inject natural gas into the National Natural Gas Transport Network
- or the loading and dispatch of LNG through trucks or methane vessels; and
- the infrastructures related to telecommunications, telemetry and remote control, used to manage
- all the infrastructures and the LNG terminal.

In addition, the following are also considered as concession assets:

- the real estate owned by REN Atlântico Terminal de GNL, SA, where the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico Terminal de GNL, SA; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico Terminal de GNL, S.A. must, during the concession period maintain the assets in good operating condition, ensure the maintenance and security of the assets and related means, carrying out the necessary repairs, renewals and adaptations needed to keep the assets in the required technical conditions.

REN Atlântico Terminal de GNL, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets and related means to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, eminent failure or interruption of the concession operations; deficiencies in the management and of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can cancel the concession, whenever the public interest justifies, but only after a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible future profit losses.

2.4. NATURAL UNDERGROUND GAS STORAGE

The concession of underground storage activity was attributed to REN Armazenagem, S.A. for a period of 40 years, under the legal regime applicable to the organization, operation of the national gas system and to the reception, storage and regasification activities of liquefied natural gas, underground gas storage, transport and gas distribution approved by Decree-Law 62/2020 of 28 August 2020, which replaced the previous Decree-Law 140/2006 of 26 July 2006.

The object of the concession contract of REN Armazenagem, S.A. comprises the following activities, under the public service provision regime:

- reception, injection, underground storage, extraction, treatment and delivery of natural gas, so as to create or maintain a natural gas security reserve or for delivery to the National Natural Gas Transport Network; and
- construction, utilization, maintenance and expansion of the underground storage tanks.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- the underground natural gas tanks acquired or constructed during the period of the concession contract;
- the infrastructures used for gas injection, extraction, compression, drying, and pressure reduction used for distribution to the National Natural Gas Transport Network, including the equipment necessary to control, regulate and measure the remaining infrastructures;
- infrastructures and equipment for leaching operations; and
- the infrastructures necessary for telecommunications, telemetry and remote control, used to manage all the infrastructures and underground caves.

In addition, the following are also considered as concession assets:

- the property owned by REN – Armazenagem, S.A., in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- construction rights or increase in the underground caves;
- the cushion gas relating to each underground cave;
- any intellectual or industrial rights owned by REN Armazenagem, S.A.; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Armazenagem, S.A. must, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN – Armazenagem, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

2.5. DISTRIBUTION OF NATURAL GAS

The concession of the natural gas distribution activity in low and medium pressure, in the concession area defined in the concession contract, was attributed to REN Portgás for a period of 40 years, beginning in 2008, under Decree-Law 62/2020, of 28 August 2020, to carry out the following activities, under a rendering of public service regime:

- reception, transportation and delivery of natural gas through the medium and low pressure network;
- construction, maintenance, operation and exploration of all the infrastructures that integrate the RNDGN, in the area corresponding to the present concession, and of the installations necessary to the operation;
- promotion of the construction, conversion or adequacy and eventual reimbursement of facilities for the use of natural gas owned by final customers, in order to guarantee the supply of natural gas;
- planning, development, expansion and technical management of the RNDGN, in the concession area;
- management of RNDGN interconnection with RNTGN.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- natural gas distribution pipelines, and equipment necessary for the development of the natural gas distribution activity;
- infrastructures used in the operation of delivery of natural gas to final customers, as well as all the control, regulation and measurement equipment necessary to ensure the proper functioning of the natural gas distribution system;
- telecommunications and infrastructures and equipment, telemetry and remote control, used in the management of all infrastructures and in the delivery of natural gas to consumers.

In addition, the following are also considered as concession assets:

- the property owned by REN Portgás, in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- any intellectual or industrial rights owned by REN Portgás;
- any funds or reserves assigned to guarantee the fulfillment of the obligations of REN Portgás;
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services;
- intangible assets acquired by Portgás, related with the processes for connecting final consumers to the natural gas distribution network.

REN Portgás has an obligation to, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN Portgás has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity if any of the following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

2.6. OPERATION OF A PILOT SITE FOR THE ENERGY OF OCEAN WAVES

The Portuguese State has granted a concession to Enondas, Energia das Ondas, S.A. ("Enondas" or "the Operator"), a wholly owned subsidiary of REN, under the terms of item 3, article 5 of Decree-Laws 5/2008 of 8 January and 238/2008 of 15 December, to operate a pilot area to produce electricity from ocean waves.

In accordance with Decree-Law 238/2008 of 15 December the concession has a period of 45 years and includes authorization to install the infrastructures to connect to the public electricity network and utilization of the public hydro resources, and monitoring of the use by third parties of the water resources necessary to produce electricity from waves, as well as competency to grant licences for the establishment and operation of the production of electric energy and related monitoring.

In accordance with the concession contract and applicable legislation, REN will have the right to an adequate remuneration from the concession through recognition of the costs of the investment, operation and maintenance, provided that they are approved in advance by the Government member responsible for the energy area, after the binding opinion of ERSE.

Amendments to concession contracts

On February 21, 2012, the following amendments to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National Network of Transport of Electricity signed with REN – Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; and iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A..

These concession contracts were amended with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. No. 77/2011 and n. No. 78/2011, both of 20 June.

On April 23, 2018, a second amendment to the concession contract was signed between the Portuguese State and REN - Rede Eléctrica Nacional, S.A., through which the Portuguese State determined REN, as a concessionaire, in particular, the execution of the installation work of an underwater cable off Viana do Castelo to the Public Service Electricity Network on land, including the development of studies and projects that prove necessary, the operation, maintenance and exploration of the cable, as well as the execution of interconnection work both at sea and on land.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used by the Group in the preparation of the consolidated financial statements are described below. The policies have been applied consistently in the periods presented.

3.1. BASIS OF PRESENTATION

The consolidated financial statements were prepared on a going concern basis, as from the books and accounting records of the companies included in the consolidation (Note 6), maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements be in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IAS/IFRS"), in force for the years starting on 1 January 2020.

The Board of Directors evaluated the Group's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. Particularly, as of 31 December 2020, current liabilities in the amount of 924,999 thousand euros are greater than current assets, which total 512,048 thousand euros.

However, in addition to the consolidated results and cash flows estimated for 2021, the Group has, as of 31 December 2020, credit lines in the form of commercial paper available for use in the amount of 1,300,000 thousands euros (Note 20). In addition, the Group has, with reference to 31 December 2020, a Revolving Credit Facility with SMBC EU AG in the amount of 150,000 thousand euros, two loan lines with the Industrial Commercial Bank of China and Bank of China Limited, available for use in the amount of 85,000 thousand euros and 240,000 thousand euros, respectively, and also has 80,000 thousand euros in credit lines contracted and not used (Note 20). Also mentioning that the Group has 600,000 thousand euros, related to a Euro-Commercial Paper Program contract, with the amount of 325,000 thousand euros available for use as of 31 December 2020 (Note 20).

In result of this assessment, the Board concludes that the Group has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the financial statements.

Such standards includes the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), issued by the International Accounting Standards Committee ("IASC") and respective IFRIC and SIC interpretations, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standard Interpretation Committee ("SIC"), that have been adopted by the European Union. The standards and interpretations are hereinafter referred generically to as IFRS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, assumptions and judgements in the process of adopting REN's accounting policies, with a significant impact on the carrying amounts of assets, liabilities as well as expenses and income for the reporting period.

Although the estimates are based in the best experience of the Board of Directors and their best expectations in relation to current and future events and actions, the current and future results may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas in which the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

As a result of the pandemic corona virus (COVID-19), there was a general worsening of the global climate of uncertainty, with negative effects on the prospects for the world economy evolution and financial markets.

The REN Group is actively monitoring this situation, has activated all the necessary plans and, although the situation is unpredictable, REN Group does not have or estimate to have, as of this date, significant effects on its operability and regulatory duties.
It should be noted that the REN Group operates, essentially, in two business areas, Electricity and Gas, according to concession contracts attributed to the Group. These concession contracts are regulated, which in a certain way minimizes the possible impacts of the pandemic.

Additionally, it should be noted, and although there are no significant impacts as mentioned, there was some delay in the execution of some investment projects, in the period from March to April 2020, coinciding with the moment of general confinement in the country, but we estimate a recovery of these delays until the end of the year 2021. Regarding electricity consumption, there was a decrease compared to the same period last year, but the impact will be reduced at REN, with no impact on the revenue recognized in the income statement and only circumscribed in one time lag in terms of cash flows, in compliance with the tariff regulation.

There were no significant changes in the long-term expectation of recovery of the Group's investments and financial holdings.

The consolidated financial statements are presented in thousands of Euros - tEuros.

The accounting policies adopted in these consolidated financial statements are consistent, in all material respects, with the policies used in the preparation of the consolidated financial statements for the year ended 31 December 2019, as described in the notes to the consolidated financial statements of 2019, except regarding the adoption of new effective rules for periods beginning on or after 1 January 2020.

The Group has not previously adopted any standard, interpretation or amendment that is not yet in force.

These consolidated financial statements were approved by the Board of Directors at a meeting held on 18 March 2021. The Board of Directors understands that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS").

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in effective for annual periods beginning on or after 1 January 2020:

- **Amendments to References to the Conceptual Framework in IFRS**

  The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 1 and IAS 8: Definition of Material**

  The changes in Definition of Material all relate to a revised definition of 'material' which is "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**

  These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

- **Amendment to IFRS 3 - Business Combinations**

  These amendments: (i) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (ii) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; (iii) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired. The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

- **Amendment to IFRS 16 - Leases: Covid 19 - Related Rent Concessions**

  These amendments change IFRS 16 to: provide lessees with an exemption from assessing whether a Covid 19 - Related rent concession is a lease modification; require lessees that apply the exemption to account for Covid 19 - Related rent concessions as if they were not lease modifications; require lessees that apply the exemption to disclose that fact and require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures. The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in future economic exercises:

- **Amendments to IFRS 4 - Insurance Contracts: Deferral of IFRS 9 (new standard to be applied for periods beginning on or after 1 January 2021)**

  These amendments are related to the previous insurance contracts Standard (IFRS 4), so that eligible insurers can still apply IFRS 9 - Financial Instruments alongside IFRS 17. The amendment provides some entities with a temporary exemption from application of IFRS 9 and gives all entities with insurance contracts the option, following full adoption of IFRS 9, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (referred to as the "overlay approach"). The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2 (new standard to be applied for periods beginning on or after 1 January 2021)**

  These amendments finalises the Board's response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. These amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

The Company did not use any early adoption option of any of the above standards in the consolidated financial statements for the year ended 31 December 2020.

Standards and interpretations, amended or revised, not endorsed by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future years, have not, until the date of preparation of these consolidated financial statements, been endorsed by the European Union:

Standard	Applicable for financial years beginning	Resume
IFRS 17 - Insurance Contracts	01-Jan-23	This standard is intended to replace IFRS 4 and requires that all insurance contracts to be accounted for consistently.
Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01-Jan-23	These amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa.
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	01-Jan-22	These amendments clarify the wording or correct minor consequences, oversights or conflits between requirements in the Standards. Amendments to IFRS 3 update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37 specify which costs a company includes when assessing whether a contract will be loss-making. Annual Improvements make minor amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and the illustrative examples accompanying IFRS 16 - Leases.

These standards and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 31 December 2020 consolidated financial statements.

3.2. CONSOLIDATION BASES

The consolidation methods used by the Group are as follows:

a) Investments in Group companies (subsidiaries)

Subsidiaries are all entities (including special purpose entities) over which REN has cumulatively the following elements of control: (i) the ability to manage the relevant activities (activities that significantly affect the investee's results); (ii) exposure or rights to variable results of the investee; and (iii) the ability to affect those results through the power REN holds, which is usually associated with the control, directly or indirectly, of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured at the fair value of the delivered assets, the capital instruments issued and the liabilities incurred, or assumed on the date of acquisition. Acquisition-related costs are recognized in profit or loss as incurred, except for the costs of issuing debt or equity instruments, which must be recognized in accordance with IAS 32 and IFRS 9.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of the existence of uncontrolled interests. The excess of the acquisition cost in relation to the fair value of the Group's portion of the identifiable assets and liabilities acquired is recorded as Goodwill, in cases where control acquisition is verified, which is detailed in Note 9.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the statement of income under "Other operating income".

The acquisition cost is subsequently adjusted when the acquisition / attribution price is contingent upon the occurrence of specific events agreed with the seller / shareholder (eg, realization of fair value of assets acquired).

Any contingent payments to be transferred by the Group are recognized at fair value at the acquisition date. If the assumed obligation constitutes a financial liability, subsequent changes in fair value are recognized in profit or loss. If the assumed obligation constitutes an equity instrument, there is no change in the initially estimated amount.

The amounts of assets and liabilities acquired within the scope of a business combination may be reviewed over a period not exceeding one year after the date of acquisition on facts and circumstances that existed on the date of acquisition.

REN reassesses power over a subsidiary when there is evidence of changes in one or more control elements indicated above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption "Non-controlling interests".

The comprehensive income is attributable to the company's shareholders and to the non-controlling interests, even if that results in a negative balance of the non-controlling interests.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for consistency with Group accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 6.

b) Investments in associates and joint-ventures

Associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% to 50% of the share capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group's share of the investee's post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement.

Additionally, dividends received are recorded as a decrease on the carrying amount of the associate, and proportional portion in the equity changes is recorded as a variation in the Group's equity and as an increase or decrease of the associate.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and presented in a caption of Investments in associates and joint ventures. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as a gain in the period.

Valuations are made of investments in associates when there are facts that might indicate that the participation is impaired, being recorded an impairment losses in the income statement, if exists.

When the Group's proportion on the accumulated losses of an associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Group has assumed commitments to cover the losses of the associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Group only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with associates are eliminated proportionally to the Group`s interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

The interests in associates are detailed in Note 10.

Joint ventures

Investments in joint ventures are a joint agreement whereby the parties have rights to the net assets of the agreement, by a binding contractual agreement that should give the parties joint control. Conceptually, joint control is the sharing of the decisions of the relevant activities, on which it is required unanimous consent of the parties.

The recognition and measurement of joint ventures included in the consolidated financial statements is made using the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

The accounting policies of joint ventures are standardized, when necessary, to ensure that they are consistently applied in the consolidated financial statements.

Investments in joint ventures are detailed in Note 10.

Associates with no significant influence

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20% of the share capital) are recorded at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

The investments in associates are classified as investments in equity instruments at fair value through other comprehensive income in accordance with IFRS 9, being presented as non-current assets when considered strategic to the Group.

Associates with no significant influence are presented in Note 13.

c) Goodwill

Differences between the cost of acquisition of investments in subsidiaries and the fair value of the identifiable assets and liabilities of these companies as of the date of the acquisition or during a period of 12 months after that date, if positive, are recorded as goodwill (in the case of subsidiaries). If this difference is negative, they are immediately recorded in the consolidated profit and loss statement.

Goodwill is not amortised, but is subject to impairment tests at least annually to verify the existence of impairment losses.

Goodwill impairment test is based on the recoverable amount of the cash generating unit, comparing the recoverable amount with the carrying amount. If the carrying amount exceeds the recoverable amount an impairment loss is recorded immediately in the consolidated financial statements, reducing the asset value and recording an impairment loss on the consolidated statement of profit and loss which is not reversible. The recoverable amount is determined based on the use value of the cash generating unit, being this value calculated by discounting the future cash flows, considering the business risks, the temporal value as well as market conditions.

If the initial accounting for a business combination can be determined only provisionally at the end of the reporting period in which the combination occurs (because the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquiree or the cost of the concentration can only be determined provisionally), the Group accounts for the business combination using the available information. Those provisional amounts are adjusted upon the final determination of the fair values of the assets and liabilities occurring up to a maximum period of twelve months after the acquisition date. During this period Goodwill or any recognized gain will be adjusted from the acquisition date by an amount equal to the fair value adjustment at the acquisition date of the identifiable assets, liabilities and contingent liabilities to be recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the concentration. This includes any depreciation, amortization or other gain or loss effect recognized as a result of completing the initial accounting.

3.3. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

Items included in the financial statements of each of the REN Group entities are recorded using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements including these notes are presented in thousands of Euros, unless otherwise indicated, the Group's functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency in the separate financial statements of the subsidiaries are translated into the functional currency of each subsidiary using the exchange rates prevailing on the date of the statement of financial position for each period. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are translated into the functional currency of each subsidiary using the exchange rate prevailing on the date the fair value was determined.

Foreign exchange gains and losses arising from the differences between the exchange rates prevailing on the date of the transactions and those in force at the date of collection, payments or at the date of the statement of financial position are recorded as income and / or expenses in the consolidated income statement for the year under the same captions where the income and losses associated with these transactions are reflected, except for those relating to non-monetary amounts whose fair value changes are recorded directly in equity.

The separate financial statements of the associates of the Group are prepared in the functional currency of the entities. Exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate are booked against "Other Reserves".

The foreign currency exchange rates used for the translation of the foreign currency balances are as follows:

CURRENCY	2020	2019
US Dollar (USD)	1.23	1.12
Pound sterling (GBP)	0.90	0.85
Japan Yen (Yen-JPY)	126.49	121.94
Chilean pesos (CLP)	868.89	844.85

3.4. TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets are valued at cost less accumulated amortization / depreciation and accumulated impairment losses. Cost includes the cost of assets considered as of the transition date to IFRS and the acquisition or construction cost of assets acquired/constructed after that date.

Acquisition or construction cost includes the purchase price of the asset and costs incurred directly to prepare the asset to start operating. Borrowing costs incurred during the construction phase are recognised as acquisition/construction costs. Financial expenses incurred during the construction period with loans obtained are recorded as a component of the acquisition/construction cost of the asset, being amortized over the useful life period of the correspondent asset.

Subsequent costs, including renewals and major overhauls, that extend the useful life of the assets is recognised as cost of the asset, after write off of the component replaced.

Current maintenance and repair costs are expensed in the year they are incurred.

Tangible and Intangible assets are depreciated on a straight line basis over the estimated period of useful life of the assets, from the moment they are available for use in the necessary conditions to operate in accordance with management objectives.

Whenever there are impairment indicators of fixed assets, impairment tests are made to estimate the recoverable amount of the asset and impairment losses, if any, are recorded. The recoverable amount is defined as the higher amount between the net sale price of an asset and its value in use. The value in use is calculated based on a discounted future cash flows resulting from continued use of the asset and its sale at the end of its useful life.

The useful life of the assets is reviewed at the end of each year so that the depreciation or amortization recorded is in accordance with the consumption standards of the assets. Changes in useful life are treated as changes in accounting estimates and are applied prospectively.

	Number of years
Property, plant and equipment:	
Transmission and electronic equipment	5 TO 55
Transport equipment	4 TO 5
Office equipment	3 TO 10
Property, plant and equipment in progress	5 TO 60
Intangible assets:	
Industrial property	1 TO 8
Other intangible assets	20

Gains and losses on the sale of tangible and intangible assets are determined by the difference between the sale amount and the carrying amount of the asset, being recorded in the consolidated statement of profit and loss.

Concession/Regulated Assets – IFRIC 12 – Service Concession Arrangements

The Group has: (i) five concessions for the operations and development of the National Transmission Network, for the global management of the national electric system, as well as utilization and development of the National Natural Gas Transport Network, of the Liquid Natural Gas terminal, the distribution of natural gas in low and medium pressure, the underground storage of natural gas and global management of the natural gas system and (ii) a concession to explore a pilot zone for the electricity production from ocean waves. The assets acquired / constructed by REN under these concession contracts are referred to below as assets relating to the concession.

IFRIC 12 – Service Concession Arrangements was issued by the IASB in November 2006, for application in years starting on or after 1 January 2008. IFRIC 12 was endorsed by the European Union on 25 March 2009, being of mandatory application for years beginning on or after 1 January 2010.

IFRIC 12 applies to public service concession contracts in which the conceding entity controls/regulates:

- The services to be rendered by the operator (through utilization of the infrastructure), to whom and at what price; and
- Any residual interest over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- constructed or acquired by the operator from third parties;
- already existing to which the operator is given access.

Therefore, considering the above the REN Group's concessions are covered by this IFRIC for the following reasons:

i) the REN Group companies (REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., S.A., REN Atlântico, Terminal de GNL, S.A., REN Portgás Distribuição, S.A. and Enondas, Energia das Ondas, S.A.) have a public service concession contract signed with the Portuguese State ("Conceding Entity") for a predefined period;

ii) the companies render public transport services, reception and storage of gas and transmission of electricity through utilization of gas pipelines, branches and underground tanks, in the case of gas, and lines, stations and substations in the case of electricity;

iii) the conceding entity controls the services rendered and the conditions under which they are rendered, through the regulator ERSE; and

iv) the assets used to render the services revert to the conceding entity at the end of the concession contracts.

This interpretation establishes the general principles for the recognition and measurement of the rights and obligations under the concession contracts with the features mentioned earlier and define the following models:

i) Financial asset model – when the operator has the unconditional contractual right to receive cash or other financial asset from the conceding entity, corresponding to specific or determinable amounts, the operator must record a financial asset (receivable). In this model the conceding entity has few or no discretionary power to avoid the payment, as the agreement is usually legally binding;

ii) Intangible asset model – when the operator receives from the conceding entity the right to collect a tariff based on use of the structure, it must record an intangible asset;

iii) Bifurcated/mixed model – this model applies when the concession includes simultaneously commitments of guaranteed remuneration by the conceding entity and commitments of remuneration dependent on the level of utilization of the concession infrastructures.

Considering the nature of concession of the REN Group, as regards the legal nature of its concessions, REN decided that the best model for its business case is the intangible model due essentially to the risk of changes in the tariff regulation imposed by the regulator ERSE.

In this respect and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant as of 31 December 2020.

Attending to the above, concession assets (intangible assets) are valuated at its acquisition cost or production cost which include financial costs incurred during the construction period. The revaluations that were recorded in the concessions assets on the date of transition to IFRS are part of its cost.

For amortization purposes of the concession assets, REN Group follows IAS 38 – Intangible assets, that states in paragraph 98 that: "A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight line method, the declining balance method and the production units method. The method used is selected based on the expected consumption model of the future economic benefits incorporated in the asset and is applied consistently from period to period, unless there is a change in the expected consumption model of these future economic benefits". Therefore considering this, REN understands that the amortization method that best reflects the expected standard of consumption of future benefits of this asset is amortization based on the rate of amortization of the gas and electricity infrastructures approved by the regulator ERSE, as this is the basis of its annual income, that is the conceded assets are amortized based on the remuneration model underlying the Tariff Regulations.

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN's tariffs, the remuneration base is determined considering each concession asset, specifically, which implies the need to componentize the right. Consequently, in the case of REN's concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established.

Therefore the intangible asset is:

i) increased as the various projects relating to the concession are concluded (increase in the concession rights), being recorded based on cost; and

ii) decreased as the future economic benefits are consumed.

In accordance with IFRIC 12 construction of the infrastructure by the operator is a service that it provides to the conceding entity, distinct from the operation and maintenance service and, as such, will be remunerated by it. However, in applying IFRIC 12 the REN Group assumes that there is no margin in the construction but only in the operation business. Nevertheless, construction costs and income relating to construction are recorded in the consolidated statement of profit and loss for the year, considering the requirements of IFRIC 12 in the captions "revenue from construction of concession assets" and "costs with construction of concession assets".

The REN Group makes impairment tests of the assets relating to the concessions whenever events or circumstances indicate that book value exceeds its recoverable amount, being that difference, if any, recorded in the statement of profit and loss. The cash generating units defined for the purpose are directly associated with each concession contract, considering that the conceded assets relating to them belong to the same cash generating unit.

Lands relating to the electricity producing plants are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on its amortization, not being disassociated, as such from the other assets of the concession, being an integral part of a common cash generating unit.

Investment grants relating to assets are recognized in the statement of profit and loss at the same rate as amortization of the assets. IAS 20 in paragraphs 24 and 25 states that: "Government grants relating to assets, including non-monetary grants at fair value must be presented in the statement of financial position considering the grant as deferred income or deducting the grant to the cost of the asset". Therefore given the existence of these two alternatives for the presentation of grants in the financial statements and IFRIC 12 not mentioning the treatment of investment grants received, REN maintained the grants recorded as liabilities.

Considering this, and as a result of applying IFRIC 12, the REN Group classifies assets relating to the concessions in accordance with the intangible asset model, being amortized on a straight line basis as from the date in which they become available for use in accordance with the expected consumption of future benefits model, which corresponds to the regulatory period defined by ERSE and considering that at the end of the concession the Group has the right to receive the net book value of the assets.

Intangible assets in progress reflect the concession's assets still under construction, being recorded at cost less any impairment losses, being amortized as from the time the investment projects are completed or available for use.

3.5. LEASES

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group adopted IFRS 16 using the modified retrospective method of adoption with an initial application date of 1 January 2019.

3.6. FINANCIAL ASSETS AND LIABILITIES

Financial Assets

The Board of Directors determines the classification and measurement of investments in financial assets according to the business model, evaluated in the initial application data, used in its management and the characteristics of the contractual cash flows.

Investments in financial assets may be classified under the following categories:

a) Financial assets at amortised cost - The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

b) Financial assets at fair value through other comprehensive income (equity instruments) - The financial asset is held within a business model whose objective is both to hold to collect contractual cash flows, and to sell financial assets, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Group expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the date of the transaction – the date on which REN commits itself to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value being the transaction costs expensed in the consolidated statement of profit and loss. Such assets are subsequently adjusted to fair value, gains and losses arising from changes in fair value being recorded in the consolidated statement of profit and loss caption "Financial costs" for the period in which they arise, which also includes interest income and dividends received.

Equity instruments at fair value trought other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value or at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability, being the change in fair value recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its acquisition cost for an extended period, where the accumulated gain or loss is recorded in the income statement.

Dividends and interest income from financial assets at fair value through other comprehensive income are recognised in the statement of profit and loss caption financial income for the period in which the right to receive them is established.

The fair value of listed investments is based on current market prices ("bid"). If the market for a financial asset is not active, REN establishes fair value by using valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

In the situations where the investments are equity instruments not valued under active market quotations, and for which is not possible to estimate with reliability its fair value, these investments are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the year.

Loans and receivables are classified as "Trade and other receivables" in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to the receivables.

Financial assets are derecognised when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of ownership.

Cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are presented in the "Borrowings" caption in current liabilities in the statement of financial position, and are included in the consolidated statement of cash flows, as cash and cash equivalents.

Financial Liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists to the issuer to liquidate capital and/or interests, by the delivery of cash or another financial asset, independently on its legal form.

IFRS 9 established the classification of financial liabilities in two categories:

i) Finantial liabilities at fair value trought profit and loss;

ii) Other financial liabilities.

Other financial liabilities include "Borrowings" and "Trade and other payables".

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified as current liabilities unless REN has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the related obligations are extinguished through payment, are cancelled or expire.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions "Finance income" or "Finance costs". If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external independent entities, thought valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Group assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 regarding the reform of interest rate benchmarks. This policy is applicable to some hedging relationships designated at 31 December 2020 in a total notional amount of 960,000 thousand euros (1,060,000 thousand euros at 31 December 2019).

The Group will cease to apply the above provision when:

i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or

i) the respective hedging relationship is discontinued.

Derivative financial instruments are classified and presented as non-current when their remaining period to maturity exceeds twelve months and they are not expected to be realized or settled within twelve months.

Hedge accounting

Within the scope of the Group risk polices of interest rate and foreign exchange rate risk management, the Group contracts a series of financial derivative instruments, namely swaps.

The criteria for applying hedge accounting rules are as follows:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items in accordance with IFRS 9 criteria;
- At the beginning of the hedging relationship, there is formal designation and documentation regarding the hedging relationship and the risk management objective and strategy. This documentation must include the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the form will be assessed whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge inefficiency and how it determines the coverage ratio).
- The hedge relationship meets all of the following hedge effectiveness requirements:

    i) There is an economic relationship between the hedged item and the hedging instrument;

    ii) The credit risk effect does not dominate the changes in value that result from this economic relationship;

    iii) The coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the Group documents the hedging relationship between the hedging instrument and the hedged item, its objectives and its risk management strategy. Additionally, it is assessed, both on the hedge start date and on each accounting reporting date, whether the derivative instruments designated as hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items (including an analysis of inefficiency sources and how the coverage rate is determined).

The effectiveness requirements in a hedging relationship are as follows:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the movements in the hedging reserves are disclosed in Note 16.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged.

Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

The hedge ineffectiveness can arise from:

- Differences in cash flows timing for hedged items and hedging instruments;
- Different indices (and, consequently, different curves) associated with the hedged risk of the hedged items and hedging instruments;
- Counterparty credit risk has a different impact on movements in the fair value of hedging instruments and hedged items;
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued only when a hedging relationship (or part of that hedging relationship) no longer complies with the hedge accounting criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes cases where the hedging instrument expires or is sold, terminated or exercised.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Group assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

Any amount recorded in the caption “Other reserves – hedging reserves” is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as “Other reserves – hedge reserves” is immediately reclassified to the statement of profit and loss.

In the case of aggregated exposures, the Group designates as hedged instruments a combination of an exposure and a derivative financial instrument. For this purpose, and when designating the hedged item based on an aggregated exposure, the Group considers the combined effect of the items that constitute the aggregated exposure for the purposes of assessing the hedge effectiveness and measuring its ineffectiveness. These instruments continue, however, to be accounted for separately.

3.7. BORROWING COSTS

Borrowing costs are recorded as expense when incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualified asset (assets that need a substantial period of time to be prepared for its intended use).

Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the project is suspended.

Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, are deducted from the financial expenses that qualify for capitalisation.

3.8. GOVERNMENT GRANTS AND OTHERS

These refer to grants received for investment in intangible assets and are recorded as deferred income in the caption “Trade and other payables”.

Grants received from the Portuguese State and the European Union are recorded when there is reasonable certainty that the grant will be received.

Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as grants received.

Grants are subsequently recorded to the consolidated statement of profit and loss on a systematic basis in accordance with amortization of the related assets.

Exploration grants are recognized in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.9. SIMPAIRMENT OF ASSETS, EXCEPT GOODWILL

Financial Assets

The Group evaluates at each reporting date, if there are indicators that a financial asset or a group of financial assets, have any impairment, namely from which results an adverse impact on the estimated cash flows of the financial asset or group of financial assets, and always if it can measured reliably.

The adoption of IFRS 9 led to a fundamental change in the way the Group accounts for its impairment losses on financial assets, replacing IAS 39 “loss incurred” approach with a prospective approach to “expected credit loss”. IFRS 9 requires the Group to recognize an impairment loss for expected credit losses for all debt instruments that are not measured at fair value through profit or loss.

For financial assets measured at amortized cost, the impairment loss to be recognized corresponds to the difference between the carrying amount and its present value on the reporting date of the new future cash flows discounted at the respective original effective interest rate.

When there is evidence of impairment on the financial asset held for sale exists, the accumulated loss - determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded – is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

Non-financial assets

Whenever there are signs of loss of value of fixed assets, impairment tests are carried out in order to estimate the recoverable value of the asset and, if applicable, an impairment loss is recognized. An impairment loss is recognized for the amount in excess of the asset’s carrying amount over its recoverable amount. The recoverable amount is determined as the higher of an asset’s fair value less costs to sell and the asset’s use value.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, using a discount rate before taxes that reflects the current valuations of the market. time value of money and the specific risks of the asset in question.

Group REN makes impairment tests for the concession assets whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, in which case the difference, if any, is recognized in the income statement. The cash generating units were identified considering the concession agreements in place, considering that all assets belonging to these agreements are to be included in the same unit.

Assets with undefined useful life are not subject to amortization but are subject to annual impairment tests. Assets with useful life are subject to impairment tests whenever events or changes in the conditions indicate that the carrying amount may not be recovered.

This way whenever fair value is below the carrying amount of the assets, the Group should evaluate if this situation will be permanent in which case an impairment loss should be recognized. If it is assessed that the situation is not permanent the reasons that support such judgment should be disclosed.

Non-financial assets, except Goodwill, for which impairment losses have been recognised are reviewed at the end of each period evaluating the possibility of its reversal.

Reversal of impairment losses recognized in prior years is recorded in the consolidated profit and loss statement. However, the reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) had no impairment loss been recognized for that asset in prior years.

The amortization and depreciation of the assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.10. EMPLOYEE BENEFITS

REN grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a medical assistance plan and grants other benefits such as long service bonuses, retirement bonus, and death subsidy.

i) Pension Plan

The supplementary retirement and survivor pensions granted to employees consist of a defined benefit plan, with an autonomous plan assets established, to which all the liabilities are transferred and contributions are made to cover the liabilities which are vested on each period.

Employees who meet certain conditions of age and seniority pre-defined and chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

This liabilities assumed by the Group are annually estimated by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined by discounting future payments of the benefits using the appropriate discount rate. The liability is recognised, when applicable, deducted from the past service costs.

The source used to determine the discount rate, was based on the use of the complete yield curve (Yield Curve + 25bp). The model incorporates hypothetical yield curves developed from information on bond yields in the Euro zone. The construction of these yield curves is based on bond yields considered to be of high quality credit rating (Aa risk notation from Bloomberg). The credit risk notation is attributed by rating agencies being its approach consistent with yield curve model for each maturity group. The discount rate used results from the conversion of the interest rate curve in to a spot interest rate. A bond is considered to have AA risk notation if receives its notation (or equivalent) from one, or both, the two main rating agencies: Standard and Poor's and Moody's.

The liability for retirement benefits recognised in the consolidated statement of financial position corresponds to the present value of the liability for the benefits as of the reporting date less the fair value of the plan assets, together with any adjustments for past service costs, if applicable.

Actuarial gains and losses yearly determined, for each plan of benefits granted, resulting from adjustments to actuarial assumptions, experience adjustments or in the benefits scheme are recorded directly in equity.

The cost with retirement benefits is determined taking into account: i) current service costs, which corresponds to the increase in the present value of the liability resulting from employee service in the current year; ii) past service cost, change in the actual responsibility for employee service in prior periods (as a result of changes to the plan or significant reduction in the number of employees covered by the plan "curtailments"); iii) any gain or loss on settlement; and iv) net interest on the liability (assets) net of defined benefit, applying a discount rate to the net liabilities of the plan.

ii) Health plan and other benefits

The liabilities assumed relating to healthcare are not funded by an autonomous plan assets, being covered by a specific provision.

Measurement and recognition of the liability for healthcare are the same as those for retirement supplements referred to above, except as regards assets of the plan.

REN recognises all the actuarial gains and losses on all the plans directly in equity, except with regard to long-term benefits (seniority bonus), recognized directly in results.

3.11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions are recognised when the Group has: i) a present legal or constructive obligation as a result of past events; ii) it is more likely than not that an outflow of internal resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon the occurrence (or not) a future event, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Restructuring provisions are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, are only considered the expected outflows that directly result from the implementation of such plan, not considering, the current activities of the Group.

Provisions are measured at the present value of the estimated outflows required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

Contingent assets are probable assets which probability of becoming certain depend of the occurrence of one or more uncertain future events that are not fully controlled by the Company. The probability of the inflow of the economic benefit is subject to the occurrence of such events.

The Group discloses contingent assets when it is estimated as probable the inflow of the corresponding economic benefit. However in exceptional circumstances on which REN estimates as virtually certain the probability the revenue is recognized in the consolidated financial statements.

3.12. INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Inventories include materials used in internal maintenance and repair operations. Inventories are initially recorded at cost, which includes purchase cost and all the expenses relating to their acquisition. Cost is determined using the weighted average cost method.

Gas in the gas pipelines and gas stored in the LNG terminal and underground tanks, is property of the infrastructure users. The REN Group does not buy, sell or hold any gas inventories.

3.13. CAPITAL AND OWN SHARES

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognised as a deduction in equity. In accordance with Portuguese Commercial law, REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, constraining the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

The Group's purpose in relation to capital management is to safeguard the continuity of the Group, to grow sustainably in order to meet the established objectives and to maintain an optimal capital structure in order to reduce the cost of capital.

3.14. INCOME TAX

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all REN group companies located in Portugal, and which REN owns directly or indirectly at least 75% of the share capital and equally, being resident in Portugal and taxed in terms of Corporate Income Tax ("CIT").

Income tax for the year includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when it relates to items recognised directly in equity. The amount of income tax payable is determined based on net profit before tax, adjusted in accordance with tax rules for the entities included in the consolidation perimeter.

The taxable profit differs from the net profit determined by accounting rules, as several costs and revenues are excluded, that will only be deducted or taxed in future periods, and costs and revenues that will never be considered for tax purposes in accordance do the tax law in place.

Deferred tax is recognised using the liability method based on the statement of financial position considering the temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements.

Deferred taxes are calculated using the tax rates in force or substantially enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used. Deferred tax liabilities are provided for on every temporary tax difference, except those relating to: i) the initial recognition of goodwill; or ii) the initial recognition of assets or liabilities in transactions that do not result from a business combination and at the time of the transaction affect neither accounting profit nor taxable profit. However, taxable temporary differences relating to investments in subsidiaries should not be recognised to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not revert in the near future.

Following the new interpretation on IAS 12 - Income taxes, IFRIC 23, the Group carried out an analysis of all contingencies and disputes, with the tax authorities regarding income taxes, with no changes, with reference to 1 January 2020, in the estimates previously made by management.

3.15. ACCRUALS BASIS

Revenue and expenses are recognised in the period to which they relate, independently of the date they are received or paid, in accordance with the accrual basis of accounting. Differences between the amounts received and paid and the related income and costs are recognised as assets or liabilities, if they qualify so.

3.16. REVENUE

Revenue is measured by the fair value of the benefit received or be received. Revenue is deducted by the amount from devolutions, discounts and other rebates and it does not include VAT or other taxes related to the sale.

The revenue from the sale of goods is recorded when all the following conditions are met:

- The significant risks and rewards related with the property were transferred to the buyer;
- The Group does not maintain any control on the goods sold;
- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group; and
- The expenses incurred or to be incurred with the transaction can be reliably estimated.

Revenue from services of non-regulated activities is recognized, by the percentage of completion of the respective transaction or services at the reporting date, when all the following conditions are met:

- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group;
- The expenses incurred or to be incurred with the services can be reliably estimated; and
- The stage of completion of the transaction/service rendered can be reliably measured.

The revenue from interests is recognized using the effective interest method, provided that it is probable that economic benefits flow to the Group and its amount can be reliably measured.

The revenue from dividends are recognized when it is established the right of the Group to receive the correspondent amount.

Revenue from services rendered on the Group regulated activities are recorded in the consolidated statement of profit and loss in accordance with the criteria defined in IFRIC 12, described in greater detail in Note 3.4 – Tangible and intangible assets, and in accordance the description of each business segments.

Electricity segment

Revenue recognition for concession activities is determined based on the revenue cap set by the regulator, on the electricity transmitted to National Transport Network (Rede Nacional de Transporte - RNT) by producers to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission of electricity and global management of the system.

Revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator.

In accordance with the regulatory terms and conditions, the tariffs to be charged to final customers (domestic consumers, industry customers and others), are determined annually for each component of the system value chain, such as: generation, transmission and distribution. REN – Rede Eléctrica Nacional, S.A. income relates mainly to electricity transmission and global management of the electricity system.

The tariff for electricity transmission aims to recover:

i) amortization of the concession assets related with the electricity transmission activity;

ii) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

iii) operating costs relating with the activity.

The tariff for global management of the system aims to recover:

i) amortization of the concession assets relating to global management of the system;

ii) amortization of the concession assets relating to the generating station sites;

iii) a return on the average net book value of the generating station sites (land);

iv) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator;

v) operating costs related with the activity.

The "Commercial Agent" activity, carried out by the group company REN Trading which is responsible for the management of the electricity produced under the two PPA's (power purchase agreements) that have not been terminated (Tejo Energia and Turbogás), is remunerated through an incentive mechanism established by ERSE.

Revenue obtained by use of these mechanisms, are the main part of the results obtained from the "Commercial Agent" activity. This entity operates completely independently of the REN group within the rules established by the regulator.

Regarding the activities of transmission and transformation of electricity and the development, operation and commercialization of transmission systems, carried out by the Group's company, Transemel, these consist of allowing free access to the electricity market in Chile.

The revenue obtained from electricity transmission and transformation services is recorded based on the actual billing of the consumption period, as well as includes an estimate of the services provided until the end of the period, since the contracts define a performance obligation . Additionally, interest income is recognized based on the effective rate method.

Gas segment

Revenue from gas concession operations is determined based on the revenue cap allowed by the regulator based on: i) information relating to the gas units unloaded and re-gasification of gas units in the LNG terminal and the number of tanker loads ii) the gas units injected, stored and extracted in the underground tanks; and iii) the used capacity and gas units transmitted through the high, medium and low pressure transmission network.

Telecommunications segment

Revenue from the telecommunications segment results from services rendered by the group company RENTELECOM, through the lease of fibre optics capacity, benefiting from the excess capacity of the telecommunications equipment installed. In this area services relating to management of private voice networks are also rendered. Revenue is recognised in the period the services are rendered, based on the percentage of the stage of completion of each specific transaction, valued considering the actual services already rendered and the total services to be rendered.

Tariff deviations

The Tariff Regulations for the electricity and gas business, issued by ERSE, define the formula for calculating the revenue cap for the regulated activities and consider in the calculation formula, the determination of the tariff deviations that are recovered up to the second year after the date in which they were generated, the period on which the tariff deviations are recovered.

In this way the REN Group determines at each reporting date, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced.

Considering the legislation and the regulatory environment in force, the tariff deviations determined by REN each year comply with a series of characteristics (measurement reliability, right of recovery, transmissibility, identification of the debtor and interest base) that support their recognition as revenue and as an asset, in the year in which they are determined, as being reliably measurable and for it being virtually certain that the financial benefits relating to the transaction(s) will flow to the Company. This rationale is also valid when negative tariff deviations are determined, which are considered as liabilities and revenue deduction.

Despite IFRS do not include a reference regarding the recording of tariff deviations, paragraph 12 of IAS 8, the FASB ASC 980 – Regulated Operations (which replaces previous SFAS 71 – Accounting for the effects of certain types of regulation), strengthens the position of recording assets and liabilities tariff deviations under conditions on which the electricity and gas regulations are established for REN.

The Decree-law n.º 165/2008 dated 21 August for the electricity segment and the Decree-Law 87/2011 dated 18 July for the gas segment, reinforce the exposed, establishing the applicable regime to the recognition and transmission of tariff deviations, within the scope of the Concession contracts held by the Group.

3.17. SEGMENT REPORTING

An operational segment is a component of an entity which:

a) develops business activities from which can obtain revenue and incur in expenses (including revenue and expenses related with transactions and other components of the same entity);

b) operating results are regularly reviewed by the main responsible for the operational decision making process of the entity of for the purpose of decision making regarding the recourses imputation to the segment and the evaluation of its performance; and

c) the financial data available is distinct.

The operating segments are reported consistently with the internal model of management information made available to the main responsible for the operational decision making of the Entity.

REN identified the Executive Committee as the entity responsible for the operating making decisions. The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources.

The REN Group is organized in two main business segments: Electricity and Gas and one secondary segment, the telecommunications. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system and management of power purchase agreements ("PPA") not terminated on 30 June 2007, as well as the management of the concession pilot zone for electricity production based on sea waves. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal, the distribution of natural gas in low and medium pressure and underground storage of natural gas.

The telecommunications segment is presented separately although it does not qualify for disclosure.

The column "Others" includes the operations of REN SGPS, REN Serviços, REN Finance, B.V., Aerio Chile SPA, Apolo Chile SPA and REN PRO, S.A..

Financial information relating to income of the identified business segments is included in Note 7.

3.18. CASH FLOW STATEMENT

The cash flow statement is prepared under the direct method, being presented the collections and payments in operational activities, investment activities and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities, except when those respect to cash flows of a hedging contract of an identifiable position, which will be classified to the same the cash flow activities of the hedged item.

3.19. SHARE-BASED PAYMENTS

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payments ("IFRS 2").

The payments settled in cash or cash equivalents ("cash settled"), which are based on the company shares quotation, give rise to the recognition of a liability initially measured at fair value, determined on the date on which the corresponding benefits are awarded. The benefits are recorded as personnel costs against liabilities, as the beneficiaries rendered the service. The fair value of the liability is reviewed at each reporting date, with the effect of any changes recognized in the consolidated statement of profit and loss.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service is fulfilled (the vesting period).

The share-based payments are not material for the purpose of disclosure in the notes to the consolidated financial statements.

3.20. SUBSEQUENT EVENTS

Events that occur after the consolidated statement of financial position date that provide additional information on conditions that existed at the date of the statement of financial position ("adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the consolidated statement of financial position date that provide information on conditions that exist after that date ("non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the consolidated financial statements, if material.

4. FINANCIAL RISK MANAGEMENT POLICIES

4.1. FINANCIAL RISK FACTORS

The Group's activities are exposed to a variety of financial risks including: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others.

The Group has developed and implemented a risk management program that, together with permanent monitoring of the financial markets, aiming to minimise potential adverse effects on the REN Group's financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks, in strict cooperation with REN's operating units. The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of liquidity excess.

i) Foreign exchange rate risk

REN has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bonds totalling 10,000 million Yens ("JPY") is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/JPY, with reference to 31 December 2020, and all other factors remaining constant, would lead to a decrease on equity in the amount of 398 thousands euros (1,378 thousand euros as of 31 December 2019), while a decrease of that exchange rate would lead to an increase on equity in the amount of 438 thousand euros (decrease of 293 thousand euros as of 31 December 2019).

Additionally, the Group is exposed to changes in the exchange rate of Euro/USD and Euro/Chilean Peso, related with its financial investment in Electrogas, S.A., acquired in February 2017 (Note 10) and related with the company acquired on 1 October 2019, Empresa de Transmisión Eléctrica Transemel, S.A..

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2020, and all other factors remaining constant, would lead to a decrease on equity in the amount of 6,895 thousand euros (7,537 thousands euros as of 31 December 2019), while a decrease of that exchange rate would lead to an increase on equity in the amount of 7,621 thousand euros (8,331 thousand euros as of 31 December 2019).

An increase of 5% in the exchange rate of Euro/Chilean Peso, with reference to 31 December 2020, and all other factors remaining constant, would lead to a decrease on equity in the amount of 3,538 thousand euros (2,816 thousands euros as of 31 December 2019), while a decrease of that exchange rate would lead to an increase on equity in the amount of 3,910 thousand euros (3,113 thousands euros as of 31 December 2019).

ii) Credit risk

REN's exposure to credit risk is not significant, since a substantial portion of services rendered are recorded through amounts invoiced to electricity and natural gas distributors in regulated markets. In addition, in general, contracts with clients establish guarantees (Note 33.3), to cover the collection and default risk.

The Group's counterparty risk on bank deposits, financial applications, and financial derivative instruments is mitigated by the selection of top rating international institutions with solid credit ratings and well known national institutions.

iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, with subscription guarantee, as well as by negotiating credit limits that enable it, not only to ensure that the current treasury needs of the REN Group are met, but also provide some flexibility. For that effect we highlight, on one hand, 280,000 thousand euros available in commercial paper programmes with subscription guarantee and, on the other hand, 475,000 thousand euros available in different credit lines.

The Group has also credit lines negotiated and not used in the amount of 80,000 thousand euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies (Note 20).

The following table shows the Group's liabilities by intervals of residual contracted maturity and includes derivative financial instruments whose financial liquidation of the related flows is made at the net amount. The amounts shown in the table are non-discounted cash flows contracted and include future interests; as so, do not correspond to the respective carrying amounts:

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	96,003	422,352	165,217	683,572
Bonds	28,390	1,215,676	315,750	1,559,816
Commercial paper	457,817	125,000	125,000	707,817
Others	1,576	3,207	-	4,783
	583,786	**1,766,235**	**605,967**	**2,955,987**
Derivative financial instruments	4,873	25,031	-	29,904
Trade and others payables	288,594	51,650	-	340,244

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	83,993	436,701	165,907	686,600
Bonds	334,658	715,456	825,892	1,876,007
Commercial paper	364,016	100,000	-	464,016
Others	1,488	2,386	-	3,874
	784,155	**1,254,543**	**991,799**	**3,030,497**
Derivative financial instruments	3,461	19,105	4,287	26,853
Trade and others payables	287,710	59,051	-	346,761

The following table shows the derivative financial instruments, financial settlement of which is made at gross amounts:

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(1,016)	(75,439)	-	(76,455)
Inflows	2,142	84,414	-	86,556
	1,127	**8,974**	**-**	**10,101**

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(1 168)	(3 495)	(73 483)	(78 146)
Inflows	2 222	6 667	83 119	92 008
	1 054	**3 173**	**9 636**	**13 863**

iv) Interest rate risk

The risk relating to interest rate variation has two major impacts on REN's financial statements: remuneration of the company's assets, in accordance with the tariff regulations, and interest on the borrowings.

Since a significant part of the REN Group's assets have a guaranteed return through the tariffs, definition of which depends in part on market rates of interest, its operating cash flows are significantly affected by changes in the market interest rates. Increases in the interest market rates, generates significant increases in cash flows and vice versa.

In terms of financial liabilities, REN is exposed to interest rate risk, mainly due to borrowings. Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates.

Borrowing at fixed rates exposes the REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps. In this kind of operation REN Group exchanges with banking counterparties in specific dates and with defined maturities, the difference between the fixed interest rates and the variable rates with reference to the notional amounts contracted. All operations undertaken with this purpose can be considered, in most cases, perfect interest rate hedging operations.

A global reform of the main interest rate benchmarks is underway, which provide for the replacement of some benchmarks, including Euribor, by alternative risk-free rates. The Group presents exposures to Euribor variations in its financial instruments that will be impacted by this global reform. There is currently uncertainty about the timing and methods associated with the transition of interest rate benchmarks. To date, the Group does not expect a significant impact on its risk management policies and on the effects of hedge accounting.

The Group will assess and analyze the potential concrete impacts of the potential change in Euribor when implementing the timings and the respective methods of change and, in particular, in the designated interest rate risk hedging relationships.

A sensitivity analysis was performed based on the REN Group's total debt less applications in funds and cash and cash equivalents as of 31 December 2020 and 2019, with the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Using these assumptions a 0.25% increase in market interest rates for all the currencies in which the Group has borrowings or derivative financial instruments at 31 December 2020 would result in a decrease of profit before tax of, approximately, 3,297 thousand euros (2,938 thousand euros as of 31 December 2019).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 3,521 thousand euros, this impact entirely attributed to derivatives (on 31 December 2019 corresponded to an increase of 2,840 thousand euros).

The sensitivity analysis is merely projected, and do not represent any present real gain or loss, neither other real changes in the net results nor in equity.

v) Price risk

REN's exposure to price risk results essentially from its investment in REE. A variation of 10% in the price of shares of REE at 31 December 2020 would have an impact on equity of 9,083 thousand euros (9,706 thousand euros in 31 December 2019).

vi) Regulated activity risk

Gains recognized by REN in each period result directly from the assumptions considered by the regulator, ERSE, in defining the regulated tariffs for the electricity and gas sectors.

4.2.CAPITAL RISK MANAGEMENT

The REN Group's objective relating to the capital management, which is a broader concept than the equity disclosed on the face of the statement of financial position, is to maintain an optimal equity structure, through rational use of debt.

The necessity of debt increases are analysed periodically considering the Group financing needs and its liquidity position.

REN also monitors its total capital based on the gearing ratio, which is calculated as net debt over the total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as presented in the consolidated statement of financial position), adjusted by the amounts of cash and cash equivalents and hedge derivatives. Total capital is calculated as equity (as presented in the consolidated statement of financial position) plus net debt. The Group's Gearing ratio comfortably meets the limits set by contract, being on 31 December 2020 above the minimum in 83%.

5. MAIN ESTIMATES AND JUDGEMENTS

The estimates and assumptions with impact on REN's consolidated financial statements are continuously evaluated, representing at each reporting date the Board of Directors best estimates, considering historical performance, past accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of these estimates may cause different impacts on financial statements from those previously estimated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Significant accounting estimates

5.1. PROVISIONS

The REN Group periodically analyses the existence of possible liabilities resulting from past events that should be recognized or disclosed.

The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these liabilities may result in significant adjustments, due to changes in the assumptions used or because previously disclosed contingent liabilities may have to be recognised as provisions.

5.2. ACTUARIAL ASSUMPTIONS

Determination of the liability for retirement pensions and healthcare plans requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated at each reporting date. The most sensitive assumptions refer to: the discount rates used to update the liability, the return on plan assets and the mortality tables.

5.3. TANGIBLE AND INTANGIBLE ASSETS

Determination of the periods of useful life of the assets, as well as the amortization and depreciation method to be used are essential for determining the amount of amortization and depreciation to be recognized in the consolidated statement of profit and loss for each year.

These two parameters are defined in accordance with Management's best judgement for the assets and business.

5.4. IMPAIRMENT

The recognition of possible impairment loss may be identified by the occurrence of events, many outside the control of the REN Group, such as: Future availability of financing; the cost of debt; or maintenance of the current market regulatory structure, as well as other changes of the REN Group, both internal and external.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board of Directors, as regards the evaluation of impairment indicators, estimated cash flows, discount rates used, useful lives and residual values.

In REN's specific activities there are other factors to consider in impairment testing, since commitments to increase the network of infrastructures, changes in expected tariffs, or changes in the strategy of the shareholders of REN, which together with other factors can result in changes in the future cash flow trends and amounts.

5.5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based on market quotations, when available, and in the absence of a quotation is determined based on the use of prices of recent and similar transactions carried out under market conditions or determined by external entities, or based on valuation methodologies, supported by discounted future cash flow techniques, considering the market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

Consequently, the use of different methodologies and different assumptions or judgments in the application of a given model could lead to financial results different from those reported.

5.6. IMPAIRMENT OF GOODWILL

The Group performs annual impairment tests on Goodwill, as indicated in Note 3.2 c). The recoverable amounts of the cash-generating units were determined based on the value in use. For the calculation of the value in use, the Group estimated the expected future cash flows from the cash generating units, as well as the appropriate discount rate to calculate the present value of these flows. The value of Goodwill is recognized in Note 9.

5.7. TARIFF DEVIATIONS

The Group performs calculation of tariff deviations at each reporting date, as indicated in Note 3.16. The REN Group determines, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced. As a result of ERSE's approval, eventual adjustments, in future tariffs, may arise from the adjustments arising from any excesses or insufficiencies of the referred recovery (tariff deviations).

6. CONSOLIDATION PERIMETER

The following companies were included in the consolidation perimeter as of 31 December 2020 and 2019:

		2020		2019	
		% Owned		% Owned	
Designation / adress	**Activity**	**Group**	**Individual**	**Group**	**Individual**
Parent company:					
REN - Redes Energéticas Nacionais, SGPS, S.A.	Holding company	-	-	-	-
Subsidiaries:					
REN - Rede Eléctrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Praça de Alvalade, n.º7 - 12º Dto, Lisboa	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço - Pombal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Telecommunications network operation	100%	100%	100%	100%
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuserstraat, 93, 1081 CN Amsterdam, The Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group	100%	100%	100%	100%
REN PRO, S.A. Av. Estados Unidos da América, 55 - Lisboa	Communication and Sustainability, Marketing, Business Management, Business Development and Consulting and IT Projects	100%	100%	100%	100%
REN Atlântico, Terminal de GNL, S.A. Terminal de GNL - Sines	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.:					
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Management of projects and ventures in the natural gas sector	100%	-	100%	-
Aério Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations	100%	-	100%	-
Apolo Chile SPA Santiago do Chile	Investments in assets, shares, companies and associations	100%	-	100%	-
Owned by REN Gás, S.A.:					
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço - Pombal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-
REN Portgás Distribuição, S.A. Rua Linhas de Torres, 41 - Porto	Distribution of natural gas	100%	-	100%	-
Owned by Apolo Chile SPA (99.99%) and Aerio Chile SPA (<0.001%):					
Empresa de Transmisión Eléctrica Transemel, S.A. - Santiago do Chile	Transmission and transformation of electricity, allowing free access to different players in the electricity market in Chile	100%	-	100%	-

Changes in the consolidation perimeter

- **2020**
  There were no changes to the consolidation perimeter in 2020 compared to that reported on 31 December 31 2019.

- **2019**
  On January 22, 2019, a merger of the entities REN Gás, S.A. and REN Gás Distribuição SGPS, S.A. was effected by means of the global transfer of the assets of REN Gás Distribuição SGPS, S.A. to REN Gás, S.A..

Additionally, on 17 July 2019, Apolo Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Chile.

Finally, on 1 October 2019, Empresa de Transmisión Eléctrica Transemel, SA ("Transemel"), headquartered in Chile, was held by Apolo Chile SPA (99.99%) and Aerio Chile SPA (<0.001 %). The REN Group, taking into account the change in the perimeter, appropriated the results of the company acquired since the acquisition date.

7. SEGMENT REPORTING

The REN Group is organised in two main business segments, Electricity and Gas and one secondary segment. The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the power purchase agreements (PPA) not terminated at 30 June 2007, the pilot zone for electricity production from sea wave and the transmission and transportation of electricity in Chile. The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal, the distribution of natural gas in low and medium pressure and the underground storage of natural gas.

Although the activities of the LNG Terminal and underground storage can be seen as separate from the transport of gas and overall management of the national natural gas supply system, since these operations provide services to the same users and they are complementary services, it was considered that it is subject to the same risks and benefits.

The telecommunications segment is presented separately although it does not qualify for disclosure.

The results by segment for the year ended 31 December 2020 were as follows:

	31 December 2020					
	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Sales and services provided	367,095	196,869	6,726	37,617	(45,011)	563,296
Inter-segments	1,884	6,100	-	37,027	(45,011)	-
Revenues from external customers	365,211	190,769	6,726	591	-	563,296
Revenue from construction of concession assets	126,405	34,452	-	-	-	160,856
Cost with construction of concession assets	(112,239)	(29,797)	-	-	-	(142,036)
Gains / (losses) from associates and joint ventures	-	-	-	7,498	-	7,498
Personnel costs	(65,631)	(38,443)	(2,981)	(13,308)	51,341	(69,022)
Employee compensation and benefit expense	(17,889)	(12,527)	(296)	(24,817)	-	(55,529)
Other expenses and operating income	10,962	610	(48)	(125)	(6,330)	5,069
OPERATING CASH FLOW	308,703	151,163	3,401	6,865	-	470,132
Investment income - dividends	-	-	-	7,318	-	7,318
Non reimbursursable expenses						
Depreciation and amortizations	(159,014)	(81,949)	(11)	(191)	-	(241,165)
Provisions	(669)	264	-	219	-	(185)
Impairments	435	30	-	(377)	-	87
Financial results						
Financial income	851	4,751	22	141,929	(141,901)	5,651
Financial costs	(37,325)	(19,135)	-	(145,078)	141,901	(59,637)
PROFIT BEFORE INCOME TAX AND ESEC	112,981	55,125	3,412	10,684	-	182,202
Income tax expense	(31,968)	(14,429)	(821)	2,361	-	(44,858)
Energy sector extraordinary contribution (ESEC)	(17,392)	(10,704)	-	-	-	(28,095)
PROFIT FOR THE YEAR	63,621	29,991	2,591	13,045	-	109,249

The results by segment for the year ended 31 December 2019 were as follows:

	31 December 2019					
	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Sales and services provided	353,414	213,371	6,593	38,857	(46,450)	565,786
Inter-segments	1,683	7,388	-	37,380	(46,450)	-
Revenues from external customers	351,732	205,983	6,593	1,477	-	565,786
Revenue from construction of concession assets	140,868	43,075	-	-	-	183,944
Cost with construction of concession assets	(126,527)	(38,109)	-	-	-	(164,636)
Gains / (losses) from associates and joint ventures	-	-	-	8,984	-	8,984
Personnel costs	(52,433)	(42,864)	(2,758)	(15,089)	52,644	(60,500)
Employee compensation and benefit expense	(18,395)	(11,968)	(282)	(24,099)	-	(54,745)
Other expenses and operating income	12,896	818	(63)	1,449	(6,194)	8,906
OPERATING CASH FLOW	309,822	164,324	3,490	10,102	-	487,738
Investment income - dividends	-	-	-	6,905	-	6,905
Non reimbursursable expenses						
Depreciation and amortizations	(155,248)	(80,174)	(33)	(171)	-	(235,626)
Provisions	433	(124)	-	1	-	310
Impairments	(1,650)	(22)	-	(377)	-	(2,050)
Financial results						
Financial income	1,246	6,241	27	150,759	(152,019)	6,254
Financial costs	(43,339)	(21,692)	-	(152,426)	152,019	(65,438)
PROFIT BEFORE INCOME TAX AND ESEC	111,264	68,552	3,484	14,793	-	198,094
Income tax expense	(32,336)	(17,860)	(843)	(3,755)	-	(54,795)
Energy sector extraordinary contribution (ESEC)	(17,444)	(6,955)	-	-	-	(24,400)
PROFIT FOR THE YEAR	61,484	43,737	2,641	11,038	-	118,899

Inter-segment transactions are carried out under normal market conditions, equivalent to transactions with third parties.

Revenue included in the segment "Others" is essentially related to the services provided by the management and back office to Group entities as well as third parties.

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2020 were as follows:

	31 December 2020					
	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Segment assets						
Group investments held	-	891,981	-	2,220,494	(3,112,474)	-
Property, plant and equipment and intangible assets	2,697,339	1,559,871	5	467	-	4,257,681
Other assets	542,035	386,983	8,621	6,249,669	(6,196,330)	990,977
TOTAL ASSETS	**3,239,374**	**2,838 834**	**8,625**	**8,470,629**	**(9,308,804)**	**5,248,658**
TOTAL LIABILITIES	**2,350,210**	**1,286,030**	**4,069**	**6,396,979**	**(6,196,330)**	**3,840,958**
Capital expenditure - total	**138,496**	**34,452**	-	**347**	-	**173,294**
Capital expenditure - property, plant and equipment (Note 8)	12,091	-	-	347	-	12,438
Capital expenditure - other intangible assets (Note 8)	-	-	-	-	-	-
Capital expenditure - intangible assets (Note 8)	126,405	34,452	-	-	-	160,856
Investments in associates (Note 10)	-	-	-	**156,183**	-	**156,183**
Investments in joint ventures (Note 10)	-	-	-	**2,662**	-	**2,662**

Assets and liabilities by segment at 31 December 2019 as well as investments on tangible assets and intangible assets were as follows:

	31 December 2019					
	Electricity	Gas	Telecommunications	Others	Eliminations	Group
Segment assets						
Group investments held	-	794,895	-	2,240,687	(3,035,581)	-
Property, plant and equipment and intangible assets	2,732,838	1,607,368	15	344	-	4,340,565
Other assets	516,262	410,651	7,474	6,341,104	(6,310,752)	964,739
TOTAL ASSETS	3,249,099	2,812,914	7,490	8,582,135	(9,346,333)	5,305,305
TOTAL LIABILITIES	2,373,095	1,342,211	3,015	6,451,071	(6,310,232)	3,859,160
Capital expenditure - total	145,431	43,075	-	171	-	188,678
Capital expenditure - property, plant and equipment (Note 8)	4,396	-	-	171	-	4,567
Capital expenditure - other intangible assets (Note 8)	167	-	-	-	-	167
Capital expenditure - intangible assets (Note 8)	140,868	43,075	-	-	-	183,944
Investments in associates (Note 10)	-	-	-	169,642	-	169,642
Investments in joint ventures (Note 10)	-	-	-	2,636	-	2,636

The liabilities included in the segment "Others" are essentially related to external borrowings obtained directly by REN SGPS, S.A. and REN Finance, BV for financing the several activities of the Group.

The captions of the statement of financial position and profit and loss for each segment result of the amounts considered directly in the individual financial statements of each company that belongs to the Group included in the perimeter of each segment, corrected with the eliminations of the inter-segment transactions.

8. TANGIBLE AND INTANGIBLE ASSETS

During the year ended 31 December 2020, the changes in tangible and intangible assets were as follows:

	1 January 2020				
	Cost	Accumulated depreciation	Net book value	Additions	Disposals, write-offs and impairments
Property, plant and equipment:					
Transmission and electronic equipment	103,937	(1,000)	102,937	-	-
Transport equipment	944	(567)	377	312	(297)
Office equipment	685	(333)	353	35	-
Property, plant and equipment in progress	1,270	(30)	1,240	-	-
Assets in progress	20,743	-	20,743	12,091	-
	127,579	(1,929)	125,649	12,438	(297)
Intangible assets:					
Other intangible assets	66,581	(2)	66,579	-	-
Concession assets	8,356,669	(4,305,938)	4,050,731	4,807	(61,649)
Concession assets in progress	97,606	-	97,606	156,049	-
	8,520,856	(4,305,940)	4,214,916	160,856	(61,649)
TOTAL DO ATIVO FIXO TANGÍVEL E INTANGÍVEL	8,648,435	(4,307,869)	4,340,564	173,294	(61,946)

Changes				31 December 2020		
Transfers	Depreciation charge	Depreciation of disposals and write-offs and other reclassifications	Exchange rate differences	Cost	Accumulated depreciation	Net book value
-	(3,246)	199	(6,541)	97,396	(4,047)	93,349,
-	(213)	264	(1)	958	(516)	442
-	(27)	(222)	(8)	712	(582)	131
-	(2)	-	(39)	1,231	(32)	1,199,
-	-	(261)	(574)	32,260	(261)	31,999,
-	(3,488)	(20)	(7,163)	132,557	(5,437)	127,119
-	(12)	225	(5,994)	60,587	212	60,799
77,281	(237,665)	59,883	-	8,377,108	(4,483,720)	3,893,388
(77,281)	-	-	-	176,374	-	176,374
-	(237,677)	60,108	(5,994)	8,614,069	(4,483,508)	4,130,562
-	(241,165)	60,088	(13,157)	8,746,626	(4,488,946)	4,257,681

The changes in tangible and intangible assets in the in the year ended 31 December 2019 were as follows:

	1 January 2019					
	Cost	Accumulated depreciation	Net book value	Changes in the perimeter	Additions	Disposals, write-offs and impairments
Property, plant and equipment:						
Transmission and electronic equipment	107	(107)	-	107,051	-	-
Transport equipment	1,008	(572)	437	3	159	(226)
Office equipment	404	(288)	116	316	13	(27)
Property, plant and equipment in progress	27	(19)	8	1,330	-	-
Assets in progress	-	-	-	17,489	4,396	-
	1,546	**(985)**	**561**	**126,189**	**4,567**	**(253)**
Intangible assets:						
Other intangible assets	-	-	-	66,503	167	(17)
Concession assets	8,161,166	(4,073,426)	4,087,740	-	4,352	4,285
Concession assets in progress	104,880	-	104,880	-	179,592	-
	8,266,046	**(4,073,426)**	**4,192,619**	**66,503**	**184,111**	**4,268**
TOTAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**8,267,591**	**(4,074,411)**	**4,193,180**	**192,692**	**188,678**	**4,015**

Changes				31 December 2019		
Transfers	Depreciation charge	Depreciation of disposals and write-offs and other reclassifications	Exchange rate differences	Cost	Accumulated depreciation	Net book value
-	(893)	-	(3,221)	103,937	(1,000)	102,937
-	(208)	213	-	944	(567)	377
-	(51)	6	(21)	685	(333)	353
-	(11)	-	(87)	1,270	(30)	1,240
-	-	-	(1,142)	20,743	-	20,743
-	**(1,163)**	**219**	**(4,470)**	**127,579**	**(1,929)**	**125,649**
-	(2)	-	(72)	66,581	(2)	66,579
186,866	(234,461)	1,949	-	8,356,669	(4,305,938)	4,050,731
(186,866)	-	-	-	97,606	-	97,606
-	**(234,463)**	**1,949**	**(72)**	**8,520,856**	**(4,305,940)**	**4,214,916**
-	**(235,626)**	**2,168**	**(4,542)**	**8,648,435**	**(4,307,869)**	**4,340,564**

The main additions verified in the periods ended 2020 and 2019 are made up as follows:

	2020	2019
Electricity segment:		
Power line construction (220 KV, 150 KV and others)	16,660	61,597
Power line construction (400 KV)	48,811	33,007
Construction of new substations	20,561	3,990
Substation Expansion	21,249	21,252
Other renovations in substations	3,419	7,296
Telecommunications and information system	8,933	7,129
Pilot zone construction - wave energy	178	170
Buildings related to concession	1,029	1,191
Transmission and transformation of electricity in Chile	12,091	4,563
Other assets	5,564	5,235
Gas segment:		
Expansion and improvements to gas transmission network	6,442	7,749
Construction project of cavity underground storage of natural gas in Pombal	2,200	1,091
Construction project and operating upgrade - LNG facilities	3,224	7,342
Natural gas distribution projects	22,586	26,894
Others segments:		
Other assets	347	171
TOTAL OF ADDITIONS	**173,294**	**188,678**

The main transfers that were concluded and began activity during the periods ended 2020 and 2019 are made up as follows:

	2020	2019
Electricity segment:		
Power line construction (220 KV, 150 KV and others)	3,856	73,829
Power line construction (400 KV)	8,896	19,895
Substation Expansion	12,516	40,082
Other renovations in substations	5,945	4,829
Telecommunications and information system	8,367	7,299
Buildings related to concession	1,973	695
Other assets under concession	1,863	2,345
Gas segment:		
Expansion and improvements to natural gas transmission network	5,484	6,808
Construction project of cavity underground storage of natural gas in Pombal	1,050	604
Construction project and operating upgrade - LNG facilities	5,323	4,576
Natural gas distribution and transmission projects	22,008	25,904
TOTAL OF TRANSFERS	**77,281**	**186,866**

The intangible assets in progress at 31 December 2020 and 2019 are as follows:

	2020	2019
Electricity segment:		
Power line construction (400 KV, 220 KV, 150 KV and others)	104,047	51,179
Substation Expansion	22,773	16,566
New substations projects	29,892	9,331
Buildings related to concession	1,416	2,359
Transmission and transformation of electricity in Chile	31,999	20,743
Other projects	1,719	1,800
Gas segment:		
Expansion and improvements to natural gas transmission network	7,700	7,310
Construction project of cavity underground storage of natural gas in Pombal	3,875	2,820
Construction project and operating upgrade - LNG facilities	548	2,758
Natural gas distribution projects	4,404	3,483
TOTAL OF ASSETS IN PROGRESS	208,373	118,349

Borrowing costs capitalized on intangible assets in progress in the year ended 31 December 2020 amounted to 2,392 thousand euros (2,562 thousand euros as of 31 December 2019), while overhead and management costs capitalized amounted to 16,429 thousand euros (16,745 thousand euros as of 31 December 2019) (Note 25). The average rate of the financial costs capitalized was of 0.16%.

During the year ended 31 December 2020, there was a reversal of impairment loss net of reinforcements in the amount of 451 thousand euros related to fixed assets.

The net book value of the intangible assets acquired through finance lease contracts at 31 December 2020 and 2019 was as follows:

	2020	2019
Cost	8,251	7,066
Accumulated depreciation and amortization	(3,705)	(3,036)
NET BOOK VALUE	4,546	4,030

9. GOODWILL

Goodwill represents the difference between the amount paid for the acquisition and the net assets fair value of the companies acquired, with reference to the acquisition date, and at 31 December 2020 and 2019 is detailed as follows:

Subsidiaries	Year of acquisition	Acquisition cost	%	2020	2019
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	1,887	2,642
REN Portgás Distribuição, S.A.	2017	503,015	100%	1,235	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	2019	155,482	100%	2,245	2,470
				5,367	5,969

The movement in the Goodwill caption for the years ended 31 December 2020 and 2019 was:

Subsidiaries	At 1 January 2019	Increases	Decreases	At 31 December 2019	Increases	Decreases	Exchange rate differences	At 31 December 2020
REN Atlântico, Terminal de GNL, S.A.	2,642	-	(377)	2,264	-	(377)	-	1,887
REN Portgás Distribuição, S.A.	1,235	-	-	1,235	-	-	-	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	-	2,470	-	2,470	-	-	(225)	2,245
	3,877	**2,470**	**(377)**	**5,969**	**-**	**(377)**	**(225)**	**5,367**

On 1 October 2019, the REN Group acquired, through its subsidiaries Apolo Chile SpA and Aerio Chile SPA, the entire share capital of Empresa de Transmisión Eléctrica Transemel, SA.. The defined acquisition value, with reference to 1 October 2019, amounted to 155,482 thousand euros.

The purchase price allocation process (PPA - Purchase Price Allocation) was provisionally recorded on 31 December 2019, resulting in the recognition of Goodwill as follows:

Acquisition value	155,482
Fair value of assets acquired and liabilities assumed	153,012
GOODWILL	(2,470)

During the year ended 31 December 2020, the Group recorded the purchase price allocation process definitively, with no correction to the acquisition price initially defined.

Impairment test of Goodwill – REN Atlântico, Terminal de GNL, S.A.

REN made the impairment test of goodwill at 31 December 2020 and 2019, at the cash generating unit level to which REN Atlântico belongs.
The business of REN Atlântico is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 40 years beginning on the 26 September 2006), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments, which is decreasing along the projections from the year ended 2020 until end the of concession.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 5% (post-tax discount rate of 3.7%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Atlântico, Terminal de GNL, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	5% (pre-tax) 3.7% (post-tax)

In accordance with the assumptions considered and the analysis made, the Group recorded an impairment loss in the amount of 377 thousand euros.

Impairment test of Goodwill – REN Portgás Distribuição, S.A.

REN made the impairment test of goodwill at 31 December 2020 and 2019, at the cash generating unit level to which REN Portgás Distribuição, S.A belongs. The business of the company is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 30 years and 3 months beginning on October 2017), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 3.6% (post-tax discount rate of 2.5%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Portgás Distribuição, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	3.6% (pre-tax) 2.5% (post-tax)

In accordance with the assumptions and analysis made, the Group did not recorded any impairment losses in Goodwill.

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) considering an increase of 50 basis points and the RoR rate after 2020 considering an increase of 50 basis points; and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

Impairment test of Goodwill – Empresa de Transmisión Eléctrica Transemel, S.A.

REN made the impairment test of goodwill at 31 December 2020 and 2019, at the cash generating unit level to which Empresa de Transmisión Eléctrica Transemel, S.A. belongs. The business of the company is subject to a concession contract so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession, which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

To determine the fair value of the assets, the main assumptions considered were as follows:

- Regulated assets - "Discounted Free Cash Flow method", projection period of 30 years (in line with the remaining fixed assets at the valuation date);
- Concession rights - "Discounted Free Cash Flow method", indefinite projection period, taking into account that Transemel has indefinite usage licenses;
- Non-regulated assets (contracts) - "Multiperiod excess earnings method", projection period defined based on the useful life defined in each contract.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 5.5% (post-tax discount rate of 5.1%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
Empresa de Transmisión Eléctrica Transemel, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	5.5% (pre-tax) 5.1% (post-tax)

In accordance with the assumptions and analysis made, the Group did not recorded any impairment losses in Goodwill.

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 31 December 2020 and 2019, the financial information regarding the financial interest held is as follows:

Company	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities
Equity method:						
Associate:						
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (i)	Holding company	Lisbon	2,610	902	28,332	264
Electrogas, S.A.	Gas Transportation	Chile	17,330	8,843	33,619	3,652
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,486	98	1,251

(i) Financial Statements at 31 December 2020, subject to audit review.

Company	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities
Equity method:						
Associate:						
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	1,033	28,210	278
Electrogas, S.A.	Gas Transportation	Chile	18,930	7,666	41,495	4,346
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,405	64	1,182

31 December 2020

Non-current liabilities	Revenues	Net profit/ (loss)	Share capital	%	Carrying amount	Group share of profit / (loss)
-	1,143	575	28,970	40	11,381	240
7,425	31,247	17,016	31,385	42,5	144,802	7,232
					156,183	7,472
3	1,549	51	5,329	50	2,662	26
					158,845	7,498

31 December 2019

Non-current liabilities	Revenues	Net profit/ (loss)	Share capital	%	Carrying amount	Group share of profit / (loss)
-	988	578	28,965	40	11,360	1,835
10,268	32,292	16,760	34,548	42,5	158,282	7,148
					169,642	**8,983**
8	1,656	2	5,278	50	2,636	1
					172,278	**8,984**

Associates

The changes in the caption "Investments in associates" during the years ended at 31 December 2020 and 2019 was as follows:

Investments in associates

AT 1 DE JANUARY DE 2019	165,207
Effect of applying the equity method - Net Profit	8,983
Currency Translation Reserves	2,952
Dividends of Electrogas	(7,168)
Receipt of Supplementary Obligations of OMIP	(292)
Other changes in equity	(40)
AT 31 DECEMBER 2019	169,642
Effect of applying the equity method - Net Profit	7,472
Currency Translation Reserves	(13,231)
Dividends of Electrogas	(7,469)
Receipt of Supplementary Obligations of OMIP	(220)
Other changes in equity	(11)
AT 31 DECEMBER 2020	156,183

The total amount of dividends recognized by associates was 7,469 thousand euros, during the year ended 31 December 2020, relating to the distribution of 2019 results (5,325 thousand euros) and the anticipated distribution of dividends related to the year of 2020 (2,144 thousand euros). The amount of 7,941 thousands of Euros was received and included in the cash flow statement, related to the distribution of 2019 results (5,108 thousands of Euros), to the amount of dividends receivable recorded in assets for the year ended on 31 December 2019 (702 thousand euros) (Note 34) and, also, the anticipated distribution of dividends for the fiscal year 2020 (2,130 thousand euros).

The proportional value of the OMIP, SGPS includes the effect of the adjustment resulting of changes to the Financial Statement of the previous year, made after the equity method application.

Joint ventures

The movement in the caption "Investments in joint ventures" during the years ended 31 December 2020 and 2019 was as follows:

Investments in joint ventures

AT 1 JANUARY 2019	2,635
Effect of applying the equity method	1
AT 31 DECEMBER 2019	2,636
Effect of applying the equity method	26
AT 31 DECEMBER 2020	2,662

Following a joint agreement of technology partnership between REN – Redes Energéticas Nacionais and the State Grid International Development (SGID), in May 2013 an R&D centre in Portugal dedicated to power systems designed – Centro de Investigação em Energia REN – STATE GRID, S.A. ("Centro de Investigação") was incorporated, being jointly controlled by the above mentioned two entities.

The Research Centre aims to become a platform for international knowledge, a catalyst for innovative solutions and tools, applied to the planning and operation of transmission power.

At 31 December 2020 and 2019, the financial information of the joint venture was as follows:

	31 December 2020					
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax- (cost) / income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,625	5	3	(42)	(2)	(4)

	31 December 2019					
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax- (cost) / income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,658	7	8	(62)	(2)	(7)

11. INCOME TAX

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all companies located in Portugal that REN detains directly or indirectly ate least 75% of the share capital, which should give at more than 50% of the voting rights, and comply with the conditions of the article 69º of the Corporate Income Tax law.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or appeals in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2017 to 2020 are still subject to review.

The Company's Board of Directors understands that possible corrections to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2020 and 2019.

In 2020, the Group is taxed in Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand euros and 7,500 thousand euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand euros and up to 35,000 thousand euros; and (iii) 9% for taxable profits in excess of 35,000 thousand euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2020, the computation of the deferred taxes, was updated in accordance with Law 75-B/2020, of 31 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand euros and 7,500 thousand euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand euros and up to 35,000 thousand euros; and (iii) 9% for taxable profits in excess of 35,000 thousand euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2021.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2020, was updated for each Company included in the consolidation perimeter, using the average tax rate expected in accordance with future perspective of taxable profits of each company recoverable in the next periods.

Income tax registered in the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Current income tax	41,194	35,678
Adjustaments of income tax from previous years	(6,441)	1,438
Deferred income tax	10,105	17,679
INCOME TAX	**44,858**	**54,795**

The amount of 6,441 thousand euros, on 31 December 2020, essentially refers to the recovery of CIT from previous years to the level of deductibility of financial charges and tax benefits.

Reconciliation between tax calculated at the nominal tax rate and tax recorded in the consolidated statement of profit and loss is as follows:

	2020	2019
CONSOLIDATED PROFIT BEFORE INCOME TAX	**182,202**	**198,094**
Permanent differences:		
Non deductible/taxable Costs/Income	10,176	5,603
Timing differences:		
Tariff deviations	(38,753)	(70,705)
Provisions and impairment	(151)	1,722
Revaluations	(3,232)	(3,383)
Pension, helthcare assistence and life insurance plans	(4,895)	(5,618)
Derivative financial instruments	47	(5)
Others	192	(259)
TAXABLE INCOME	**145,586**	**125,448**
Income tax	30,392	26,064
State surcharge tax	7,933	6,844
Municipal surcharge	2,280	1,984
Autonomous taxation	588	786
CURRENT INCOME TAX	**41,194**	**35,678**
Deferred income tax	10,105	17,679
Adjustments of income tax from previous years	(6,441)	1,438
INCOME TAX	**44,858**	**54,795**
Effective tax rate	24.6%	27.7%

Income tax

The caption “Income tax” payable and receivable at 31 December 2020 and 2019 is made up as follows:

	2020	2019
Income tax:		
Corporate income tax - estimated tax	(41,194)	(35,559)
Corporate income tax - payments on account	30,759	49,255
Income withholding tax by third parties	1,576	845
Income recoverable / (payable)	218	380
INCOME TAX RECOVERABLE	**(8,641)**	**14,921**

Deferred taxes

The effect of the changes in the deferred tax captions in the years presented was as follows:

	2020	2019
Impact on the statement of profit and loss:		
Deferred tax assets	(3,648)	(5,518)
Deferred tax liabilities	(6,458)	(12,161)
	(10,105)	**(17,679)**
Impact on equity:		
Deferred tax assets	2,556	6,689
Deferred tax liabilities	3,263	808
	5,818	**7,497**
NET IMPACT OF DEFERRED TAXES	**(4,287)**	**(10,182)**

The changes in deferred tax by nature were as follows: :

Change in deferred tax assets – December 2020

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2020	2,705	30,953	33,967	4,659	19,264	2,116	93,666
Increase/decrease through reserves	-	524	-	1,881	-	150	2,556
Reversal through profit and loss	(102)	(1,360)	-	(161)	(2,366)	-	(3,990)
Increase through profit and loss	156	-	60	12	-	114	342
Change in the period	54	(836)	60	1,732	(2,366)	264	(1,092)
AT 31 DECEMBER 2020	**2,759**	**30,117**	**34,027**	**6,391**	**16,898**	**2,380**	**92,575**

Change in deferred tax assets – December 2019

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2019	2,818	29,403	38,621	1,259	18,360	2,034	92,495
Increase/decrease through reserves	-	2,964	-	3,563	-	162	6,689
Reversal through profit and loss	(113)	(1,414)	(4,654)	(162)	-	(80)	(6,423)
Increase through profit and loss	-	-	-	-	904	-	904
Change in the period	(113)	1,550	(4,654)	3,401	904	82	1,171
AT 31 DECEMBER 2019	**2,705**	**30,953**	**33,967**	**4,659**	**19,264**	**2,116**	**93,666**

Deferred tax assets at 31 December 2020 correspond essentially to: (i) to liabilities for benefit plans granted to employees; (ii) tariff deviations liabilities to be settled in subsequent years; and (iii) revalued assets.

Revalued assets

In the year ended 31 December 2015, and following a favourable decision on the tax recovery of assets impairment generated during the split of REN from EDP Group, the Company recognized the amount of 10,182 thousand euros as deferred tax assets.

In the period ended 31 December 2016, the caption of revalued assets refers to the net effect of the tax revaluation of eligible assets, pursuant to Decree-Law no. 66/2016, of 3 November, which led to an increase in its tax base of 46,137 thousand euros. As a result, REN Portgás recognized deferred tax assets of 12,593 thousand euros, which will be recovered by tax deduction from the revaluation reserve inherent to revalued assets, to be amortized over 8 years from 2018. The tax revaluation reserve was taxed in 2016 at a rate of 14% (the amount calculated is settled in three equal installments, with the first due on 20 December 2016, the second due on 15 December 2017 and the third will expire on 15 December 2018).

In the year ended 31 December 2019, based on the response to a Binding Information Request, the value of the caption of revalued assets was updated to the amount of 57,271 thousand euros, which led to the additional payment of autonomous taxation. As a result, deferred tax assets were restated to the amount of 15,632 thousand euros, to be amortized over 8 years from 2018.

Evolution of deferred tax liabilities – December 2020

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2020	53,526	19,981	52,357	11,795	4,115	141,774
Increase/decrease through equity	-	-	-	(1,765)	(12)	(1,777)
Reversal trough profit and loss	-	(1,358)	(1,836)	-	(731)	(3,925)
Increase through profit and loss	10,383	-	-	-	-	10,383
Exchange rate differences	-	-	-	-	(1,486)	(1,486)
Change in the period	10,383	(1,358)	(1,836)	(1,765)	(2,229)	3,195
AT 31 DECEMBER 2020	**63,909**	**18,623**	**50,521**	**10,030**	**1,887**	**144,969**

Evolution of deferred tax liabilities – December 2019

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2019	37,784	21,398	37,855	12,926	3,682	113,644
Changes in the perimeter	-	-	16,004	-	780	16,784
Increase/decrease through equity	-	-	-	(1,131)	323	(808)
Reversal trough profit and loss	-	(1,416)	(1,502)	-	(662)	(3,581)
Increase through profit and loss	15,742	-	-	-	-	15,742
Exchange rate differences	-	-	-	-	(7)	(7)
Change in the period	15,742	(1,416)	14,502	(1,131)	434	28,130
AT 31 DECEMBER 2019	**53,526**	**19,981**	**52,357**	**11,795**	**4,115**	**141,774**

Deferred tax liabilities relating to revaluations result from revaluations made in preceding years under legislation. The effect of these deferred taxes reflects the non-tax deductibility of 40% of future depreciation of the revaluation component (included in the assets considered cost at the time of the transition to IFRS).

The legal documents that establish these revaluations were the following:

Legislation (Revaluation)

Electricity segment	Natural gas segment
Decree-Law nº 430/78	Decree-Law nº 140/2006
Decree-Law nº 399-G/81	Decree-Law nº 66/2016
Decree-Law nº 219/82	
Decree-Law nº 171/85	
Decree-Law nº 118-B/86	
Decree-Law nº 111/88	
Decree-Law nº 7/91	
Decree-Law nº 49/91	
Decree-Law nº 264/92	

12. FINANCIAL ASSETS AND LIABILITIES

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

	Notes	Financial assets at amortized cost - Debt instruments	Financial assets at fair value - Equity instruments through other comprehensive income
Assets			
Cash and cash equivalents	17	-	-
Trade and other receivables	14	493,606	-
Other financial assets		-	-
Investments in equity instruments at fair value through other comprehensive income	13	-	150,850
Derivative financial instruments	16	-	25,685
		493,606	176,534
Liabilities			
Borrowings	20	-	-
Trade and other payables	23	-	-
Income tax payable	11	-	-
Drivative financial instruments	16	-	26,019
		-	26,019

	Notes	Financial assets at amortized cost - Debt instruments	Financial assets at fair value - Equity instruments through other comprehensive income
Assets			
Cash and cash equivalents	17	-	-
Trade and other receivables	14	468,234	-
Other financial assets		-	-
Investments in equity instruments at fair value through other comprehensive income	13	-	155,676
Income tax receivable	11	14,921	-
Derivative financial instruments	16	-	28,961
		483,155	**184,638**
Liabilities			
Borrowings	20	-	-
Trade and other payables	23	-	-
Drivative financial instruments	16	-	21,670
		-	**21,670**

31 December 2020

Financial assets/liabilities at fair value - Profit for the year	Borrowing and other payables	Other financial assets/ liabilities	Total carrying amount	Fair value
-	-	61,499	61,499	61,499
-	-	-	493,606	493,606
-	-	102	102	102
-	-	-	150,850	150,850
-	-	-	25,685	25,685
-	**-**	**61,601**	**731,741**	**731,741**
-	2,823,432	-	2,823,432	2,932,603
-	444,531	-	444,531	444,531
-	8,641	-	-	8,641
3,196	-	-	29,215	29,215
3,196	**3,267,963**	**-**	**3,305,819**	**3,414,990**

31 December 2019

Financial assets/liabilities at fair value - Profit for the year	Borrowing and other payables	Other financial assets/ liabilities	Total carrying amount	Fair value
-	-	21,044	21,044	21,044
-	-	-	468,234	468,234
-	-	71	71	71
-	-	-	155,676	155,676
-	-	-	14,921	14,921
-	-	-	28,961	28,961
-	**-**	**21,115**	**688,908**	**688,908**
-	2,869,454	-	2,869,454	3,004,161
-	451,044	-	451,044	451,044
3,177	-	-	24,848	24,848
3,177	**3,320,498**	**-**	**3,345,346**	**3,480,053**

Loans obtained, as referred to in Note 3.6, are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 16) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption Borrowings, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

The fair value of borrowings and derivatives are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan.

The range of market rates used to calculate the fair value ranges between -0.578% and -0.179% (maturities of one week and twelve years, respectively).

The fair value of borrowings contracted by the Group at 31 December 2020 is 2,932,603 thousand euros (at 31 December 2019 was 3,004,161 thousand euros), of which 313,831 thousand euros are partially recorded at amortized cost (300,000 thousands of Euros) and the remainder (13,831 thousands of Euros) is recorded at fair value resulting from movements in the interest rate (at 31 December 2019 the amount recorded at amortized cost was 400,000 thousands euros and the value recorded at fair value was 11,262 thousand euros).

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2020 in accordance with the following hierarchy levels of fair value:

- **Level 1:** the fair value of financial instruments is based on net market prices as of the date of the statement of financial position;
- **Level 2:** the fair value of financial instruments is not determined based on active market quotes but using valuation models. The main inputs of the models are observable in the market, in relation to derivative finantial instruments;
- **Level 3:** the fair value of financial instruments is not determined based on active market quotes, but using valuation models, whose main inputs are not observable in the market.

During the year ended 31 December 2020, there was no transfer of financial assets and liabilities between fair value hierarchy levels.

		2020			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value through other comprehensive income	Shares	90,833	-	56,435	147,268
Financial assets at fair value	Cash flow hedge derivatives	-	9,755	-	9,755
Financial assets at fair value	Fair value hedge derivatives	-	15,930	-	15,930
		90,833	25,685	56,435	172,953
Liabilities:					
Financial liabilities at fair value	Loans	-	313,831	-	313,831
Financial liabilities at fair value	Cash flow hedge derivatives	-	26,019	-	26,019
Financial liabilities at fair value through profit and loss	Trading derivatives	-	3,196	-	3,196
		-	343,046	-	343,046

		2019			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value through other comprehensive income	Shares	97,060	-	55,035	152,095
Financial assets at fair value	Cash flow hedge derivatives	-	13,712	-	13,712
Financial assets at fair value	Fair value hedge derivatives	-	15,249	-	15,249
		97,060	28,961	55,035	181,056
Liabilities:					
Financial liabilities at fair value	Loans	-	411,262	-	411,262
Financial liabilities at fair value	Cash flow hedge derivatives	-	21,670	-	21,670
Financial liabilities at fair value through profit and loss	Trading derivatives	-	3,177	-	3,177
		-	436,109	-	436,109

During the year ended 31 December 2020, REN proceeded to a valuation of the financial interests held Hidroeléctrica de Cahora Bassa, S.A., which is classified as Investments in equity instruments at fair value through other comprehensive income (Note 13). The fair value of this asset reflects the price at which the asset would be sold in an orderly transaction.

For this purpose, REN has opted for a revenue approach, which reflects current market expectations regarding future amounts. The fair value of the investment amounted to 56,435 thousand euros for the year ended on 31 December 2020.

Quality of Finantial Assets

The credit quality of financial assets that are not overdue or impaired may be assessed with reference to the credit ratings disclosed by Standard & Poor's or based on historical information from the entities to which they refer:

	2020	2019
Trade and other receivables		
BBB-	119,459	115,904
Others without rating	374,147	352,330
	493,606	468,234
Cash and cash equivalents		
A+ to A-	5,016	12,704
BBB+ to BBB-	287	508
Until BB+	56,187	7,810
Without rating	9	23
	61,499	21,044

Trade and other receivables refer mainly to regulated electricity and gas services rendered.

The main transactions are carried out with authorized distributors in each of the businesses, such as EDP, GALP and some European distributors.

At 31 December 2020, overdue or impaired credits are as follows:

i) Trade and other receivables include 2,951 thousand euros (Note 14) which have been adjusted for impairment; and

i) There are some aged receivables relating to transactions with EDP group companies for which the credit risk is considered as nil.

With respect to the current receivables and payables balances, its carrying amount corresponds to a reasonable approximation of its fair value.

The non-current accounts receivable and accounts payable refers, essentially, to tariff deviations which amounts are communicated by ERSE, being its carrying amount a reasonable approximation of its fair value, given that they include the time value of money, being incorporated in the next two years tariffs.

13. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The assets recognised in this caption at 31 December 2020 and 2019 corresponds to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	2020	2019
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Eléctrica Corporación, S.A. ("REE")	Madrid	Spain	1.00%	90,833	97,060
Hidroeléctrica de Cahora Bassa ("HCB")	Maputo	Mozambique	7.50%	56,435	55,035
Coreso, S.A.	Brussels	Belgium	7.90%	164	164
MIBGAS, S.A.	Madrid	Spain	6.67%	202	202
MIBGÁS Derivatives, S.A.	Madrid	Spain	9.70%	48	48
				150,850	155,676

The changes in this caption were as follows:

	OMEL	HCB	REE	Coreso	MIBGÁS	MIBGÁS Derivatives	Total
At 1 January 2019	3,167	53,409	105,562	164	202	48	162,552
Fair value adjustments	-	1,626	(8,502)	-	-	-	(6,876)
AT 31 DECEMBER 2019	**3,167**	**55,035**	**97,060**	**164**	**202**	**48**	**155,676**
At 1 January 2020	3,167	55,035	97,060	164	202	48	155,676
Fair value adjustments	-	1,400	(6,227)	-	-	-	(4,826)
AT 31 DECEMBER 2020	**3,167**	**56,435**	**90,833**	**164**	**202**	**48**	**150,850**

Red Eléctrica Corporácion, S.A. ("REE") is the transmission system operator of electricity in Spain. The Group acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35– Spain and the financial asset was recorded on the statement of financial position at the market price on 31 December 2020.

REN holds 2,060,661,943 shares representing 7.5% of the stock capital and voting rights of HCB, a company incorporated under Mozambican law, at the Hidroeléctrica de Cahora Bassa, SA ("HCB"), as a result of fulfilling the conditions of the contract entered into on April 9, 2012, between REN, Parpública - Participações Públicas, SGPS, SA, CEZA - Companhia Eléctrica do Zambeze, SA and EDM - Electricidade de Moçambique, EP.

This participation was initially recorded at its acquisition cost (38,400 thousand euros) and subsequently adjusted to its fair value (Note 12).

REN Company holds a financial stake in the Coreso's share capital, a Company which is also hold by other important European TSO's which, as initiative of the Coordination of Regional Security (CRS), assists the TSO's in the safely supply of electricity in Europe. In this context, Coreso develops and executes operational planning activities since several days before until near real time.

On 31 December 2020, REN also holds a 6.67% financial interest in the share capital of MIBGÁS, SA, acquired during the first half of 2016, a company in charge of the development of the natural gas wholesale market operator in the Iberian Peninsula.

As part of the process of creating the Single Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Eletricidade – OMI) in 2011 and in accordance with the provisions of the agreement between the Portuguese Republic and the Kingdom of Spain on the establishment of an Iberian electricity market, the Company acquired 10% of the capital stock of OMEL, Operador del Mercado Iberico de Energia, SA, a Spanish operator of the sole operator, for a total value of 3,167 thousand euros.

On 31 December 2020, REN also holds a 9.7% financial interest, acquired for the amount of 48 thousand euros, of the share capital of MIBGÁS Derivatives, SA, the management company of the organized futures market natural gas, spot products of liquefied natural gas and spot products in underground storage in the Iberian Peninsula.

These investments (OMEL, MIBGÁS, MIBGÁS Derivatives and Coreso) are recognised at fair value through other comprehensive income, however, as there are no available market price for these investments and as it is not possible to determine the fair value of the period using comparable transactions, these investments are recorded at acquisition deducted of impairment losses, as describe in Note 3.6 - Financial Assets and Liabilities.

REN understands that there is no evidence of impairment loss regarding the investments of OMEL, Coreso, MIBGÁS and MIBGÁS Derivatives at 31 December 2020.

REN Portgás holds other financial interests, which are recorded at the acquisition cost in the amount of 29 thousand euros, deducted of impairment losses, with a net value of zero thousand euros.

Name
PRIMUS MGV - Promoção e Desenv.. Regional, S.A.
ADRAVE - Ag. Desenv. Reg-do Vale do Alve, S.A.
AREALIMA - Ag. Reg. Energia e Amb. Vale Lima
ADEPORTO - Agência de Energia do Porto

The adjustments to investments in equity instruments at fair value through other comprehensive are recognised in the equity caption "Fair value reserve". This caption at 31 December 2020 and 2019 is made up as follows:

	Fair value reserve (Note 19)
1 January 2019	57,711
Changes in fair value	(6,876)
Tax effect	1,131
31 DECEMBER 2019	**51,966**
1 January 2020	51,966
Changes in fair value	(4,826)
Tax effect	1,765
31 DECEMBER 2020	**48,905**

In the year ended 31 December 2020, the total amount of 7,318 thousand euros recognized in the consolidated statement of profit and loss is relative to associated companies' dividends, of which 5,688 thousand euros were received during 2020. Additionally, the amount of 1,477 thousand euros was received relative to dividends recognized during the year ended 31 December 2019. These amounts were included in the cash flows statement.

In the year ended 31 December 2020 and 2019, the dividends attributable to the Group are as follows:

	2020	2019
Red Electrica Corporación, S.A. ("REE")	5,695	5,323
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	1,542	1,495
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	81	87
	7,318	**6,905**

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December 2020 and 2019 are made up as follows:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	226,542	576	227,118	215,699	155	215,854
Impairment of trade receivables	(2,951)	-	(2,951)	(2,964)	-	(2,964)
TRADE RECEIVABLES NET	**223,591**	**576**	**224,167**	**212,735**	**155**	**212,890**
Tariff deviations	208,332	44,931	253,263	100,153	114,354	214,507
State and Other Public Entities	16,176	-	16,176	40,837	-	40,837
TRADE AND OTHER RECEIVABLES	**448,099**	**45,507**	**493,606**	**353,725**	**114,509**	**468,234**

The most relevant balances included in the trade and other receivables caption as of 31 December 2020 are: (i) the receivable of EDP – Distribuição de Energia, SA in the amount of 94,060 thousand euros (92,763 thousand euros at 31 December 2019) and (ii) the receivable of Galp Gás Natural, S.A., in the amount of 12,918 thousand euros (12,973 thousand euros at 31 December 2019). As of 31 December 2020, there is no amount to receive, as defined by the regulator ERSE in the context of sustainability measures of the National Electric System (4,388 thousand euros at 31 December 2019).

In the trade and other receivables also stands out the amounts not yet invoiced of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 4 thousand euros (19,006 thousand euros at 31 December 2019) and the amount to invoice to EDP – Distribuição de Energia, S.A., of 104 thousand euros (49 thousand euros at 31 December 2019) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 23).

This transaction is set up as an "Agent" transaction, being off set in the consolidated income statement.

Changes to the impairment losses for trade receivable and other accounts receivable are made up as follows:

	2020	2019
Begining balance	(2,964)	(2,942)
Increases	(17)	(22)
Reversing	30	-
ENDING BALANCE	**(2,951)**	**(2,964)**

The ageing of trade receivables, net of impairment, is as follows:

	2020	2019
Not due and due up to 30 days	205,988	193,527
31-60 days	1,466	2,134
61-90 days	260	201
91-120 days	189	65
More than 120 days	16,264	16,963
	224,167	212,890

15. INVENTORIES

Inventories at 31 December 2020 and 2019 are made up as follows:

	2020	2019
Other materials	2,455	3,924
Inventories adjustment	(5)	(5)
INVENTORIES	2,450	3,919

This caption includes an impairment loss for the net realizable value in the amount of 5 thousand euros.

The cost of goods sold and materials consumed, recognized in the year ended 31 December 2020 and 2019, is detailed as follows:

	2020	2019
Opening balance	3,919	2,095
Acquisitions	1,025	2,728
Transfers and reclassifications	(1,775)	-
Closing balance	2,450	3,919
COST OF GOODS SOLD AND MATERIALS CONSUMED	719	904

16. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2020 and 2019, the REN Group had the following derivative financial instruments contracted:

		31 December 2020			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	26,019
Currency swaps	72,899 TEUR	-	9,755	-	-
		-	9,755	-	26,019
Derivatives designated as fair value hedges					
Interest rate swaps	300,000 TEUR	-	15,930	-	-
		-	15,930	-	-
Trading derivatives					
Trading derivatives	60,000 TEUR	-	-	-	3,196
		-	-	-	3,196
DERIVATIVE FINANCIAL INSTRUMENTS		-	25,685	-	29,215

		31 December 2019			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	21,670
Currency swaps	72,899 TEUR	-	13,712	-	-
		-	13,712	-	21,670
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 TEUR	1,732	13,516	-	-
		1,732	13,516	-	-
Trading derivatives					
Trading derivatives	60,000 TEUR	-	-	-	3,177
		-	-	-	3,177
DERIVATIVE FINANCIAL INSTRUMENTS		1,732	27,229	-	24,848

The valuation of the derivative financial instruments portfolio is based on fair value valuations performed by specialized external entities.

The amount recognized in this item refers to:

- seven interest rate swap contracts negotiated by REN SGPS to hedge the interest rate fluctuation risk (Note 4.1);
- a cross currency swap contract negotiated by REN SGPS to hedge the exchange rate fluctuation risk (Note 4.1).

Counterparties to derivative contracts are international financial institutions with a solid credit rating and first-rate national institutions.

For the purpose of the effectiveness tests of the designated hedging relationships, REN applies the "Dollar offset method" and the linear regression statistical method as methodologies. The effectiveness ratio is given by comparing the changes in fair value of the hedging instrument with the changes in fair value of the hedged item (or hypothetical derivative instrument simulating the conditions of the hedged item).

For the purpose of calculating ineffectiveness, the total change in fair value of the hedging instruments is considered.

The disclosed amount includes receivable or payable accrued interest, at 31 December 2020 related to these financial instruments, in the net amount receivable of 1,960 thousand euros (at 31 December 2019 it was 2,323 thousand euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2020 and 2019 were as follows:

	Notional	REN pays	REN receives	Maturity	Fair value at 31 December 2020	Fair value at 31 December 2019
Cash flow hedge						
Interest rate swaps	600,000 TEUROS	[0.75%;1.266%]	[EURIBOR 3M; EURIBOR 6M]	[DEC-2024;FEB-2025]	(26,019)	(21,670)
Currency swaps	72,899 TEUROS	[EURIBOR 6M; + 1.9%]	2.71%	[JUN-2024]	9,755	13,712
					(16,264)	(7,958)
Fair value hedge						
Interest rate swaps	300,000 TEUROS	[EURIBOR 6M]	[0.611%]	[FEB-2025]	15,930	13,516
Interest rate swaps	100,000 TEUROS	[EURIBOR 6M; +0.3332%]	[1.724%]	[OCT-2020]	-	1,732
					15,930	15,249
Trading						
Interest rate swaps	60,000 TEUROS	[0.99%]	[EURIBOR 6M]	[JUN-2024]	(3,196)	(3,177)
					(3,196)	**(3,177)**
TOTAL		**30,953**	**33,967**	**4,659**	**(3,530)**	**4,114**

The periodicity of the cash flows, paid and received, from the derivative financial instruments portfolio is quarterly, semiannual and annual for cash flow hedging contracts, semiannual and annual for fair value hedging contracts and semiannual for the trading derivative.

The breakdown of the notional of derivatives at 31 December 2020 and 2019 is presented in the following table:

2020

	2021	2022	2023	2024	2025	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	300,000	300,000	-	600,000
Currency swap (cash flow hedge)	-	-	-	72,899	-	-	72,899
Interest rate swap (fair value hedge)	-	-	-	-	300,000	-	300,000
Interest rate swap (trading)	-	-	-	60,000	-	-	60,000
TOTAL	-	-	-	432,899	600,000	-	1,032,899

2019

	2020	2021	2022	2023	2024	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	300,000	300,000	600,000
Currency swap (cash flow hedge)	-	-	-	-	72,899	-	72,899
Interest rate swap (fair value hedge)	100,000	-	-	-	-	300,000	400,000
Interest rate swap (trading)	-	-	-	-	60,000	-	60,000
TOTAL	100,000	-	-	-	432,899	600,000	1,132,899

Swaps:

Cash Flow Hedge - Interest Rate Swaps

The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on a portion of future debt interest payments through the designation of interest rate swaps, in order to transform floating rate payments into fixed rate payments.

At 31 December 2020, the Group has a total of four cash flow hedging interest rate swap contracts for a total amount of 600,000 thousand euros (as of 31 December 2019 it was 600,000 thousand euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2020, is negative 26,019 thousand Euros (at 31 December 2019 it was negative 21,670 thousand euros).

Of the derivatives described above, two contracts in a total amount of 300,000 thousand euros (at 31 December 2019 it was 300,000 thousand euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 25,836 thousand euros (at 31 December 2019 it was 21,517 thousand euros).

The hedged instruments of cash flow hedging relationships present the following conditions:

	Maturity	Hedged notional	Interest rate	Hedged Carrying Amount 2020	Hedged Carrying Amount 2019	Note
Cash Flow Hedging Instruments						
European Investment Bank (EIB) Loan	16/12/2024	300,000 TEUROS	EURIBOR 3M	299,889	299,694	20
Bond Issue (Euro Medium Term Notes)[1]	12/02/2025	300,000 TEUROS	2.5%	293,361	293,363	20

[1] This hedged instrument is designated jointly with derivatives of fair value hedging amounting to 300,000 thousand euros (see conditions on the table above) in an aggregate exposure hedge to Euribor 6 months in the period from 2023 to 2025 and, as such, eligible for cash flow hedge.

Cash Flow Hedge – Interest and Exchange Rate Swaps

The Group hedged the exchange rate risk of the 10,000 million yen bond issued through a cross currency swap with the main characteristics similar to the bond with regard to exchange rate risk. Credit risk is not hedged.

The fair value of the cross currency swap at 31 December 2020 is positive 9,755 thousand euros (at 31 December 2019 it was positive 13,712 thousand euros).

Changes in the fair value of the hedging instrument are also being recognized in equity hedging reserves, with exception of:

- the offsetting of the exchange rate effect of the spot revaluation of the hedged item (bond issue in yen) at each reference date, arising from the hedging of the exchange rate risk ;
- the ineffective effect of the hedge arising from the accounting designation made (REN contracted a trading derivative to economically hedge this ineffectiveness - see Trading Derivative) . This inefficiency is caused by the change in the interest profile of the hedging instrument, which pays a variable rate in the period from 2019 to 2024.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of cash flow hedges were as follows:

2020

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(4,318)	(4,318)	-	-
Swaps of exchange rate	(3,958)	(3,208)	2,199	(2,950)
	(8,277)	**(7,526)**	**2,199**	**(2,950)**

[1] The currency effect of the underlying (loan), in the year 2020, was favorable in the amount of 2,950 thousand euros, and was offset, in the same amount, by the unfavourable effect of the hedging instrument in the income statement for the year (as of 31 December 2019 was unfavorable in 2,548 thousand euros).

[2] The ineffective cash flow hedge component of the exchange rate risk recognised in the income statement, was positive 2,199 thousand euros which was offset by the effect of the trading derivative negotiated in negative 16 thousand euros (as of 31 December 2019 it was positive 2,287 thousand euros against negative 1,088 thousand euros of the effect of the trading derivative). Therefore, the net effect on the income statement for the period ended on 31 December 2020 amounted to positive 2,183 thousand euros (as of 31 December 2019 was positive 1,199 thousand euros).

2019

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(10,773)	(10,773)	-	-
Swaps of exchange rate	2,721	(2,114)	2,287	2,548
	(8,052)	**(12,887)**	**2,287**	**2,548**

Hedging Reserve:

The movements recognised in the hedging reserve (Note 19) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves (Note 19)
1 January 2019	(13,647)	3,071	(10,577)
Changes in fair value and ineffectiveness	(12,887)	3,563	(9,324)
31 DECEMBER 2019	**(26,534)**	**6,634**	**(19,901)**
1 January 2020	(26,534)	6,634	(19,901)
Changes in fair value and ineffectiveness	(7,525)	1,881	(5,644)
31 DECEMBER 2020	**(34,059)**	**8,515**	**(25,545)**

Fair Value Hedge

The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on the fair value of interest payments on fixed-rate debt by negotiating interest rate swaps where it pays a variable rate and receives a fixed rate in order to convert fixed-rate debt payments into variable-rate payments.

At 31 December 2020, the Group has a total of three fair value hedging derivative contracts amounting to 300,000 thousand euros (as of 31 December 2019 it was 400,000 thousand euros).

The hedged risk corresponds to the change in fair value of debt issues attributable to movements in the market interest rate index (Euribor). Credit risk is not being hedged. At 31 December 2020, the fair value of interest rate swaps designated as fair value hedging instruments was positive 15,930 thousand euros (as of 31 December 2019 it was positive 15,249 thousand euros).

Changes in the fair value of hedged items arising from interest rate risk are recognised in the income statement in order to offset changes in the fair value of the hedging instrument, which are also recognised in the income statement. The hedged items of fair value hedging relationships have the following conditions:

2020

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated Fair value adjustment	Variation of the year-end 2020	Note
Fair value hedging instruments							
Bond Issue (Euro Medium Term Notes)	16/10/2020	100,000 TEUROS	4.75%	-	-	(137)	20
Bond Issue (Euro Medium Term Notes)	12/02/2025	300,000 TEUROS	2.50%	307,192	(13,831)	(2,433)	20
					(13,831)	(2,570)	

2019

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated Fair value adjustment	Variation of the year-end 2019	Note
Fair value hedging instruments							
Bond Issue (Euro Medium Term Notes)	16/10/2020	100,000 TEUROS	4.75%	97,188	136	1,546	20
Bond Issue (Euro Medium Term Notes)	12/02/2025	300,000 TEUROS	2.50%	304,761	(11,398)	(6,472)	20
					(11,262)	**(4,926)**	

In 2020, the change in fair value of the debt related to interest rate risk recognized in the income statement was negative 2,570 thousand euros (at 31 December 2019 it was negative 4,926 thousand euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately negative 55 thousand euros (at 31 December 2019 it was positive 83 thousand euros).

The ineffectiveness recognized is related to the effect of the fixed leg spread of the hedging instruments that is not reflected in the hedged item.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of fair value hedges were as follows:

2020

Fair value Hedging instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	(55)

2019

Fair value Hedging instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	83

Trading Derivative

The Group negotiated an interest rate swap, with a starting date in 2019 and maturity in 2024, which pays fixed rate and receives variable rate. This instrument, although not designated as hedge accounting considering IFRS 9 criteria, is currently hedging the effect of the ineffectiveness of the cash flow hedge of the interest and exchange rate risks of the bond issue in Yen, relative to the fluctuation of interest rates for the hedging period (see Cash Flow Hedge – Interest and Exchange Rate Swaps).

The notional amount of this trading derivative is 60,000 thousand euros as of 31 December 2020 (at 31 December 2019 it was 60,000 thousand euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2020, is negative 3,196 thousand euros (on 31 December 2019 it was negative 3,177 thousand euros).

Changes in the fair value of the trading derivative are recorded directly in the income statement. The impact in the income statement, as of 31 December 2020, related to the effect of the fair value of the trading derivative was negative 16 thousand euros (as of 31 December 2019 it was 1,088 thousand euros negative).

17. CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents in the consolidated statements of cash flows for the years ended 31 December 2020 and 2019 are made up as follows:

	2020	2019
Cash	-	-
Bank deposits	61,499	21,044
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION	**61,499**	**21,044**
Bank overdrafts (Note 20)	(330)	(523)
CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT	**61,169**	**20,521**

Following the acquisition of the entire share capital of Transemel, in the year ended 31 December 2019, an increase of 152 thousand euros was recorded in the caption "Cash and cash equivalents", changes in perimeter.

In addition, in the years ended 31 December 2020 and 2019, there are no cash and cash equivalents that are not available for the group to use.

18. EQUITY INSTRUMENTS

As of 31 December 2020 and 2019, REN's subscribed and paid up share capital is made up of 667,191,262 shares of 1 euro each.

	2020		2019	
	Number of shares	Share Capital	Number of shares	Share Capital
Share Capital	667,191,262	667,191	667,191,262	667,191

The caption "Other changes in equity" in the years ended 31 December 2020 and 2019 amounted to 5,561 thousand euros.

Additionally, and following the share capital increase in 2017, the caption "Share Premium" in the years ended 31 December 2020 and 2019 amounted to 116,809 thousand euros.

At 31 December 2020, REN SGPS had the following own shares:

	Number of shares	Proportion	Amount
Own shares	3,881,374	0.6%	(10,728)

No own shares were acquired or sold in the years ended 31 December 2020 and 2019.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must at all times ensure that there are sufficient Equity Reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution.

19. RESERVES AND RETAINED EARNINGS

The caption "Reserves" in the amount of 289,887 thousand euros includes:

- **Legal reserve:** The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. This reserve can only be used to cover losses or to increase capital. At 31 December 2020 this caption amounts to 125,075 thousand euros;

- **Fair value reserve:** includes changes in the fair value of available for sale financial assets (48,905 thousand euros positive), as detailed in Note 13;

- **Hedging reserve:** includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 25,545 thousand euros) as detailed in Note 16; and

- **Other reserves:** This caption is changed by (i) application of the results of previous years, being available for distribution to shareholders; except for the limitation set by the Companies Code in respect of own shares (Note 18), (ii) exchange rate changes associated to the financial investment whose functional currency is Dollar; (iii) exchange variation of assets and liabilities of financial investments in subsidiaries, namely the exchange rate effect of converting Chilean Peso to Euro and (iv) changes in equity of associates recorded under the equity method. On 31 December 2020, this caption amounts to 141,452 thousand euros.

In accordance with the Portuguese legislation: (i) increases in equity as a result of the incorporation of positive fair value (fair value reserves and hedging reserves) can only be distributed to shareholders when the correspondent assets have been sold, exercised, extinct, settled or used; and (ii) income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. Portuguese legislation establishes that the difference between the equity method income and the amount of paid or deliberated dividends is equivalent to legal reserve.

20. BORROWINGS

The segregation of borrowings between current and non-current and by nature, at 31 December 2020 and 2019 was as follows:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Bonds	-	1,442,889	1,442,889	297,755	1,445,327	1,743,082
Bank Borrowings	96,567	574,897	671,464	75,736	581,675	657,411
Commercial Paper	450,000	250,000	700,000	364,000	100,000	464,000
Bank overdrafts (Note 17)	330	-	330	523	-	523
Leases	1,576	3,207	4,783	1,488	2,386	3,874
	548,473	2,270,992	2,819,465	739,502	2,129,388	2,868,890
Accrued interest	22,421	-	22,421	25,396	-	25,396
Prepaid interest	(8,337)	(10,117)	(18,454)	(7,740)	(17,092)	(24,832)
BORROWINGS	562,557	2,260,875	2,823,433	757,158	2,112,296	2,869,454

The change in borrowings during the year ended 31 December 2020 was as follows:

	Opening balance 01.01.2020	Subscriptions	Reimbursement	Exchange evaluation	Fair value	Reclassification Non-Current to Current	Increase Finance Lease	Change in Bank overdrafts	Exchange rate differences	Closing balance 31.12.2020
Non-Current										
Bonds	1 445 327	-	-	(2 950)	512	-	-	–	-	1 442 889
Bank Borrowings	581 675	90 000	-	-	-	(96 562)	-	–	(216)	574 897
Commercial Paper	100 000	500 000	(250 000)	-	-	(100 000)	-	–	-	250 000
Finance Lease	2 386	-	-	-	-	(1 188)	2 009	–	-	3 207
	2 129 388	590 000	(250 000)	(2 950)	512	(197 750)	2 009	–	(216)	2 270 992
Current										
Bonds	297 755	-	(297 755)	-	-	-	-	-	-	-
Bank Borrowings	75 736	330 000	(404 892)	-	-	96 562	-	-	(839)	96 567
Commercial Paper	364 000	1 506 000	(1 520 000)	-	-	100 000	-	-	-	450 000
Bank overdrafts	523	-	-	-	-	-	-	(193)	-	330
Finance Lease	1 488	-	(1 768)	-	-	1 188	669	-	-	1 576
	739 502	1 836 000	(2 224 415)	-	-	197 750	669	(193)	(839)	548 473
BORROWINGS	2 868 890	2 426 000	(2 474 415)	(2 950)	512	-	2 678	(193)	(1 055)	2 819 465

The borrowings settlement plan was as follows:

2020

	2021	2022	2023	2024	2025	Following years	Total
Debt - Non current	-	108,658	628,277	360,476	583,491	590,090	2,270,992
Debt - Current	548,473	-	-	-	-	-	548,473
TOTAL	548,473	108,658	628,277	360,476	583,491	590,090	2,819,465

Detailed information regarding bond issues as of 31 December 2020 is as follows:

Issue date	Maturity	Inicial amount	Outstanding amount	Interest rate	Periodicity of interest payment
'Euro Medium Term Notes' programme emissions					
26/06/2009	26/06/2024	TEUR 72,899 (i) (ii)	TEUR 72,899	FIXED RATE	SEMI-ANNUAL
12/02/2015	12/02/2025	TEUR 300,000 (ii)	TEUR 500,000	FIXED RATE EUR 2.50%	ANNUAL
01/06/2016	01/06/2023	TEUR 550,000	TEUR 550,000	FIXED RATE EUR 1.75%	ANNUAL
18/01/2018	18/01/2028	TEUR 300,000	TEUR 300,000	FIXED RATE EUR 1.75%	ANNUAL

(i) These issues correspond to private placements.
(ii) These issues have interest currency rate swaps associated.

As of 31 December 2020, the Group has nine commercial paper programs in the amount of 2,000,000 thousand euros, of which 1,300,000 thousand euros are available for utilization. Of the total amount 530,000 thousand euros have a guaranteed placement, of which 280,000 thousand euros are available for utilization at 31 December 2020.

In 2020, the Group contracted a Euro-Commercial Paper Program with a maximum amount of 600,000 thousand euros, with the amount of 325,000 thousand euros available for use.

As part of the financing contract, signed in 2015, with the European Investment Bank (EIB) for the financing of projects in the electricity business, in June 2020, the second and third of three tranches in the amount of 20,000 and 70,000 thousand euros was disbursed.

Bank loans are mostly composed of loans contracted with the European Investment Bank (EIB), which at 31 December 2020 amounted to 480,840 thousand euros (at 31 December 2019 it was 440,329 thousand euros).

The Group also has credit lines negotiated and not used in the amount of 80,000 thousand euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose).

The balance of the caption Prepaid interest includes the amount of 11,836 thousand euros (16,733 thousand euros in 31 December 2019) related with the refinancing of bonds through an exchange offer completed in 2016.

As a result of the fair value hedge related to the debt emission in the amount of 300,000 thousand euros, fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in an amount of 2,570 thousand euros (negative) (at 31 December 2019 was 4,926 thousand euros (negative)) (Note 16).

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge and Gearing.

The bank loans with BEI include also covenants related with rating and other financial ratios in which the Group may be called upon to present an acceptable guarantee in the event of rating and financial ratios below the established values.

As of 31 December 2020, the REN Group complies with all covenants to which it is contractually bound.

REN and its subsidiaries are a part of certain financing agreements and debt issues, which include change in control clauses typical in this type of transactions (including, though not so expressed, changes in control as a result of takeover bids) and essential to the realization of such transactions on the appropriate market context. In any case, the practical application of these clauses is limited to considering the legal ownership of shares of REN restrictions.

Following the legal standards and usual market practices, contractual terms and free market competition, establish that neither REN nor its counterparts in borrowing agreements are authorized to disclose further information regarding the content of these financing agreements.

The exposure of the Group's borrowings to changes in interest rates on the contractual re-pricing dates is as follows:

	2020	2019
6 month or less	1,340,431	1,186,570
6 - 12 month	-	169,813
1 - 5 years	872,870	4,615
Over 5 years	600,000	1,477,699
	2,813,301	2,838,697

The effect of the foreign exchange rate exposure was not considered as this exposure is totally covered by hedge derivate in place.

The average interest rates for borrowings including commissions and other expenses were 1.81% in 2020 and 2.08% in 2019.

Leases

Minimal payments regarding lease contacts and the carrying amount of the finance lease liabilities as of 31 December 2020 and 2019 are made up as follows:

	2020	2019
Lease liabilities - minimum lease payments		
No later than 1 year	1,597	1,515
Later than 1 year and no later than 5 years	3,232	2,413
	4,829	3,928
Future finance charges on leases	(47)	(54)
PRESENT VALUE OF LEASE LIABILITIES	4,783	3,874

	2020	2019
The present value of lease liabilities is as follows		
No later than 1 year	1,576	1,488
Later than 1 year and no later than 5 years	3,207	2,386
	4,783	3,874

21. POS-EMPLOYMENT BENEFITS AND OTHERS BENEFITS

As explained in Note 3.10, REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as Pension Plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service award, retirement award and a death subsidy (referred to as "Other benefits"). The Group also grants their employees life assurance plans. The long service award is applicable to all Group companies.

In November 2012, the Group terminated the Collective Bargaining Agreement ("ACT") which covered only part of REN employees (about 50%) proposing to the unions a new ACT applicable to all Group companies. This proposal aimed to integrate in a single document several and disperse existing documentation, adapting the new document do the Group current needs.

On 30 January 2015 the Group signed a new agreement with its employees effective on 1 February 2015, incorporating the following changes on future liabilities of long-term benefits:

- **Health care plan:** were considered new reimbursement limits;
- **Other benefits:** (i) long service bonus extended to all Group employees; (ii) Energy benefit was included.

At 31 December 2020 and 2019, the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	2020	2019
Liability on statement of financial position		
Pension plan	54,726	57,696
Healthcare plan and other benefits	45,781	45,613
	100,507	103,309

The reconciliation of the remeasurement of the net benefit liability is as follows:

	2020	2019
Initial balance	103,309	98,288
Current service costs and Net interest on net defined benefit liability	3,602	4,411
Actuarial gains/(losses)	1,773	9,965
Benefits paid	(8,176)	(9,356)
FINAL BALANCE	100,507	103,309

During the years ended 31 December 2020 and 2019, the following operating expenses were recorded regarding benefit plans with employees:

	2020	2019
Charges to the statement of profit and loss (Note 28)		
Pension plan	2,734	3,170
Healthcare plan and other benefits	890	1,246
	3,624	4,416

The actuarial assumptions used to calculate the post-employment benefits are considered by the REN Group and the entity specialized in the actuarial valuation reports to be those that best meet the commitments established in the Pension plan, and related retirement benefit liabilities, and are as follows:

	2020	2019
Annual discount rate	Full Yield Curve	1.00%
Expected percentage of serving employees elegible for early retirement (more than 60 years of age and 36 years in service) - by Collective work agreement"	20.00%	20.00%
Expected percentage of serving employees elegible for early retirement - by Management act	10.00%	10.00%
Rate of salary increase	2.50%	2.50%
Pension increase	1.50%	1.50%
Future increases of Social Security Pension amount	1.30%	1.30%
Inflation rate	1.50%	1.50%
Medical trend	1.50%	1.50%
Management costs (per employee/year)	€297	€297
Expenses medical trend	1.50%	1.50%
Retirement age (number of years)	66	66
Mortality table	TV 88/90	TV 88/90

The annual discount rate used in the valuation of liabilities, was obtained through an analysis of rates of return on bonds considered appropriate and in line with the duration of the obligations associated with different benefit plans (see discount rate determination in note 3.10).

Employees who meet certain predefined conditions of age and seniority and who chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

Sensitivity analysis

In the year ended 31 December 2020, the granular methodology was used to calculate liabilities. The benefits are broken down into cash flows according to the expected year of payment, with each cash flow being discounted using a discount rate corresponding to its duration, thus allowing to reflect the duration of each element. Since the benefits have different average durations, a different effective average discount rate was considered for each benefit.

For the purposes of the sensitivity analysis of the pension plan, health care plan and other benefits, an equivalent discount rate of 0.80%, 0.85% and 0.95%, respectively, was considered.

In the scenario where we apply an increase and a decrease of 1% to discount rate in determination of the responsibilities with pension plan and medical and other benefits plan, the following changes would occur:

	Discount rate for sensitivity analysis		
	-0.20%	0.80%	1.80%
Pension plan			
Liabilities	102,040	90,939	81,640
Impact on liabilities	11,101	-	(9,299)
	-0.15%	**0.85%**	**1.85%**
Healthcare plan			
Liabilities	18,638	16,179	14,217
Impact on liabilities	2,459	-	(1,962)
	-0.05%	**0.95%**	**1.95%**
Other benefits			
Liabilities	35,140	29,602	25,331
Impact on liabilities	5,538	-	(4,271)

The evolution of the eligible population for the pension plan and the healthcare and other benefits plan is as follows:

	2020	2019
Active (Pension plan, Healthcare plan and Other benefits) (a)	259	272
Active (Long service award benefit)	699	688
Pre-retires and earlier retires	131	142
Retires	663	674

(a) The Other benefits excludes the long award benefit.

21.1. PENSION PLAN

To cover its liability for supplementary retirement pensions, REN contributes to an autonomous Pension fund.

In the years ended 31 December 2020 and 2019, no contributions were made to the REN Pension Fund. No contributions are expected for the following year.

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2021	2022	2023	2024	2025	2026-2030
Expected benefits payments	6,877	5,664	5,030	4,438	4,042	19,807

The weighted average duration of the obligations of the pension plan is 10 years.

The portfolio of assets of the REN Pension Fund as of 31 December 2020 and 2019 were as follows, in accordance with information provided by the financial institution in charge for the management of REN`s Pension Fund:

Plan assets	2020	%	2019	%
Bonds	31,772	88%	32,807	87%
Shares	4,090	11%	3,656	10%
Readily available deposits	252	1%	1,250	3%
Absolute return	99	0%	33	0%
TOTAL	36,213	100%	37,746	100%

The assets effective rate of return in 2020 was 2.22% (5.31% in 2019).

Evolution of the assets of the Pension Fund in 2020 and 2019 was as follows:

	2020	2019
At 1 January	37,746	37,882
Actuarial gain / (loss)	636	1,297
Benefits paid	(2,346)	(2,093)
Return on plan assets (i)	177	659
AT 31 DECEMBER	36,213	37,746

(i) Unique rate applied to the obligation and assets pension plan.

The liabilities and corresponding annual costs are determined by annual actuarial calculations, using the projected unit credit method, made by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions at the moment of the actuarial calculations.

The amount of the liability recognized in the consolidated statement of financial position was determined as follows:

	2020	2019
Present value of the liability	(90,939)	(95,442)
Fair value of plan assets	36,213	37,746
	(54,726)	(57,696)

The reconciliation of the remeasurement of liability net of benefits is as follows:

	2020	2019
At 1 January	57,696	56,904
Current service costs	2,378	2,210
Net interest on net defined benefit liability	356	960
Actuarial gains/(losses)	1,179	5,676
Benefits paid	(6,882)	(8,054)
AT 31 DECEMBER	54,726	57,696

The changes in the present value of the underlying liability of the pension plan were as follows:

Reconciliation of the obligation of the pension plan

	2020	2019
At 1 January	95,442	94,786
Current service costs	2,378	2,210
Interest costs	533	1,619
Benefits paid	(9,228)	(10,147)
Actuarial(gains)/losses	1,815	6,973
AT 31 DECEMBER	90,939	95,442

The impact on the consolidated statement of profit and loss for the year was as follows:

	2020	2019
Current service costs	2,378	2,210
Net interest on net defined benefit liability	356	960
TOTAL INCLUDED IN PERSONNEL COSTS	2,734	3,170

Historical analysis of the actuarial gains and losses

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2020	2019
Discount rate	Full Yield Curve	1.00%
Liabilities amount	90,939	(95,442)
Value of the fund	36,213	37,746
Actuarial gains/(losses) on liabilities	(1,815)	(6,973)
- for change in assumptions	(3,053)	(7,661)
- from experience	1,238	688
Actuarial gains/(losses) on fund assets	636	1,297

21.2. HEALTHCARE AND OTHER BENEFITS

The healthcare and other benefits plan does not have a fund, the liability being covered by a specific provision.

The amounts of the liability recognized in the statements of financial position were as follows:

	2020	2019
Present value of the obligation	45,781	45,613
LIABILITY IN THE STATEMENT OF FINANCIAL POSITION	**45,781**	**45,613**

The changes in the amount of the obligation for healthcare and other benefits were as follows:

	2020	2019
At 1 January	45,613	41,384
Current service costs	535	513
Interest costs	333	728
Benefits paid	(1,294)	(1,302)
Actuarial (gain)/loss	594	4,289
AT 31 DECEMBER	**45,781**	**45,613**

The effects of the plan on the consolidated statements of profit and loss were as follows:

	2020	2019
Current service costs	535	513
Interest costs	333	728
(Gains)/losses of other long term employee benefit plans	22	5
TOTAL INCLUDED IN PERSONNEL COSTS	**890**	**1,246**

Medical expenses trend rate in the Healthcare plan

The medical cost increase rate adopted by the Group assessed by reference to historical series statistics expenses increases was 1.5%.

The effect of an increase of one percentage point of the healthcare expenses growth rate, represents a 10% increase in liabilities, where a decrease of one percentage point results in a decrease of 9% in liabilities as shown below:

	Growth rate for sensitivity analysis		
	0.50%	1.50%	2.50%
Current service and interest costs	235	275	328
Impact on current service and interest costs	(40)	-	53
Past service liabilities	14,798	16,179	17,870
Impact on past service liabilities	(1,381)	-	1,691

Historical analysis of the actuarial gains and losses in the medical and other benefits plan

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2020	2019
Discount rate	Full Yield Curve	1,00%
Liabilities amount	(45,781)	(45,613)
Actuarial (gains)/losses on liabilities	(594)	(4,289)
- for change in assumptions	(1,421)	(5,293)
- from experience	828	1,004

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2021	2022	2023	2024	2025	2026-2030
Expected benefits payments	1,970	1,884	1,847	1,875	1,876	8,802

The weigh average duration of these liabilities is 13 years for healthcare and 16 years for other benefits.

22. PROVISIONS FOR OTHER RISKS AND CHARGES

The changes in provisions for other risks and charges in the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Begining balance	8,416	8,852
Increases	669	124
Reversing	(484)	(434)
Utilization	(93)	(126)
ENDING BALANCE	**8,508**	**8,416**
Non-current provision	8,508	8,416
	8,508	**8,416**

At 31 December 2019, the caption "Provisions" corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties.

23. TRADE AND OTHER PAYABLES

The caption "Trade and other payables" at 31 December 2020 and 2019 was made up as follows:

	2020			2019		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 12)	164,595	-	164,595	149,388	-	149,388
Other creditors						
Other creditors (Note 12)	52,976	51,650	104,626	62,236	59,051	121,287
Tariff deviations (Note 12)	45,252	59,035	104,287	66,595	37,688	104,283
Fixed assets suppliers (Note 12)	45,676	-	45,676	54,530	-	54,530
Tax payables (Note 12) (i)	19,927	-	19,927	16,367	-	16,367
Deferred income						
Grants related to assets	19,954	261,201	281,155	16,428	243,888	260,316
Accrued costs						
Holidays and holidays subsidies (Note 12)	5,420	-	5,420	5,189	-	5,189
TRADE AND OTHER PAYABLES	353,800	371,886	725,686	370,733	340,627	711,360

(i) Tax payables refer to VAT, personnel income taxes and other taxes.

The caption "Trade and other payables" includes: (i) the amount of 29,441 thousand euros, regarding the management of CAEs from Turbogás and Tejo Energia (40,507 thousand euros at 31 December 2019); (ii) the amount of 9,994 thousand euros of investment projects not yet invoiced (15,013 thousand euros at 31 December 2019); (iii) the amount of 4 thousand euros (19,006 thousand euros at 31 December 2019) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 104 thousand euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (49 thousand euros at 31 December 2019), also reflected in the caption "Trade receivables" (Note 14).

This transaction related to "CMEC" sets a pass-through in the consolidated income statement of REN, fact for which it is compensated in that statement.

The caption "Other creditors" includes: (i) the amount of 11,813 thousand euros (19,326 thousand euros at 31 December 2019) related with the Efficiency Promotion Plan on Energy Consumption ("PPEC"), which aims to financially support initiatives that promote efficiency and reduce electricity consumption, which should be used to finance energy efficiency projects, according to the evaluation metrics defined by ERSE.

The ageing of trade suppliers, other creditors and fixed assets suppliers is as follows:

Ageing of debts	2020	2019
Not due and due up to 30 days	237,966	240,372
31-60 days	1,011	2,117
61-90 days	1,299	344
91-120 days	74	3,992
More than 120 days	74,548	78,380
	314,897	325,205

The movement in the caption "Grants related to assets" current and non-current, in the years ended

31 December 2020 and 2019 was as follows:

Grants	
At 1 January 2019	272,465
Increases	5,755
Recognition of investment subsidies in profit and loss (Note 26)	(17,904)
AT 31 DECEMBER 2019	260,316
Increases	40,085
Other reclassifications	(228)
Recognition of investment subsidies in profit and loss (Note 26)	(19,018)
AT 31 DECEMBER 2020	281,155

24. SALES AND SERVICES RENDERED

Sales and services rendered recognized in the consolidated statement of profit and loss for the years ended 31 December 2020 and 2019 is made up as follows:

	2020	2019
Goods:		
Domestic market	64	79
	64	**79**
Services - Domestic market:		
Electricity transmission and overall systems management	353,270	346,888
Natural gas transmission	78,616	84,660
Natural gas distribution	53,730	58,757
Regasification	40,007	45,766
Underground gas storage	18,415	16,800
Telecommunications network	6,662	6,514
Trading	1,797	2,089
Others	593	1,500
Services - External market (Chile):		
Transmission and transformation of electricity (i)	10,141	2,732
	563,232	**565,707**
TOTAL SALES AND SERVICES RENDERED	**563,296**	**565,786**

(i) The services in Chile are related to Transemel, acquired on 1 October 2019.

25. REVENUE AND COSTS FOR CONSTRUCTION ACTIVITIES

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets as of 31 December 2020 and 2019 were made up as follows:

	2020	2019
Revenue from construction of concession assets		
Acquisitions	142,036	164,636
Own work capitalised :		
Financial expenses (Note 8)	2,392	2,562
Overhead and management costs (Note 8)	16,429	16,745
	160,856	**183,944**
Cost of construction of concession assets		
Acquisitions	142,036	164,636
TOTAL SALES AND SERVICES RENDERED	**142,036**	**164,636**

26. OTHER OPERATING INCOME

The caption "Other operating income" loss for the years ended 31 December 2020 and 2019 is made up as follows:

	2020	2019
Recognition of investment subsidies in profit and loss (Note 23)	19,018	17,904
Underground occupancy tax	4,023	4,439
Supplementary income	1,155	3,045
Disposal of unused materials	354	1,249
Others	2,133	1,412
	26,683	28,049

27. EXTERNAL SUPPLIES AND SERVICES

The caption "External supplies and services" for the years ended 31 December 2020 and 2019 is made up as follows:

	2020	2019
Maintenance costs	20,725	16,879
Fees relating to external entities i)	16,647	14,846
Cross border interconnection costs ii)	8,928	5,219
Electric energy costs	7,304	8,466
Gas transport subcontracts	4,315	4,016
Insurance costs	3,716	2,710
Security and surveillance	2,342	2,095
Advertising and communication costs	942	966
Travel and transportation costs	588	1,632
Other	3,516	3,670
EXTERNAL SUPPLIES AND SERVICES	69,022	60,500

i) The fees paid to external entities refer to specialized work and fees paid by REN for contracted services and specialized studies.
ii)The cross border interconnection costs refer to the cost assumed on cross-border trade in electricity

This caption includes audit services as well as consulting services rendered by audit companies recorded as expenses in 2020, as follows:

	2020	2019
Audit and statutory audit	274	258
Other assurance services	116	116
Services other than audit and statutory audit	48	92
	438	466

28. PERSONNEL COSTS

Personnel costs for the years ended 31 December 2020 and 2019 are made up as follows:

	2020	2019
Remuneration:		
Board of directors	3,566	2,898
Personnel	38,156	37,475
	41,722	40,373
Social charges and other expenses:		
Social security costs	8,175	8,066
Post-employement and other benefits cost (Note 21)	3,624	4,416
Social support costs	1,712	1,546
Other	297	344
	13,807	14,372
TOTAL PERSONNEL COSTS	55,529	54,745

The Corporate bodies' remuneration includes remunerations paid to the Board of Directors as well as the General Shareholders meeting attendance.

The average number of employees of the Group in 2020 was 695 (687 in 2019).

29. OTHER OPERATING COSTS

Other operating costs for the years ended 31 December 2020 and 2019 are made up as follows:

	2020	2019
ERSE operating costs i)	11,475	11,054
Underground occupancy tax	4,078	3,856
Donations and quotizations	2,090	1,377
Taxes	1,075	1,211
Others	2,176	741
	20,895	18,240

i) The caption "ERSE operating costs" corresponds to ERSE's operating costs, to be recovered through electricity and gas tariffs.

30. FINANCIAL COSTS AND FINANCIAL INCOME

Financial costs and financial income for the years ended 31 December 2020 and 2019 are made up as follows:

	2020	2019
Financial costs		
Interest on bonds issued	43,245	48,336
Other borrowing interests	10,081	12,001
Interest on commercial paper issued	3,202	2,078
Derivative financial instruments	1,573	1,288
Other financing expenditure	1,536	1,735
	59,637	65,438
Financial income		
Derivative financial instruments	2,743	3,535
Other financial investments	2,909	2,719
	5,651	6,254

31. EARNINGS PER SHARE

Earnings per share were calculated as follows:

		2020	2019
Consolidated net profit used to calculate earnings per share	(1)	109,249	118,899
Number of ordinary shares outstanding during the period (Note 18)	(2)	667,191,262	667,191,262
Effect of treasury shares (Note 18)		3,881,374	3,881,374
NUMBER OF SHARES IN THE PERIOD	**(3)**	**663,309,888**	**663,309,888**
Basic earnings per share (euro per share)	(1)/(3)	0.16	0.18

The basic earnings per share are the same as the diluted earnings as there are no situations that could origin dilution effects.

32. DIVIDENDS PER SHARE

During the Shareholders General Assembly meeting held on 7 May 2020, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2019, in the amount of 114,090 thousand euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

During the Shareholders General Assembly meeting held on 3 May 2019, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2018, in the amount of 114,090 thousand euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

33. CONTINGENT ASSETS AND LIABILITIES

33.1. COMMITMENTS

The commitments assumed by REN Group relating to investments contracted but not yet realized, not reflected in the statement of financial position as of 31 December 2020 and 2019, were as follows:

	2020	2019
Substations	58,529	52,670
Power lines	57,881	40,153
Gas pipelines	2,386	965
Sines Terminal	375	786
Underground gas storage	802	276
	119,973	**94,850**

Regarding joint ventures and associates, there are no other commitments assumed by the Group and which are not included in the consolidated statement of financial position, for the years ended 31 December 2020 and 2019.

33.2. CONTINGENT LIABILITIES

Tejo Energia - Produção e Distribuição de Energia Eléctrica, SA ("Tejo Energia") has announced to REN – Rede Eléctrica Nacional, SA ("REN Eléctrica") and REN Trading SA ("REN Trading") its intention to renegotiate the Energy Acquisition Agreement (CAE), in order to reflect in the amounts payable to this producer the costs, which in its opinion would be due, incurred with (i) financing of the social tariff and (ii) with the tax on petroleum products and energy and with the rate of carbon. Turbogás - Produtora Energética S.A. ("Turbogás") also stated its intention to renegotiate the CAE, in order to reflect in the amounts payable the costs incurred with the financing of the social tariff.

According to the CAE, Tejo Energia and Turbogás act as producers and sellers and REN Trading as purchaser of the energy produced in power plants. REN Eléctrica is jointly and severally liable with REN Trading, regarding the execution of the CAE with Tejo Energia and Turbogás. According to the information received, the total costs incurred by these companies until 31 December 2020 amounts to, approximately, 66 million euros.

REN Trading and REN Elétrica consider that, with the existing legal framework, this possibility depends on the recognition that the associated charges can be considered as general costs of the national electricity system, the only way to guarantee the economic neutrality of REN Trading's contractual position .

All of these disputes have already been dealt with by the financial panels provided for in the PPAs, which rejected the requests made by the plaintiffs. The two disputes with Tejo Energia were subsequently the subject of arbitration requests submitted by it to the International Chamber of Commerce (ICC).

33.3. GUARANTEES GIVEN

At 31 December 2020 and 2019, the REN Group had given the following bank guarantees:

Beneficiary	Scope	2020	2019
European Investment Bank (EIB)	To guarantee loans	277,693	212,924
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	24,482	8,416
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	23,788	23,788
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Municipal Council of Seixal	Guarantee for litigation	3,133	3,133
Portuguese State	Guarantee for litigation	2,242	2,185
Municipal Council of Maia	Guarantee for litigation	1,564	1,564
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
EP - Estradas de Portugal	Guarantee for litigation	555	195
Municipal Council of Porto	Guarantee for litigation	368	368
Municipal Council of Silves	Guarantee for expropriation processes	352	352
NORSCUT - Concessionária de Auto-estradas	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
District Court of Lisbon	Guarantee for suspension of continuation of pending enforcement proceedings	140	10,707
Others (loss then 100 thousand euros)	Guarantee for litigation	109	144
		341,294	270,646

The given guarantees have the following maturities:

	31 December 2020			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	27,645	137,176	112,872	277,693
Other guarantees	-	-	63,601	63,601
	27,645	137,176	176,473	341,294

	31 December 2019			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	25,692	104,986	82,247	212,924
Other guarantees	-	-	57,722	57,722
	25,692	104,986	139,968	270,646

33.4. GUARANTEES RECEIVED

REN has collateral guarantees regarding accounts receivable, namely bank guarantees, which amount to, approximately, 47,384 thousand euros as of 31 December 2020 (131,641 thousand euros as of 31 December 2019).

34. RELATED PARTIES

Main shareholders and shares held by corporate bodies

At 31 December 2020 and 2019, the shareholder structure of Group REN was as follows:

	2020		2019	
	Number of shares	%	Number of shares	%
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	166,797,815	25.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	46,611,245	7.0%	46,611,245	7.0%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
The Capital Group Companies, Inc. i)	-	-	25,365,000	3.8%
Great-West Lifeco, Inc.	18,225,165	2.7%	18,225,165	2.7%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Others	282,719,676	42.4%	257,354,676	38.6%
	667,191,262	100%	667,191,262	100%

i) On February 26, 2020, The Capital Group Companies, Inc. informed REN of the decrease in the stake held (indirectly), and from that date, it was charged with a stake of less than 2% in the REN Group's shareholder structure. In this sense, and no longer having a qualified participation in REN, The Capital Group Companies, Inc. no longer has the obligation to report changes in the participation held, so the number of shares held by The Capital Group Companies, Inc is included in the "Others" item in the nine-month period ended 31 December 2020.

The number of shares of REN SGPS held by corporate bodies at 31 December 2020 and 2019 is detailed in the Director's Report.

Management remuneration

The Board of Directors of REN, SGPS was considered, in accordance with IAS 24, to be the only key members in the Management of the Group.

REN has not established any specific retirement benefit system for the Board of Directors.

Remuneration of the Board of Directors of REN, SGPS in the year ended 31 December 2020 amounted to 3,130 thousand euros (2,401 thousand euros in 31 December 2019), as shown in the following table:

	2020	2019
Remuneration and other short term benefits	1,596	1,545
Management bonuses (estimate)	1,534	856
	3,130	2,401

Transaction of shares by the members of the Board of Directors

During the year ended 31 December 2020, there were no transactions carried out by members of the corporate bodies.

Transactions with group or dominated companies

In its activity, REN maintains transactions with Group entities or with dominated parties. The terms in which these transactions are held are substantially identical to those practiced between independent parties in similar operations.

In the consolidation process, the amounts related to such transactions or open balances are eliminated (Note 3.2) in the financial statements.

The main transactions held between Group companies were: (i) borrowings and shareholders loans; and (ii) shared services namely, legal services, administrative services and informatics.

Balances and transactions held with shareholders, associates and other related parties

During the years ended 31 December 2020 and 2019, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue

	2020	2019
Sales and services provided		
Invoicing issued- OMIP	45	43
Invoicing issued - REE	462	2,757
Invoicing issued - Centro de Investigação em Energia REN - State Grid	289	220
Dividends received		
Electrogás (Note 10)	7,469	7,168
REE (Note 13)	5,695	5,323
	13,960	15,511

Expenses

	2020	2019
External supplies and services		
Invoicing received - REE	1,646	4,281
Invoicing received - Centro de Investigação em Energia REN - State Grid	-	204
Invoicing received - CMS Rui Pena & Arnaut[1]	106	110
	1,752	4,595

1 Entity related to the Administrator José Luís Arnaut. During 2020, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, accountability, equality and impatience.

Balance

The balances at 31 December 2020 and 2019 resulting from transactions with related parties were as follows:

	2020	2019
Trade and other receivables		
REE - Dividends	1,477	1,477
Electrogás - Dividends	13	702
Centro de Investigação em Energia REN - State Grid - Other receivables	31	31
REE - Trade receivables	-	154
	1,521	2,364
Trade and other payables		
Centro de Investigação em Energia REN - State Grid - Other payables	2	-
REE - Trade payables	7	583
CMS - Rui Pena & Arnaut - Trade payables[1]	27	9
	36	592

[1] Entity related to the Administrator José Luís Arnaut. During 2020, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, accountability, equality and impatience.

35. EXTRAORDINARY CONTRIBUTION OVER THE ENERGY SECTOR

Law No. 83-C / 2013 of 31 December introduced a specific contribution of entities operating in the energy sector, called Extraordinary Contribution over the Energy Sector ("ECES"), that was extended by Law 82-B / 2014 , of 31 December, Law 7-A / 2016, of 30 March, Law 114/2017, of 29 December, Law 71/2018, 31 December and Law 2/2020, of 31 March.

The regime introduced is aimed at financing mechanisms that promote systemic sustainability of the sector through the setting up of a fund with the main objective of reducing the tariff deficit. The entities subject to this regime are, among others, entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the ECES is levied on the value of the assets with reference to the first day of the financial year 2020 (1 January 2020) that include cumulatively, the tangible fixed assets, intangible assets, with the exception of industrial property elements, and financial assets related with regulated activities. In the case of regulated activities, the ECES is levied on the value of regulated assets (i.e. the amount recognized by ERSE in the calculation of the allowed income with reference to 1 January 2020) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

The ECES line of the income statement for the year ended 31 December 2020 amounted to 28,095 thousand euros (24,400 thousand euros at 31 December 2019). The Group payed the ECES for the year ended 31 December 2020 in October 2020.

36. SUBSEQUENT EVENTS

After the date of the statement of financial position, there were no events that give rise to additional adjustments or disclosures in the consolidated financial statements of the Company for the year ended in 31 December 2020.

37. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as endorsed by the European Union at 1 January 2020. In the event of discrepancies, the Portuguese language version prevails.

The Certified Accountant

Pedro Mateus

The Board of Directors

Rodrigo Costa

(Chairman of the Board of Directors
and Chief Executive Officer)

Omar Al Wahaibi

(Member of the Board of Directors)

João Faria Conceição

(Member of the Board of Directors
and Chief Operational Officer)

Jorge Magalhães Correia

(Member of the Board of Directors))

Gonçalo Morais Soares

(Member of the Board of Directors
and Chief Financial Officer)

Manuel Sebastião

(Member of the Board of Directors
and Chairman of the Audit Committee)

Guangchao Zhu

(Vice-President of the Board of Directors
designated by State Grid International
Development Limited)

Gonçalo Gil Mata

(Member of the Board of Directors
and of the Audit Committee)

Mengrong Cheng

(Member of the Board of Directors)

Maria Estela Barbot

(Member of the Board of Directors
and of the Audit Committee)

Lequan Li

(Member of the Board of Directors)

José Luis Arnaut

(Member of the Board of Directors)

Ana Pinho

(Member of the Board of Directors)

Note: The remaining pages of this Report & Accounts were initialled by the members of the Executive Committee and by the Certified Accountant, Pedro Mateus.

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.
REPORT AND OPINION OF THE AUDIT COMMITTEE
CONSOLIDATED ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the consolidated financial information comprised within the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2020 which consist of the Consolidated Statement of Financial Position, evidencing a total of 5,248,658 thousand euros and 1,407,700 thousand euros of Equity, including a Consolidated Net Profit for the year of 109,249 thousand euros, the Consolidated Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the Consolidated Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 18 March 2021

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

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*(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)*

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the "Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2020 (showing a total of 5,248,658 thousand euros and a total equity of 1,407,700 thousand euros, including a net profit for the year of 109,249 thousand euros), and the Consolidated Statement of Profit and Loss by Nature, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2020, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Concession assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2020, the Intangible assets caption amounts to 4,130,562 thousand euros (4,214,916 thousand euros in 2019), which represents all assets constructed and acquired under the public service concession agreements that the Group entered with the Portuguese State. As disclosed in Note 3.4 of the notes to the consolidated financial statements, these assets were recorded in accordance to the intangible model of IFRIC 12 - Service Concession Arrangements. Since the annual Revenue of the Group is directly correlated to the average annual balances of the intangible assets and their total carrying amount, as at 31 December 2020, represents 79% of the Group's total assets (79% in 2019), the initial recognition and subsequent measurement of those intangible assets have been considered as a key audit matter.	Our approach included the following procedures: ► We updated the understanding of the Asset Management and Purchasing processes, as well as identified and assessed the internal control procedures established in the Group, mainly in relation to the investments approval policies and monitoring of the execution of it; ► We held regular meetings with the Concession Support Services Department to evaluate the compliance with the annual investment budgets; ► We have read the correspondence exchanged with the Entidade Reguladora de Serviços Energéticos ("ERSE") in order to understand the matters being analyzed with the Group and about its accurate incorporation in the tariff deviation calculation as at 31 December 2020; ► We have read the minutes of the Board of Directors meetings of the several Group entities in order to validate the approved investments; and ► We performed substantive audit procedures on the value of the investments carried out during the period ended 31 December 2020, to corroborate the initial recognition, measurement, appropriate cut off and presentation as Concession assets. We also assessed the appropriateness of the applicable disclosures included in Notes 2, 3.4 and 8 of the notes to the consolidated financial statements.

2. Tariff deviations

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.16 of the notes to the consolidated financial statements as a result of the Tariff Regulations of the electricity and gas sectors, the Group determines, on each reporting date and in accordance with the criteria set by the tariff regulations published by ERSE, the tariff deviations between the regulatory revenue allowed and the actual revenue invoiced by the Group. As at 31 December 2020, the tariff deviations assets and liabilities amount to 253,263 thousand euros and 104,287 thousand euros respectively (2019: 214,507 thousand euros and 104,283 thousand euros, respectively). Due to the complexity of the computation, the use of multiple sources of data and the relevance of the balances in the consolidated financial statements, the tariff deviations have been considered as a key audit matter.	Our approach has included the following procedures: ► We obtained an understanding and assessed the internal control procedures inherent to the information capture and to the tariff deviations calculation. Furthermore, we assessed the Group's regulatory framework in view of the Tariff Regulations of the electricity and gas sectors; ► We obtained the computation of the tariff deviations and reconciled them to the accounting records; ► We analyzed the accuracy of the data used from the several sources of information, testing the reasonableness of the various components of the calculation, namely the average annual balances of the concession assets and the applicable remuneration rate; ► We carried out substantive audit procedures, namely for a representative sample of the invoices issued during 2020; ► We performed the recalculation of the tariff deviations and compared the results obtained with the amounts reported by the Group; ► We have read the correspondence exchanged with ERSE in order to understand the matters being discussed with the Group; ► We reviewed the definition of tariff deviations assets and liabilities and their appropriate classification as Current or Non-current Assets or Liabilities, based on the recovery period thereof, as defined by the Tariff Regulations of the electricity and gas sectors; and ► We evaluated the consistency of the criteria used in relation to previous years. Our approach also included analysis of the applicable disclosures included in Note 3.16, 14 and 23 of the notes to the consolidated financial statements.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management report, the Corporate Governance Report and the non-financial information, in accordance with the applicable legal and regulatory requirements;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code in matters of corporate governance, as well as the verification that the non-financial information has been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the Corporate Governance Report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate Governance report, includes the information required the Group to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On non-financial information

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group has prepared a report separate from the Management Report, which includes the non-financial information, as provided for in Article 508-G of the Commercial Companies Code, and has been disclosed together with the Management Report.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the REN – Redes Energéticas Nacionais, SGPS, S.A. (Group´s Parent Entity) for the first time in the shareholders' general meeting held on 3 May 2018 for a mandate from 2018 to 2020;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the consolidated financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group on 18 March 2021;

- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Group in conducting the audit.

Lisbon, 18 March 2020

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

REN

SEPARATE FINANCIAL STATEMENTS

Separate Financial Statements

1. SEPARATE FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 30)

		31 DECEMBER	
ASSETS	**NOTES**	**2020**	**2019**
Non-current assets			
Tangible assets	5	465	342
Investments - equity method	7	1,365,588	1,369,393
Goodwill	8	1,887	2,264
Investments in equity instruments at fair value for other comprehensive income	12	59,601	58,201
Other receivables	10	2,385,548	2,385,548
Other financial assets	10	17	16
Derivative financial instruments	11	25,685	27,229
Deferred tax assets	9	8,530	6,636
TOTAL NON-CURRENT ASSETS		**3,847,321**	**3,849,629**
Current assets			
State and other public entities	16	-	15,438
Other receivables	10	615,948	722,845
Deferrals		120	163
Derivative financial assets	11	-	1,732
Cash and bank deposits	4	45,031	6,405
TOTAL CURRENT ASSETS		**661,099**	**746,583**
TOTAL ASSETS		**4,508,420**	**4,596,212**
EQUITY AND LIABILITIES			
Equity			
Share Capital	13	667,191	667,191
Own shares	13	(10,728)	(10,728)
Shares premium	13	116,809	116,809
Legal reserve	13	125,075	118,828
Other reserves	13	168,458	172,765
Adjustments to financial assets	13	(80,769)	(50,808)
Retained earnings		305,408	300,147
Other changes in equity	13	(5,561)	(5,561)
		1,285,883	1,308,643
Net profit for the period		111,739	124,933
TOTAL EQUITY		**1,397,622**	**1,433,576**
LIABILITIES :			
Non-current liabilities			
Borrowings	6 AND 15	2,263,982	2,110,982
Post employment benefit liabilities		12	10
Derivative financial instruments	11	29,215	24,848
Deferred tax liabilities	9	4,221	4,161
TOTAL NON-CURRENT LIABILITIES		**2,297,430**	**2,140,001**
Current liabilities			
Borrowings	6 AND 15	750,421	**993,531**
Trade payables	15	845	778
State and other public entities	16	8,176	315
Other payables	15	53,916	28,011
Deferrals		10	-
Total current liabilities		813,368	1,022,635
Total liabilities		3,110,797	3,162,636
TOTAL EQUITY AND LIABILITIES		**4,508,420**	**4,596,212**

The accompanying notes form an integral part of the statement of financial position as of 31 December 2020.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

Amounts expressed in thousands of Euros)
(Translation os Statements of financial position originally issued in Portugueses – Note 30)

REVENUES AND EXPENSES	NOTES	2020	2019
Services rendered	17	9,390	9,876
Gains/(losses) from associates and joint ventures	7 AND 18	104,767	118,438
Supplies and services	19	(3,103)	(4,348)
Personnel costs	20	(5,980)	(6,080)
Other income	21	29	1,768
Other expenses	22	(223)	(282)
PROFIT BEFORE AMORTIZATION, DEPRECIATION, FINANCE COSTS AND TAXES		**104,880**	**119,372**
Depreciation and amortization (charge)/reversal	5 AND 8	(568)	(548)
OPERATING PROFIT (BEFORE FINANCE COSTS AND TAXES)		**104,312**	**118,824**
Interest and similar income	23	67,464	76,626
Interest and similar costs	23	(64,103)	(69,646)
Dividends	24	1,623	1,582
PROFIT BEFORE TAXES		**109,295**	**127,386**
Income tax expense for the period	9	2,444	(2,452)
NET PROFIT FOR THE PERIOD		**111,739**	**124,933**
BASIC EARNINGS PER SHARE		**0.17**	**0.19**

The accompanying notes form an integral part of the statement of profit and loss for the year ended 31 December 2020.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Euros)

(Translation os Statements of financial position originally issued in Portugueses – Note 30)

	Notes	Capital	Own shares	Legal reserve	Reserva legal	Hedging reserve (Note 11)
Balances at the beginning of 2020		667,191	(10,728)	116,809	118,828	(19,901)
Changes in the year:						
Changes in fair value	11 AND 12	-	-	-	-	(5,644)
Appropriation of the profit for the preceding year	13	-	-	-	6,246	-
Adjustments in financial assets	7	-	-	-	-	-
		-	-	-	6,246	(5,644)
Operations during the year with shareholders						
Distribution of dividends	13	-	-	-	-	-
		-	-	-	-	-
Net profit for the year						
Comprehensive income		-	-	-	-	(5,644)
Balances at the end of 2020		667,191	(10,728)	116,809	125,075	(25,545)

	Notes	Capital	Own shares	Legal reserve	Reserva legal	Hedging reserve (Note 11)
Balances at the beginning of 2019		667,191	(10 728)	116 809	113,152	(10,577)
Changes in the year:						
Changes in fair value	11 AND 12	-	-	-	-	(9,324)
Appropriation of the profit for the preceding year	13	-	-	-	5,676	-
Stock Plan		-	-	-	-	-
Adjustments in financial assets	7	-	-	-	-	-
		-	-	-	5,676	(9,324)
Operations during the year with shareholders						
Distribution of dividends	13	-	-	-	-	-
		-	-	-	-	-
Net profit for the year						
Comprehensive income		-	-	-	-	(9,324)
Balances at the end of 2019		667,191	(10 728)	116 809	118,828	(19,901)

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2020.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

2020

Fair value reserve (Note 12)	Other reserves	Other changes in Equity	Retained earnings	Adjustment of financial assets (Note 7 and 13)	Net profit for the period	Total equity
12,476	180,190	(5,561)	300,147	(50,808)	124,933	1,433,576
1,337	-	-	-	-	-	(4,307)
-	-	-	5,261	-	(11,507)	-
-	-	-	-	(29,962)	-	(29,962)
1,337		-	5,261	(29,962)	(11,507)	(34,270)
-	-	-	-	-	(113,426)	(113,426)
-	-	-	-	-	(113,426)	(113,426)
					111,739	111,739
1,337	-	-	-	(29,962)	111,739	77,470
13,813	**180,190**	**(5,561)**	**305,408**	**(80,769)**	**111,739**	**1,397,623**

2019

Fair value reserve (Note 12)	Other reserves	Other changes in Equity	Retained earnings	Adjustment of financial assets (Note 7 and 13)	Net profit for the period	Total equity
11,632	180,553	(5,561)	305,717	(36,822)	113,533	1,444,899
844	-	-	-	-	-	(8,481)
-	-	-	(5,570)	-	(106)	-
-	(363)	-	-	-	-	(363)
-	-	-	-	(13,986)	-	(13,986)
844	(363)	-	(5,570)	(13,986)	(106)	**(22,831)**
-	-	-	-	-	(113,426)	(113,426)
-	-	-	-	-	(113,426)	**(113,426)**
					124,933	124,933
844	-	-	-	(13,986)	124,933	102,466
12,476	**180,190**	**(5,561)**	**300,147**	**(50,808)**	**124,933**	**1,433,576**

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Amounts stated in thousands of Euros)

(Translation of statements of cash flow originally issued in Portuguese - Note 30)

	NOTES	2020		2019	
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from customers		13,556		19,111	
Cash paid to suppliers		(5,957)		(9,180)	
Cash paid to employees		(8,501)		(9,230)	
Cash generated by operations		(903)		701	
Income tax received/(paid)		18,896		53,844	
Other receipts/(payments) relating to operating activities		(928)		(2,649)	
Flows generated by/(used in) operating activities [1]			17,065		**51,896**
FLOWS FROM INVESTING ACTIVITIES					
Payments relating to:					
Financial Investments	7	(24,000)		(174,000)	
Tangible assets		(20)	(24,020)	(16)	(174,016)
Receipts relating to:					
Derivative financial instruments	7	220		292	
Interest and other similar income		-		69,069	
Dividends	7 AND 24	103,860	104,080	95,778	165,139
Flows generated by investing activities [2]			80,060		**(8,877)**
FLOWS FROM FINANCING ACTIVITIES					
Receipts relating to:					
Borrowings		2,836,750		5,564,557	
Shareholders loans		607,137		-	
Interest and other similar expense		4,515	3,448,402	-	5,564 557
Payments relating to:					
Borrowings		(2,908,476)		(5,224,584)	
Shareholders loans		(485,000)		-	
Interest and other similar expense		-		(296,555)	
Dividends	13	(113,426)	(3,506,902)	(113,426)	(5,634,565)
Flows used in financing activities [3]			(58,499)		(70,008)
Changes in cash and cash equivalents [4]=[1]+[2]+[3]			38,626		(26,989)
Cash and cash equivalents at the beginning of the year	4		6,405		33,393
Cash and cash equivalents at the end of the year	4		45,031		6,405

The accompanying notes form an integral part of the statement of cash flow for the year ended 31 December 2020.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

2. NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Translation of the Notes to the financial statements originally issued in Portuguese – Note 30)

(Amounts expressed in thousands of Euros)

1. INTRODUCTORY NOTE

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as "REN SGPS" or "the Company"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.

At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A.

REN SGPS is the parent company of the REN Group and is organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications.

The Electricity business segment includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., was incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007, which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements (PPA) from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., which the main activity being the management of the concession to operate a pilot area for the production of electric energy from sea waves. The Portuguese government awarded the Company the concession to operate a pilot area for the production of electricity from sea waves in accordance with paragraph 3, Article 5 of Decree –Law 5 / 2008 of 8 January and Decree-Law 238/2008 of 15 December. In accordance with Decree-Law 238/2008 of 15 December, the concession has a duration of 45 years, and includes the authorization to install the infrastructures necessary to connect to the public electricity network and use the water resources of the public water area, monitoring the use by others of the water resources needed to produce electricity from waves energy, as well as competence to award licenses for the establishment and operation of the business of electricity generation and its monitoring;

d) Empresa de Transmisión Eléctrica Transemel, S.A. (Transemel), acquired on October 1, 2019, as part of the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate objective of promoting, developing and carrying out projects and developments in the natural gas sector, as well as defining the overall strategy and coordination of the companies in which has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression). The company's purpose is the high pressure transportation of natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in Portugal mainland. This includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the necessary infrastructures and installations, in accordance with the law and its public service concession, as well as any other related services;

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets. The company's purpose is the underground storage of natural gas and the construction, operation and maintenance of the infrastructures and facilities necessary for that purpose, in accordance with the law and the company's public service concession, and any other related activities;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company comprise the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures;

e) REN Portgás Distribuição, S.A. (REN Portgás), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of natural gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in e) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

In addition, on November 21, 2018, REN PRO, SA, a company wholly owned by REN SGPS S.A., headquartered in Lisbon, was created and incorporated. The corporate purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and to computer consulting.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

Additionally on 24 May 2013, together with China Electric Power Research Institute, a State Grid Group company, Centro de Investigação em Energia REN SGPS, S.A. – State Grid, S.A. ("Centro de Investigação") was incorporated under a Joint Venture Agreement on which REN holds 1,499,997 shares representing 49.99% of the total share capital. The purpose of this company is to implement a Research and Development centre in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

The subsidiaries REN Gás, S.A., Aério Chile Spa, Apolo Chile Spa, Empresa de Transmisión Eléctrica Transemel, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., REN Portgás Distribuição, S.A., are indirectly fully owned by REN SGPS, S.A. through its subsidiary REN Serviços, S.A. (fully owned by REN SGPS).

As of 31 December 2020, REN SGPS also holds:

a) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (OMIP SGPS), being its purpose the management of participations in other companies as an indirect way of exercising economic activities. The company is shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), SGMR, S.A. (OMIP), which function is the management of the MIBEL derivatives market together with OMIClear – Sociedade de Compensação de Mercados de Energia, S.A., a company fully owned by OMIP, which acts as the clearing house and central counterparty for transactions in the futures market;

b) 10% interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;

c) 7.5% interest in the share capital of Hidroeléctrica de Cahora Bassa, S.A. (HCB); and

d) An indirect 42.5% interest in the share capital of Electrogas, S.A., a Chilean company provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017.

The Board of Directors meeting held on 18 March 2021 approved the accompanying financial statements. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

The Board of Directors understands that the financial statements fairly reflect the Company's financial position, the results of its operations, changes in its equity and its cash flows.

2. ACCOUNTING FRAMEWORK: FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158/2009 of 13 July, republished by the Decree-Law 98/2015 of 2 June and by Portaria 220/2015 of 24 July, in accordance with the conceptual framework, accounting and financial reporting standards and interpretations applicable to the year ended 31 December 2020.

The accompanying financial statements are presented in thousands of Euros.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as follows:

3.1. BASES OF PRESENTATION

The accompanying financial statements were prepared on a going concern basis from the accounting records of the Company, maintained in accordance with generally accepted accounting principles in Portugal.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. In particular, it appears that on December 31, 2020, the current liability in the amount of 813,368 thousand euros is higher than the current asset whose total amount amounts to 661,099 thousand euros.

So in order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2020, has credit lines contracted and not used in the amount of 80,000 thousand euros, an open credit facility in the amount of 80,000 thousand euros and seven commercial paper programmes, in the amount of 2,000,000 thousand euros, being available 1,300,000 thousand euros as of 31 December 2020. From the total amount of commercial paper programmes, 530,000 thousand euros have subscription guarantee (of which 280,000 thousand euros were available as of 31 December 2019) (Note 15).

In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

The accompanying financial statements reflect only the Company's separate financial statements, prepared as required by law for approval by the Shareholders' Meeting.
As explained in Note 3.2 investments are recorded in accordance with the equity method.

The accounting policies adopted in these financial statements are consistent, in all material respects, with the policies used in the preparation of the financial statements for the year ended 31 December 2019, as described in the notes to the 2019 financial statements

In accordance with Decree Law 158/2009 of 13 July, the Company also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), for approval in separate, which reflects, as of 31 December 2020, in relation to the accompanying separate financial statements, the following differences:

	Increase/(Decrease)
Total net assets	740,238
Total liabilities	730,161
Net profit for the period	(2,490)
Total revenue	587,894
Total equity	10,078

As of December 31, 2020, the differences between net income and equity (individual and consolidated accounts) essentially result from: i) the fact that the participation of the associate OMIP SGPS in the consolidated accounts, prepared in accordance with IFRS, was revalued in 2011, following the loss of control, from subsidiary to associate; ii) the impact of the application of IFRS 9 on the consolidated accounts under IFRS; iii) refinancing bond issues through an exchange offer, and; iv) also from Goodwill of REN Portgás Distribuição S.A. which is being amortized over the remaining concession.

3.2. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recorded by the equity method, under which they are initially recorded at cost and then adjusted based on the post-acquisition changes in the Company's share of the net assets of these companies. The Company's results include the proportion of the results of these entities. Additionally, dividends received from these companies are recorded as decreases in the amount of investments.

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognized as goodwill and is presented in a separate line of the statement of the financial position. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as gain of the period.

Goodwill with an undefined useful life is amortized over a period of 10 years.

A valuation of investments is made when there are indications that an asset can be impaired, any impairment losses being recorded as cost in the profit and loss statement.

When the Company's proportion on the accumulated losses of a subsidiary or associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Company only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with subsidiaries and associates are eliminated proportionally to the Company's interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

3.3. TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

The cost includes the purchase price of the asset, costs directly attributable to its acquisition and costs incurred to prepare the asset to start operating.

Repairs and maintenance costs are charged to the statement of profit and loss in the period in which they are incurred.

Tangible assets are depreciated on a straight-line basis over their estimated useful life period, from the date they are ready for use.

The estimated periods of useful life of tangible assets are as follows:

	Years
Transport Equipment	4 YEARS
Administrative Equipment	BETWEEN 3 AND 10 YEARS

Useful life of the assets are reviewed annually. A change in useful life period is accounted as changes in accounting estimates and therefore is applied prospectively.

Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the net carrying amount of the asset, these being recorded in the statement of profit and loss of the period.

3.4. LEASES

Lease agreements are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than the legal form of the agreement.

Leases agreements on which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract indicate a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date.

The lease liability is recognized net of borrowing costs in the caption Borrowings. Borrowing costs included in the lease payments and the depreciation of the leased assets are both recognized in the statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated considering the lower period between the useful life period of the asset and the maturity of the lease contract, when the company does not have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

Under operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.5. FINANCIAL ASSETS AND LIABILITIES

The Company choose to fully apply IAS 32 - Financial Instruments: Presentation, IFRS 9 - Financial Instruments Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

The Board of Directors determines the classification and measurement of investments in financial assets based on the business model, measured at the date of initial application, used in its management and the characteristics of the contractual cash flows.

Financial assets

Investments in financial assets can be classified as:

a) Financial assets at amortized cost - Financial assets are held within the scope of a business model whose purpose is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

b) Investment in equity instruments at fair value through other comprehensive income - Financial assets are held under a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets and the contractual terms of financial assets give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Company expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset up to twelve months after the reporting date; or (iv) the asset is cash or cash equivalents.

Purchases and sales of investments in financial assets are recorded at the date of the transaction, that is, on the date that the Company undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized in the income statement. These assets are subsequently measured at fair value, and the income and expenses resulting from the change in fair value are recognized in the income statement for the period under the heading of net financial costs, which also include the amounts of interest income and dividends obtained.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value, and the change in fair value is recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its cost of acquisition, in which the accumulated gain or loss is recorded in the income statement.

Dividends and interest earned on equity instruments at fair value through other comprehensive income are recognized in income for the period in which they occur, under the heading of financial income, when the right to receive is established.

The fair value of quoted financial assets is based on market prices (bid). If there is no active market, the Company establishes fair value through valuation techniques. These techniques include the use of prices charged in recent transactions, provided that market conditions, comparison with substantially similar instruments, and the calculation of discounted cash flows when information is available, making the maximum use of market information in internal information of the target entity.

In situations where investments are in equity instruments that are not admitted to listing on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at their acquisition cost less any impairment losses , and these impairment losses are recorded against income.

Loans and receivables are classified in the statement of financial position as "Customers and other accounts receivable" and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. The adjustment for the impairment of accounts receivable is made when there is objective evidence that the Company will not be able to receive the amounts due in accordance with the initial conditions of the transactions that gave rise to it and is recorded in the income statement in the line item "Impairment of receivables".

Financial assets are derecognized when the rights to receive the cash flows arising from these investments expire or are transferred, as well as all the risks and benefits associated with their possession.

The caption "Cash and cash equivalents" includes cash, bank deposits, other short-term investments of high liquidity and with initial maturities of up to three months and bank overdrafts. Bank overdrafts are presented in current liabilities under the caption "Current loans" in the statement of financial position and are considered in the preparation of the statement of cash flows as "Cash and cash equivalents".

Financial liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation on the part of the issuer to settle capital and/ or interest, through the delivery of cash or other financial asset, regardless of its legal form.

IFRS 9 provides for the classification of financial liabilities into two categories:

i) Financial liabilities at fair value through profit or loss;

ii) Other financial liabilities.

Other financial liabilities include “Borrowings” and “Trade and other payables”. Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified in current liabilities, unless the Company has an unconditional right to defer payment of the liability for at least 12 months after the date of the statement of financial position, in which case they are classified as non-current liabilities.

Financial liabilities are derecognized when the underlying obligations are extinguished by payment, are cancelled or expire.

3.6. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions “Finance income” or “Finance costs”. If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to their market value. In the absence of market value, fair value is determined by external and independent entities using valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Company assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 regarding the reform of interest rate benchmarks. This policy is applicable to some hedging relationships designated at 31 December 2020 in a total notional amount of 960,000 thousand euros (1,060,000 thousand euros at 31 December 2019).

The Company will cease to apply the above disposal when:

i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or

ii) their hedging relationship is discontinued.

A derivative financial instrument is recorded and presented as non-current if its remaining maturity period is over twelve months and it is not expected to be realized or settled within the next twelve months.

Hedge accounting

As part of its policy for managing interest rate and exchange rate risks, the Group contracts a variety of derivative financial instruments, namely swaps.

The criteria for applying hedge accounting are as follows:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items in accordance with IFRS 9 criteria;

- At the beginning of the hedging relationship, there is formal designation and documentation regarding the hedging relationship and the risk management objective and strategy. This documentation must include the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the form will be assessed whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge inefficiency and how it determines the coverage ratio);

- The hedge relationship meets all of the following hedge effectiveness:

  i) There is an economic relationship between the hedged item and the hedging instrument;

  ii) The credit risk effect does not dominate the changes in value that result from this economic relationship;

  iii) The coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the Group documents the hedging relationship between the hedging instrument and the hedged item, its objectives and its risk management strategy. Additionally, it is assessed, both on the hedge start date and on each accounting reporting date, whether the derivative instruments designated as hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items (including an analysis of inefficiency sources and how the coverage rate is determined).

The effectiveness requirements in a hedging relationship are as follows:

- There must be an "economic relationship" between the hedged item and the hedging instrument;
- The credit risk effect does not "dominate the changes in value" that result from that economic relationship;´
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the hedging movements in the reserves are disclosed in Note 11.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged. Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

Changes in the fair value of hedging derivatives are recognized in the income statement together with changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

The hedge ineffectiveness can arise from:

- Differences in cash flows timing for hedged items and hedging instruments;
- Different indices (and, consequently, different curves) associated with the hedged risk of the hedged items and hedging instruments;
- The counterparties' credit risk has a different impact on the movements in the fair value of hedging instruments and hedged items;
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued only when a hedging relationship (or part of that hedging relationship) no longer complies with the hedge accounting criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes cases where the hedging instrument expires or is sold, terminated or exercised.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Company assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

In the case of aggregated exposures, the Group designates as hedged instruments a combination of an exposure and a derivative financial instrument. For this purpose, and when designating the hedged item based on an aggregated exposure, the Group considers the combined effect of the items that constitute the aggregated exposure for the purposes of assessing the hedge effectiveness and measuring its ineffectiveness. These instruments continue, however, to be accounted for separately.

3.7. REVENUE

Revenue includes the fair value of the consideration received or receivable from services rendered, net of tax and discounts, returns and other deductions.

Revenue relating to services rendered refers to debits made to subsidiaries corresponding to management costs.

Revenue relating to investments in subsidiaries and associates is recognized in accordance with the equity method.

Interest revenue is recognized in accordance with the effective interest method if it is probable that economic benefits flow to the company and they can be reliably measured.

The revenue from dividends is recognised as gain in the year they are assigned to the shareholders.

3.8. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTIES RELATING TO ESTIMATES

In the preparation of the accompanying financial statements, judgments and estimates were made using assumptions that affect the amounts recognized as assets and liabilities, as well as the amounts recorded relating to gains and losses of the period.

The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements of the events and transactions in process, as well as experience of past and/or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates.

Significant accounting estimates

Provisions

Provisions are recognized when the Company has: i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Provisions for restructuring expenses are recognised by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, only the expected outflows that directly result from the implementation of such plan are considered, not being, consequently, related with the current activities of the Company.

Provisions are measured at the present value of the estimated expenditure required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

Fair Value

The fair value of listed investments is based on current market prices (bid). If an active market does not exist, the Company establishes the fair value by using valuation techniques. These techniques include the consideration of recent transactions, provided that they reflect market conditions, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and residually relying on entity-specific inputs.

The fair value of derivative financial instruments refers to its market value. In the absence of market value, its fair value is determined by external independent entities making use of valuation techniques accepted in the market.

3.9. TAXES

Income Tax

Income tax for the year recognized in the statement of profit and loss includes current income tax and deferred tax. Current and deferred tax are recognized in the statement of profit and loss, except when deferred tax relates to items recognized directly in equity, in which case it is also recognized in equity. Current tax payable is computed based on the Company's taxable profit. Taxable profit differs from the accounting profit, given it excludes revenue or expenses items that will be taxable or deductible in other years and items that will never be taxable or deductible.

Deferred Tax

Deferred tax refers to temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the temporary differences revert, based on tax rates (and tax laws) that have been formally enacted on the date of the financial statements.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, or temporary taxable differences that revert in the same period as the deductible temporary differences. At the end of each reporting period a revision is made of the deductible temporary differences and they are adjusted based on the expectation of their future utilization.

3.10. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to Euros, the functional currency, using the exchange rates prevailing at the dates of the transactions. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognized as "finance costs" in the statement of profit and loss if relating to borrowings and in "other operating income or costs" in the case of all the other balances/ transactions.

3.11. ACCRUAL BASIS OF ACCOUNTING

Income and expenses are recognised on an accruals basis, under which income and expenses are recorded in the period to which they relate, independently of when the correspondent amounts are collected or paid. Differences between the amounts received and paid and the related income and expenses are recorded as assets or liabilities.

3.12. DISTRIBUTION OF DIVIDENDS

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period the dividends are approved by the shareholders and up to the moment of their payment.

3.13. SHARE CAPITAL AND OWN SHARES

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognized as a deduction in equity. In accordance with the Portuguese Commercial Company Code, REN SGPS must at any time ensure that there enough reserves in Equity to cover the value of own shares, limiting the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. CASH FLOW STATEMENT

The caption cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are shown in the current liabilities "Borrowings" caption on the statement of financial position, and are included in the statement of cash flows as cash and cash equivalents.

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities unless if related with cash flows that relate with a hedge contract of an identifiable position, which are classified in accordance with the cash flows of the hedged position.

3.15. BORROWING COSTS

Borrowings costs are recognized as costs in the period they are incurred.

3.16. FINANCIAL RISK MANAGEMENT POLICIES

Financial risk factors

The Company`s activities are exposed to a variety of financial risks: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others risk factors.

The Company developed and implemented a risk management program that, together with permanent monitoring of the financial markets, seeks to minimise potential adverse effects on the REN`s financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks.

The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of excess liquidity.

i) Foreign exchange rate risk

The Company has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bond issued totalling 10,000 million Yens (JPY) is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/ JPY, with reference to 31 December 2020, all other factors remaining constant, would lead to a decrease on equity in the amount of 398 thousand euros as of 31 December 2020 (1,378 thousand euros as of 31 December 2019), while a decrease of 5% of that exchange rate would lead to an increase on equity in the amount of 438 thousand euros as of 31 December 2020 (293 thousand euros as of 31 December 2019).

Additionally, the Company is exposed to changes in the exchange rate of Euro/ Chilean Peso and Euro /USD, related with its financial investment in Electrogas, S.A., acquired in February 2017 Note 10) and related to the company acquired on October 1, 2019, Empresa de Transmisión Eléctrica Transemel, S.A..

An increase of 5% in the exchange rate of Euro/USD, with reference to 31 December 2020, and all other factors remaining constant, would lead to a decrease on equity in the amount of 6,895 thousands euros (7,537 thousand euros as of 31 December 2019), while a decrease of that exchange rate would lead to an increase on equity in the amount of 7,621 thousand euros (8,331 thousand euros as of 31 December 2019).

A 5% increase in the Euro exchange rate against the Chilean peso, with reference to December 31, 2020, and keeping all other variables constant, would result in a decrease in the Group's equity of 3,538 thousand euros (2,816 thousand euros as of 31 December 2019), while a decrease of 5% of that exchange rate would result in an increase of 3,910 thousand euros in equity (3,113 thousand euros as of 31 December 2019).

ii) Credit risk

REN's exposure to credit risk is not significant, since the services rendered are invoiced to group companies.

REN's counterparty risk on bank deposits, financial applications, and contracting of derivative instruments is mitigated by the selection of top ratting international institutions with solid credit rating and top national financial institutions.

iii) Liquidity risk

REN SGPS manages Group's liquidity risk through central treasury management. All the liquidity excess and needs of each group company are transferred to REN SGPS, which manages the consolidated balances with financial institutions.

In order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2020, has credit lines contracted in the amount of 80,000 thousand euros and nine commercial paper programs, in the amount of 2,000,000 thousand euros, being available 1,300,000 thousand euros as of 31 December 2020. From the total amount of commercial paper programmes, 530,000 thousand euros have subscription guarantee (of which 280,000 thousand euros were available as of 31 December 31 2019) (Note 15).

The following table presents the Company liabilities by residual contracted maturity intervals and includes derivative financial instruments, the financial liquidation of the related cash flows of which is made by the net amount. The amounts shown in the table are non-discounted cash flows contracted, including undiscounted future interest; as therefore, do not correspond to its carrying amounts:

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	51,815	271,000	165,235	488,049
Bonds	78,015	1,388,156	320,229	1,786,400
Commercial paper	639,851	125,000	125,000	889,851
Others	23,721	248	-	23,969
	793,401	**1,784,404**	**610,464**	**3,188,269**
Derivative financial instruments	4,860	24,932	-	29,792
Trade and others payables	54,761	-	-	54,761
TOTAL	**853,022**	**1,809,336**	**610,464**	**3,272,821**

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings:				
Bank borrowings	52,301	232,443	162,663	447,408
Bonds	359,426	934,986	839,341	2,133,753
Commercial paper	570,562	100,000	-	670,562
Others	249	203	-	452
	982,538	1,267,632	1,002,004	3,252,174
Derivative financial instruments	3,461	19,105	7,754	30,320
Trade and others payables	28,788	-	-	28,788
TOTAL	1,014,787	1,286,737	1,009,759	3,311,283

The following table shows the derivative financial instruments, which cash settlement is made at gross amounts:

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(1,016)	(75,439)	-	(76,455)
Inflows	2,142	84,414	-	86,556
	1,127	8,974	-	10,101

	31 December 2019			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(1,168)	(3,495)	(73,483)	(78,146)
Inflows	2,222	6,667	83,119	92,008
	1,054	3,173	9,636	13,863

iv) Interest rate risk

The Company presents exposure to interest rates risk mainly on borrowings.

Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates. Borrowings at fixed rates expose REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs; using simple derivative financial instruments such as interest rate swaps. In this kind of operations REN exchanges with banking counterparties in specific dates and with defined maturities, the difference between the contractual fixed interest rates and the variable rates with reference to the notional amounts covered. All operations undertaken with this purpose can, in the most part of the hedges, be considered perfect interest rate hedging operations.

A global reform of the main interest rate benchmarks is underway, which predict the replacement of some benchmarks, including Euribor, with alternative risk-free rates. The Company presents expositions to Euribor variations in its financial instruments that will be impacted by this global reform. There is currently uncertainty about the timing and methods associated with the transition of interest rate benchmarks. To date, the Company does not expect a significant impact on its risk management policies and on the effects of hedge accounting.

The Company will assess and analyze the potential concrete impacts of the potential change to Euribor when implementing the timings and the respective methods of change and, in particular, in the designated interest rate risk hedging relationships.

A sensitivity analysis was made based on the Company's total debt as of 31 December 2020 and 2019, using the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Under these assumptions, a 0.25% increase in market interest rates for all the currencies in which the Company has borrowings or derivative financial instruments at 31 December 2020 would result in a decrease of profit before tax of, approximately, 3,874 thousand euros, (3,671 thousand euros as of 31 December 2019).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 3,521 thousand euros, this impact entirely attributed to derivatives (on 31 December 2019 corresponded to an increase of 2,840 thousand euros).

The sensitivity analysis is merely illustrative and does not represent an actual gain or loss, neither other changes in the income statement or in equity.

3.17. SHARE-BASED PAYMENT

The benefits granted under the medium-term variable remuneration policy are recorded in accordance with the provisions of IFRS 2 - Share-based Payment (IFRS 2).

Payments settled on cash settlement or cash settled, which are based on the share price, give rise to the recognition of a liability initially measured at fair value determined on the date the corresponding benefits are attributed. Benefits granted are recorded as personnel costs as beneficiaries provide the service against liabilities. The fair value of the liability is reviewed on each reporting date, and the effects of any change are recorded in income for the period.

The cost of equity settled transactions is determined at fair value at the date the concession is made using an appropriate valuation model. This cost is recognized in employee benefit expenses, together with a corresponding increase in the Company's capital (other capital reserves), during the period in which the service and the performance conditions are met (vesting period).

The share-based payments assume no material amounts for the purpose of disclosure in the notes to the financial statements.

3.18. SUBSEQUENT EVENTS

Events that occur subsequently to balance sheet date that provide additional information on conditions that existed at the date of the statement of financial position ("adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date ("non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the separate financial statements, if material.

4. CASH FLOW

For the purpose of the statement of cash flow, the caption cash and cash deposits equivalents includes cash, bank deposits readily available (with terms not exceeding three months) and treasury securities in the monetary market, net of bank overdrafts and other short-term financing equivalents. The caption "Cash and cash equivalents" at 31 December 2020 and 2019 is detailed as follows:

	2020	2019
Bank deposits repayable on demand	45,031	6,405
Cash and cash equivalents	45,031	6,405

Receipts and payments relating to borrowings mainly include emissions and reimbursements of commercial paper.

5. TANGIBLE ASSETS

The changes in tangible assets, accumulated depreciation and impairment losses in the years ended 31 December 2020 and 2019 were as follows:

	2020		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	734	261	995
Acquisitions	312	35	347
Sales/write offs	(225)	-	(225)
ENDING BALANCE	**820**	**296**	**1,116**
Accumulated depreciation and impairment losses			
Beginning balance	453	200	653
Depreciation for the year	176	15	191
Depreciation Sales/write offs	(193)	-	(193)
ENDING BALANCE	**436**	**215**	**651**
Net assets	384	82	465

	2019		
	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	735	255	990
Acquisitions	379	22	402
Sales/write offs	(381)	(16)	(397)
ENDING BALANCE	**734**	**261**	**995**
Accumulated depreciation and impairment losses			
Beginning balance	394	194	588
Depreciation for the year	159	12	171
Depreciation Sales/write offs	(99)	(6)	(106)
ENDING BALANCE	**453**	**200**	**653**
Net assets	281	61	342

6. FINANCE LEASES

The Company had the following assets under finance lease agreements at 31 December 2020 and 2019:

	2020			2019
	Cost	Depreciation	Carrying amount	Carrying amount
Transport equipment	532	(182)	350	213
	532	(182)	350	213

The minimum payments under finance lease contracts at 31 December 2020 and 2019 are as follows:

	Present value of minimum payments		Minimum payments	
	2020	2019	2020	2019
Up to 1 year (Note 15)	97	75	77	77
From 1 to 5 years (Note 15)	248	128	131	131
	345	203	207	207

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company's investments in subsidiaries and associates as of 31 December 2020 and 2019 are as follows:

Entity	Head Office	Share Capital	Assets	Liabilities
Equity method:				
Subsidiaries:				
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,804,097	2,088,034
REN Trading, S.A.	Lisbon	50	228,834	226,265
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	208,198	139,951
RENTELECOM - Comunicações, S.A.	Lisbon	100	8,625	4,069
REN Serviços, S.A.	Lisbon	336,050	1,592,192	1,227,605
Enondas, Energia das Ondas, S.A.	Pombal	250	2,023	1,186
REN PRO, S.A.	Lisbon	50	2,828	1,904
REN Finance, B.V.	Amsterdam	20	2,039,503	1,841,172
Associates:				
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	29,234	264
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,584	1,255

(i) The proportional value of the result in OMIP, SGPS. includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method by REN SGPS.

Entity	Head Office	Share Capital	Assets	Liabilities
Equity method:				
Subsidiaries:				
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,805,053	2,098,359
REN Trading, S.A.	Lisbon	50	234,557	232,110
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	219,483	151,822
RENTELECOM - Comunicações, S.A.	Lisbon	100	7,490	3,015
REN Serviços, S.A.	Lisbon	336,050	1,646,994	1,243,788
Enondas, Energia das Ondas, S.A.	Pombal	250	2,197	1,413
REN PRO, S.A.	Lisbon	50	3,738	2,742
REN Finance, B.V.	Amsterdam	20	2,031,181	1,857,481
Associates:				
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	29,218	300
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,468	1,191

(i) The proportional value of the result in OMIP, SGPS. includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method by REN SGPS.

	31 December 2020		Investment held		
Equity	Revenue	Net result	%	Investment	Proportional amount of result (Note 18)
716,064	390,628	60,593	100	716,064	60,593
2,568	1,802	120	100	2,568	120
68,247	44,391	6,560	100	68,247	6,560
4,557	6,727	2,591	100	4,557	2,591
364,587	49,132	28,526	100	364,587	28,526
837	610	53	100	837	53
923	5,931	(72)	100	923	(72)
198,331	53,984	6,131	100	198,331	6,131
				1,356,114	**104,502**
28,970	1,143	575	40	6,815	240 (1)
5,329	1,548	51	50	2,659	25
				9,474	**266**
				1,365,588	**104,767**

	31 December 2019		Investment held		
Equity	Revenue	Net result	%	Investment	Proportional amount of result (Note 18)
706,694	369,505	60,474	100	706,694	60,474
2,448	2,095	36	100	2,448	36
67,661	45,851	5,974	100	67,661	5,974
4,475	6,595	2,641	100	4,475	2,641
403,207	22,263	40,430	100	403,207	40,430
785	599	59	100	785	59
996	6,807	810	100	996	810
173,700	84	6,177	100	173,700	6,177
				1,359,965	**116,601**
28,919	1,086	553	40	6,794	1,835 (1)
5,278	1,656	2	50	2,634	1
				9,428	**1,836**
				1,369,393	**118,438**

According to the current legislation in Portugal, any income and other positive equity fluctuations recognized as a result of the use of the equity method, should only be considered to distribution to shareholders when they occur as described in Note 13.

On July 17, 2019, REN Serviços, SA set up a share company, called Apolo Chile SPA, headquartered in Santiago, Chile and with a share capital of 84,500,001 Euros, whose corporate purpose is to make investments in assets, shares, company rights and associations of entities linked essentially to the electric transmission sector.

On September 27, 2019, a capital increase of REN Serviços, S.A. was fully subscribed by the company, corresponding to an investment of 166,000,000 Euros.

The changes in these captions in 2020 and 2019 were as follows:

2020

	Proportion of capital held (assets)	Total
BEGINNING BALANCE	1,369,393	1,369,393
Result appropriated by the equity method (Note 18)	104,767	104,767
Distribution of dividends by subsidiaries and associates	(102,392)	(102,392)
Other appropriation of changes in equity in subsidiaries (Note 13)	(29,962)	(29,962)
Devolution Premium Share REN Finance	24,000	24,000
Devolution Supplementary Payments OMIP	(220)	(220)
ENDING BALANCE	1,365,589	1,365,589

2019

	Proportion of capital held (assets)	Total
BEGINNING BALANCE	1,185,579	1,185,579
Result appropriated by the equity method (Note 18)	118,438	118,438
Distribution of dividends by subsidiaries and associates	(94,345)	(94,345)
Other appropriation of changes in equity in subsidiaries (Note 13)	(13,986)	(13,986)
Devolution Premium Share REN Finance	8,000	8,000
Devolution Supplementary Payments OMIP	(292)	(292)
Capital increase on REN Serviços	166,000	166,000
ENDING BALANCE	1,369,393	1,369,393

8. GOODWILL

The investment in the subsidiary REN Atlântico, includes a goodwill in the amount of 3,744 thousand euros, which is amortized for a period of 10 years starting in 1 January 2016.

Goodwill represents the difference between the amount paid on the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. on the acquisition date, under the natural gas business unbundling process. As of 31 December 2020 and 2019, the amount is as follows:

			Percentage interest held		Goodwill				
Entity	Year of acquisition	Acquisition cost	%	Amount	Amount at 01.01.2020	Increases	Decreases	Amount at 31.12.2020	Amount at 31.12.2019
REN Atlântico , Terminal de GNL, S.A.	2006	32,580	100%	28,806	2,264	-	(377)	1,887	2,264

9. INCOME TAX

The companies belonging to the REN group are taxed based on the special regime for the taxation of group companies (RETGS). Consequently, estimated income tax, tax amounts withheld by third parties and corporate income tax paid in advance are recorded in the statement of financial position as accounts payable to and receivable from REN SGPS.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or contestations in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2017 to 2020 are still subject to review.

The Company's Board of Directors understands that any correction to the tax returns resulting from tax reviews /inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2020 and 2019.

The Company is taxed for Corporate Income Tax at 21% rate, increased by a (i) municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (ii) 3% of taxable profit between 1,500 thousand euros and 7,500 thousand euros; (iii) of 5% over the taxable profit in excess of 7,500 thousand euros and up to 35,000 thousand euros; and (iv) 9% for taxable profits in excess of 35,000 thousand euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2020, the computation of the deferred taxes, was updated in accordance with Law 75-B/2020, of 31 December 2020, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand euros and 7,500 thousand euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand euros and up to 35,000 thousand euros; and (iii) 9% for taxable profits in excess of 35,000 thousand euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2020.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2020, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax credit / (expense) of the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Current tax	(1,322)	(2,444)
Adjustments relating to previous years income tax	3,752	15
Deferred tax	14	(24)
INCOME TAX	**2,444**	**(2,452)**

The reconciliation of current income tax as of 31 December 2020 and 2019 is as follows:

	2020	2019
PROFIT BEFORE INCOME TAX	**109,295**	**127,386**
Permanent differences:		
Non tax deductible costs	716	659
Non taxable income	(105,079)	(118,680)
Timing differences:		
Provisions and impairments	2	(67)
Derivative Financial Instruments	47	(5)
Others	(1)	(25)
TAXABLE PROFIT	**4,981**	**9,267**
Cost/(credit) of income tax at the rate of 21%	1,046	1,946
Statesurcharge tax	104	268
Municipal taxation	75	139
Autonomous taxation	98	90
CURRENT TAX	**1,323**	**2,444**
Deferred tax	(14)	24
Adjustments relating to prior years income tax	(3,752)	(15)
INCOME TAX	**2,443**	**(2,452)**
Efective rate	(2.24%)	1.93%

The non-taxable income amounts refer mainly to the equity method effect in the measurement of investments in subsidiaries and associates.

The amount of 3,752 thousand euros, as of December 31, 2020, refers to the recovery of IRC from previous years to the level of deductibility of financial charges.

Deferred taxes

The amounts of deferred tax assets and liabilities as of 31 December 2020 and 2019, in accordance with the underlying temporary differences are as follows:

	31 December 2019				Increase/ (decrease) in the period	
	2020		2019			
Nature	Base	Deferred tax	Base	Deferred tax	Results	Equity (Notes 11 and 12)
Deferred tax assets:						
Provision for post employment benefits	12	3	10	3	-	-
Derivative financial instruments - Cash Flow	34,060	8,515	26,534	6,634	-	1,881
Derivative financial instruments - Fair Value	47	12	-	-	12	-
	34,119	8,530	26,544	6,636	12	1,881
Deferred tax liabilities:						
Derivative financial instruments-Fair value	-	-	8	2	(2)	-
Fair value of assets	18,035	4,221	16,635	4,159	-	62
	18,035	4,221	16,643	4,161	(2)	62
DEFERRED TAX					14	1,819

10. FINANCIAL ASSETS

Trade receivables and other receivables

Trade receivables and other receivables at 31 December 2020 and 2019 are as follows:

	2020	2019
Non current:		
Other receivables:		
Group companies - Shareholders loans (Note 25)	2,385,548	2,385,548
Current:		
Other receivables:		
Group companies - Shareholders loans (Note 25)	-	122,137
Group companies - Treasury management (Note 25)	537,991	529,665
Group companies - RETGS (Note 25)	41,442	30,813
Group companies - Other debtors (Note 25)	3,758	4,124
Group companies - Interest receivable from shareholders loans (Note 25)	30,667	34,969
Group companies - Accruals (Note 25)	1,920	1,008
Other	170	130
	615,948	722,845
	3,001,496	3,108,393

As of 31 December 2020, the Company made shareholders loans to its subsidiaries in the total amount 2,385,548 thousand euros (2,507,685 thousand euros as of 31 December 2019), which terms and conditions reflect actual market conditions.

The Company agreed a Central Cash pooling agreement. This agreement is valid for annual periods, renewable for equal periods, with market conditions.

The caption "Other receivables – Group companies - RETGS" includes income tax charged to subsidiaries resulting from the adoption of the CIT special regime for taxation of groups companies.

Other financial assets

The caption "Other financial assets" as of 31 December 2020 and 2019 is as follows:

	2020	2019
Non current:		
Labor compensation fund	17	16
	17	16
OTHER FINANCIAL ASSETS	17	16

11. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2020 and 2019, the Company had the following derivative financial instruments negotiated:

	31 December 2020				
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	600,000 TEUR	-	-	-	26,019
Currency swaps	72,899 TEUR	-	9,755	-	-
		-	9,755	-	26,019
Derivatives designated as fair value hedges:					
Interest rate swaps	400,000 TEUR	-	15,930	-	-
		-	15,930	-	-
Trading derivatives	60,000 TEUR	-	-	-	3,196
DERIVATIVE FINANCIAL INSTRUMENTS		-	25,685	-	29,215

	31 December 2019				
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges:					
Interest rate swaps	600,000 TEUR	-	-	-	21,670
Currency swaps	72,899 TEUR	-	13,712	-	-
		-	**13,712**	**-**	**21,670**
Derivatives designated as fair value hedges:					
Interest rate swaps	400,000 TEUR	1,732	13,516	-	-
		1,732	13,516	-	-
Trading derivatives	60,000 TEUR	-	-	-	3,177
DERIVATIVE FINANCIAL INSTRUMENTS		**1,732**	**27,229**	**-**	**24,848**

The valuation of the derivatives financial instruments portfolio is based on fair value valuations made by external entities.

The amount recorded in this caption relates to:

- Seven interest rate swap contracts contracted by REN SGPS in order to hedge the risk of interest rate fluctuation (Note 3.16);
- A cross currency swap contract negotiated by REN SGPS to hedge the exchange rate fluctuation risk (Note 3.16).

Counterparties to derivative contracts are international financial institutions with a solid credit rating and first-rate national institutions.

For the purpose of the effectiveness tests of the designated hedging relationships, REN applies the "Dollar offset method" and the linear regression statistical method as methodologies. The effectiveness ratio is given by comparing the changes in fair value of the hedging instrument with the changes in fair value of the hedged item (or hypothetical derivative instrument simulating the conditions of the hedged item).

For the purpose of calculating ineffectiveness, the total change in fair value of the hedging instruments is considered.

The disclosed amount includes receivable or payable accrued interest, at 31 December 2020 related to these financial instruments, in the net amount receivable of 1,960 thousand euros (at 31 December 2019 it was 2,323 thousand euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2020 and 2019 were as follows:

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31 December 2020	Fair value at 31 December 2019
Cash flow hedge							
Interest rate swaps	600,000 MEUROS	EUR	[0,75%;1,266%]	[EUR 3M; EUR 6M]	[DEZ-2024;FEV-2025]	(26,019)	(21,670)
Currency swaps	10,000 000,000 JPY / 72,899 MEUROS	EUR / JPY	[EUR 6M; + 1,9%]	2.71%	2024	9,755	13,712
						(16,264)	(7,958)
Fair value hedge							
Interest rate swaps	300,000 MEUROS	EUR	[EUR 6M]	[0.611%]	FEB-2025	15,930	13,516
Interest rate swaps	100,000 MEUROS	EUR	[EUR 6M; +0,3332%]	[1,724%]	OCT-2020	-	1,732
						15,930	15,249
Trading derivatives							
Interest rate swaps	60,000 MEUROS	EUR	[0,99%]	[EUR 6M]	2024	(3,196)	(3,177)
						(3,196)	**(3,177)**
TOTAL						(3,530)	**4,114**

The periodicity of the cash flows, paid and received, from the derivative financial instruments portfolio is quarterly, semi-annual and annual for cash flow hedging contracts, semi-annual and annual for fair value hedging contracts and semi-annual for the trading derivative.

The breakdown of the notional of derivatives at 31 December 2020 and 2019 is presented in the following table:

2020

	2021	2022	2023	2024	2025	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	300,000	300,000	-	600,000
Currency swap (cash flow hedge)	-	-	-	72,899	-	-	72,899
Interest rate swap (fair value hedge)	-	-	-	-	300,000	-	300,000
Trading derivatives	-	-	-	60,000	-	-	60,000
TOTAL	-	-	-	432,899	600,000	-	1,032,899

2019

	2020	2021	2022	2023	2024	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	-	300,000	300,000	600,000
Currency swap (cash flow hedge)	-	-	-	-	72,899	-	72,899
Interest rate swap (fair value hedge)	100,000	-	-	-	-	300,000	400,000
Trading derivatives	-	-	-	-	60,000	-	60,000
TOTAL	**100,000**	**-**	**-**	**-**	**432,899**	**600,000**	**1,132,899**

Swaps:

Cash flow hedge - Interest rate swaps

The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on a portion of future debt interest payments through the designation of interest rate swaps, in order to transform floating rate payments into fixed rate payments.

At 31 December 2020, the Group has a total of four cash flow hedging interest rate swap contracts for a total amount of 600,000 thousand euros (as of 31 December 2019 it was 600,000 thousand euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2020, is negative 26,019 thousand euros (at 31 December 2019 it was negative 21,670 thousand euros).

Of the derivatives described above, two contracts in a total amount of 300,000 thousand euros (at 31 December 2019 it was 300,000 thousand euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 25,836 thousand euros (at 31 December 2019 it was 21,517 thousand euros).

The hedged instruments of cash flow hedging relationships present the following conditions:

	Maturity	Hedged Capital	Interest Rate	Hedged Outstanding Amount	Note
Cash Flow Covered Instruments:					
Banco Europeu de Investimento (BEI) Loan	16/12/2024	300,000 TEUROS	EUR 3M	299,889	15
Bonds (Euro Medium Term Notes)[1]	12/02/2025	300,000 TEUROS	2.50%	293,361	15

1 This hedged instrument is designated jointly with derivatives of fair value hedging amounting to Euro 300 million (see conditions in the table above) in a hedge of an aggregate exposure to Euribor 6 months in the period from 2023 to 2025 and, as such, eligible for cash flow coverage.

Cash flow hedge – Interest and exchange rate swaps

The Group hedged the exchange rate risk of the 10,000 million yen bond issued through a cross currency swap with the main characteristics similar to the bond with regard to exchange rate risk. Credit risk is not hedged.

The fair value of the cross currency swap at 31 December 2020 is 9,755 thousand euros positive (at 31 December 2019 it was 13,712 thousand euros positive).

Changes in the fair value of the hedging instrument are also being recorded in the hedge reserves in equity, with the exception of:

- The offsetting of the exchange rate effect of the spot update of the hedged instrument (bond issue in yen) at each reference date, resulting from the coverage of the exchange rate risk[1];
- The ineffective effect of the hedge resulting from the accounting designation made (REN hired a trading derivative to hedge this inefficiency economically - see Trading Derivative[2]. This inefficiency is caused by the change in the interest profile of the hedging instrument, which starts to pay a variable rate in the period from 2019 to 2024.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of cash flow hedges were as follows:

2020

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(4,318)	(4,318)	-	-
Swaps of exchange rate	(3,958)	(3,208)	2,199	(2,950)
	(8,277)	**(7,526)**	**2,199**	**(2,950)**

2019

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(10,773)	(10,773)	-	-
Swaps of exchange rate	2,721	(2,114)	2,287	2,548
	(8,052)	**(12,887)**	**2,287**	**2,548**

[1] The exchange effect of the underlying (loan), in the year of 2020, was favorable in the amount of 2,950 thousand euros, having been offset, in the same amount, by the favorable effect of the hedging instrument in the income statement for the year (on 31 December 2019 was unfavorable at 2,548 thousand euros).

[2] The ineffective component related to the cash flow hedging of interest rate and foreign exchange risk, recorded in the income statement, was 2,199 thousand euros positive, having been offset by the effect of the trading derivative contracted in 16 thousand euros Negative (on December 31, 2019 it was 2,287 thousand euros positive compared to 1,088 thousand euros negative from the effect of the trading derivative). Accordingly, the net effect on the income statement for the period ended 31 December 2020 amounts to 2,183 thousand euros positive (on 31 December 2019 it was 1,199 thousand euros positive).

Hedging Reserve:

The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact (Note 9)	Hedging reserves
1 January 2019	(13,647)	3,071	(10,577)
Changes in fair value and ineffectiveness	(12,887)	3,563	(9,324)
31 DECEMBER 2019	**(26,534)**	**6,634**	**(19,901)**
1 January 2020	(26,534)	6,634	(19,901)
Changes in fair value and ineffectiveness	(7,526)	1,881	(5,644)
31 DECEMBER 2020	**(34,060)**	**8,515**	**(25,545)**

Fair value hedge

The Company hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on the fair value of interest payments on fixed-rate debt by negotiating interest rate swaps where it pays a variable rate and receives a fixed rate in order to convert fixed-rate debt payments into variable-rate payments.

At 31 December 2020, the Group has a total of three fair value hedging derivative contracts amounting to 300,000 thousand euros (as of 31 December 2019 it was 400,000 thousand euros). The hedged risk corresponds to the change in fair value of debt issues attributable to movements in the market interest rate index (Euribor). Credit risk is not being hedged. At 31 December 2020, the fair value of interest rate swaps designated as fair value hedging instruments was positive 15,930 thousand euros (as of 31 December 2019 it was positive 15,249 thousand euros).

Changes in the fair value of hedged items arising from interest rate risk are recognised in the income statement in order to offset changes in the fair value of the hedging instrument, which are also recognised in the income statement. The hedged items of fair value hedging relationships have the following conditions:

2020

	Maturity	Hedged Capital	Interest Rate	Outstanding Amount	there of Fair Value adjustments	Variation	Note
Fair value hedged Instruments:							
Bonds (Euro Medium Term Notes)	16/10/2020	100 000 MEUROS	4.75%	-	-	(137)	15
Bonds (Euro Medium Term Notes)	12/02/2025	300 000 MEUROS	2.50%	307,192	(13,831)	(2,433)	15
					(13,831)	(2,570)	

2019

	Maturity	Hedged Capital	Interest Rate	Outstanding Amount	there of Fair Value adjustments	Variation	Note
Fair value hedged Instruments:							
Bonds (Euro Medium Term Notes)	16/10/2020	100,000 TEUROS	4.75%	97,188	136	1,546	15
Bonds (Euro Medium Term Notes)	12/02/2025	300,000 TEUROS	2.50%	304,761	(11,398)	(6,472)	15
					(11,262)	**(4,926)**	

In 2020, the change in fair value of the debt related to interest rate risk recognized in the income statement was negative 2,570 thousand euros (at 31 December 2019 it was negative 4,926 thousand euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately positive 55 thousand euros (at 31 December 2019 it was positive 83 thousand euros).

The ineffectiveness recognized is related to the effect of the fixed leg spread of the hedging instruments that is not reflected in the hedged item.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of fair value hedges were as follow:

2020

Cash Flow Hedging Instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	(55)

2019

Cash Flow Hedging Instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	83

Trading derivatives

The Company negotiated an interest rate swap, with a starting date in 2019 and maturity in 2024, which pays fixed rate and receives variable rate. This instrument, although not designated as hedge accounting considering IFRS 9 criteria, is currently hedging the effect of the ineffectiveness of the cash flow hedge of the interest and exchange rate risks of the bond issue in Yen, relative to the fluctuation of interest rates for the hedging period (see Cash Flow Hedge – Interest and Exchange Rate Swaps).

The notional amount of this trading derivative is 60,000 thousand euros as of 31 December 2020 (at 31 December 2019 it was 60,000 thousand euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2020, is negative 3,196 thousand euros (on 31 December 2019 it was negative 3,177 thousand euros).

Changes in the fair value of the trading derivative are recorded directly in the income statement. The impact in the income statement, as of 31 December 2020, related to the effect of the fair value of the trading derivative was negative 16 thousand euros (as of 31 December 2019 it was 1,088 thousand euros negative).

12. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE FOR OTHER COMPREHENSIVE PERFORMANCE

The assets recognised in this caption at 31 December 2020 and 2019 corresponds to equity interests held on strategic entities in the electricity and gas market, which can be detailed as follows:

	Head office		% owned		Book value	
	City	Country	2020	2019	2020	2019
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	10.00%	3,167	3,167
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	7.50%	56,435	55,035
					59,601	58,201

The changes in this caption were as follows:

	OMEL	HCB	Total
At 1 January 2019	3,167	53,409	56,576
Fair value adjustments	-	1,625	1,625
AT 31 DECEMBER 2019	3,167	55,035	58,201
At 1 January 2020	3,167	55,035	58,201
Fair value adjustments	-	1,400	1,400
AT 31 DECEMBER 2020	3,167	56,435	59,601

REN SGPS holds 7.5% representative shares of Hidroeléctrica de Cahora Bassa S.A., Mozambican company, transmitted following the contract signed at 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. (Parpublica), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique, EP for the acquisition from Parpublica of 2,060,661,943 shares, representing 7.5% of the capital and voting rights of HCB. This participation was initially recorded at its acquisition cost (38,400 thousand euros) and subsequently adjusted to its fair value (Note 27).

As of 31 December 2020, REN SGPS holds an interest in OMEL, Operador del Mercado Ibérico, S.A. (OMEL). In the process to create the Sole Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Electricidade - OMI) and in accordance with the Agreement between the Portuguese Republic and the Kingdom of Spain regarding the creation Iberian electric energy market, REN SGPS acquired 10% of the shares of OMEL for 3,167 thousand euros.

As there are no available market price for the above referred investment (OMEL), and as it is not possible to determine the fair value using comparable transactions, these investment is recorded at acquisition cost deducted by impairment losses.

At this date, no evidences of impairment losses related with OMEL exist.

Adjustments to the fair value investments in equity instruments at fair value for other comprehensive income are recorded in equity under the caption “fair value reserve”, which as of 31 December 2020 and 2019 presents the following amounts:

	Fair value reserve
1 January 2019	11,632
Changes in fair value	1,625
Fiscal effect (Note 9)	(781)
31 DECEMBER 2019	**12,476**
1 January 2020	12,476
Changes in fair value	1,400
Fiscal effect (Note 9)	(62)
31 DECEMBER 2020	**13,814**

The dividends distributed are detailed in Note 24.

13. EQUITY INSTRUMENTS

Share Capital

As of 31 December 2020, the Company's subscribed and paid up capital was made up of 667,191,262 shares with nominal value of 1 Euro each.

Share capital at 31 December 2020 and 2019 is detailed as follows:

	2020		2019	
	Number of shares	Share Capital	Number of shares	Share Capital
Share capital	667,191,262	667,191	667,191,262	667,191

The caption “Other changes in equity” in the years ended 31 December 2020 and 2019 amounted to 5,561 thousand euros.

The main shareholders at 31 December 2020 and 2019 and were as follows:

	2020		2019	
	Shares	%	Shares	%
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	166,797,815	25.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	46,611,245	7.0%	46,611,245	7.0%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
Great-West Lifeco, Inc.	18,225,165	2.7%	18,225,165	2.7%
The Capital Group Companies, Inc. i)	-	0.0%	24,355,192	3.7%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Free float	282,719,676	42.4%	258,364,484	38.7%
	667,191,262	100%	**667,191,262**	**100%**

On February 26, 2020, The Capital Group Companies, Inc. informed REN of the decrease in the stake held (indirectly), and from that date, it was charged with a stake of less than 2% in the shareholder structure of the REN Group. In this sense, and no longer having a qualified participation in REN, The Capital Group Companies, Inc. no longer has the obligation to report changes in the participation held, so the number of shares held by it is included in the “Free float” item for the year ended December 31, 2020.

Own Shares

At 31 December 2020 and 2019, the Company had the following own shares:

	Number of shares	Percentage of capital	Amount
Own shares	3,881,374	0.6%	10,728

There were no purchases or sales of own shares in the year ended 31 December 2020 and 2019.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must permanently ensure the existence of sufficient equity reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution.

Share issue premium

Following the capital increase in 2017, REN SGPS recorded an amount of 116,809 thousand euros in the “Share issue premium” caption.

Legal reserve

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used up.

At 31 December 2020 the caption “Legal reserve” amounted to 125,075 thousand euros (118,828 thousand euros as of 31 December 2019).

Other reserves

The caption "Other Reserves" includes changes in the fair value of investments in equity instruments at fair value for other comprehensive income, derivative financial instruments hedging cash flows and other reserves.

In accordance with the Commercial Company Code, increases resulting from the adoption of fair value can only be distributed to shareholders when the assets or liabilities that originated the fair value are sold, executed, extinguished, liquidated or when they are used.

As of 31 December 2020, the Company has in Equity the amount of 11,731 thousand euros negative (7,425 thousand euros negative in 2019) related to reductions arising from the application of fair value, namely: (i) fair value reserve of Investments in equity instruments at fair value for other comprehensive income in the amount of 13,814 thousand euros positive (Note 12) and (ii) the hedge reserve of derivative financial instruments in the amount of 25,545 thousand euros negative (Note 11).

The caption "Other Reserves" includes free reserves in the amount of 180,190 thousand euros. This caption is increased with the application of net profits, being eligible for distribution to the shareholders, except for the limitation set on the Commercial Company Code in relation to own shares and income from the application of the equity method.

Adjustments to financial assets

The caption "Adjustments to financial assets" reflects changes in the subsidiaries equity when applying the equity method.

At 31 December 2020 this caption amounted to 80,769 thousand euros negative (50,808 thousand euros negative as of 31 December 2019). The change in the amount of 29,962 thousand euros (Note 7) includes mainly the (i) the effect of equity changes of REN – Rede Eléctrica Nacional, S.A., due to the recognition of actuarial gains and losses of the year in the total amount of 1,223 thousand euros; (ii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the changes in the fair value of Red Elétrica Corporación in the amount of 4,403 thousand euros and; (iii) the effect of exchange rate variations on the financial investments held by REN Serviços in Transemel and Electrogas, appropriated by the equity method by the Company, which in 2020 amounted to 24,336 thousand euros.

In accordance with the Portuguese legislation, income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. The Portuguese legislation establishes that the difference between the equity method gains and the amount of paid or deliberated dividends are equivalent to legal reserve.

Dividends distributions

During the Shareholders General Assembly meeting held on 7 May 2020, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2019, in the amount of 114,090 thousand euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

The dividends paid during the year ended 31 December 2019, determined on the 2018 net profit amounted to 114,090 thousand euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGEN ASSETS

Guarantees given

At 31 December 2020 and 2019, the Company had given the following bank guarantees:

Beneficiary	Object	2020	2019
European Investment Bank	For loan outstanding balances	274,593	208,309
Tax Authorithies	Ensure the suspension of tax enforcement proceedings	24,277	8,212
		298,870	216,521

The guarantees given have the following maturities:

	31 December 2020			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowing	26,091	135,631	112,872	274,593
Other guarantees	-	-	24,277	24,277
	26,091	135,631	137,149	298,870

	31 December 2019			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowing	24,153	101,909	82,247	208,309
Other guarantees	-	-	8,212	8,212
	24,153	101,909	90,458	216,521

15. FINANCIAL LIABILITIES

Trade Payables and Other Payables

At 31 December 2020 and 2019 the captions "Trade payables" and "Other payables" were made up as follows:

	2020	2019
Current		
Trade payables:		
National	282	187
Foreign	563	590
	845	778
Other payables:		
Capex suppliers	24	-
Group companies - RETGS (Note 25)	5,813	4,315
Group companies - treasury management (Note 25)	23,645	199
Accrued costs:		
Remunerations	240	309
Others	1,443	2,428
Other Creditors:		
Group (Note 25)	22,718	20,732
Others	33	29
	53,916	28,011
	54,761	28,788

The Company agreed a central cash pooling agreement with its subsidiaries. This agreement is valid for one year and is renewable for equal periods. The terms and conditions of this agreement are market conditions.

Borrowings

The borrowings are detailed, in terms of maturity (current and non-current) and nature, as of 31 December 2020 and 2019 as follows:

	2020	2019
Non-current		
Commercial paper	250,000	100,000
Bonds	92,889	95,327
Bank loans	429,358	387,763
Finance leases (Note 6)	248	128
Group Companies - Bonds (Note 25)	1,494,000	1,533,000
Other deferred borrowing costs	(1,729)	(2,088)
Other deferred borrowing costs - Group companies (Note 25)	(784)	(3,149)
	2,263,982	2,110,982
Current		
Commercial paper	175,000	364,000
Group Companies - Commercial Paper (Note 25)	463,400	243,400
Bonds	-	30,000
Group Companies - Bonds (Note 25)	39,000	279,755
Bank loans	48,405	47,950
Finance leases (Note 6)	97	75
Group Companies - Interests and other similar costs (Note 25)	28,157	31,031
Interest payable	478	588
Other deferred borrowing costs	(1,503)	(612)
Other deferred borrowing costs - Group companies (Note 25)	(2,613)	(2,656)
	750,421	993,531
	3,014,404	3,104,513

The company external borrowings have the following capital repayment schedule:

2020

	2021	2022	2023	2024	2025	Following years	Total
Debt - Non current	-	57,873	68,364	272,939	83,229	290,090	772,495
Debt - Current	223,502	-	-	-	-	-	223,502
TOTAL	223,502	57,873	68,364	272,939	83,229	290,090	995,997

The company internal borrowings have the following capital repayment schedule:

2020

	2021	2022	2023	2024	2025	Following years	Total
Commercial paper	463,400	-	-	-	-	-	463,400
Bonds	39,000	48,000	559,000	87,000	500,000	300,000	1,533,000
TOTAL	502,400	48,000	559,000	87,000	500,000	300,000	1,996,400

Detailed information regarding bond issues as of 31 December 2020 is as follows:

Issue date	Maturity	Initial amount	Outstanding amount	Interest rate	Schedule of interest payments
'Euro Medium Term Notes' programme issues					
26/06/09	26/06/24	TJPY 10,000,000 (I)	TJPY 10,000,000	FIXED RATE (II)	SEMI-ANNUAL

(i) These issues correspond to private placements.

'(ii) These issues has interest and currency rate swaps associated

In the period ended 31 December 2020, REN SGPS together with REN Finance BV established a Euro-Commercial Paper program, with a maximum amount of 600,000 thousand euros, with the amount of 325,000 thousand euros available for use.

As part of the financing contract signed in 2015 with the European Investment Bank to finance projects in the electricity business, the second and third tranches in the amount of 20,000 and 70,000 thousand euros was disbursed in July 2020.

Bank loans consist mostly of loans contracted with the European Investment Bank, which on December 31, 2020 amounted to 477,763 thousand euros (on December 31, 2019 it was 435,714 thousand euros).

As a result of the fair value hedging amounting to 300,000 thousand euros made on debt issues (Note 11), the change in the fair value of these issues related to interest rate risk directly in profit and loss amounting to negative 2,570 thousand euros was recognized. (on December 31, 2019 it was negative 4,926 thousand euros).

Subscribed within the Group, the Company had, on December 31, 2020, issued commercial paper in the amount of 463,400 thousand euros (on December 31, 2019 it was 243,400 thousand euros) and held bond loans contracted in the amount of 1,533,000 thousand euros (on December 31, 2019 it was 1,812,755 thousand euros). The financial conditions of these loans are in line with market conditions.

As of December 31 2020, the Company has nine commercial paper programs, in the amount of 2,000,000 thousand euros, with 1,300,000 thousand euros available. Of the total value of commercial paper programs, 530,000 thousand euros are guaranteed to be placed.

The Company also holds 80,000 thousand euros in credit lines contracted and not used with maturities of up to one year, which are automatically renewable periodically (if they are not reported in the contractually stipulated period for that purpose), of which 70,000 thousand euros concern two grouped lines that can be used in their entirety and alternately by several companies in the group.

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Leverage and Gearing ratios.

Financing entered into with the European Investment Bank also includes covenants related to rating ratings and other financial ratios in which the Company may be called upon to provide an acceptable guarantee to the European Investment Bank in the event of rating ratings or financial ratios below the stipulated levels.

As of December 31, 2020, the REN Group complies with all covenants to which it is contractually bound.

The Company and its subsidiaries are parties to some financing and debt issuance contracts, which include clauses on changes in control typical of this type of transaction (covering, albeit not expressly, changes in control as a result of takeover bids) and essential for the completion of such transactions in the respective market context. In any case, the practical application of these clauses is limited considering the legal restrictions on the ownership of REN shares. According to legal rules on competition, contractual terms and usual market practices, neither REN nor its counterparties in financing contracts are authorized to disclose other information regarding the characteristics of the respective financing operations.

16. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2020 and 2019 the caption "State and other public entities" is detailed as follows:

	2020	2019
Current assets:		
Income tax	-	15,438
STATE AND OTHER PUBLIC ENTITIES - ASSET	**-**	**15,438**
Current liabilities:		
Income tax	7,933	-
VAT payable	50	136
Retained tax	93	89
Social security	100	90
STATE AND OTHER PUBLIC ENTITIES - LIABILITY	**8,176**	**315**

The REN Group entities are included in the CIT – RETGS regime (Note 9).

17. REVENUE

The revenue recognized by the Company in the year ended 31 December 2020 and 2019 was as follows:

	2020	2019
Services rendered:		
Technical and admninistrative management of REN Group (Note 25)	9,378	9,863
Other services (Note 25)	12	13
	9,390	**9,876**

18. GAINS AND LOSSES FROM SUBSIDIARIES AND ASSOCIATES

The gains and losses from subsidiaries and associates in the years ended 31 December 2020 and 2019 are detailed as follows:

	2020	2019
Subsidiaries:		
REN - Rede Eléctrica Nacional, S.A.	60,593	60,474
REN Atlântico, Terminal de GNL, S.A.,	6,560	5,974
Rentelecom - Comunicações, S.A.	2,591	2,641
REN Serviços, S.A.	28,526	40,430
Enondas – Energia das Ondas, S.A.	53	59
REN PRO, S.A.	(72)	810
REN Trading, S.A.	120	36
REN Finance, B.V.	6,131	6,177
Associates:		
OMIP, SGPS, S.A.	240	1,835
Centro de Investigação em Energia REN - State Grid, S.A.	25	1
	104,767	118,438

19. SUPPLIES AND SERVICES

The caption "Supplies and services" for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Specialized services	1,684	2,495
Services rendered to Group companies (Note 25)	899	968
Insurances	212	176
Travel and lodging	90	357
Rentals and rents	53	56
Fuel	27	31
Maintenance and repair	26	31
Other supplies and external services (values below 25 tEUR)	111	234
	3,103	4,348

20. PERSONNEL COSTS

The caption "Personnel costs" for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Remunerations:		
Board of directors	3,130	2,401
Personnel	1,970	2,643
	5,100	**5,044**
Charges on remuneration and other:		
Charges on remuneration	755	898
Other	30	63
Insurance	95	76
	880	**1,036**
PERSONNEL COSTS	**5,980**	**6,080**

The board of Directors caption includes the Board of Directors members' remunerations.

Personnel employed

During the years ended 31 December 2020 and 2019 the average number of personnel employed by the Company was 21 and 28, respectively.

21. OTHER INCOME

The caption "Other income" for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Supplementary income	-	1,762
Other income	29	6
	29	**1,768**

22. OTHER EXPENSES

The caption “Other expenses” for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Subscriptions	87	94
Taxes	133	132
Other expenses	2	56
	223	282

23. INTEREST AND SIMILAR INCOME AND EXPENSES

The caption “Interest and similar income and expenses” for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Interest and similar costs:		
Bonds	2,264	1,667
Bank loans	3,938	7,539
Commercial paper	3,162	2,078
Swaps (Note 11)	657	1,102
Centralized treasury management (Note 25)	26	196
Commercial paper -Group companies (Note 25)	1,858	1,692
Bonds -Group companies (Note 25)	51,960	55,109
Other financial costs	239	264
	64,103	69 646
Interest and similar income:		
Interest on sharehoders loans (Note 25)	62,092	69,442
Interest on centralized treasury management (Note 25)	1,115	2,199
Interest on bank deposits	-	3
Derivative financial instruments (Note 11)	4,257	4,982
	67,464	76,626

Interest cash flows of derivative financial instruments (swaps) are presented net of flows related with borrowings that are being hedged.

24. DIVIDENDS

During the years ended 31 December 2020 and 2019, the Company received the following dividends from investments in equity instruments at fair value for other comprehensive income:

	2020	2019
Dividends received:		
HCB	1,542	1,495
OMEL	81	87
	1,623	1,582

The total amount of dividends received from subsidiaries, associates and investments in equity instruments at fair value for other comprehensive income amounted to 103,860 thousand euros (95,788 thousand euros in 31 December 2019).

25. RELATED PARTIES

During the years ended 31 December 2020 and 2019 the following transactions were carried out with related parties:

Group

Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)
REN - Rede Eléctrica Nacional, S.A.	4,938	35,638	304
REN Trading, S.A.	-	-	342
ENONDAS, S.A.	10	-	2
REN Gasodutos, S.A.	1,468	-	37
REN Armazenagem, S.A.	284	-	-
REN Atlântico, Terminal de GNL, S.A.	635	2,801	85
REN Gás, S.A.	-	-	2
REN Portgás Distribuição, S.A.	283	-	77
RENTELECOM - Comunicações, S.A.	84	-	-
REN Serviços, S.A.	1,372	23,653	209
REN Finance, B.V.	-	-	55
REN PRO, S.A.	304	-	1
	9,378	62,092	1,115

Group

Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)
REN - Rede Eléctrica Nacional, S.A.	5,304	40,838	495
REN Trading, S.A.	-	-	940
ENONDAS, S.A.	9	-	8
REN Serviços, S.A.	1,286	25,396	223
RENTELECOM - Comunicações, S.A.	94	-	-
REN Gás, S.A.	-	-	7
REN Gasodutos, S.A.	1,588	-	104
REN Armazenagem, S.A.	295	-	10
REN Portgás Distribuição, S.A.	431	-	165
REN Atlântico, Terminal de GNL, S.A.	643	3,208	241
REN PRO, S.A.	214	-	6
REN Finance, B.V.	-	-	-
	9,863	**69,442**	**2,199**

2020

	Supplies and services (Note 19)	Interest and other similar costs - Treasury management (Note 23)	Interest and other similar costs - Commercial paper (Note 23)	Interest and other similar costs -Bonds (Note 23)
	384	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	13	9	-
	-	-	-	-
	-	9	52	-
	-	-	-	-
	-	2	19	-
	421	-	-	-
	39	-	1,774	51,960
	55	1	3	-
	899	**26**	**1,858**	**51,960**

2019

	Supplies and services (Note 19)	Interest and other similar costs - Treasury management (Note 23)	Interest and other similar costs - Commercial paper (Note 23)	Interest and other similar costs -Bonds (Note 23)
	446	31	-	-
	-	-	-	-
	-	-	-	-
	406	3	-	-
	-	27	-	-
	-	129	1	-
	-	2	-	-
	-	3	-	-
	-	-	-	-
	-	-	-	-
	68	-	-	1
	48	-	1,691	55,109
	968	**196**	**1,692**	**55,109**

Other Related Parties

	2020	2019
Services rendered:		
Centro de Investigação em Energia REN - State Grid, S.A. (Note 17)	12	13
	12	13
External supplies and services:		
CMS - Rui Pena & Arnaut[1]	11	15
	11	15

[1] Entity related to the administrator José Luís Arnaut.

During 2020, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, responsibility, equality and impartiality.

As of 31 December 2020 and 2019, the Company had the following balances with related parties:

Group

Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	-	177,654	13,711
REN Trading, S.A.	-	146,975	-
ENONDAS, S.A.	-	1,019	-
REN Gasodutos, S.A.	-	24,270	-
REN Armazenagem, S.A.	-	-	-
REN Atlântico, Terminal de GNL, S.A.	-	37,327	111
REN Gás, S.A.	-	-	-
REN Portgás Distribuição, S.A.	-	26,683	-
RENTELECOM - Comunicações, S.A.	-	-	-
REN Serviços, S.A.	-	124,059	16,844
REN Finance, B.V.	-	-	-
REN PRO, S.A.	-	5	-
	-	537,991	30,667

2020			
Current assets			Non current assets
Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables - Shareholders loans (Note 10)
20,618	-	988	1,263,654
-	20	-	-
15	-	2	-
9,153	3	295	-
3,201	-	75	-
4,237	5	122	46,894
-	12	-	-
3,419	3	20	-
792	-	16	-
-	17	326	1,075,000
-	3,680	4	-
7	19	72	-
41,442	3,758	1,920	2,385,548

Group

Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from bonds (Note 15)	Others creditors (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	89
REN Trading, S.A.	-	3,622	-	22,528
ENONDAS, S.A.	6,475	-	-	1
REN Armazenagem, S.A.	10,756	-	-	1
REN Gás, S.A.	5,340	1,380	-	1
RENTELECOM - Comunicações, S.A.	-	811	-	8
REN Finance, B.V.	5	-	28,157	90
REN PRO, S.A.	1,069	-	-	-
	23,645	5,813	28,157	22,718

Group

Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	34,231	162,069	17,402
REN Trading, S.A.	-	159,904	-
REN Serviços, S.A.	80,000	57,982	17,445
REN Gasodutos, S.A.	-	19,423	-
REN Armazenagem, S.A.	-	-	-
REN Atlântico, Terminal de GNL, S.A.	7,906	46,940	122
REN Gás, S.A.	-	-	-
REN Portgás Distribuição, S.A.	-	82,090	-
ENONDAS, S.A.	-	1,257	-
RENTELECOM - Comunicações, S.A.	-	-	-
REN PRO, S.A.	-	-	-
REN Finance, B.V.	-	-	-
	122,137	529,665	34,969

2020

Current liabilities			Non Current liabilities	
Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
463,400	39,000	(2,613)	1,494,000	(784)
-	-	-	-	-
463,400	**39,000**	**(2,613)**	**1,494,000**	**(784)**

2019

Current assets			Non current assets
Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables - Shareholders loans (Note 10)
17,420	150	449	1,263,654
-	73	-	-
-	26	185	1,075,000
6,225	9	167	-
4,349	-	44	-
98	20	77	46,894
-	12	-	-
1,697	52	16	-
12	1	-	-
806	-	28	-
206	37	41	-
-	3,745	-	-
30,813	**4,124**	**1,008**	**2,385,548**

Group

Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from bonds (Note 15)	Others creditors (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-	89
REN Trading, S.A.	-	2,065	-	20,459
REN Serviços, S.A.	-	1,140	-	56
REN Armazenagem, S.A.	14	-	-	1
REN Gás, S.A.	57	1,110	-	17
RENTELECOM - Comunicações, S.A.	123	-	-	2
REN PRO, S.A.	6	-	-	43
REN Finance, B.V.	-	-	31,031	64
	199	**4,315**	**31,031**	**20,732**

Other Related Parties

	2020	2019
Assets		
Other debtors:		
Other receivables - OMEL	15	-
Other receivables - Hidroelectrica Cahora Bassa	78	-
Other receivables - Centro de Investigação em Energia REN - State Grid, S.A.	15	16
	108	**16**
Liabilities		
Suppliers:		
CMS - Rui Pena & Arnaut[1]	5	-
	5	**-**

[1] Entity related to the administrator José Luís Arnaut.

During 2020, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, responsibility, equality and impartiality.

2019

	Current liabilities			Non Current liabilities	
	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	2,250	-	-	-	-
	73,200	-	-	-	-
	4,750	-	-	-	-
	700	-	-	-	-
	162,500	279,755	(2,656)	1,533 000	(3,149)
	243,400	**279,755**	**(2,656)**	**1,533 000**	**(3,149)**

Information on share transactions by members of the Board of Directors

During the period ended 31 December 2020, no transactions were made by Board of Directors members.

26. REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors of REN were considered in accordance with NCRF 5 to be the only key members of the management of the Group. Remuneration of the Board of Directors of REN in the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Remuneration and other short term benefits	1,596	1,545
Management bonuses (estimated)	1,534	856
	3,130	**2,401**

There are no loans granted to the members of the Board of Directors.

27. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives
Assets				
Cash and cash equivalents	4	-	-	-
Trade and other receivables	10	3,001,496	-	-
Other financial assets	10	-	-	-
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-
Derivative financial instruments	11	-	25,685	-
TOTAL FINANCIAL ASSETS		**3,001,496**	**25,685**	
Liabilities				
Borrowings	15	-	-	-
Trade and other payables	15	-	-	-
Income tax payables	16	-	-	-
Drivative financial instruments	11	-	26,019	3,196
TOTAL FINANCIAL LIABILITIES		**-**	**26,019**	**3,196**

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives
Assets				
Cash and cash equivalents	4	-	-	-
Trade and other receivables	10	3,108,393	-	-
Other investments	10	-	-	-
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-
Income tax receivable	16	-	-	-
Derivative financial instruments	11	-	27,229	-
TOTAL FINANCIAL ASSETS		**3,108,393**	**27,229**	**-**
Liabilities				
Borrowings	15	-	-	-
Trade and other payables	15	-	-	-
Income tax payable	16	-	-	-
Derivative financial instruments	11	-	21,670	3,177
TOTAL FINANCIAL LIABILITIES		**-**	**21,670**	**3,177**

31 December 2020

Fair value - Equity instruments for other comprehensive income	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
-	-	45,031	45,031	45,031
-	-	-	3,001,496	3,001,496
-	17	120	138	138
59,601	-	-	59,601	59,601
-	-	-	25,685	25,685
59,601	**17**	**45,151**	**3,131,951**	**3,131,951**
-	-	3,014,404	3,014,404	2,704,167
-	-	54,771	54,771	54,771
-	-	8,176	8,176	8,176
-	-	-	29,215	29,215
-	**-**	**3,077,350**	**3,106,565**	**2,796,328**

31 December 2019

Fair value - Equity instruments for other comprehensive income	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
-	-	6,405	6,405	6,405
-	-	-	3,108,393	3,108,393
-	16	163	178	178
58,201	-	-	58,201	58,201
-	-	15,438	15,438	15,438
-	-	-	27,229	27,229
58,201	**16**	**22,005**	**3,215,844**	**3,215,844**
-	-	3,104 513	3,104 513	3,104 513
-	-	28,788	28,788	28,788
-	-	315	315	315
-	-	-	24,848	24,848
-	**-**	**3,133 616**	**3,158 464**	**3,158 464**

Estimated fair value – assets measured at fair value

The following table presents the Company assets and liabilities measured at fair value at 31 December 2020 in accordance with the following levels of fair value hierarchy:

- **Level 1:** fair value of financial instruments is based on quoted prices of active liquid markets at the date of the statement of financial position;
- **Level 2:** the fair value of financial instruments is not determined based on active market quotes but using valuation models.
- **Level 3:** the fair value of financial instruments is not determined based on active market quotes, but using valuation models, whose main inputs are not observable in the market.

During the year ending 31 December 2020, no transfers of financial assets and liabilities were made between fair value hierarchy levels.

		2020			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value for other comprehensive income	Shares	-	-	56,435	56,435
Financial assets at fair value	Cash flow hedge derivatives	-	9,755	-	9,755
Financial assets at fair value	Fair value hedge derivatives	-	15,930	-	15,930
		-	25,685	56,435	82,120
Liabilities:					
Financial liabilities at fair value	Borrowings	-	313,831	-	313,831
Financial liabilities at fair value	Cash flow hedge derivatives	-	26,019	-	26,019
Financial liabilitie at fair value recorded in income	Trading derivatives	-	3,196	-	3,196
		-	343,046	-	343,046

During the year ended 31 December 2020, REN proceeded to a valuation of the financial interests held Hidroeléctrica de Cahora Bassa, S.A., which is classified as Investments in equity instruments at fair value through other comprehensive income (Note 12). The fair value of this asset reflects the price at which the asset would be sold in an orderly transaction.

For this purpose, REN has opted for a revenue approach, which reflects current market expectations regarding future amounts.
The data used in the price calculation, although not quoted, are prepared using valuation models, whose main inputs are not observable in the market.

Quality of financial assets

The credit quality of financial assets that are not overdue or impaired may be assessed with reference to the credit ratings disclosed by Standard & Poor's or based on historical information from the entities to which they refer:

	2020	2019
Cash and cash equivalents:		
A+ to A-	24	24
BBB+ to BBB-	38	42
BB+ to B-	42,693	5,926
Up to CCC+	2,267	390
Without rating	9	23
TOTAL CASH AND CASH EQUIVALENTS	**45,031**	**6,404**
Other financial assets:		
Without rating	138	178
TOTAL OTHER FINANCIAL ASSETS	**138**	**178**

Trade and other receivables and Trade and other payables refer mainly to receivables and payables from and to group companies, as noted in Notes 10 and 15, respectively.

With respect to the current receivables and payables balances, its carrying amount corresponds to a reasonable approximation of its fair value.

28. DISCLOSURES REQUIRED BY LAW

Fees invoiced by the statutory auditor

Information regarding fees paid to the statutory auditor is disclosed in the REN Group's Consolidated Report and Accounts.

29. SUBSEQUENT EVENTS

After the date of the statement of financial position, there were no events giving rise to additional adjustments or disclosures in the Company's consolidated financial statements for the year ended December 31, 2020.

30. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with the Financial Accounting and Reporting Standards (NCRF). In the event of discrepancies, the Portuguese language version prevails.

The Certified Accountant

Pedro Mateus

The Board of Directors

Rodrigo Costa

(Chairman of the Board of Directors
and Chief Executive Officer)

Omar Al Wahaibi

(Member of the Board of Directors)

João Faria Conceição

(Member of the Board of Directors
and Chief Operational Officer)

Jorge Magalhães Correia

(Member of the Board of Directors))

Gonçalo Morais Soares

(Member of the Board of Directors
and Chief Financial Officer)

Manuel Sebastião

(Member of the Board of Directors
and Chairman of the Audit Committee)

Guangchao Zhu

(Vice-President of the Board of Directors
designated by State Grid International
Development Limited)

Gonçalo Gil Mata

(Member of the Board of Directors
and of the Audit Committee)

Mengrong Cheng

(Member of the Board of Directors)

Maria Estela Barbot

(Member of the Board of Directors
and of the Audit Committee)

Lequan Li

(Member of the Board of Directors)

José Luis Arnaut

(Member of the Board of Directors)

Ana Pinho

(Member of the Board of Directors)

Note: The remaining pages of this Report & Accounts were initialled by the members of the Executive Committee and by the Certified Accountant, Pedro Mateus.

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A.
REPORT AND OPINION OF THE AUDIT COMMITTEE
INDIVIDUAL ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the individual financial information included in the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. attached thereto in relation to the financial year ended on December 31, 2020 which consist of the Balance Sheet as of December 31, 2020, evidencing a total of 4,508,420 thousand euros and 1,397,622 thousand euros of Equity , including Net Profit for the year of 111,739 thousand euros, the Statements of Profit and Loss , Changes in Equity and Cash Flows in relation to the financial year closed on the above mentioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the individual financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the individual Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 18 March 2021

Manuel Sebastião (Chairman)

Estela Barbot (Member)

Gonçalo Gil Mata (Member)

Ernst & Young
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(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the "Entity"), which comprise the Statement of Financial Position as at 31 December 2020 (showing a total of 4,508,420 thousand euros and a total equity of 1,397,622 thousand euros, including a net profit for the year of 111,739 thousand euros), and the Statement of Profit and Loss by Nature, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

Subsequent Measurement of investments in subsidiaries and associates

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.2 of the notes to the financial statements, the investments in subsidiaries and associates are recorded by the equity method. As at 31 December 2020, the investments in subsidiaries and associates amounts to 1,365,588 thousand euros (2019: 1,369,393 thousand euros), equivalent to 30% of total Assets (30% in 2019). Additionally, as at 31 December 2020, a substantial part of the Entity's revenues, in the amount of 104,767 thousand euros (2019: 118,438 thousand euros), is related to the equity method. The subsequent measurement and the impairment assessment of the investments in subsidiaries and	Our approach included the following procedures: ► We assessed the adequacy of the accounting policies used by the Entity in the measurement of the investments in subsidiaries and associates; ► We obtained the supporting calculation of the valuation of the investments in subsidiaries and associates and of the application of the equity method and we compared it with the Entity's financial statements; ► We assessed the use, by the Entity, of the correct financial information of its subsidiaries and associates as at 31 December 2020, including the

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
associates has been considered a key audit matter due to the materiality of the carrying amount of those investments and the significant impact of the application of the equity method. Furthermore, the determination of the recoverable amount of those investments is complex and includes the use of relevant Management estimates and assumptions. The Entity's Board of Directors did not identify any impairment evidence.	harmonization of the accounting policies to the financial statement of those entities; and ► We assessed the estimates and assumptions made by Management regarding the absence of impairment evidence. We also assessed the appropriateness of the applicable disclosures included in Notes 3.2, 7 and 18 of the notes to the financial statements.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´s financial position, financial performance and cash flows in in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System;
- the preparation of the Management report and the Corporate Governance Report, in accordance with the applicable legal and regulatory requirements;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code in matters of corporate governance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the Corporate Governance Report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate Governance Report, includes the information required the Entity to provide as per article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Entity for the first time in the shareholders' general meeting held on 3 May 2018 for a mandate from 2018 to 2020;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;

- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Entity on 18 March 2021; and
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit.

Lisbon, 18 March 2021

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

07

CORPORATE GOVERNANCE

REN

Evolution is ensuring efficient power transmission and transportation with maximum safety and quality, based on balanced impact on the environment, communities and on our future.

Together, for better energy for the future.

CARRYING EVOLUTION

»OUR
COMMITMENT
GOES BEYOND
OUR MISSION.«

07 CORPORATE GOVERNANCE

PART 1

REN is in a mission to ensure the continuous provision of energy to the whole country, and as such to contribute to the delevolpment of comunities and to improve the quality of life of Portuguese people. This is a task which requires a continuous and devoted effort. But our commitment goes beyond our mission.

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

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

7.1. INFORMATION ON SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

7.1.1. ECONOMIC ENVIRONMENT

I. CAPITAL STRUCTURE

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

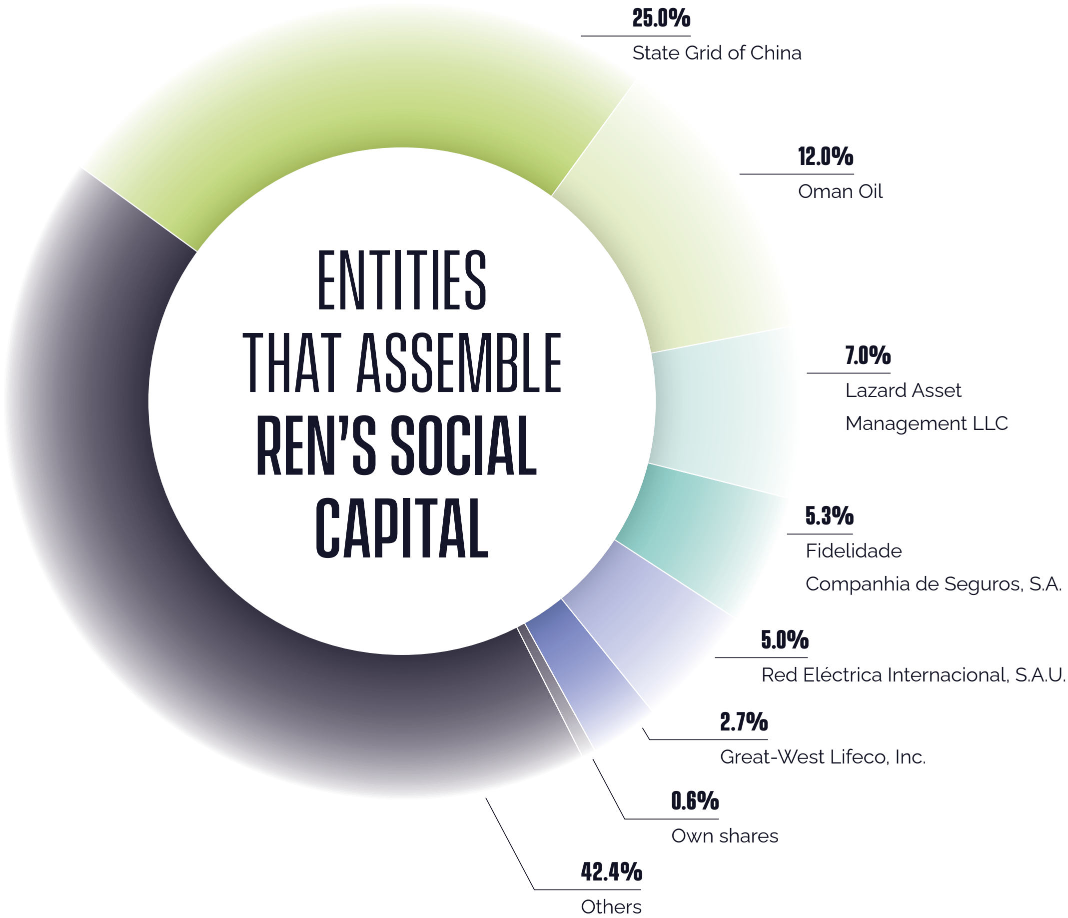
The share capital of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (REN or the company) in the amount of 667,191,262 euros is represented by 667,191,262 ordinary shares with a face value of 1.00 euro each, in the form of nominative book-entry shares.

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

Currently, all REN shares are admitted to trading on Euronext Lisbon, a regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., with code PTREL0AM0008.

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2020

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



I.2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (Art. 245-A(1)(b)).

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

With respect to ownership limitations on shares, in accordance with applicable legislation, no entity, including entities which conduct business in the respective sector in Portugal or abroad, can have direct or indirect holdings greater than 25% of REN share capital[1].

These limitations on the ownership of REN shares were introduced further to the transposition of European community directives applicable to the electricity and natural gas sectors to promote competition in the market and ensure equal access by operators to transmission infrastructures. This limitation was implemented by means of a provision included in REN's Articles of Association that provides for the non-count of votes cast by any shareholder, in the shareholder's own name or as a representative of another shareholder, that exceed 25% of the total votes corresponding to the share capital. The votes are counted in accordance with Article 20 of the Portuguese Securities Code (Securities Code)[2].

[1] See Article 25(2)(i) of Decree-Law No 29/2006 of 15 February (current wording), and Article 122(3)(b) and Article 125(3)h) of Decree-Law No 62/2020 of 28 August (current wording).

[2] See paragraphs 3 and 4 of Article 12 of REN's Articles of Association.

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

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

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

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

Therefore, limitations on the ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance (Instituto Portugês de Corporate Governance) as amended in 2020 (IPCG Code) cannot overturn. As such, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

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

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

I.4. Significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change of control over the Company, as the result of a takeover bid, as well as the respective effects, except if, due to their nature, the disclosure of which would be seriously prejudicial for the Company, except if the Company is specifically required to disclose this information due to other legal requirements (Art. 245-A(1)(j))

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

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

There are no other significant agreements to which REN is a party that would come into force,

[3] ERSE notified REN on 4 August 2015 confirming that the certification conditions determined on 9 September 2014 had been complied with, thus making the certification decision final

be amended or terminate in the event of a change in control over the Company or as the result of a takeover bid.

In summary, REN has not adopted any measures aimed at requiring payment or taking on encumbrances by the Company in the event of changes of control or changes in the composition of the Board of Directors and which would be liable to prejudice the free transferability of shares or the free evaluation by shareholders of the performance of members of the Board of Directors. Therefore, the Recommendation II.6 of the IPCG Code is fully addopted.

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

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

Such provisions arise from legal requirements and from the ERSE Decision and do not seek to limit voting rights, but rather to ensure the existence of a sanctioning system for breaching the legal limit on the ownership of shares and the legal restriction on voting rights, respectively.

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

There are no other defensive measures.

I.6. Shareholder Agreements which the company is aware of and which could lead to restrictions with regard to the transfer of securities or voting rights (Art. 245-A(1)(g)).

The Board of Directors is not aware of any shareholders agreements in relation to REN that may result in any restrictions to the transfer of securities or exercising of voting rights.

II. SHAREHOLDINGS AND BONDHOLDINGS

II.7. Identification of natural or legal persons which, directly or indirectly, own qualified shareholdings (Art. 245-A(1)(c) and (d) and Art. 16), with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution

Based on the communications submitted to the Company, in particular in accordance with Article 16 of the Securities Code and CMVM Regulation No 5/2008, with reference to 31 December 2020, shareholders having a qualifying holding (representing at least 2% of REN's share capital), calculated in accordance with Article 20 of the Securities Code, were as follows:

STATE GRID CORPORATION OF CHINA	NO OF SHARES	% SHARE CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through State Grid Europe Limited (SGEL), fully owned and controlled by State Grid International Development Limited (SGID), which is controlled by State Grid Corporation of China	166,797,815	25.0%
TOTAL ATTRIBUTABLE	**166,797,815**	**25.0%**

OMAN OIL COMPANY SAOC	NO OF SHARES	% SHARE CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through Mazoon B.V. fully owned and controlled byOman Oil Holding Europe, B.V.,which is controlled by OQ SAOC ("Oman Oil"), which is controlled by the Sultanate of Oman.	80,100,000	12.006%
TOTAL ATTRIBUTABLE	**80,100,000**	**12.006%**

LAZARD ASSET MANAGEMENT LLC	NO OF SHARES	% SHARE CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Indirectly[4]	46,611,245	6.986%
TOTAL ATTRIBUTABLE	**46,611,245**	**6.986%**

FIDELIDADE COMPANHIA DE SEGUROS, S.A.[5]	NO OF SHARES	% SHARE CAPITAL WITH VOTING RIGHTS
Directly	35,176,796	5.27%
Through Via Directa – Companhia de Seguros, S.A.,which is controlled by Fidelidade	119,889	0.02%
Through Companhia Portuguesa de Resseguros, S.A., which is controlled by Fidelidade	37,537	0.01%
Through Fidelidade Assistência – Companhia de Seguros, S.A., which is controlled by the common shareholder Longrun[6]	98,732	0.01%
Through Multicare – Seguros de Saúde, S.A.,which is controlled by the common shareholder Longrun [7]	63,470	0.01%
TOTAL ATTRIBUTABLE	**35,496,424**	**5.32%**

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

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

[6] Longrun holds, also, 80% of the share capital of Fidelidade Assistência – Companhia de Seguros, S.A.

[7] Longrun holds, also, 80% of the share capital of Multicare – Seguros de Saúde, S.A.

RED ELÉCTRICA CORPORACIÓN, S.A.	NO OF SHARES	% SHARE CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through its branch Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%
TOTAL ATTRIBUTABLE	**33,359,563**	**5.0%**

THE GREATWEST LIFECO, INC.[8 9 10]	NO OF SHARES	% SHARE CAPITAL WITH VOTING RIGHTS
Directly	0	0%
Through the collective investment undertakings managed by Setanta Management Limited[11], a company in a relationship of control with Great-West Lifeco, Inc.	18,103,859	2.713
Through three sub-funds of Beresford Funds plc, managed by Irish Life Investment Managers Limited	121,306	0.013%
TOTAL ATTRIBUTABLE	**18,225,165**	**2.73%**

[8] In accordance with information received on October 5, 2016 and updated on January 9, 2020, the ultimate controlling shareholders of Great-West Lifeco, Inc. are The Desmarais Family Residuary Trust and its trustees Sophie Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis– Bélair and Guy Fortin, to whom are attributed, under the terms of article 20(1)(b) of the Securities Code, the 2.73% voting rights in REN.The same voting rights are also attributable to the following companies controlled by The Demarais Trust: Power Financial Corporation, 17123 Canada Inc., Power Corporation of Canada and Pansolo Holdings Inc. This qualified holding results from the aggregation of the holdings of various collective investment undertakings managed by entities that are in a controlling or group relationship with Great-West Lifeco Inc. .

[9] In its communication of January 3, 2020, shareholder Great-West Lifeco, Inc. informed REN of its indirect qualifying holding of 18,225,165 shares, representing 2.73% of its capital, with effect from January 1, 2020. Further details on the collective investment undertakings and their holdings are available at https://www.ren.pt/files/2020-01/2020-01-09171724_4c65f7f1-2e56-4968-a1af-585420fa64e0$$f7ccbca3-1839-4b33-af32-24602a9b0fd3$$65049402-6190-4fde-82ae-b90fa3d1a8a7$$pt_pt__file$$pt$$1.pdf the voting rights attached to those shares also being attributed, under the terms of article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc, The Canada Life Assurance Company, Canada Life Capital Corporation Inc, Canada Life International Holdings Limited and The Canada Life Group (U.K.) Limited and the following companies controlled by The Desmarais Trust, which in turn controls Great-West Lifeco, Inc., Great-West Lifeco, Inc., Power Financial Corporation, Power Corporation of Canada and Pansolo Holding Inc.

[10] In its communication of January 6, 2021, Great-West Lifeco, Inc informed REN of: (i) the merger by amalgamation of the subsidiaries Canada Life Capital Corporation Inc., GWL Holdings Inc., London Life Financial Corporation and London Reinsurance Group Inc. into a single entity under the name of The Canada Life Capital Corporation Inc. on January 2, 2021 and (ii) the dissolution of 171263 Canada, Inc., the former parent company of Great-West Lifec, thus leaving this entity from controlling Great-West Lifeco Inc. With effects as from January 6, 2021, the shareholder Great-West Lifeco, Inc. informed REN. of the holding of an indirect qualifying holding corresponding to 24,821,784 shares, representing 3.72% of its share capital. Further details on the collective investment undertakings and their holdings are available at https://www.ren.pt/files/2021-01/2021-01-08190901_4c65f7f1-2e56-4968-a1af-585420fa64e0$f7ccbca3-1839-4b33-af32-24602a9b0fd3$e340c9a4-bc68-4d6a-bd10-007b6c325ca6pt_filept$1.pdf and the voting rights attached to those shares, under the terms of article 20(1)(b) of the Securities Code, are also attributed to the following companies controlled by Great-West Lifeco, Inc, The Canada Life Assurance Company, Canada Life Capital Corporation Inc, Canada Life International Holdings Limited and The Canada Life Group (U.K.) Limited and the following companies controlled by The Desmarais Trust, which in turn controls Great-West Lifeco, Inc., Power Financial Corporation, Power Corporation of Canada and Pansolo Holding Inc.

[11] Further details on collective investment undertakings and their holdings are available at https://www.ren.pt/files/2020-01/2020-01-09171724_4c65f7f1-2e56-4968-a1af-585420fa64e0$$f7ccbca3-1839-4b33-af32-24602a9b0fd3$$65049402-6190-4fde-82ae-b90fa3d1a8a7$$pt_pt__file$$pt$$1.pdf and the voting rights inherent to them are also attributed, under the terms of article 20, no. 1, paragraph b) of the VM Code, to the following companies controlled by Great-West Lifeco, Inc, The Great-West Life Assurance Company, Canada Life Financial Corporation, The Canada Life Assurance Company, Canada Life Capital Corporation Inc, Canada Life International Holdings Limited and The Canada Life Group (U.K.) Limited.

During 2020, Norges Bank informed REN of a qualifying shareholding and of its subsequent decrease in several ocasions between August and November, the maximum shareholding held during the year corresponding to 2.19% of REN's share capital and voting rights but, as from 6 November, a shareholding below the 2% threshold.

During 2020, Capital Group no longer holds a qualifying shareholding in REN, its holding corresponding, according to the last communication received by REN on 26 February, 1.9263% of REN's capital and voting rights.

II.8. Information on the number of shares and bonds held by members of management and supervisory bodies

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of shares held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[12], as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2020, based on communications with the company, were as follows:

BOARD OF DIRECTORS (INCLUDING THE AUDIT COMMITTEE)

BOARD OF DIRECTORS	ACQUISITIONS (IN 2020)	ENCUMBRANCES (IN 2020)	DISPOSALS (IN 2020)	NO OF SHARES AT 31.12.2020
Rodrigo Costa	-	-	-	0 (ZERO)
João Faria Conceição		-	-	500
Gonçalo Morais Soares	-	-	-	0 (ZERO)
Guangchao Zhu – representing SGID	-	-	-	0 (ZERO)
Mengrong Cheng	-	-	-	0 (ZERO)
Lequan Li	-	-	-	0 (ZERO)
Omar Al-Wahaibi	-	-	-	0 (ZERO)
Jorge Magalhães Correia		-	-	35,496,424 [13]
José Luís Arnaut[14]		-	-	7,587
Manuel Ramos de Sousa Sebastião	-	-	-	35,000
Gonçalo Gil Mata	-	-	-	0 (ZERO)
Maria Estela Barbot	-	-	-	0 (ZERO)
Ana Pinho	-	-	-	0 (ZERO)

[12] This comprises the shares held by members of the REN management and supervisory bodies and also, if applicable,(i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by minor descendants; (iii) by persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and by persons referred to in (i) and (ii); and (iv) by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

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

[14] 480 shares held directly and the remainder held by Platinumdetails – Consultoria e Investimentos, Lda, in which 68% of the share capital is held.

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[15], as well as all their acquisitions, encumbrances or disposals with reference to the financial year of 2020, based on communications sent to the company, were as follows:

BOARD OF DIRECTORS	ACQUISITIONS (IN 2020)	ENCUMBRANCES (IN 2020)	DISPOSALS (IN 2020)	NO OF BONDS AT 31.12.2020
Rodrigo Costa	-	-	-	0 (ZERO)
João Faria Conceição		-	-	0 (ZERO)
Gonçalo Morais Soares	-	-	-	0 (ZERO)
Guangchao Zhu – representing SGID	-	-	-	0 (ZERO)
Mengrong Cheng	-	-	-	0 (ZERO)
Lequan Li	-	-	-	0 (ZERO)
Omar Al-Wahaibi	-	-	-	0 (ZERO)
Jorge Magalhães Correia	-	-		1,200,000 [16]
José Luís Arnaut	-	-	-	0 (ZERO)
Manuel Ramos de Sousa Sebastião	-	-	-	0 (ZERO)
Gonçalo Gil Mata	-	-	-	0 (ZERO)
Maria Estela Barbot	-	-	-	0 (ZERO)
Ana Pinho	-	-	-	0 (ZERO)

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

The Board of Directors has the competences and powers conferred by the Portuguese Companies Code and the Articles of Association[17] (see summary of these competences and powers in II.21), and as such, the management body does not have special powers.

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

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

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

[15] This comprises the shares held by members of the REN management and supervisory bodies and, if applicable,(i) of the spouse not judicially separated, regardless of the matrimonial property regime; (ii) of minor descendants; (iii) of persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) the shares held by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, alone or together with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

[16] Corresponding to the shares held by Fidelidade – Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of the duties of member of the board of directors and on the executive committee of that company

[17] See Article 15 of the Articles of Association and Article 3 of the Board of Directors Regulations.

In accordance with internal regulations on the assessment and control of transactions with related parties[18] and prevention of conflict of interests, approved by the Board of Directors following a proposal presented by the Audit Committee, significant transactions with related parties are considered to be those which:

a) Are based on the purchase and/or sale of assets, provision of services or a contracted project with an economic value greater than one million euros;

b) Are based on the acquisition or disposal of shareholdings;

c) Require new loans, financing or subscription of financial investments resulting in an overall annual indebtedness exceeding 100,000,000 euros, except when referring to a simple renewal of existing circumstances or operations undertaken within the framework of preexisting contractual conditions;

d) Should none of the materiality criteria set out in the subparagraphs above be met, (i) which have a value exceeding 1,000,000 euros or (ii) are considered relevant for this purpose by the management body, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

The Board of Directors is required to submit every transactions with related parties to the Audit Committee for appraisal[19], in particular:

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

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

Moreover, in accordance with the Board of Directors internal regulations, the approval of transactions with related parties for sums exceeding 500,000 euros or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

The transactions with related parties carried out after the entry into force of Law no. 50/2020 of 26 August were subject to approval by the Board of Directors and to the opinion of the Audit Committee. In light of the abovementioned criteria – set out in Board of Directors regulations and in internal regulations on the assessment and control of transactions with related parties and prevention of conflicts of interests – during 2020, there were a number of significant transactions with related parties as further described in I.90 below.

7.1.2. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

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

II.11. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 2018-2020:

NAME	POSITION	DATE OF 1ST APPOINTMENT	TERM OF OFFICE IN COURSE
Pedro Maia	Chairman	27.03.2012	2018-2020
Rui Dias	Vice-Chairman	03.05.2018	2018-2020

[18] The definition of "related party" in accordance with this regulation includes owners of qualified holdings calculated in accordance with Article 20 of the Securities Code.
[19] See section III and section VI.

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

b) Exercise of Voting Rights

II.12. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 245-A(1)(f))

Following the best practices on shareholder participation in the general meetings of companies with shares admitted to trading in a regulated market, REN's Articles of Association set out the principle of 'one share one vote'[20] .

Without prejudice to that referred to in 1.2 and 1.5, there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the number or percentage of shares.

Owners of one or more shares on the 'Record Date' may attend, participate in and vote at the REN General Shareholders' Meeting, provided that they comply with the following requirements:

a) Shareholders wishing to participate in the General Meeting should express this intention in writing to the Chairman of the Board of the General Meeting and the financial intermediary, with whom they have opened the relevant individual securities account, up to the day before the 'Record Date'[21] This communication may be sent by e-mail[22];

b) In turn, the abovementioned financial intermediary shall send to the Chairman of the Board of the General Meeting, up to the end of the day corresponding to the 'Record Date', information on the number of shares registered in the name of the shareholder on that date. This communication may be sent by e-mail[23];

c) Shareholders who exercise direct or indirect control over a company which either produces or sells electricity or natural gas and wishes to participate, personally or through a representative, in the General Meeting are required to provide a declaration to the Chair of the General Meeting up to the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights as ERSE has recognized that there are no conflicts of interest;

d) Shareholders wishing to participate, personally or through a representative in the General Meeting, are required to provide a written declaration to the Chair of the General Meeting before the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights in accordance with the subparagraph c). The content of the abovementioned declaration is a condition of the exercising of voting rights at the General Meeting and may be established in standard terms by the Chair of the Meeting[24];

e) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such recognition which determines the prohibition of the respective policy rights and/or re-examination of certification conditions by ERSE[25].

Shareholders with voting rights may be represented at the General Shareholders' Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Shareholders' Meeting, communicating the name(s) of the representative(s), under the law and of the notice to convene. This communication may be sent by e-mail[26].

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may

[20] See Article 12(2) of Articles of Association.
[21] See Article 23-C of the Securities Code.
[22] See Article 12(9) of the Articles of Association.
[23] See Article 12(10) of the Articles of Association
[24] See Article 12(12)(13) and (15) of the Articles of Association.
[25] See article 12(14) of the Articles of Association.
[26] See Article 12(11) of the Articles of Association.

vote differently with their shares, provided that they submit this fact to the Chairman of the Board of the General Shareholders' Meeting prior the 'Record Date'and deliver proportional and sufficient proof of: (a) the identification of each client and the corresponding number of shares that will be voted on his behalf; (b) the specific voting instructions on each of the items on the agenda as provided by each of their clients.

REN's shareholders may submit their votes by correspondence for each item on the agenda, by letter signed with the same signature as on their identification document, enclosing a legible photocopy of such document, if the shares are held by an individual shareholder, or duly notarized signature of the proxy, in the event that the shares are held by a legal person[27].

This letter should be addressed to the Chairman of the Board of the General Shareholders' Meeting and sent by post with acknowledgement of receipt to REN's registered office at least three business days prior to the date of the General Shareholders' Meeting, except if the relevant notice of meeting establishes a different time. The Chairman of the Board of the General Shareholders' Meeting shall verify the authenticity and regularity of the votes cast by correspondence as well as ensure that they remain confidential until the voting takes place[28].

It is also established that votes cast by correspondence are considered to be votes against, in the case of resolution proposals submitted after the date on which they were cast.

In order to facilitate votes by correspondence, REN provides a voting ballot on its website[29] which may be used for such purpose, and upon request, may also send a voting ballot and an envelope to shareholders for the purpose of postal submission.

Should there be express indication in the notice to convene the General Shareholders' Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call[30].

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

Notwithstanding the above, by virtue of the specificmeasures determined by the Government due to the public health emergency caused by the COVID-19 disease and in line with the "Recommendations in the context of General Meetings" issued within the framework of cooperation between the Securities Market Commission (CMVM), The Portuguese Institute of Corporate Governance (IPCG) and the Association of Listed Securities Issuers (AEM) with regard to the national Corporate Governance regime, REN's 2020 Annual General Meeting was held exclusively using telematic means and ensuring the corresponding exercise of voting rights at a distance by electronic means.

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in General Shareholders' Meetings, either in person or remotely.

REN's Articles of Association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote', with the exception of the provision set out in the Articles of Association as described in 1.2 and 1.5 above, which seeks to make current regulations and the legal regime effective.

[27] See article 12(5) of the Articles of Association.
[28] See Article 12(5) and (7) of the Articles of Association.
[29] www.ren.pt
[30] See article 12(6) of the Articles of Association.

II.13. Information on the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to Article 20(1) of the Securities Code

As referenced above in I.2, the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of Article 20 of the Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

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

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

II.14. Identification of shareholder resolutions that, in accordance with the Articles of Association, shall only be passed with a qualified majority, aside from those legally provided for, and indication of these majorities

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

In accordance with Article 11(2) of the Articles of Association, the quorum for adopting resolutions on amendments to the Articles of Association, splits, mergers, transformation or dissolution of the company shall be two thirds of the votes issued, both for the first call and the second call, regardless of the percentage of capital represented (which, in the case of the second call, is more demanding than the provision of the Portuguese Companies Code).

Furthermore, in accordance with paragraph 3 of the same Article in the Articles of Association, resolutions for changes relating to Articles 7-A, 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued (which is more demanding than the provision of the Portuguese Companies Code).

The company considers that these majorities that are more demanding than those defined by law are justified by the fact that the matters in question are strategic and of structural importance, so that their change requires a broader consensus among shareholders. As regards in particular the articles referred to in the previous paragraph, the specially qualified majority required for their amendment is justified by the fact that such articles are intended to enable the company to monitor compliance with several legal obligations and the ERSE Decision, relating to full ownership unbundling, as best described in section I.2 above.

II. MANAGEMENT AND SUPERVISION

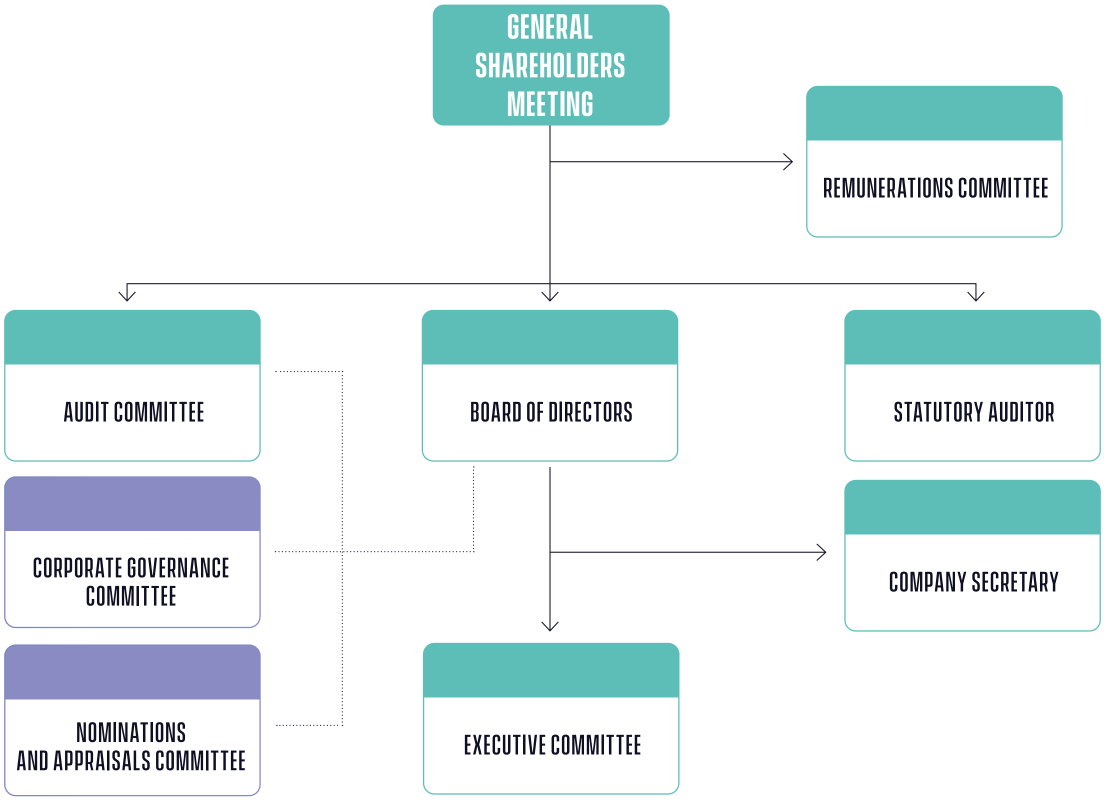
(Board of Directors, Executive Board of Directors and General and Supervisory Board)

a) Composition

II.15. Identification of the model of governance adopted

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[31]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates day-to-day management to the Executive Committee[32] which is supported by specialized committees (described in further detail below), and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors[33] .

[31] See article 8(2)(b) of the Articles of Association.
[32] See article 8(1) of the Board of Directors regulations.
[33] See article 3(3) of the Audit Committee regulations.



II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of, where appropriate, the Board of Directors, Executive Management Board and General and Supervisory Board (Art. 245-A(1)(h))

In accordance with the law and the Articles of Association[34], the appointment and dismissal of members of the Board of Directors is the responsibility of the General Shareholders' Meeting, being carried out through lists of candidates selected by the nominating shareholder(s). With these lists put to the vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors. It is also the responsibility of the General Shareholders' Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According the Articles of Association[35], a minority of shareholders voting against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

Within the scope of REN's Nominations and Appraisals Committee's functions, in particular with regard to the support provided in the identification and selection of potential candidates for REN's Board of Directors[36], it should be highlighted the establishment of a selection procedure, leading to the selection of three profiles for the final phase and the issuance of a duly substantiated election proposal, which takes into account the fact that the members of REN's corporate bodies must bring together, individually and collectively, technical and professional skills appropriate to the function to be performed, supported by academic qualifications or specialised training and professional experience with duration and levels of responsibility that are in line with the characteristics, complexity, size and strategy of REN, as well as enjoying recognised integrity, ethics and irreproachable professional and personal values, together with an assessment of their independence and availability for the performance of the position.

[34] See Article 8(2)(b), and Article 14(3), both in the Articles of Association; and Article 2(1) of the Board of Directors Regulations.
[35] See article 14(2).
[36] See Article 3(2)(a)(i) and (ii) of the Nominations and Appraisals Committee Regulation

In particular, the REN's Nomination and Appraisal Committee in its activity takes into account the following guidelines regarding the individual profile of candidates prior to their identification:

- The governing bodies of REN shall be composed of members who have, individually and collectively, technical and professional skills appropriate to the function to be performed, supported by academic qualification or specialised training and professional experience with duration and levels of responsibility that are in line with the characteristics, complexity, size and strategy of REN;
- It emerges as a transversal need for each of the members of REN's corporate bodies, individually, to be able to understand REN's functioning and activity, assess the risks to which it is exposed, critically analyse the decisions taken and contribute to their constructive discussion;
- The members of REN's corporate bodies should enjoy recognised integrity and be attributed irreproachable professional and personal ethics and values in those aspects that reveal their ability to make considered and judicious decisions, or their tendency to fulfil their obligations punctually or to behave in a manner compatible with the preservation of market confidence;
- With regard to independence, and considering the primacy of the relevant legal and statutory rules, the risk of members of REN's corporate bodies being subject to undue influence from other persons or entities should be a fundamental criterion for gauging their ability to perform their duties impartially;
- In the assessment of the availability of the members of the corporate bodies, the particular requirements of the position and the nature, scale and complexity of REN's activity must be taken into account. Executive members shall perform their duties on an exclusive basis in companies of the REN Group, without prejudice to (i) the exercise of honorary and/or non-remunerated positions or of strategic importance to REN and, (ii) the exercise of other remunerated positions, in this case, further to the authorisation by the Board of Directors.

In addition to these criteria, the Nomination and Appraisal Committee also considers it imperative that the composition of the corporate bodies reflects a diversity interpreted in a broad sense, encompassing its various perspectives and taking into account the specificities of REN and its Group, in order to achieve the objectives of efficiency, excellence, innovation and dynamism at the level of its corporate bodies and the functions they perform. Bearing these objectives in mind, the Nomination and Evaluation Committee seeks to promote the following principles when selecting and recommending candidates:

- Promotion of equal opportunities in terms of diversity consistent with the policies provided for in the existing legal and regulatory framework on this subject, as well as good practices identified in the market;
- Ensure the fulfilment of legal standards on gender diversity by ensuring adequate representation among women and, always on the basis of their skills, abilities, experience and qualifications and by promoting an increase in the under-represented gender population;
- The previous training and experience of the candidates, when analysed collectively, should allow a balanced combination of knowledge in the areas of energy and renewable energies, engineering, finance, accounting, law, corporate governance, capital markets, investor relations, risk management, auditing, corporate social responsibility, environment and sustainability;
- Non-discrimination on the grounds of birth, race, sex, religion, opinion or any other personal or social circumstance or condition other than the fulfilment of the requirements of competence and ability required for the exercise of the office;
- Promoting a balance between experience and maturity on the one hand, and youth and energy necessary for the dynamism and rapid pace of innovation inherent to REN's sectors of activity on the other;
- Promotion of diversity of geographical origin in order to allow the articulation of cultures and strategic perspectives of its various stakeholders and current geographical markets or of future interest to REN.

The Portuguese Companies Code rules apply[37] with regard to the substitution of members of the Board of Directors, given that neither the Company's Articles of Association, nor the Board of Directors or Audit Committee Regulations have special rules on this matter. The Board of Directors will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case,

[37] See article 393(3).

since it is a non-delegable competence of the Board of Directors, all Directors are involved in the co-option resolution, except in the event of conflicts of interest.

The Company's Articles of Association[38] state that the unjustified absence of any director at more than half of the ordinary meetings of the Board of Directors during one financial year, whether consecutive or non-consecutive absences, equates to the permanent absence of said director. Permanent absence must be declared by the Board of Directors, and they must also substitute the director in question.

II.17. Composition of the Board of Directors, Executive Board of Directors and General and Supervisory Board, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

The Board of Directors, including the Audit Committee, consists of a minimum of seven and maximum of 15 members, as determined by the General Shareholders' Meeting that elects the said members[39].

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

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

NAME	POSITION	YEAR OF FIRST APPOINTMENT	FINAL YEAR OF TERM OF OFFICE
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	2014	2020
João Faria Conceição	Executive Director	2009	2020
Gonçalo Morais Soares	Executive Director	2012	2020
Guangchao Zhu (representing State Grid International Development Limited)	Vice-Chairman	2012	2020
Mengrong Cheng	Director	2012	2020
Lequan Li	Director	2018	2020
Omar Al-Wahaibi	Director	2015	2020
Jorge Magalhães Correia	Director	2015	2020
Manuel Ramos de Sousa Sebastião	Director / Chairman of the Audit Committee	2015	2020
Gonçalo Gil Mata	Director / Member of the Audit Committee	2015	2020
Maria Estela Barbot	Director / Member of the Audit Committee	2015	2020
José Luís Arnaut	Director	2012	2020
Ana Pinho	Director	2019	2020

In accordance with the Articles of Association[40], members of corporate bodies perform their respective duties for periods of three calendar years, a period which is renewable, considering as complete, the calendar year of appointment.

[38] See article 8(19) and (9).
[39] See Articles 8(2)(b) and 14(1) both of the Articles of Association.
[40] See Article 27(1).

II.18. Distinction of the executive and non-executive members of the Board of Directors and, with regard to the non-executive members, identification of the members who can be considered independent, or, if applicable, identification of the independent members of the General and Supervisory Board

As of December 31, 2020 and on this date, ten of the thirteen members of REN's Board of Directors are non-executive directors, as detailed in section II.17 above. The Board of Directors includes, therefore, a number of non-executive members that is adequate to the size of the company and the complexity of the risks related to its activity, which ensure the effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind, the small size of the Executive Committee, the size and complexity of company's activities, the shareholder structure and breakdown of REN capital.

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

Taking into account the assessment criteria on independence laid down in Article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, in recommendation III.4 of the IPCG Code and item II.18 of CMVM Regulation 4/2013, with regard to other non-executive directors, and based on the respective internal assessment, the REN Board of Directors and Audit Committee consider the following directors performing duties during the 2020 financial year to be independent:

NAME	POSITION
Manuel Ramos de Sousa Sebastião	Director / Chairman of the Audit Committee
Gonçalo Gil Mata	Director / Member of the Audit Committee
Maria Estela Barbot	Director / Member of the Audit Committee
José Luís Arnaut	Director
Ana Pinho	Director

Furthermore, all non-executive members of the Board of Directors (in addition, naturally, to the directors that are also members of the Audit Committee) would comply, if applicable, with all incompatibility rules laid down in Article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

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

i) The adopted governance model, in other words an Executive Committee consisting of three executive directors and an Audit Committee, also consisting of three independent members and a further seven non-executive directors, which ensures the effectiveness of the oversight of the executive directors;

ii) The size of the company, its shareholder structure and the relevant free float (which was 42.4 % of share capital at 31 December 2020).

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

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

The members of the corporate bodies and internal committees promptly inform the respective body or committee of the facts that might constitute or cause a conflict between their own interest and the corporate interest, and there are internal procedures in place so that such members of the corporate bodies and committees do not interfere in the decision-making process. These procedures include leaving the room at the time of discussion and voting of the points where a conflict of interest may occur and informing the Chairman of the corporate body or committee in question of the facts that may trigger such potential conflict (in without prejudice to the duty to provide information and clarifications requested by the body or committee and its respective members)[41].

The Corporate Governance Committee is also responsible for preventing conflicts of interest (see section II.29 below), paying a particular attention to the compliance with such procedures. In view of the above, REN considers that complies with recommendations I.4.1 and I.4.2 of the IPCG Code.

ORGANIZATION OF THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

In accordance with the Board of Directors Regulations, during 2020 this corporate body established efficient mechanisms for the coordination and development of the work of its members with non-executive functions, in particular to facilitate the exercising of their right to information and to assure the conditions and means necessary for the performance of their duties, as follows[42]:

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

b) In order to make independent and informed decisions, the directors with non-executive functions may obtain the information they deem necessary or appropriate to perform their roles, powers and duties (in particular, information relating to the powers delegated to the Executive Committee and its performance), by requesting such information from any member of the Executive Committee, and the response should be provided in an adequate and timely manner.

Whenever they consider it necessary or convenient, directors with non-executive duties also hold ad hoc meetings with the aim of analysing company management.

Furthermore, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion and in advance, to the non-executive members of the Board of Directors, and the Executive Committee's resolutions and supporting documentation shall always be available for consultation[43].

In addition, the internal committees of the Board of Directors are both chaired by independent non-executive directors who, among other duties, act as interlocutors with the Chairman of the Board of Directors and the other directors and ensure the provision of the set of conditions and means necessary for the performance of the functions and duties of the committees they are chaired.

Therefore, through the mechanisms described above, all the conditions are established in order for the directors with non-executive functions to discharge their functions in order to make independent, informed and efficient decisions.

[41] Cf. Point X of the Regulations regarding Transactions with Related Parties, Articles 4(5) and 4(6) of the Audit Committee Regulations,
[42] Article 12 of the Board of Directors Regulations and Articles 7-A and 7-B of REN's Articles of Association.
[43] See article 11 of the Board of Directors Regulations.
[See] Article 5 of the Executive Committee Regulations.

II.19. Professional Qualifications and other relevant information on the résumés of each of the members of the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors at 31.12.2020

RODRIGO COSTA

Co-Founder of several technology and retail companies and IT consultant at national and international corporations. Manager at Microsoft Corporation, carrying out different duties over a period of 15 years: founder and General Manager of Microsoft Portugal 1990-2000, General Manager of Microsoft Brazil, 2000, and, from 2001 to 2005, Corporate Vice-President of Microsoft Corporation in Redmond, Washington, USA. He was also Director and Executive Vice-Chairman of the PT group and CEO of PTC between December 2005 and September 2007. He was CEO of ZON Multimédia (Telecommunications and Media Group) between 2007 and 2013. He also held the position of Chairman and CEO at Unicre (Electronic Payments and Credit Cards). Non-executive Board Member at NOS SGPS (ZON Multimedia and Optimus merger) from 2013-2015.

He was appointed REN non-executive board member in December 2014 and designated CEO with effects as from February 2015, and put forward for the position of REN Chairman and CEO at the General Meeting of 17th April 2015.

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

GONÇALO MORAIS SOARES

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

Since 2012 is the Chief Financial Officer of REN.

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

JOÃO FARIA CONCEIÇÃO

Holds a degree in Aerospace Engineering from the Instituto Superior Técnico, and completed his Master's Degree in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and an MBA at INSEAD Business School (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he supported the Ministery of Economy and Innovation.

Since 2009 is member of the Board of Directors and of the Executive Committee of REN.

GUANGCHAO ZHU

Holds a degree in Relay Protection Systems from the University of Shandong (China), and completed his Master's Degree in Electrical Systems and Automation at the same faculty. He later concluded an MBA at Baylor University (USA). Between 2007 and 2009, he was Vice-Chairman of the preparatory group for the National Grid Corporation of the Philippines (NGCP), and Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of NGCP. From that date until 2010, he was General Director at the Department of International Cooperation at the State Grid Corporation of China. From 2010 to 2011, he was senior executive Vice-Chairman and member of the Board of Directors of State Grid International Development Co. Ltd. From 2012 to 2015, he was President, Chief Executive Officer and member of the Board of Directors of State Grid International Development Co. Ltd., Chairman of the Board of Directors of State Grid Brazil Holding S.A., and Chairman of the Board of Directors of State Grid Europe Limited. He currently holds the positions of Deputy Head Engineer of the State Grid Corporation of China and General Director of the Department of International Cooperation of the State Grid Corporation of China. He is also Chairman of the Board of Directors at NGCP in the Philippines and Board Member of HKEI in Hong Kong, China.

MENGRONG CHENG

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

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

LEQUAN LI

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

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

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

From December 2012 to October 2018, he was Board Member of ElectraNet Pty Limited in Australia on behalf of State Grid International Development Co. Ltd. Since October, he has been a member of the Board of Directors of AusNet Services, Australia. Since June 2020 he has been a member of the Board of Directors of Chilquinta Energia S.A., Chile.

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

OMAR AL-WAHAIBI

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

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

He is currently Chairman of the Board of Directors of Oman Wastewater Services Company (Haya Water), and member of the Board of Directors of OQ SAOC (Oman Oil).

JORGE MAGALHÃES CORREIA

Chairman of the Board of Directors Fidelidade – Companhia de Seguros, S.A. He is also Chairman of the Board of Directors of Luz Saúde, S.A. and non-executive member of Board of Directors of Longrun Portugal, SGPS, S.A. and of the REN – Rede Energéticas Nacionais, SGPS, S.A.

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

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

MANUEL RAMOS DE SOUSA SEBASTIÃO

Manuel Sebastião is Non-Executive Director and President of the Audit Committee of REN – Redes Energéticas Nacionais, SGPS, S.A since April 2015, and non-executive member and President of the Audit Committee of Banco BPI since November 2020.

Previously, he was President of the Supervisor Board of Banco BPI (July 2018 – November 2020), advisor to the Board of Directors of Banco de Portugal (September 2013 – April 2015), President of the Portuguese Competition Authority, (March 2008 – September 2013), member of the Board of Directors of Banco de Portugal, (February 2000 – March 2008), where he was also economist from 1986 to 1988.

He was also member of the Board of Directors of the Portuguese Insurance and Pension Funds Supervisory Authority from 1998 to 2000), member of the Board of Directors of the state-owned bank Banco de Fomento e Exterior from 1992 to 1996), economist with the International Monetary Fund from 1988 to 1992) and economist with Banco de Portugal from 1986 to 1988.

He was a professor of economics and finance at different stages of his career.

He holds a degree from the School of Economics, Technical University of Lisbon in 1973, a Doctorate de 3ème Cycle from Université de Paris I, Panthéon-Sorbonne in 1978, and a Ph.D in economics from Columbia University in the city of New York in 1986.

He is a Portuguese national, born in Luanda, Angola, in 1949.

GONÇALO GIL MATA

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

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

MARIA ESTELA BARBOT

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

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

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

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

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

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

JOSÉ LUÍS ARNAUT

Graduated in Law from the Lisbon Lusíada University and in 1999 was awarded the D.E.S.S. (Diploma of Higher Specialized Studies) from the Robert Schuman University, in Strasbourg. His professional work has focused on law and he started as a lawyer in 1989 at the law firm Pena, Machete & Associados. He was a founding partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner and is a member of the Executive Committee of CMS Legal Services EEIG.

He is Chairman of the Board of Directors of ANA – Aeroportos de Portugal (VINCI Airports), member of the International Advisory Board of Goldman Sachs, member of the Consulting Board of AON, Deputy-President of the Lisbon Turism Association, Chairman of the General Meeting of PORTWAY – Handling de Portugal, S.A. (VINCI Airports), Chairman of the General Meeting of SIEMENS S.A., Chairman of the General Meeting of Grupo Super Bock, Chairman of the General Meeting of Tabaqueira II, S.A. and Chairman of the General Meeting of the Portuguese Football Federation. In 1999, he was elected General Secretary of the Social Democratic Party, led by José Manuel Durão Barroso and became a member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defence Committee. He was Deputy Prime Minister to the

Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government. He was Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government. He was Commissioner for Lisbon 94 – European Capital of Culture. In 1995, he was awarded the Commend of Great Officer of Ordem do Infante Dom Henrique by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross Ordem Nacional do Cruzeiro do Sul by the President of the Republic of Brazil. In 2006, he was bestowed with the insignia of Chevalier de la Legion d´Honneur by the President of the French Republic and conferred with the Grand Cross of the Order of Merit by the President of the Lithuanian Republic.

ANA PINHO

Chairwoman of the Board of Directors and of the Executive Committee of Serralves Foundation (Fundação de Serralves) member of the board of TAP SGPS, S.A., Manager of Arsopi –, Lda., Director of Tecnocom, S.A. and Director of Oporto British School.

She was former CEO of UBS Portugal and a former member of the executive committee of UBS España, before which she held several positions at UBS AG. She was previously an equity analyst at Schroder Securities in London and a financial analyst at Banco Português de Investimentos in Porto.

Holds a degree in Economics from the Faculty of Economics, University of Porto, an MBA from Cass Business School, London and a Corporate Finance Executive Programme from London Business School.

She attended several art history courses at the Serralves Porto Foundation, the National Society of Fine Arts Lisbon, Christie's Education London and Sotheby's Institute London.

The professional address of each of the abovementioned members of the Board of Directors is that of the REN registered office, located at Avenida Estados Unidos da América, no 55, Alvalade, Lisbon.

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

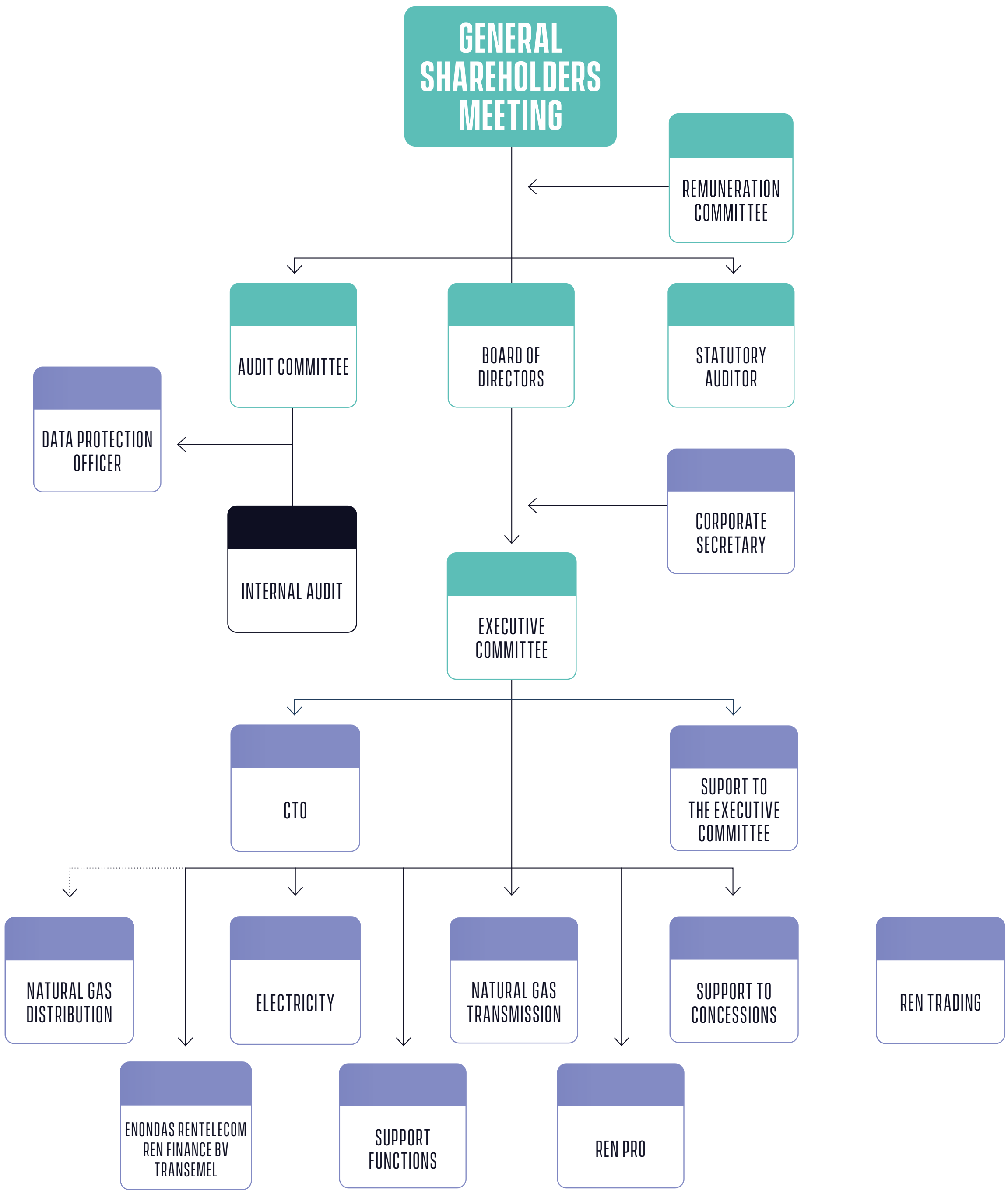
II.20. Common and significant family, professional and commercial relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Boards and the Executive Management Board at 31.12.2020

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

II.21. Flowcharts or functional maps on the breakdown of powers among the different corporate bodies, committees and/or departments of the Company, including information on delegation of powers, particularly with regard to delegation of the day-to-day management of the Company

As can be seen in the flowchart in II.15, REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[44]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[45] and which is supported by specialized committees, and (ii) an Audit Committee and Statutory Auditor, as supervisory bodies. The Audit Committee consists exclusively of non-executive directors. The General Shareholders' Meeting also elects a Remunerations Committee.

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



[44] See article 8(2)(b) of the Articles of Association.
[45] See article 8(1) of the Board of Directors regulations.

GENERAL SHAREHOLDERS' MEETING

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

a) Appraise the Board of Directors' report, discuss and vote on the balance sheet, accounts and opinions of the Audit Committee and statutory auditor and decide on the appropriation of profits for the year;

b) Elect the members of the General Shareholders' Meeting Board, the directors and the statutory auditor;

c) Resolve on any amendments to the Articles of Association;

d) Resolve on the remuneration of the members of the corporate bodies, with the power to appoint a Remunerations Committee; and

e) Resolve on any other matter falling within its power and for which it has been summoned.

BOARD OF DIRECTORS

Pursuant to the Portuguese Companies Code and REN's Articles of Association, the Board of Directors is duly empowered.[46] Of special note are the powers to:

a) Define the Company's goals and management policies;

b) Draw up the annual financial and business plans;

c) Manage business and carry out all actions and operations relating to the corporate object which do not fall within the powers attributed to other Company bodies;

d) Represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements;

e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;

f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;

g) Submit proposals to the General Shareholders' Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;

h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its personnel and the corresponding remuneration;

i) Appoint the Company Secretary and the respective alternate;

j) Appoint attorneys with the powers deemed convenient, including those of sub-delegation; and

k) Perform any other functions granted by law or by the General Shareholders' Meeting.

In accordance with the Board of Directors regulations, approved on 27 March 2012[47], matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Shareholders' Meetings, approval of the annual report and accounts to be submitted to the General Shareholders' Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company's fixed assets is subject to prior approval from the General Shareholders' Meeting[48].

EXECUTIVE COMMITTEE

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

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

[46] See article 15(1) of the Articles of Association.
[47] See Article 3(3) and (5).
[48] See Article 2(15) of the Articles of Association and Article 3(6) of the Board of Directors Regulations.

b) Approve, on a case-by-case basis, the sale of assets and/or rights and investments and the creation of encumbrances over assets, except for security interests or personal guarantees, to be made by the Company and/or by its subsidiaries, the individual and/or aggregate value for which is equal to or lower than 15,000,000.00 euros (fifteen million euros) or which have already been approved within the Company's annual budget and the corresponding value is equal to or lower than, individually or in aggregate, € 25,000,000 euros (twenty-five million euros);

c) Propose to the Board of Directors and execute the annual budget, the business plan and other long-term development plans;

d) Without prejudice to article 3(3)(f) of the Board of Directors' Regulations, establish the administrative and technical organization of the Company and the internal operation regulations, notably concerning personnel and their remuneration;

e) Represent the Company actively and passively, in or out of court, and propose or pursue lawsuits with the power to confess, waive and settle, as well as to enter into arbitration agreements;

f) Incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings, provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed 7,500,000 euros (seven million and fifty thousand euros) or which have already been approved within the Company's annual budget;

g) Negotiate, resolve on, enter into, modify and terminate any agreements, including service provision agreements or labour contracts for a value equal or lower than 5,000,000 euros (five million euros);

h) To approve and promote any and all acts necessary to update the Euro Medium Term Note Program[49], under such terms as may at any time be more appropriate, including, without limiting the negotiation and conclusion of the all contractual instruments or related accessories and the pursuit of any steps or taking of any measures necessary for such updating, namely before any supervisory, market or other entity;

i) To approve and practice any and all necessary, useful or convenient acts, including through the execution of contractual instruments, the intra-group allocation of funds obtained through external financing operations;

j) Negotiate, enter into, modify or terminate any short-term debt agreements (i.e. with maturity equal or lower than three years), including through commercial paper programmes;

k) Open, operate and close bank accounts;

l) Resolve on the provision by the Company of technical and financial support to companies in which REN owns shares, quota rights ('quotas') or other shareholdings, in particular, granting loans and providing guarantees in their benefit;

m) Present proposals to the Board of Directors for the submission to the General Shareholders' Meeting relating to the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law and by the General Shareholders' Meeting;

n) Present to the Board of Directors proposals concerning internal control, risk management and internal audit systems of the REN Group;

o) Appoint attorneys with the powers deemed convenient, including those of sub-delegation;

p) Indicate the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPV's referred to in f) above;

q) Take or give in lease any real estate or individual parts of real estate; and

r) Manage the shareholdings owned by REN and coordinate the activity of REN's subsidiaries and, with regard to wholly owned companies, issue binding instructions, under applicable legal terms;

s) Appoint the representative of the Company at the general meetings of all the companies in which the Company holds a shareholding.

Specifically in relation to the entering into medium or long-term debt agreements not covered by paragraph j) above, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors delegates to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument[50] with respect to, among other aspects, the amount,

[49] Together with REN Finance and without prejudice to REN Finance's relevant corporate bodies and correspondent powers.
[50] Together with REN Finance and without prejudice to REN Finance's relevant corporate bodies and correspondent powers

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

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

a) Appointment of the Chairman of the Board of Directors;

b) Co-optation of directors;

c) Request to convene the general shareholders' meetings;

d) Approval of the report and annual accounts to submit to the General Shareholders' Meeting;

e) Approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;

f) Provision of deposits and personal guarantees or security interests by the Company;

g) Change of the registered office and increase of the share capital, under the terms of the Articles of Association;

h) Projects for the merger, demerger and transformation of the Company;

i) Appointment of the Company Secretary and the respective alternate;

j) Definition of the Company's strategy and general policies;

k) Definition of the Company's goals and management policies;

l) Approval of the annual budget, the business plan and other long-term development plans;

m) Definition of the Group's corporate structure;

n) The approval, on a case-by-case basis, of the transfer of assets and/or rights and investments and the creation of encumbrances to be made by the Company and/or by its subsidiaries, where the individual or aggregate value is higher than 15 million euros, except if already approved within the Company's annual budget and the corresponding value does not exceed individually or in total 25 million euros;

o) Incorporation of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings, except in cases in which those companies are, or where the holdings refer to companies which are a special purpose vehicle for making specific investment with an single or aggregate or value which does not exceed 7.5 million euros or which have been approved in the annual budget;

p) Adoption of resolutions to contract debt in the national or international financial markets, notably through the issuance of bonds or any other kinds of securities;

q) Presentation of proposals to the General Shareholders' Meeting for the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law;

r) Approval of the Company's systems of internal control, risk management and internal audit;

s) The appointment of the Company's representative in the General Shareholders' Meetings of all subsidiaries;

t) The indication of the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all subsidiaries, as well as the appointment of the Company's Chief Technical Officer, upon proposal of the Executive Committee, except for the two TSOs, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPVs referred to in o) above;

u) The participation by the Company or any of its subsidiaries in activities outside their core activities, i.e. transmission of power and natural gas, storage of natural gas and regasification and/or storage of liquid natural gas (LNG), notably by means of the acquisition or subscription of equity or ongoing concerns whose corporate purpose does not include the said activities;

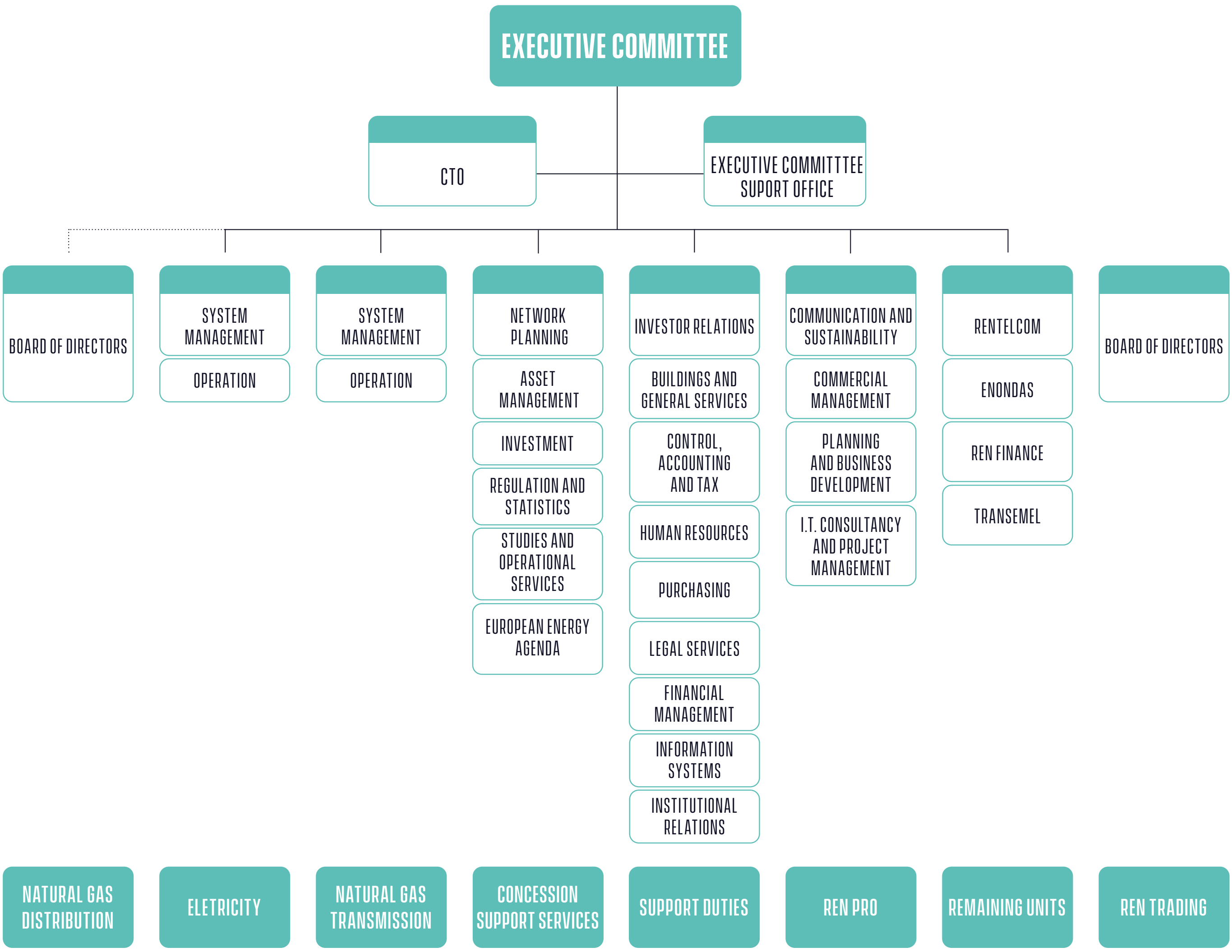
v) The entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;

w) Transactions with related parties in excess of 500,000 euros or, regardless of the amount involved, any transaction with related parties which may be considered as not having been executed based on market conditions;

x) The resolution on all the matters which are deemed strategic, notably because they are related to strategic agreements entered into by REN or due to their risk or special characteristics.

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

For a better understanding of the Executive Committee's competences, the organisational chart is included below:



DISTRIBUTION OF RESPONSIBILITIES IN THE BOARD OF DIRECTORS

With a view to optimizing management efficiency, the members of the Executive Committee distributed among themselves, during the financial year of 2020, the responsibility for the direct monitoring of specific Company performance areas, under the terms evidenced in the following chart:

EXECUTIVE COMMITTEE

RODRIGO COSTA
CEO

- HUMAN RESOURCES
- COMUNICATION ANS SUSTAINABILITY
- LEGAL SERVICES AND CORPORATE SECRETARY
- STRATEGIC COORDINATION
- INNOVATION

JOÃO FARIA CONCEIÇÃO
COO

- ELECTRICITY BUSINESS UNIT
  - SYSTEM MANAGEMENT
  - OPERATION
- NATURALGAS TRANSMISSION BUSINESS UNIT
  - SYSTEM MANAGEMENT
  - OPERATION
- GAS DISTRIBUTION BUSINESS UNIT
- NETWORK PLANNING
- ASSET MANAGEMENT
- INVESTMENT
- SECTOR INSTITUTIONAL RELATIONS
- REGULATION AND STATISTICS
- OPERATIONAL SERVICES
- STUDIES AND OPERATIONAL INNOVATION
- COMMERCIAL MANAGEMENT
- EUROPEAN ENERGY AGENDA
- BUSINESS DEVELOPMENT (MOZAMBIQUE)
- ENONDAS
- R&D NESTER

GONÇALO MORAIS SOARES
CFO

- FINANCIAL MANAGEMENT
- CONTROL, ACCOUNTING AND TAXATION
- BUILDINGS AND GENERAL SERVICES
- INVESTOR RELATIONS
- PLANNING AND BUSINESS DEVELOPMENT (EXCLUDING MOZAMBIQUE)
- PROCUREMENT
- INFORMATION SYSTEMS
- ELETROGÁS
- RENTELCOM

AUDIT COMMITTEE AND STATUTORY AUDITOR

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

REMUNERATIONS COMMITTEE

The Remunerations Committee is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of the management and supervisory bodies.

Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

b) Operation

II.22. Existence and place where the operating regulations can be found for the Board of Directors, the General and Supervisory Boards and the Executive Board of Directors

The Board of Directors Regulations and the Executive Committee Regulations, which establish, inter alia, the performance of their respective duties, chairmanship, attendance of meetings, functioning and the framework of duties of its members, are available on the REN website[51] in Portuguese and English.

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

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

BOARD OF DIRECTORS

The meetings of the Board of Directors are convened and chaired over by the respective Chairman. It is the responsibility of the Board of Directors to decide on the frequency of their ordinary meetings. However, bimonthly meetings are mandatory. As such, the Board of Directors meets on an ordinary basis at least bimonthly, on dates to be determined every year by members, except during the 18 initial months of its terms of office, during which time the meetings shall be monthly[52].

Moreover, the Board of Directors is required to meet on an extraordinary basis whenever convened by the Chairman, two directors or at the request of the Statutory Auditor[53].

In 2020, the Board of Directors held 4 meetings.

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

[51] www.ren.pt
[52] See Article 19(1) of the Articles of Association and Article 4(2) of the Board of Directors Regulations.
[53] See Article 19(1) of the Articles of Association.

ATTENDANCE OF MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS

NAME	PRESENT	REPRESENTATION	ABSENT	% ATTENDANCE
Rodrigo Costa	4	0	0	100%
João Faria Conceição	4	0	0	100%
Gonçalo Morais Soares	4	0	0	100%
Guangchao Zhu (representing State Grid International Development Limited)	2	2	0	100%
Mengrong Cheng	1	3	0	100%
Lequan Li	4	0	0	100%
Omar Al-Wahaibi	4	0	0	100%
Jorge Magalhães Correia	4	0	0	100%
Manuel Ramos de Sousa Sebastião	4	0	0	100%
Gonçalo Gil Mata	4	0	0	100%
Maria Estela Barbot	4	0	0	100%
José Luís Arnaut	4	0	0	100%
Ana Pinho[54]	4	0	0	100%

In addition, information on the composition of the Board of Directors and the number of meetings held annually can be found at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade/conselho_de_administracao/.

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

EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and chaired over by the respective Chairman and are held, as a rule, once a week[55].

In 2020, the Executive Committee held 46 meetings.

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors), sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, with the supporting documentation, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request[56]. This mechanism ensures that the members of the administrative and supervisory bodies have permanent access to all information for the evaluation of the company's performance, situation and prospects for development.

[54] Held office from 3 May 2019.
[55] See article 1(2) of the Audit Committee regulations.
[56] See Article 5 of the Executive Committee Regulations.

ATTENDANCE OF MEMBERS OF THE EXECUTIVE COMMITTEE AT MEETINGS

NAME	PRESENT	REPRESENTATION	ABSENT	% ATTENDANCE
Rodrigo Costa	46	0	0	100%
João Faria Conceição	46	0	0	100%
Gonçalo Morais Soares	46	0	0	100%

In addition, information on the composition of the Executive Committee and the number of meetings held annually can be found at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade/comissao_executiva

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

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

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

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

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

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

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

Shown below are the duties carried out on administrative, management and supervisory bodies by members of REN's Board of Directors and Audit Committee at 31 December 2020:

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Rodrigo Costa	Chairman of the Board of Directors of REN Rede Eléctrica Nacional, S.A. Chairman of the Board of Directors of REN Gasodutos, S.A. Chairman of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Chairman of the Board of Directors of REN Armazenagem, S.A. Chairman of the Board of Directors of REN Serviços, S.A. Chairman of the Board of Directors of REN PRO, S.A. Chairman of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Chairman of the Board of Directors of REN Gás, S.A. Chairman of the Board of Directors of REN RENTELECOM – Comunicações, S.A. Chairman of the Board of Directors of Aerio Chile, Spa Chairman of the Board of Directors of Apolo Chile, Spa Chairman of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.
João Faria Conceição	Member of the Board of Directors of REN Rede Eléctrica Nacional, S.A. Member of the Board of Directors of REN Gasodutos, S.A. Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Member of the Board of Directors of REN Armazenagem, S.A. Member of the Board of Directors of REN Serviços, S.A. Member of the Board of Directors of REN PRO, S.A. Member of the Board of Directors of RENTELECOM – Comunicações, S.A. Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Member of the Board of Directors of REN Gás, S.A. Member of the Board of Directors of the Centro de Investigação em Energia REN – State Grid, S.A. Non-executive Member of the Board of Directors of Hidroeléctrica de Cahora Bassa Member of the Board of Directors of Aerio Chile, Spa Chairman of the Board of Directors of Electrogas, S.A. Member of the Board of Directors of Apolo Chile, Spa Member of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.
Gonçalo Morais Soares	Member of the Board of Directors of REN – Rede Eléctrica Nacional, S.A. Member of the Board of Directors of REN Gasodutos, S.A. Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Member of the Board of Directors of REN Armazenagem, S.A. Member of the Board of Directors of REN Serviços, S.A. Member of the Board of Directors of REN PRO, S.A. Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Member of the Board of Directors of REN Gás, S.A. Chairman of the Board of Directors of REN Finance BV Member of the Board of Directors of RENTELECOM – Comunicações, S.A. Member of the Board of Directors of Aerio Chile, Spa Member of the Board of Directors of Electrogas, S.A. Member of the Board of Directors of Apolo Chile, Spa Member of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.

DUTIES OF EXECUTIVE DIRECTORS

As a result of the framework above, the REN executive directors exclusively carry out duties on governing bodies of companies that are either directly or indirectly subsidiaries or partly owned by REN. Thus, they are completely dedicated to carrying out their role – seeking at all times to develop the business and serve the interests of the company and the Group to its full potential.

In fact, although not formalized in internal regulations specifically addressing Executive Directors, in practice, REN's policy is that its executive directors perform executive functions during their term of office only in the REN Group. This practice has always been followed in previous terms of office. In addition, the Code of Conduct establishes that, without prejudice to the provisions on incompatibilities regarding the performance of certain duties or the exercise of corporate positions, and except with a prior authorisation of the Board of Directors[57], no employee of REN (including members of corporate bodies, as defined in this code) may engage in professional activities in an entity external to REN , whenever the exercise of such activity interferes with the performance of his duties as an employee of the company or in any way affects the performance or availability for the duties performed by the employee at REN.

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

DUTIES OF NON-INDEPENDENT NON-EXECUTIVE DIRECTORS PERFORMING DUTIES AT 31.12.2020 [58]

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Guangchao Zhu	Deputy Head Engineer at the State Grid Corporation of China General Director of the Department of International Cooperation at the State Grid Corporation of China. Chairman of the Board of Directors at NGCP, Philippines Board Member of HKEI in Hong Kong, China
Mengrong Cheng	Deputy Director General of the Department of International Cooperation at the State Grid Corporation of China President of the State Grid Corporation of China US Office Acting Chief of GEIDCO North America Office President of SGCC U.S. Office Director of Sherpa on Management Committee of Global Sustainable Electricity Partnership (G-SEP)
Lequan Li	Senior Vice-President of State Grid International Development Corporation Limited Member of the Board of Directors of AusNet Member of Board of Directors of Chilquinta Energia, S.A. Chile
Omar Al-Wahaibi	CEO Electricity Holding CEO of Nama Group Chairman of Oman Wastewater Services Company (Haya Water) Member of the Board of Director of OQ SAOC
Jorge Magalhães Correia	Chairman of the Board of Directors of Fidelidade – Companhia de Seguros, S.A. Chairman of the Board of Directors of Luz Saúde, S.A. Non-executive Vice President of the Board of Directors of Banco Comercial Português, S.A. Non-executive member of the Board of Directors of Longrun Portugal, SGPS, S.A.

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

[58] None of the companies identified belong to the REN Group.

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

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

DUTIES OF INDEPENDENT NON-EXECUTIVE DIRECTORS AT 31.12.2020 [59]

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES
Manuel Ramos de Sousa Sebastião	Non-executive member and President of the Audit Committee of Banco BPI, S.A.
Gonçalo Gil Mata	Executive director and a member of the Board of Directors of Capital Criativo – Soc. Capital de Risco Non-executive member of the Board of Directors of Arquiled, S.A., Summer Portugal, SA and Vila Monte, S.A. Manager at Goma Consulting, Lda.
Maria Estela Barbot	President of the General Council of the Universidade Nova de Lisboa Managing Partner at ALETSE, Lda (Real Estate, Management Consulting and Public Relations and Communication) International Senior Adviser of Roland Berger Holding GmbH Member of the Advisory Board of Ar.Co – Centro de Arte e Comunicação Visual, Member of the Board of Founders of Museu de Arte Moderna da Fundação de Serralves President of Fórum Portugal Global – FPG Member of the General Board of FAE – Fórum de Administradores de Empresas
José Luis Arnaut	Managing Partner of CMS Rui Pena, Arnaut & Associados Member of the Executive Committee of CMS Legal Services EEIG (Frankfurt) Chairman of the Board of Directors of ANA – Aeroportos de Portugal (VINCI Airports) Member of the International Advisory Board of Goldman Sachs (London) Member of the Advisory Board of AON Deputy-President of the Lisbon Tourism Association Chairman of the General Meeting of Portway, Handling de Portugal (Vinci Airports) Chairman of the General Meeting of Siemens Portugal Chairman of the General Meeting of Grupo Super Bock Chairman of the General Meeting of Tabaqueira II, S.A. Chairman of the General Meeting of Portuguese Football Federation
Ana Pinho	Chairman of the Board of Directors and of the Executive Committee of the Serralves Foundation Member of the Board of Directors of TAP SGPS, S.A. Member of the Board of Directors of Oporto British School Manager of ARSOPI – Indústrias Metalúrgicas Arlindo S. Pinho, LDA. Member of the Board of Directors of TECNOCON–Tecnologia e Sistemas de Controle, S.A.

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

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

[59] None of the companies identified belong to the REN Group.

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

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

In 2020, the Board of Directors was assisted by the specialized committees within the Board of Directors set up in 2015.

The Board of Directors is regularly assisted by (i) the Corporate Governance Committee which supports and assists the Board of Directors in the preparation of the annual corporate governance report and generally in meeting legal obligations and adopting best practices regarding corporate governance, as well as (ii) The Nominations and Appraisals Committee which assists the Board of Directors in the preparation of succession plans for executive board members and provides recommendations regarding the profile and relevant nominees for future appointments to the Board of Directors; it also supports the Board of Directors in the assessment of the overall performance of the Board of Directors, its executive members and specialized committees. Each of these committees is chaired by independent non-executive directors who, among other duties, act as interlocutor with the Chairman of the Board of Directors and the other directors and ensure that all the conditions and means necessary for the performance of the functions and duties of the committees they chair are available.

Their internal regulations can be consulted at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios

Moreover, information on the composition of these committees and the number of meetings held annually may also be consulted at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade

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

At 31 December 2020, the Executive Committee consisted of the members indicated in II.17.

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

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

The Corporate Governance Committee has the powers and competences conferred by its internal regulations[60]. Among these, of special note are those to:

a) Make recommendations and define policies in order to comply with applicable legislation and best practices in corporate governance matters;

b) Monitor compliance with applicable legislation and best practices in corporate governance matters;

c) Promote the adoption of guidelines in relation to:

   i) structure, role and functioning of the corporate bodies;

   ii) liaison between the corporate bodies and the internal committees;

   iii) incompatibilities and independence of the members of corporate bodies;

   iv) efficiency of the role of non-executive members of the Board of Directors;

   v) voting, representation and equal treatment of shareholders;

   vi) the prevention of conflicts of interests;

   vii) transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders;

d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular with regard to incompatibilities and the independence of the members of the Board of Directors;

e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;

[60] See Article 3 of the Corporate Governance Committee Regulations.

f) Prepare the annual corporate governance report in collaboration with the Company Secretary and other relevant departments of REN;

g) Prepare an annual report reviewing the corporate governance model adopted by the Company and proposing, if applicable, any improvements to the practices being implemented;

h) Review the REN Group Code of Conduct;

i) The overall corporate governance organization of the Company and its subsidiaries;

j) Follow inspections conducted by the Securities Market Commission (CMVM) in relation to corporate governance issues;

k) Perform any other duties or responsibilities in relation to corporate governance matters delegated to the Corporate Governance Committee by the Board of Directors.

The Nominations and Appraisals Committee has the powers and competences conferred by its internal regulations[61]. Among these, of special note are:

a) In relation to appointments, to

i) support the Board of Directors in the identification and selection of potential candidates for the Board of Directors and present to the Board of Directors a list of individuals recommended for appointment;

ii) make recommendations in relation to the qualifications, knowledge and professional experience required to be a member of the Board of Directors;

iii) assist the Board of Directors in the preparation of the succession of its members;

iv) perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties.

b) In relation to appraisals,

i) advise the Board of Directors on the rules that should govern the annual appraisal process, in particular the key performance indicators;

ii) support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

iii) prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year;

iv) perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties.

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

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

The Regulations of the Corporate Governance Committee and the Nominations and Appraisals Committee establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members and can be consulted on the official REN website[62] in Portuguese and in its English translation.

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

III. SUPERVISION (SUPERVISORY BOARD, AUDIT COMMITTEE OR GENERAL AND SUPERVISORY BOARD)

a) Composition

III.30. Identification of the supervisory bodies (Supervisory Board, Audit Committee or General and Supervisory Board), corresponding to the adopted model

As stated above[63], REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor. The Audit Committee is made up solely of independent and non-executive directors[64] (including the Chairman), possessing the necessary powers to perform their duties

[61] See Article 3 of the Nominations and Appraisals Committee Regulations.
[62] www.ren.pt
[63] See II.15. above.
[64] See Article 3(3) of the Audit Committee regulations.

III.31. Composition of, where appropriate, the Supervisory Board, Audit Committee, General and Supervisory Board or the Financial Matters Committee, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

At 31 December 2020, the Audit Committee consisted of three members as identified in II.17. This structure has proven adequate for carrying out their functions efficiently, taking into account the Company's size and business and the complexity of the associated risks.

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

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

III.32. Identification of, where appropriate, the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee considered to be independent, in accordance with Article 414(5) of the Portuguese Companies Code

See II.18. above.

III.33. Professional Qualifications and other relevant information on the résumés, where appropriate, of each of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Financial Matters Committee

See II.19. above.

b) Operation

III.34. Existence and place where the operating regulations can be consulted, where appropriate, for the Supervisory Board, the Audit Committee, the General and Supervisory Boards and the Financial Matters Committee

Audit Committee regulations, which establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members which can be consulted on the official REN website[65] in Portuguese and English.

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

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

Audit Committee meetings are convened and chaired over by the respective Chairman and are held monthly. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or by the remaining two members[66].

In 2020, the Audit Committee held 12 meetings.

ATTENDANCE OF MEMBERS OF THE AUDIT COMMITTEE AT MEETINGS

NAME	PRESENT	REPRESENTATION	ABSENT	% ATTENDANCE
Manuel Ramos de Sousa Sebastião	12	0	0	100%
Gonçalo Gil Mata	12	0	0	100%
Maria Estela Barbot	12	0	0	100%

[65] ww.ren.pt
[66] See Article 9(1) and (2) of the Audit Committee Regulations.

Moreover, information on the composition of the Audit Committee and the number of meetings held annually may also be consulted at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade

III.36. Duties of, where appropriate, each member of the Supervisory Board, Audit Committee, General and Supervisory Boards and the Financial Matters Committee, indicating roles carried out concurrently within other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

With regard to this matter, see II.26.

c) Competences and duties

III.37. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of contracting additional services from the external auditor

In accordance with Audit Committee regulations[67], it is the Audit Committee which grants prior approval to the Company for the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said auditor or which is part of the same network (see also point V.46.).

In 2020, the Audit Committee granted prior approval to the contracting of non-audit services from the External Auditor and the entities referred to above by REN or companies in a group or controlling relationship.

III.38. Other functions of the supervisory bodies and, where applicable, the Financial Matters Committee

The Audit Committee is, alongside the Statutory Auditor, a supervisory body. It is, therefore, an integral body of the Board of Directors, while consisting of non-executive and independent members (including its Chairman).

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The intervention of its members, as members of both the supervisory body and the management body, renders the control process even more transparent, notably due to the special access afforded to the members of the Audit Committee to information and decision-making processes.

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

The Audit Committee, as a supervisory body, has the powers and the duties stipulated by law and in the REN Articles of Association, therefore being particularly responsible for[68]:

a) Supervising the management of the Company;

b) Monitoring compliance with the law, the REN Articles of Association and applicable principles of corporate governance;

c) Confirming that the REN Corporate Governance Report includes the information set out in Article 245-A of the Securities Code and in CMVM Regulation No 4/2013, as amended;

d) Expressing their agreement or otherwise with regard to the annual management report and the accounts for the financial year;

e) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;

f) Inspecting the accuracy of records, supporting documents and accounting books;

g) Verifying whether the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;

h) Preparing the annual report on their supervisory work;

i) Issuing an opinion on the report, accounts and proposal to distribute profits presented by management;

j) Convening the General Shareholders' Meeting whenever the Chairman of the Board of the General Shareholders' Meeting fails to do so;

k) Receiving alleged whistleblowing communications, in financial or others matters, submitted by shareholders, company employees or third parties;

[67] See article 6(4)(h) of the Audit Committee regulations.
[68] See Article 6(3) of the Audit Committee regulations.

l) Ensure that the company's arrangements for receiving such communications, in confidence, allow a proportionate and independent investigation of such matters and appropriate follow-up actions;

m) Supervising the preparation and disclosure of financial information, in particular financial information by the Board of Directors or Executive Committee, including the adequacy of accounting policies, estimates, judgements and relevant disclosures, and their consistent application across financial years, in a duly documented and communicated format;

n) Inspecting the review of accounts in accounting documentation;

o) Hiring the services of experts who will assist one or several f its members in exercising their duties. The contracting and remuneration of experts must take into account the importance of the matters they are to deal with and the company's economic situation;

p) Complying with other provisions set out in law or the Articles of Association;

In its relationship with other corporate bodies, the Audit Committee is also responsible for[69]:

a) Supervising the effectiveness of the risk management, internal control and internal audit systems. including monitoring, evaluating, giving opinion, and making proposals to improve the functioning of those systems so that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors or Executive Committee;

b) Proposing to the General Shareholders' Meeting the appointment of the Statutory Auditor, first and alternate;

c) Supervising the independence of the Statutory Auditor, more specifically with regard to the provision of non-audit of additional services and its suitability for the performance of duties;

d) Representing the Company, for all purposes, with the Statutory Auditor acting as REN's interlocutor with it and being the first recipient of its reports;

e) Ensuring that the proper conditions for the provision of audit services by the REN Statutory Auditor are provided within the company;

f) Monitoring the activities of the Statutory Auditor on a regular basis by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the or the Statutory Auditor;

g) Assessing the work carried out by the Statutory Auditor on an annual basis;

h) Providing prior approval on the contracting of any audit services from the Statutory Auditor by the Company, or any entity with a participating interest with the said auditor or which is part of the same network, explaining the reasons for such contracting in the annual report on Corporate Governance;

i) Approving the business plan for the following year and the activity report for the previous year from REN's Internal Audit Department; and

j) To approve the annual budget and staff members proposals for the Internal Audit Department of REN, which shall be submitted to the Executive Committee for final assessment, together with the proposals of all other REN departments. The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report, the financial statements of the financial year, as well as on the Corporate Governance Report. They are published together with accounting documents on the REN website[70], and remain available for ten years.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditor, representing it before the Statutory Auditor and seeking to ensure that, within the Company, suitable conditions are provided for them to carry out their work.

The Audit Committee is responsible for regularly monitoring the activities of the Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the Statutory Auditor[71]. The monitoring of the independence of the statutory auditor is based on regular contact with the auditor, through which he is asked to indicate the absence of circumstances that might hinder his independence, as well as the proper handling of any information that may be obtained by the Audit Committee on the subject, within the scope of its duties.

[69] See Article 6(4) of the Audit Committee Regulation.
[70] www.ren.pt
[71] See Article 6(4)(f) of the Audit Committee Regulation.

As REN has adopted a corporate governance model based on an Anglo-Saxon model and the supervisory body consists of non-executive directors who are on the Board of Directors, in addition to the powers referred to above, the Audit Committee, acting as supervisory body, also has the general powers of non-executive directors.

In turn, in accordance with the Portuguese Companies Code[72], the Statutory Auditor is responsible for the examination and verification required for the review and legal certification of the accounts. He is also responsible for verifying the correctness of books, accounting records and documents used as support, the accuracy of documents providing accounting information and if the accounting policies and valuation criteria adopted by REN lead to a correct evaluation of its property and results.

IV. STATUTORY AUDITOR

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

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

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

IV.40. . Indication of the number of years which the Statutory Auditor has consecutively carried out duties for the Company and/or group

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

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

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

In addition to the services as Statutory Auditor detailed in III.38., the services referred to in V.46 were also provided.

V. . EXTERNAL AUDITOR

V.42. . Identification of the External Auditor for the purposes of Article 8 and of the respective key auditor partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

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

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

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

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

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

The appointment of Ernst & Young, Audit & Associados, SROC S.A. took place following a selection process for a new External Auditor. The REN Audit Committee was responsible for this process which was performed

[72] See Article 420

in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

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

The Audit Committee is responsible for undertaking an annual assessment of the Statutory Auditor and External Auditor and has the power to propose the dismissal of the External Auditor to the General Meeting if there are grounds to do so and to propose the respective remuneration.

The Audit Committee is responsible for regularly monitoring the activities of the External Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditor.

The Audit Committee is also responsible for overseeing the independence of the Statutory Auditor and External Auditor and issuing prior approval of the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said External Auditor or which is part of the same network.

In 2020, the Audit Committee carried out its evaluation of the services provided to the Company by the External Auditor. The Audit Committee considered that the External Auditor provided its services in a satisfactory manner and complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with high technical accuracy.

V.46. Identification of non-audit services provided by the External Auditor to the Company and/or companies in a controlling relationship, as well as an indication of internal procedures for the approval of the hiring of these services and an indication of the reasons for their contracting

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

As part of compliance with the independence rules established in relation to the External Auditor/ Statutory Auditor, in 2020, REN's Audit Committee accompanied the provision of non-audit services in order to ensure that situations of conflicts of interest would not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of the company in terms of auditing, as well its complementarity regarding audit services, would justify such award, based on the associated cost control.

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

V.47. Indication of the annual amount of remuneration paid by the Company and/or by companies in a group with or controlling relationship to the auditor or to other companies or individuals belonging to the same network and breakdown of the percentages allocated to the respective services below (for the purposes of this information, the concept of a network is that arising from EU Recommendation C(2002) 1873 of 16 May[73])

In the financial year ending 31 December 2020, the statutory auditor for REN – Redes Energéticas Nacionais, SGPS, S.A. and its subsidiaries was Ernst & Young, Audit & Associados, SROC S.A. The exception was REN Trading where the statutory auditor was Pricewaterhousecoopers & Associados – SROC, S.A.

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

The total sum recorded for audit services and the legal review of accounts and other services provided by the statutory auditors in 2020, was 437,475 euros, broken down as follows:

- Ernst & Young, Audit & Associados, SROC S.A. and its network – 343,100 Euros;
- Pricewaterhousecoopers & Associados – SROC, S.A. and its network – 94,375 Euros.

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

	COMPANY (REN SGPS)[74]	OTHER COMPANIES[75]	TOTAL	%
Audit and legal review of accounts	30 000	235 643	265 643	77.4
Other reliability guarantee services	62 000	15 457	77 457	22.6
Services other than audit services or legal review of accounts	-	-	-	-
	92 000	**251 100**	**343 100**	**100**

PRICEWATERHOUSECOOPERS & ASSOCIADOS — SROC, S.A. E A SUA REDE

	COMPANY (REN SGPS)[76]	OTHER COMPANIES[77]	TOTAL	%
Audit and legal review of accounts	-	7 900	7 900	8.4
Other reliability guarantee services	-	86 475	86 475	91.6
Services other than audit services or legal review of accounts	-	-	-	-
	-	**94 375**	**94 375**	**100**

7.1.3. INTERNAL ORGANIZATION

I. ARTICLES OF ASSOCIATION

I.48. Rules applicable to changes to the Company's Articles of Association (Art. 245-A(1)(h)

Changes to the Articles of Association are subject to the relevant rules as stipulated by law[78] and in the Articles of Association themselves[79]. In this regard, please see point 7.1.1, II.14.

II. WHISTLEBLOWING POLICY

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

Stakeholders (shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies) may communicate any irregular practices they have knowledge or reasonable doubts of to the Audit

[74] Including individual and consolidated accounts.
[75] Including individual and consolidated accounts.
[76] Including individual and consolidated accounts
[77] Including individual and consolidated accounts.
[78] See Article 383 of the Portuguese Companies Code.
[79] See Article 11 of REN's Articles of Association.

Committee, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group[80].

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

In this regard it is important to note that the concept of "Irregularity"[81] includes all situations that any of the individuals detect, or is made aware of or has grounded doubts regarding non-compliance with REN Group's Code of Conduct, legal, statutory, deontological or professional ethics rules, or rules contained in any internal documents or regulations, recommendations, guidance or guidelines applicable to REN, or to any company in the REN Group, which may constitute criminal, misdemeanor or civil offence, concerning acts or omissions, documentation (in physical or electronic form) decisions, orders, guidelines, recommendations, opinions and communications, and which relate to:

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

Such communications must be submitted in writing to the registered office and addressed to the Chairman of the Audit Committee or to the email comissão.auditoria@ren.pt, an account which is only accessible by the Audit Committee. Communications must contain all the information the whistleblower has and considers necessary for assessing the irregularity[82].

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identity in the communication of the irregularity, which will only be disclosed for the purposes of investigation should the whistleblower give his or her consent.

The Audit Committee must assess the situation described and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the internal regulations approved by the Board of Directors, under a proposal by the Audit Committee[83].

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

REN implemented the mechanisms with regard to the prevention and detection of fraud and errors and the verification of the operations and business of the REN Group with the applicable legal and regulatory provisions, including the general policies and regulations of REN, carried out by the Risk Committee, further described in III.54 below. Together with the ongoing work to evaluate the implementation of a REN Group integrity policy, are embodied in the adopted REN Group Code of Conduct[84], the fight and prevention of the practice of illicit acts, namely corruption, money laundering and terrorist financing crimes, constitute fundamental bases for the principles of action and duties of the Group, and their employees. Within this context reference should be made to the considerations included in Section 5 of the 2020 Management Report dedicated to "Sustainability" which details the implementation of stakeholder consultation and its results, priorities and new topics materially relevant, including those relating to governance and ethics.

III. INTERNAL CONTROL AND RISK MANAGEMENT

III.50.People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies of the Company have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the REN Group companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

[80] See Articles 6(3)(k) and (l) and 8 of the Audit Committee Regulations and the document on "Procedures applicable to the processing of whistleblowing communications and the investigation of irregularities", available at www.ren.pt.

[81] See Section VI (Concept of "Irregularity") on the applicable procedures for processing communications regarding irregularities and the assessment of irregularities.

[82] See Chapter VII (Whistleblowing) in the Guidelines.

[83] Available at www.ren.pt

[84] Available at https://www.ren.pt/files/2018-12/2018-12-17095938_f7664ca7-3a1a-4b25-9f46-2056eef44c33$$72f445d4-8e31-416a-bd01-d7b980134d0f$$B438D8D8-09C0-4744-B79B-D8C8C30AAA73$$storage_image$$pt$$1.pdf

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems, including the setting of objectives, which, with the various contributions of the relevant committees and commissions, is responsible for establishing the ultimate risk policy of REN and the Group.

The Audit Committee is responsible for assessing the Executive Committee in the analysis of the integrity and efficiency of REN's internal control and risk management systems, including the submission of proposals to improve operations and amendments in accordance with REN's requirements[85]. The Audit Committee reports on the work plans and resources allocated to internal control services, including control of compliance with company rules (compliance services) and internal audit, and receives the reports made by these services. Such reports involve dealing with matters relating to the rendering of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities. Checks are also made that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors.

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

In addition to this annual risks assessment, the Audit Committee assesses the Company's management which comprises, in particular, the assessment of the internal functioning of the management body, its committees, the accounts and compliance with plans and budgets. It also follows-up on the implementation of recommendations. Therefore, in its action plan for activities to be carried out in 2020, the Audit Committee considered a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having held several meetings with the Statutory Auditor and External Auditor and with the heads of different departments, namely: Acquisitions, Control, Accounting and Tax, Environment and Security, Regulation and Statistics, Institutional Relations, Legal Services and Operational Services. The Audit Committee added to the activity plan the monitoring of the implementation of recommendations arising from the internal control system. Finally, the Audit Committee's activity plan included the specific training of REN's managerial staff with audit functions.

The External Auditor verifies the efficiency and operation of the internal control mechanisms, as part of its legal review of financial statements, and reports any significant deficiencies to the Audit Committee.

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

The mission of the Risk Management Committee, created in 2011, is to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management. To carry out this mission, the Risk Management Committee's main functions are to:

- Promote the identification and systematic assessment of business risks and their impact on REN's strategic objectives;
- Categorize and prioritize the risks to be addressed, as well as the corresponding preventive opportunities identified;
- Identify and define the persons responsible for risk management;
- Monitor significant risks and REN's general risk profile;
- Approve regular risk reporting mechanisms by different businesses areas;
- Propose, by submitting to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of material risks.

[85] See Article 3(4)(a) of the Audit Committee regulations.

In 2020, the Risk Management Committee continued to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire Group, policies that were ultimately approved by the Board of Directors after gathering this contribution, and the internal disclosure of best practices for Risk Management.

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

The Internal Audit Department reports in terms of functions and hierarchy to the Audit Committee, notwithstanding its relationship with the Company's Executive Committee.

As part of its supervisory function and powers expressly set out in the internal regulations, the Audit Committee supervises the internal audit procedure, notably through the presentation of proposals to improve its operation[86]. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to the Internal Audit Department, supervises the activity and has access to all reports prepared by the GSAD-AI including, amongst others, matters relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is coordinated by Gonçalo Morais Soares, an executive director, and is responsible for the first line of defence, reporting to the Executive Committee and the Audit Committee, in line with the periodic control procedures in force.

III.52. Existence of other functional areas with competences for risk control

No other functional areas with powers relating to risk control exist beyond those referred to in III.50.

III.53. Identification of the main types of risk (economic, financial and legal) to which the Company is exposed when conducting business

When conducting business in all of its areas of operation or those of its subsidiaries, REN is subject to multiple risks. These have been identified with the aim of mitigating and controlling them.

The 'appetite for risk' reflects the level of risk the company is willing to take on or to retain in pursuing its goals. REN adopts a prudent position with regard to its appetite for risk.

In 2020, the Risk Management Committee, with support from those responsible for managing activities and/or situations with inherent risk, 'risk owners', reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile, as well as some of specific indicators.

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

[86] See Article 6(4)(a)(i) and (j) of the Audit Committee regulations.

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

Changes to the regulatory model and parameters

The risk of changes to the regulatory model and/or regulator decisions may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN so as to prevent/analyse the impacts of possible changes. This activity is accompanied by continuous monitoring using specific indicators.

Evolution of REN's rating

Changes to REN's rating could have an impact in terms of access to financing as well as the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs through the evolution of some specific indicators and combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating could be affected by any deterioration in Portugal's rating.

Evolution of interest rates

The fluctuation of interest rates can have an impact on remuneration from regulated assets and on REN's debt service. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the REN Group.

REN manages exposure to the risk of changes in interest rates by contracting financial derivatives, in order to achieve a balanced ratio of fixed and variable interest rate and to minimize financial burdens in the medium and long-term.

Non-compliance by ENERGY market agents

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

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

Occurrence of a generalized incident

The company's performance could be influenced by the occurrence of events causing an interruption in the electricity and/or gas supply service and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a series of conditions (pollution, atmospheric conditions, fires, birds, etc.), which could cause interruptions to the service.

The plan for restoring service following a generalized incident implemented by REN and the organization of drills to test the ability to restore the service in the event of an incident, are some of the initiatives adopted for managing the potential impact of this risk.

Delay in implementing investment plans

The existence of delays both in the approval of investment plans, and in the execution plans, by the grantor or by other authorities can cause significant delays in implementing new infrastructures and/or loss of the investment made, with an impact on the quality of the service provided.

REN has adopted procedures for managing this risk that involve monitoring actions by the regulatory authority with approval responsibilities and other competent entities in the process of authorizing the investment to be made.

In this regard, it should be mentioned that the approval of new indicators to monitor the indicated risks, which came into force during 2020. Non-entry into operation of assets within planned deadlines.

Economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, and also other factors of an operational nature including processes for environmental licensing/authorization, may compromise the entry into operation of assets within planned deadlines, in several projects.

REN carries out a series of actions which allow the ongoing monitoring and mitigation of all factors which could increase this risk.

Occurrence of serious work accidents

Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents with damage to people and property during work organized by REN.

REN manages this risk through the safety management system, with specific training for operations involving risks and training for employees of REN's service providers on safety awareness. The detailed analysis of major impact incidences reflected in the preparation of proposals for improvement action should also be highlighted.

Unavailability of information systems

REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the availability of information systems and their capacity to meet Company needs are crucial to REN's good performance.

To manage this risk, REN maintains its communication systems and the respective support services up to date by performing periodic inspections of the configurations of network and security equipment. At the same time, security measures remain in place for systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic.

Specific indicators for monitoring/controlling in order to take corrective action if required entered into force during 2020.

I.T. Attacks – Cybersecurity

The current context of profound technological disruption, to which REN is no stranger, implies a reinforcement of existing information security capabilities, resulting not only from the increased complexity of system architectures and the perimeters in which they operate, but also from the speed at which they are expected to change.

In this sense, REN has been training in the management of the resulting risks, investing in good practices in cyber security matters, both in terms of resilience and prevention, using specific systems, processes and controls, but also responsible for an organisation with REN's mission.

III.54. Description of the risk identification, assessment, monitoring, control and management process

It is considered that a risk management and internal control system – as implemented by REN - should meet the following objectives:

- Guarantee and supervise compliance with the objectives previously set by the Board of Directors;
- Identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- Align admissible risk with REN Group strategy;
- Ensure that information is reliable and complete;
- Ensure the complete, reliable and timely preparation, processing, reporting and disclosure of all information, including financial and accounting

information and apply an appropriate management information system;

- Guarantee the safeguarding of assets;
- Ensure prudent, appropriate valuation of assets and liabilities;
- Improve the quality of decisions;
- Promote the rational and efficient use of resources.

As such, in pursuing the objectives stated above, REN's Risk Committee is responsible for identifying and evaluating the inherent risks involved in REN's activities stated in III. 53., also seeking to support the monitoring of significant risks and REN's general risk profile.

That is to say that, at a first stage, the Risk Committee, with the collaboration of its members who are the heads of the different departments and with the assistance of all other department heads within the Company, analysed aspects related to REN's business that could constitute a risk to its activity.

The Risk Committee then assesses existing risks (severity and probability of occurrence for each potential risk) and classifies them by order of importance and by categories and subcategories. The assessment of risks inherent to REN's activities, as well as to the Internal Control System, is carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information producing, treating and processing system;
- To check the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;
- To check for compliance of the Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and Company regulations;
- To promote operational effectiveness and efficiency.

Following the identification and assessment of inherent risks, the Risk Committee identifies the relevant measures to eliminate, mitigate or control the risks and reports the result of the analysis to the Board of Directors. The Risk Committee further seeks to apply preventive and protective measures, through the formulation of a priority plan, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. Therefore, within the scope of the Group risk management system, the following activities were undertaken in 2020:

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

As part of risk monitoring, control and management, also of note was that on 8 November 2012, the REN Board of Directors approved the a first review of the regulations on 'Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflicts of Interests' and 'Procedures Applicable to the Processing of Whistleblowing Communications and the Inspection of Irregularities'. a proposal to amend the regulations on "Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflict of Interest" is currently under discussion and approval, with the purpose of better adjusting its content to the new Corporate Governance requirements as reflected in the 2020 revision of the IPCG Code and the Shareholders Rights Directive II[87].

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

In 2020, the company continued to implement a homogeneous and integrated corporate risk management strategy across the entire organization, aligned and structured in accordance with the specific priorities and features of each of the company's areas.

III.55. Main elements in the internal control and risk

[87] Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards incentives for long-term shareholder involvement, transposed into national law by Law 50/2020 of 25 August.

management systems implemented at the Company with regard to the financial information disclosure process (Art. 245-A(1) (m))

REN regularly provides information, including financial information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations and to the market, is prepared on the basis of sophisticated IT systems. REN carries out initiatives that seek to continually improve the support information processes and systems that produce financial and management information and other information, as better described in the previous section.

It is the Audit Committee's responsibility to supervise the process for the preparation and disclosure of financial information. As such, the Audit Committee held meetings to monitor these processes with the members of the Executive Committee, the Statutory Auditor and External Auditor and with those responsible for accounts and management planning and control.

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

IV. INVESTOR SUPPORT

IV.56. Service responsible for investor support, composition, functions, information provided by this service and contact information

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

IRO contacts:

E-mail: ir@ren.pt

Ana Fernandes (Head of Department): ana.fernandes@ren.pt

Alexandra Martins: alexandra.martins@ren.pt

Telma Mendes: telma.mendes@ren.pt

Address:

REN – Redes Energéticas Nacionais, SGPS, S.A.

C/O: Investor Relations Office

Avenida dos Estados Unidos da América, 55

1749-061 Lisbon - Portugal

Telephone: 21 001 35 46 I Fax: 21 001 31 50

The IRO has the following main duties:

a) Act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing information asymmetries;

b) Ensure that feedback from institutional investors is communicated to the Executive Committee;

c) Guarantee timely compliance with CMVM obligations and other financial authorities;

d) Coordinate, prepare and disclose all information made available by the REN Group with regard to disclosure of privileged information and other communications to the market, and in relation to the publication of periodic financial statements;

e) Systematically monitor the content of analyst research work with the aim of contributing to a correct evaluation of the Company's strategy and results;

f) Prepare and continuously monitor the financial and operational benchmark of competitors and peer group;

g) Attract the interest of potential institutional investors, as well as a greater number of financial analysts;

h) Draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Investor Day;

i) Develop and maintain the Investor Relations page on the Company's website[88]/ Investors APP.

IV.57. Representative for market relations

Since 28 March 2012, the REN Representative for Market Relations has been the Director Gonçalo Morais Soares who is also the Chief Financial Officer (CFO) of the REN Group.

IV.58. Information on the proportion of, and response time to, requests for information received this year or in previous years and still pending

Investor requests were responded to in a timely manner, usually on the same day or, in cases where the request required the receipt of information from third parties, soon after they were received. In 2020, and due to the pandemic situation experienced, the management's activity changed substantially in terms of form, considering that as from mid-March no more presential meetings occurred. For this reason almost 440 requests were received attended to by telephone, including remote meetings with investors, 410 by email and 20 in person, mostly at conferences but also roadshows, with both debt and equity investors, there has been a slight increase in contact with small retail investors.

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

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. INTERNET SITE

V.59. Address(es)

The Company's[89] website is available in Portuguese and English.

V.60. Place where information on the firm can be found, the quality of open company, its registered office and all other information mentioned in article 171 of the Portuguese Companies Code

On the REN website[90],under the tab marked 'Investors', there is a tab marked 'Corporate Information', where information published on the firm, status as open capital company ("sociedade aberta"), the registered office and other information mentioned in Article 171 of the Portuguese Companies Code may be found. https://www.ren.pt/en-GB/investidores/informacao_da_sociedade

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

On the REN website[91], under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the Articles of Association, as well as the following regulations and documents:

- Articles of Association;
- Board of Directors Regulations;
- Audit Committee Regulations;
- Executive Committee Regulations;
- Corporate Governance Committee Regulations;
- Nominations and Appraisals Committee Regulations;
- Remuneration Committee Regulations;
- Regulations on transactions with related parties;
- Regulations on transactions of financial instruments by REN directors;

[88] www.ren.pt
[89] www.ren.pt
[90] www.ren.pt
[91] www.ren.pt

- Whistleblowing procedures;
- Regulations on procedures relating to the compliance with the Market Abuse Regulation.

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios

V.62. Place where information is made available on the identity of members of the corporate bodies, the Representative for Market Relations, the Investor Support department or similar structure, their respective functions and means of access

On the REN website[92], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which the composition of the corporate bodies can be found.

https://www.ren.pt/en-GB/investidores/governo_da_sociedade

Furthermore, on the REN website[93], under the tab marked 'Investors', there is a tab marked 'Investor Relations' which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers.

https://www.ren.pt/en-GB/investidores/relacoes_com_investidores

V.63. Place where accounting records are made available, which must be accessible for at least ten years[94], as well as a half-yearly calendar of company events, announced at the start of each semester, including, amongst others, General Meetings, publishing of annual, half yearly and, where applicable, quarterly reports

On the REN website[95], under the tab marked 'Investors', there is a tab marked 'Investors' where there is a further tab marked 'Results'. Here it is possible to find documents on accounting records, which will be accessible for a minimum of 10 years.

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

On the same website[96], a calendar of company events is also available.

V.64. Place where the notice to convene a General Meeting is published as well as all the preparatory documents and documents resulting from said meeting

On the REN website[97], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings, where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/assembleias_gerais

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website[98], REN provides extracts from the minutes of General Meetings.

On the website[99], REN maintains an historic record of notices to convene, agendas and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the respective meetings, going back a minimum of five years.

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

[92] www.ren.pt
[93] www.ren.pt
[94] In accordance with the CMVM Regulation No 4/2013 which approves the model of the corporate governance report, accounting documents may be accessible for five years. Nevertheless, under the current version of Article 245 (1) of the Securities Code, those documents must by available for 10 years.
[95] www.ren.pt
[96] www.ren.pt
[97] www.ren.pt
[98] www.ren.pt
[99] www.ren.pt

7.1.4. REMUNERATION

I. COMPETENCE TO DETERMINE REMUNERATION

I.66. Indication with regard to competence to determine the remuneration of corporate bodies, members of the Executive Committee or delegated director and the Company's directors

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee[100], which is responsible for setting the remuneration and for submitting a proposal to the General Meeting on the remuneration policy for members of management and supervisory bodies. The Remunerations Committee is responsible for presenting and submitting to the shareholders of the remuneration policy for corporate bodies, as well as for determining the respective remunerations, including the respective complements to the policy approved at the General Meeting.

The aforementioned remuneration policy covers all company officers (within the meaning of Article 3(1)(25) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), by reference to Article 248-B of the Securities Code. The Board of Directors of REN understands that these officers are only members of the company's management and supervisory bodies, since only those, having regular access to privileged information, also have the power to take management decisions likely to affect the evolution and future prospects of REN. The Nominations and Appraisals Committee does not have any duties concerning the definition of remuneration of the Board of Directors, but the assessment performed by this Committee may potentially and indirectly impact on such remuneration.

II. REMUNERATION COMMITTEE

II.67. Composition of the Remuneration Committee, including identification of natural or legal persons hired to provide support and declaration on the independence of each of the members and consultants

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

NAME	POSITION
João Duque	Chairman
José Galamba de Oliveira	Member
Fernando Neves de Almeida	Member

Information on the composition of the Remuneration Committee and the number of meetings held annually can be found at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of other corporate bodies for which it determines the respective remuneration. Its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides, without its prior authorisation, or has provided in the last three years, services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract.

In any case, the Remunerations Committee may, in accordance with its regulations, freely decide on the contracting, by the Company, of the consulting services necessary or convenient for the performance of its functions, within the budgetary

[100] See Article 8(2)(d) of the Articles of Association.

limits of the Company, ensuring that the services are provided independently and that the respective providers will not be contracted for the provision of any other services to the Company itself or to others that are in a domain or group relationship without its express authorization.

The Remunerations Committee Regulations, approved in January 2019, which establish, inter alia, the performance of the respective duties, chairing, frequency of meetings, functioning and framework of duties of its members are available at https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos_regulamentos_e_relatorios

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

At the Annual General Meeting of 2020, João Duque was present, on behalf of the Remunerations Committee. In addition, the Remunerations Committee Regulations provide for the obligation of the Chairman of the Remunerations Committee or, if not possible, another member of the Remunerations Committee, to be present and to provide information or clarifications requested by the shareholders at the Annual General Meeting. Such presence is also required in any other case where the agenda includes a matter related to the remuneration of the members of the company's bodies and committees or when requested by shareholders.

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

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

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

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

III. REMUNERATION STRUCTURE

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in Article 2 of Law No 28/2009 of June 19 2009

As an issuer of shares admitted to trading on the regulated market, REN is subject to Portuguese Securities Code as amended by Law 50/2020 of 25 August, transitionally to Law No 28/2009 of 19 June 2009 as well as to the recommendations of the IPCG Code of 2018, as amended in 2020.

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of the remuneration policy (according to the say-on-pay principle, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with legal provisions and recommendations, the Remuneration Committee submitted a declaration on the remuneration policy for corporate bodies for the 2019, having maintained for the financial year 2020 the remuneration policy applicable to 2019, without prejudice to the updating of fixed remunerations, in accordance with the terms therein.

On 7 May 2020, a declaration by the Remunerations Committee on the remuneration policy for members of corporate bodies was approved by a majority of 99.61 %, at the General Meeting. This declaration includes the information set out in Article 2 of law No 28/2009 of 19 June 2009 (at the date still in force). In accordance with IPCG Code (2018 version, then in force), recommendation V.2.3 the abovementioned declaration also contains, although in generic terms, when applicable: (i) the total remuneration broken down into the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied; (ii) remuneration from companies belonging to the same group; (iii) the number of shares and stock options granted or offered, and the main conditions for exercising the respective rights, including the price and date of such exercise and any change in those conditions (not applicable); (iv) information on the possibility or impossibility of requesting the return of variable remuneration; (v) information on any deviation from the procedure for the implementation of the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation (not applicable); and (vi) information on the enforceability or unenforceability of payments for the termination of the directors' service. Some of this information is included in more detail in this report, considering the nature of the declaration and in order to avoid duplication of information.

The remuneration policy of REN's corporate bodies for the year 2020 follows the guidelines set out below:

- To be simple clear, transparent and aligned with REN culture;
- To be suitable and fitting to the size, nature, scope and specificity of REN's activity;
- To ensure total remuneration which is competitive and equitable and in line with the best practices and latest trends seen in Portugal and in Europe, particularly with regard to REN's peers, that attracts, at an economically justifiable cost, qualified professionals, that induces the alignment of interests with those of shareholders – taking into consideration the wealth effectively created by society, the economic situation and that of the market – and to constitute a factor for the development of a culture of professionalisation, and to promote merit and transparency in REN;
- To be evolutionary, but not disruptive; and
- To incorporate a fixed remuneration adjusted to functions, availability, competence and responsabilities of the Board of Directors' Members.

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

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

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in line with the best practices observed at large-scale companies in the Portuguese market. The remuneration policy for non executive members of the Board of Directors is guided by the main purpose of compensating the dedication and responsibility required for the performance of their duties.

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

Currently, there are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), without prejudice to the method of calculating medium-term variable remuneration (MTVR), as described below.

Furthermore, there is no system of retirement benefits for the members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014).

The Remunerations Committee will present to the General Meeting of 2021 a new remuneration policy or revision of the current one, fulfilling the requirements of the new Law no. 50/2020, of 25 August.

III.70. Information on how remuneration is structured so as to allow alignment of the interests of members of the management body with the Company's long-term interests, as well as how it is based on performance assessment and discourages taking on excessive risk

As mentioned in III.69 above, non-executive directors' remuneration (including the members of the Audit Committee) consists exclusively of a fixed component, paid in 12 monthly instalments over the year, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter.

The remuneration structure of executive directors consists of a fixed component and a variable component. There is adequate proportionality between both components, as explained in III.69 above and in greater detail described in Point 5 of Annex 1 of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

The remuneration structure of the Executive Committee consists of fixed and variable components, and in accordance with the remuneration policy approved and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2020, the variable component of remuneration for 2020 may include short and medium-term parcels – STVR and MTVR[101].

For further detail on the principles inherent to the attribution of the RVCP and the RVMLP, definition and metrics inherent to the Key Performance Indicators indexed to metrics of REN's strategic plan and operationalization of the remuneration policy see Points 5 to 7 of Annex 1 of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

III.72. Deferral of the payment of the variable remuneration component, with mention of the deferral period

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

Regarding the mechanisms inherent to the payment and deferral of the cash payment of variable remuneration see Points 6 and 7 of Annex 1 of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

III.73. Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated, members of the board of directors of the Company have not entered into agreements either with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the strike price

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

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

In 2020, Executive Directors were entitled to transport inteded for the regular perfomance of their duties, and were also provided with health and life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is approximately 25,000 euros/director.

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and in the previous paragraph.

[101] See points III.69. and III.70 above.

III.76. Main characteristics of the complementary pensions or early retirement schemes for directors and the date on which they were approved at the General Meeting, in individual terms

There is no system of retirement benefits or pensions for the members of the management and supervisory bodies.

IV. DISCLOSURE OF REMUNERATION

IV.77. Indication of the annual amount of remuneration earned, jointly and individually, by the members of Company management bodies, paid by the Company, including fixed and variable remuneration and, with regard to the latter, mention of the different components where it originated

As regards, remuneration paid in 2020 to members of REN's management body, individually and collectively, please see Point 7 of Annex 1 of this Governance Report.

IV.78. Sums paid for any reason by other companies in a controlling or group relationship or which are subject to common control

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a controlling or group relationship with REN.

IV.79.Remuneration paid in the form of profit sharing and/or payment of bonuses and the reasons why such bonuses and/or profit sharing were granted s

There are no payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

IV.80. Compensation paid or due to Ex Executive Directors for the termination of their duties during the term of office

In 2020, there were no amounts due or paid in the form of compensation to Ex-Executive Directors for the termination of their duties during office.

IV.81. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's supervisory bodies, for the purposes of Law No 28/2009, of 19 July

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

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

In 2020, the Chairman of the General Meeting received the fixed annual amount of 15,000 euros for carrying out the respective dutiess.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

V.83. Contractual limitations for compensation to be paid for unfair dismissal of a director and its relation to the variable remuneration component

In accordance with the remuneration policy approved by the Remunerations Committee with regard to the financial year of 2020, which REN considers to be the adequate legal instrument for these purposes, in the event of unfair dismissal or termination of duties of an executive member of the Board of Directors through agreement, no compensation will be due, beyond that legally required, if such termination or dismissal is due to the unsuitable performance of the director. The consequences of the termination of the agreement are previously defined in accordance with the reasons for that termination. No other provision exists in the REN remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

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

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

V.84. Reference to the existence and description, with indication of the amounts involved, of agreements between the Company and the members of the management body or other officers, in the meaning of Article 3(1)(23) of the of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company (Article 245-A(1)(l)).

There are no agreements between REN and the members of the management body or other officers (in the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), that would award compensation in the event of resignation or unfair dismissal or termination of the employment relationship, following a change in control over the Company.

VI. PLANS TO ALLOCATE SHARES OR STOCK OPTIONS

VI.85. Identification of the plan and the respective recipients

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

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

See VI.85. above.

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

See VI.85. above.

VI.88. Control Mechanisms available in a possible scheme for worker participation in the share capital where voting rights shall not be directly exercised by said workers (Art. 245-A(1)(e)

There are no schemes for worker participation in the share capital of the Company.

7.1.5. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

I.89. Mechanisms implemented by the Company for purposes of controlling transactions with related parties (please see the concept resulting from IAS 24)

So as to provide for monitoring by the Audit Committee of transactions concluded or to be concluded by REN or its subsidiaries with related parties and the methodology to be adopted in the event of potential conflict of interests, the REN Audit Committee proposed to the Board of Directors an internal regulations for the Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflict of Interest', which were approved by the Board of Directors on 8 November 2012 and remain in effect. A proposal to amend this same regulation is currently being discussed and under approval with the purpose of better adjusting its content to the new Corporate Governance requirements as set out in the revision of the IPCG Code and the Shareholders' Rights Directive II.

In accordance with the internal regulations on Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflict of Interest', which are in line with IAS 24 and recommendation I.5.1 of the IPCG Code (2018 version, then in force), transactions conducted between a related party[102] and REN or its subsidiaries, which are covered by the following situations, shall be submitted by the management body for prior opinion by the Audit Committee[103]:

a) The purchase and/or sale of goods, provision of services or contract work valued at over 1,000,000.00 euros;

b) The acquisition or disposal of shareholdings;

c) New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding 100,000,000.00 euros, except when it refers to a simple renewal of existing circumstances or operations undertaken within the framework of pre-existing contractual conditions;

d) Any transaction which, though not covered by any of the above materiality criteria, has a value that exceeds 1 million euros or must be considered relevant for this purpose by the Board of Directors by virtue of its nature or its particular liability to give rise to a conflict of interests.

In turn, any business between a Related Party and REN or one of its subsidiaries, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee for its subsequent consideration[104].

If the Audit Committee issues an unfavourable prior expert opinion, approval of the transaction by the Board of Directors is required to and must be particularly well-grounded so as to demonstrate that the completion of the transaction is in line with pursuing the corporate interest of REN or that of its subsidiaries and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee [105].

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest[106].

Moreover, in accordance with the Board of Directors internal regulations, transactions with related parties for sums exceeding 500,000 euros or, regardless of the sum, any transaction which may be considered as not being executed under market conditions are matters which may not be delegated to the Executive Committee.

I.90. Indication of the transactions which were subject to control in the reference year

Pursuant to the internal regulations on the analysis and control of transactions with related parties and prevention of situations of conflict of interests, the Audit Committee had prior intervention in the following transactions, carried out between companies of REN Group and a holder of qualifying shareholdings or entities with which it is in a relationship pursuant Article 20 of the Securities Code[107]:

a) Contracting of Automobile Insurance and Complementary Brokerage Services for REN Group companies:

- Approved on 9 June 2020 by the executive committee of REN – Redes Energéticas Nacionais, SGPS, S.A., and by the board of directors of the subsidiary companies REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Atlântico, Terminal de GNL, S.A., REN Armazenagem, S.A. and REN Gás, S.A.;
- Agreement entered into between a related party, Fidelidade Companhia de Seguros, S.A., REN SGPS, S.A. and the subsidiary companies: REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Atlântico, Terminal de GNL, S.A., REN Armazenagem, S.A. and REN Gás, S.A.;
- Tenders ordered according to the lowest price criteria;
- Procedure involved negotiation and invitation of five companies;
- Maximum awarded amount: EUR 359,909.91 (over 3 years), (plus VAT at the legal rate in force).

b) Provision of Legal Advisory Services in the Area of Law and Public Procurement, to be awarded by REN Serviços, S.A.:

- Agreement entered into between a related party, Rui Pena, Arnaut & Associados – Sociedade de Advogados, R.L. and REN SGPS, S.A.'s subsidiary: REN Serviços, S.A.;
- Selection criteria: best quality-price ratio;
- Procedure not covered by the Portuguese Public Procurement Code, with invitation and possibility of award to several companies;
- Maximum awarde value: EUR 180,000.00 (plus VAT at the legal rate in force).

c) Procurement of a 220/63kV power transformer for the Charged Substation and a 400/63kV power transformer for the Famalicão V.N.Substation (Plot 2):

- Approved on 29 July 2020 by the board of directors of REN – Redes Energéticas Nacionais, SGPS, S.A.;

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[102] That is, a) a member of a REN management or supervisory body or of any other company in a controlling or group relationship with REN, pursuant to Article 21 of the Securities Code ('Subsidiaries') or b) any individual who, due to the post he or she holds in REN or in the Subsidiaries, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information; or c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Subsidiaries, calculated in accordance with Article 20 of the Securities Code, or d) a third-party body, related to an Officer or a Relevant Shareholder by means of any relevant commercial or personal interest.

[103] See Point II.I(a) of the abovementioned internal regulation.

[104] See Point III(b) of the abovementioned internal regulation.

[105] See Points 4 and 5 of point VI of the abovementioned internal regulation.

[106] See Point IX(I)(a) of the abovementioned internal regulation.

[107] In early 2021, a transaction was submitted for consideration with a view to contracting a Gas Capacity Utilization Rights (DUCg) auction service for transport and storage at RNTIAT, to be held on a web platform for the period from October 2020 to September 2022, with the following features:

- Approved on 19 November 2020 by the board of directors of REN Gasodutos, S.A;
- Agreement entered into between the company OMIP – Operador do Mercado Ibérico Portugal, SGPS, S.A. , which declares to be related, and the subsidiary of REN SGPS, S.A.; REN Gasodutos.;
- Technical Proposals: validation of the proposal according to the established terms and conditions:
- Direct adjustment to the OMIP, with due legal and technical support;
- Maximum awarded amount: EUR 418,000.00, plus fees and taxes.

- Agreement entered into between a related party, the company SPECO and a subsidiary of REN SGPS, S.A.: REN Eléctrica;
- Order of bids based on the following criteria: highest score with application of 95% price + 5% guarantee period. After this and considering that the same competitor cannot win the three lots will be selected on the basis of the following criteria – Lot 1 is the first to be awarded, Lot 2 the second and at the end Lot 3 the last to be awarded;
- The procedure included invitation to several companies under the qualification system (restricted procedure) and without negotiation;
- Maximum awarded: EUR 2,385,000.00 (plus VAT at the statutory rate in force).

d) Procurement of the following insurance programmes for REN Group companies: Lot 2 – Material Damage and Operating Losses (without Power Lines); Lot 5 – Maritime Liability and Lot 6 – Terrorism, Environmental Liability, Third Party Liability – Submarine Cable:

- Approved on 13 November 2020 by the board of directors of REN – Redes Energéticas Nacionais, SGPS, S.A.;
- Type of procedure: Public tender ("concurso publico");
- Agreement entered into with a related party, Consórcio Fidelidade (shareholder of REN – Redes Energéticas Nacionais, SGPS, S.A.)/AIG/AON, under the terms of the public procurement code;
- Maximum awarded amounts: Lot 2 – EUR 2,696,250.00 plus fees and taxes; Lot 5 – EUR 864,375.00 plus fees and taxes and Lot 6 – EUR 261,108.75 plus fees and taxes.

I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of assessing business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code

See I.89. above. The procedures and criteria outlined herein are applicable to transactions with the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code, given that these are by definition considered to be related parties in accordance with internal regulations for the Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflict of Interest'.

II. INFORMATION RELATING TO BUSINESS

II.92. Indication of the location of accounting documents providing information regarding business with Related Parties, in accordance with IAS 24 or, alternatively, reproductions of this information

Point 34 of the Appendix to the financial statements of the 2020 Management Report, in accordance with IAS 24, includes a description of the principal elements of business with Related Parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations.

PART 2

7.2. ASSESSMENT OF CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CODE OF CORPORATE GOVERNANCE ADOPTED

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

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

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

When preparing this report, REN referred to the Portuguese Institute of Corporate Governance Code, approved in 2018, and reviewed in 2020, available at https://cam.cgov.pt/images/ficheiros/2020/revisao_codigo_pt_2018_ebook-05.11.2020.pdf, as well as its rules of interpretation, available at the same address.

2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

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

In accordance with Regulation 4/2013, in conjunction with the Corporate Governance Code of the Portuguese Institute of Corporate Governance and its respective interpretative rules, the information submitted should include, for each recommendation:

a) Information that enables the verification of compliance with the recommendation or referring to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page);

b) Grounds for the potential non-compliance or partial compliance thereof (i.e. compliance with only part of the sub-recommendations, where applicable;

c) In the event of non-compliance or partial compliance (i.e. compliance with only part of the sub-recommendations, where applicable), the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation, in this case, the company's judgment as to the existence of equivalence to compliance may be included.

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

Therefore, REN hereby declares that it fully adopts all the abovementioned Portuguese Institute of Corporate Governance recommendations on corporate governance matters laid down in said Code, except for Recommendations III.1 and VII.2.1.which are not adopted for the reasons described below, Recommendations II.5, III.5, V.2.9, V.3.2 and V.3.4, which are not applicable to REN, Recommendations I.2.1, I.4.2, II.2 and III.6, which should be considered materially adopted taking into account the explanation included below and Recommendation V.3.3, which is partly not applicable and partly not adopted.

The chart in the next page identifies IPCG Code recommendations and individually mentions those that have been adopted by REN and those that have not. It also indicates the chapters in this report where a more detailed description of measures taken for their adoption may be found with the aim of complying with the said recommendations.

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
I.	**GENERAL PROVISIONS**		
General Principle: *Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies*			
I.1.	***Company's relationship with investors and disclosure*** ***Principle:*** *Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.*		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	Part I, chapter 7.1.3. s. III 55 and chapters 7.1.2. s. II 18 and III 38 and 7.1.3. ss. III 54 and IV 56
I.2.	***Diversity in the composition and functioning of the company's governing bodies*** ***Principle I.2.A:*** *Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.* ***Principle I.2.B:*** *Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.* ***Principle I.2.C:*** *Companies ensure that the functioning of their bodies and committees is duly recorded, namely in minutes, which allow to know only the direction of the decisions taken, but also their grounds and the opinions expressed by their members*		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Adopted (equivalent explain)	Parte I, capítulo 7.1.2. s. II.16, II.27, II.29 Part I, chapter 7.1.2. s. II.16, II.27, II.29 and Part II, chapter 3 The Nominations and Appraisals Committee follows the selection criteria described in Part I, chapter 7.1.2 s. II.16
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members — disclose in full on the company's website, and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted	Part 1, chapter 7.1.2. ss. II.22, II.27, II.29, II.34 and chapters 7.1.3, s. V.61 and 7.1.4. s. II.67
I.2.3.	The compositionand the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Part 1 chapter 7.1.2. ss. II.23, III.35 and chapter 7.1.4. s. II.67
I.2.4.	A whistleblowing policy should be adopted to ensure adequate means of communication and treatment of irregularities, safeguarding the confidentiality of the information transmitted and the identity of the notifier when requested.	Adopted	Part 1, chapter 7.1.3. s. II.49, II.54 and Part II, chapter 3

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
I.3.	***Relationships between the company bodies*** ***Principle:*** *Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.*		
I.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	**Adopted**	Part 1, chapter 7.1.2. ss. II.18 and III 38
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	**Adopted**	Part 1, chapter 7.1.2. ss. II 18 II 23 and III 38
I.4.	***Conflicts of interest*** ***Principle:*** *The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed*		
I.4.1.	By internal regulation or equivalent, the members of the management and supervisory bodies and internal committees shall be bound to inform their respective bodies or committees whenever there are facts which may constitute or give rise to a conflict between their interests and the company's interest.	**Adopted**	Part 1, chapter 7.1.2. ss. II.18 and II 29
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	**Adopted (equivalent explalin)**	Part 1, Chapter 7.1.2. s. II.18 Notwithstanding the fact that a proposal to amend the internal regulation on "Assessing and Monitoring of Transactions with Related Parties and Prevention of Situations of Conflict of Interest" is under discussion and approval, a number of mechanisms are in place to prevent or contain the appearance of conflicts of interest and to avoid interference in the decision-making process, first and foremost, by the criteria for eligibility for its governing bodies, the obligation to report such circumstances on an ad hoc basis and the practice of non-interference in the process of discussion and, subsequently, voting. This issue is also expressly ensured in the Audit Committee's Regulation.

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
I.5.	***Related party transactions*** ***Principle: Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of*** *the company and carried out under market conditions, subject to principles of transparency and adequate supervision.*		
I.5.1.	The management body shall disclose, in the government report or otherwise publicly available, the internal procedure for verification of transactions with related parties.	Adopted	Part 1, chapters 7.1.1. s. II 10 and 7.1.5 s. I 89
I.5.2.	The management body shall report to the supervisory body the results of the internal procedure for verification of transactions with related parties, including the transactions under review, at least every six months.	Adopted	Part 1, chapter 7.1.1. s. II 10
II.	SHAREHOLDERS AND GENERAL MEETINGS		
II.A	***Principle:*** *As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.*		
II.B	***Principle:*** *The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself*		
II.C	***Principle:*** *The company should implement adequate means for shareholders to participate and vote at a distance at the meeting.*		
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	Part 1, chapter 7.1.2. s. II 12
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted (equivalent explain)	Part 1, chapter 7.1.2. s. II 14 The company deems that the majorities provided for in Articles 11(2) and (3) of the Bylaws, which are more strict than those defined by law, are justified by the fact that the matters in question are strategic and of structural importance, and as such requiring a broader consensus from shareholders. With regard to the majority me to in Article 11(3), this is justified by the fact that the articles in question are aimed at enabling the company to monitor compliance with several legal obligations and ERSE (Energy Services Regulatory Authority) Decision on the full unbundling regime.
II. 3.	The company should implement adequate means for shareholders to participate in the General Meeting at a distance, in terms proportional to its size.	Adopted	Part 1, chapter 7.1.2. s. II 12
II.4.	The company should also implement appropriate means for the exercise of voting rights at a distance, including by correspondence and by electronic means.	Adopted	Part I, chapter 7.1.2. s. II 12

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution – without increased quorum in comparison to the legally established – and in that resolution, all votes cast will be counted without observation of the imposed limits.	N/A	Part 1, chapter 7.1.1. ss. I 2 e I 5 There is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, this recommendation must be considered not applicable to REN.
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	Part 1, chapter 7.1.1. s. I.4
III.	NON EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION		
III.A	***Principle:*** *The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance*		
III.B	***Principle:*** *The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.*		
III.C	***Principle:*** *The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.*		
III.1	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator, from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Not adopted	Part 1 chapter 7.1.2. s. II.18 Under the terms of the BoD Regulation, a number of mechanisms were adopted in 2020 for the efficient coordination and performance of the members with non-executive functions, in particular with a view to facilitating the exercise of their right to information and ensuring the necessary conditions and means to the performance of their duties, in the terms best described in the above section of this report. In addition, some of the independent board members are also members of board committees, thus the development of their functions therein should be preserved.
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Adopted	Part 1, chapter 7.1.2. ss. II 18, II 31
III. 3.	In any case, the number of non-executive directors should be higher than the number of executive directors and the government's report should include the formulation of this adequacy assessment	Adopted	Part 1, chapter 7.1.2. s. II 18

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: i) having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v) v) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or; vi) having been a qualified holder or representative of a shareholder of qualifying holding.	Adopted	Part 1, chapter 7.1.2. s. II 18
III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	N/A	There is no REN director in this situation.
III.6.	With regard to the powers conferred on it by law, the supervisory body shall assess and decide on strategic lines and risk policy prior to their final approval by the management body.	Adopted (equivalent explain)	Part 1, chapter 7.1.2. s. III 38, chapter 7.1.3. s. III 50 et seq as regards the risk policy. The members of the supervisory body are also members of the Board of Directors. The Audit Committee, made up of non-executive members, evaluates and pronounces itself on the strategic lines and risk policy, prior to its final approval, including evaluating the execution of the strategic plan by the executive members, within the management body. In fact, the Audit Committee, having evaluated the recommendation, considered that an autonomous opinion, which would repeat the one already adopted within the Board of Directors, by the same non-executive members, was not justified.

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
III.7.	Companies must have specialised committees for corporate governance, appointments and performance evaluation, separately or cumulatively. If the remuneration committee provided for in article 399 of the Companies Code has been set up, and this is not prohibited by law, this recommendation can be complied with by attributing to this committee competence in the said matters.	Adopted	Part 1, chapter 7.1.2. s. II 29, chapter 7.1.4. s. I 66 Taking into consideration the functions attributed to the, the intrinsic connection between the Remunerations Committee and the Nominations and Appraisals Committee and the fact that the attributions of the Remunerations Committee exceed the mere setting of the remuneration of REN's directors, this committee is materially equivalent to the internal committee in question.
IV.	EXECUTIVE MANAGEMENT		
IV.A	***Principle:*** *As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.*		
IV.B	***Principle: I****n determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.*		
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Adopted	Part 1, chapter 7.1.2. s. II 26
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted	Part 1, chapter 7.1.2. s. II 21
IV.3.	In the annual report, the management body sets out in what terms the strategy and the main policies defined seek to ensure the long-term success of society and what the main contributions this will make to the wider community.	Adopted	Chapter 5.2 of the 2020 Annual Report

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
V.	**EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT**		
V.1.	***Annual evaluation of performance*** ***Principle:*** *The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.*		
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and executive directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part 1, chapter 7.1.2. s. II 24
V.2.A	***Remuneration*** ***Principle:*** *The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders – taking into account the wealth effectively created by the company, its financial situation and the market's – and constitute a factor of development of a culture of professionalization, sustainability, promotion of merit and transparency within the company.*		
V.2.B	***Principle:*** *Directors must receive compensation: (i) that adequately contributes to the responsibility assumed, availability and competence placed at the service of the society; (ii) that guarantees an operation aligned with the long-term interests of shareholders and promotes the sustainable performance of the society; and (iii) that rewards performance.*		
V.2.1.	The company shall set up a remuneration committee, whose composition shall ensure its independence from the management, which may be the remuneration committee appointed under the terms of Article 399 of the Portuguese Companies Code	Adopted	Part 1, chapter 7.1.4. s. I 66 and 67
V.2.2.	The remuneration shall be fixed by the remuneration committee or the general meeting, on a proposal from that committee.	Adopted	Part 1, chapter 7.1.4. s. I.66
V.2.3.	For each mandate, the remuneration committee or the general meeting, on a proposal from that committee, shall also approve the maximum amount of all compensation to be paid to the member of any body or committee of the company due to the termination of their functions, and shall disclose such situation and amounts in the government report or remuneration report	Adopted	Part 1, chapter 7.1.4. s. III 76 and IV 80 e V 83
V.2.4.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	Part 1, chapter 7.1.4. ss. II.67
V.2.5.	Within the company's limited budget, the remuneration committee should be free to decide whether the company should hire the consultancy services necessary or convenient for the performance of its duties.	Adopted	Part 1, chapter 7.1.4. ss. II.67
V.2.6.	The remuneration committee shall ensure that these services are provided independently and that the respective providers are not engaged to provide any other services to the company itself or to others in a control or group relationship with it without the express authorisation of the committee.	Adopted	Part 1, chapter 7.1.4. ss. III.69 ss.

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
V.2.7.	In order to align interests between the company and the executive directors, a part of their remuneration should be of a variable nature that reflects the sustained performance of the company and does not encourage excessive risk taking.	Adopted	Part 1, chapter 7.1.4. ss. III 70 and 71
V.2.8.	A significant part of the variable component should be partially deferred over time, for a period of not less than three years, necessarily linked to the confirmation of the sustainability of performance, as defined in the company's internal regulations	Adopted	Part 1, chapter 7.1.4. ss. III 72
V.2.9	When the variable remuneration comprises options or other instruments, directly or indirectly, dependent on the value of the shares, the start of the exercise period shall be deferred for a period of not less than three years.	N/A	Part 1, chapter 7.1.4. ss. III 74 The variable remuneration does not have the relevant characteristics for the application of the Recommendation
V.2.10.	The remuneration of non-executive directors should not include any component whose value depends on the performance of the company or its value	Adopted	Part 1, chapter 7.1.4. ss. III 69 and III 60
V.3.	***Appointments*** **Principle:** *Regardless of the method of appointment, the profile, knowledge and curriculum of the members of the governing bodies and senior management should suit the function to be performed.*		
V.3.1.	The company shall, as it deems appropriate, but in a demonstrable manner, promote that proposals for the election of members of the corporate bodies are accompanied by reasons as to whether the profile, knowledge and curriculum are appropriate to the function to be performed by each candidate.	Adopted	Part 1, chapter 7.1.2. s. II. 16
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	N/A	Part 1, chapter 7.1.2. s. II.27 and 29 REN understands that the definition of senior management only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body.
V.3.3.	This committee includes a majority of independent non-executive members.	N/A / Not Adopted	REN understands that the definition of senior management only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body. As for the Nominations and Appraisals Committee, it only has one independent non-executive director, so the recommendation is not adopted, but it should be noted that the independent member is the chairman.
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	N/A	REN understands that the definition of senior management[108] only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body.

[108] Nos termos da Nota sobre a interpretação do Código IPCG – nota n.º 3, a recomendação V.3.4. deve interpretar-se como dizendo apenas respeito à comissão prevista na recomendação V.3.2.

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
VI.	**INTERNAL CONTROL**		
Principle: *The managing body should debate and approve the company's strategic plan and risk policy, which should include the establishment of limits on risk-taking.*			
VI.1.	The Board of Directors should discuss and approve the company's strategic plan and risk policy, including the setting of risk taking limits	Adopted	Part 1, Chapter 7.1.2.s II.21 and II.24; Chapter 7.1.3. s. III 50 ss
VI.2.	The supervisory body should organise itself internally, implementing mechanisms and procedures of periodic control in order to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body	Adopted	Part 1, Chapter 7.1.3. s. III.50, III.51 and III. 54
VI.3.	The internal control system, comprising the risk management, compliance and internal audit functions, must be structured in terms appropriate to the size of the company and the complexity of the risks inherent to its activity, and the supervisory body must assess it and, within the scope of its competence to supervise the effectiveness of this system, propose any adjustments that prove necessary.	Adopted	Part 1, Chapters 7.1.2. s. III 38 and 7.1.3. s. III 50 ss
VI.4.	The supervisory body shall give an opinion on the work plans and resources allocated to the internal control system services, including risk management, compliance and internal audit functions, and may propose any adjustments that may be necessary	Adopted	Part 1, Chapters 7.1.2. s. III.38 and 7.1.3. s. III 50
VI.5	The supervisory body should receive reports from internal control services, including risk management, compliance and internal audit functions, at least when matters relating to the rendering of accounts, identification or resolution of conflicts of interest and the detection of potential irregularities are concerned.	Adopted	Part 1, Chapters 7.1.2. s. III.38 and 7.1.3. s. III 50
VI.6.	Based on its risk policy, the company should establish a risk management function, identifying (i) the main risks to which it is subject in the development of its activity, (ii) the probability of their occurrence and their impact, (iii) the instruments and measures to be adopted with a view to their mitigation, and (iv) the monitoring procedures, with a view to monitoring them.	Adopted	Part 1, Chapters 7.1.3. s. III 50, III.53 and III.54
VI.7.	The company should establish procedures for monitoring, periodic evaluation and adjustment of the internal control system, including an annual assessment of the degree of internal compliance and of the performance of that system, as well as the prospect of a change in the risk framework previously defined.	Adopted	Part 1, Chapters 7.1.2. s. III.38 and 7.1.3. s. III 50

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
VII.	FINANCIAL STATEMENTS		
VII.1	***Financial information*** **Principle VII.A:** *The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.* **Principle VII.B:** *The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.*		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	Part 1, Chapter 7.1.3. ss. III 38 and III.55
VII.2	***Statutory audit of accounts and supervision*** **Principle:** *The supervisory body should establish and monitor clear and transparent formal procedures on the company's their relationship with the statutory auditor as well as on the supervision of compliance, by the auditor with rules regarding independence imposed by law and professional regulations*		
VII.2.1.	The supervisory body shall, in accordance with the applicable legal framework, define the supervisory procedures to ensure the statutory auditor's independence.	Not Adopted	Part 1, Chapter 7.1.2. s. III 38, V.46
VII.2.2	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	Part 1, chapter 7.1.2. s. III 38
VII.2.3	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	Part 1, chapter 7.1.2. s. III 38

3. OTHER INFORMATION

The company shall provide any additional information which, not covered by the previous points, is relevant for understanding the governance model and practices implemented.

In relation to 2020, for the purpose of paragraph r) of Article 245-A of the Securities Code, it should be highlighted that REN has in force (i) a Code of Conduct for the REN Group, which establishes a rule of equal treatment and non-discrimination, in particular, based on race, gender, age, physical disability, sexual orientation, political views or religious beliefs; and (ii) a "Plan for Equal Gender Equal Treatment" aplicable to the REN Group.

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

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

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

REN has defined a sustainability strategy in line with the 17 Sustainable Development Goals (SDOs) created in 2015 by the United Nations, and the materially relevant themes for REN are identified in Chapter 5 of the 2020 Annual Report. Transforming the defined goals into reality implies that all REN's activities be guided by principles of sustainability. Every two years, REN consults its stakeholders to assess their perception of the company's performance in terms of sustainability, and validate materially relevant issues. In the last survey, which was concluded at the beginning of 2019, new materially relevant themes were detected, thus justifying an update of REN's Sustainability Strategy. The three fundamental pillars already existing, Promotion of Internal Welfare, Stakeholder Involvement and Satisfaction and Protection of the Environment, were also given priority in the themes of Governance and Ethics. Actions are defined and implemented for all, as can be seen in Chapter 5.2 of the 2020 Annual Report. In 2021 a new consultation will be made with the company's stakeholders.

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

ANNEX 1

TO THE GOVERNANCE REPORT

ANNUAL REPORT ON THE REMUNERATION OF THE CORPORATE BODIES OF REN — REDES ENERGÉTICAS NACIONAIS

18 MARCH 2021

1. PRESENTATION OF THE REPORT

The Board of Directors da REN – Redes Energéticas Nacionais, SGPS, S.A. ("**REN**" or "**Company**") approved the remuneration report for the members of the Board of Directors, the Audit Committee and the Board of the General Meeting, as well as the Statutory Auditor ("**Corporate Bodies**") of REN, prepared under the terms and for the purposes set out in Article 245-C of the Portuguese Securities Code, with the support of the Remuneration Committee.

On the path that has been taken towards full transparency on the principles underlying the remuneration policy of Corporate Bodies, in particular in clarifying their criteria and the respective operationalisation, thus responding to a legal change, but above all to an adequate aspiration of shareholders and other stakeholders to follow this path, this report takes another step towards full understanding of the philosophy for the remuneration of REN's governing bodies.

We believe in the importance of the remuneration policy for Corporate Bodies to be clear, understandable and, above all, a factor contributing for the corporate strategy of the Company and for the long-term interests of all its stakeholders.

However, in addition to complying with these key principles, it is also important that the remuneration policy of Corporate Bodies is a factor that enhances internal equity without neglecting the creation of shareholder value.

We believe that the remuneration policy for Corporate Bodies of REN currently in force fully responds to the challenges described above.

As you navigate your way through the chapters of this report, you will be able to know in detail a remuneration system that, from the perspective of the Board of Directors and the Remuneration Committee, is in line with the best market practices.

We take this opportunity to acknowledge all REN's employees and Corporate Bodies who, despite dramatic changes in context, managed to fully respond, in 2020, to the new challenges that have arisen and to those previously defined.

A final work of thanks to everyone who has provided information and collaborated with the Board of Directors, in particular the Remuneration Committee, allowing it to fully fulfil its mission.

2. THE REMUNERATION COMMITTEE

The REN General Meeting is responsible for appointing the members of the Remuneration Committee, which is responsible for setting the specific remuneration and for submitting a proposal to the General Meeting of a remuneration policy for members of the management and supervisory bodies.

The Remuneration Committee is therefore responsible for presenting and proposing to the shareholders the principles of the corporate bodies' remuneration policy and setting the respective remuneration, in each specific case, including complements.

It should be noted that, within the scope of internal committees, the Nominations and Appraisals Committee, in accordance with its regulation, is responsible for supporting the Board of Directors in the annual assessment of its executive members and for submitting the respective report to the Remuneration Committee by March of each year. The Nominations and Appraisals Committee has no powers with regard to setting the remuneration of the Board of Directors, notwithstanding the fact that the assessment made by this Committee may indirectly influence such remuneration.

REN complies with the recommendations of the IPCG Code, with regard to remunerations, namely III.9, as a result of both the competences provided for in the Regulation of the Remuneration Committee and also the connection that the Nominations and Appraisals Committee has with the Remuneration Committee through the former's obligation to present the above-mentioned evaluation report annually.

The current Remuneration Committee is made up of members who are independent from management. To this extent, the Remuneration Committee does not include any member of another corporate body for which it defines the respective remuneration, and the three members in office do not have any family relationship with members of these other corporate bodies, as their spouses, relatives or kin in a direct lineup to the third degree, inclusive.

Profile of the members of the Remuneration Committee

All members of the Remuneration Committee have the appropriate knowledge, acquired through their academic training and/or professional experience, to reflect, process and decide on all matters within the remit of the Remuneration Committee.

The members of the Remuneration Committee have academic training in the areas of management, except for one of its members whose specific training is in human resources management, which provides them with the necessary and appropriate theoretical knowledge to carry out their functions.

It should also be noted that the Remuneration Committee is composed of three members with vast professional experience in consultancy firms, the government and companies in various sectors of activity, in Portugal and abroad. In fact, all members of the Remuneration Committee have continuously performed functions as members of the management body of several national and international entities, from the most varied sectors of activity, management and consultancy positions in financial regulators, and management positions in consultancies in the areas of management, technology and human resources, thus consolidating relevant and complementary practical knowledge regarding remuneration policy, performance assessment systems and related matters.

External Consultants

The Remuneration Committee has resorted, where appropriate, to external support for the purposes of, inter alia, reviewing the assessment model of the Executive Committee already approved at the 2019 General Meeting and salary benchmark analyses.

It should be noted that the Remuneration Committee may, under the terms of its regulation, freely decide for the Company to contract the necessary or appropriate consulting services for the exercise of its functions, within the budgetary limits of the Company, ensuring that the services are provided independently and that the respective providers will not be hired to provide any other services to the Company itself or to others that are in a control or group relationship with it without its express authorization.

Obligations of the Remuneration Committee

The regulation of the Remuneration Committee, approved in January 2019, which establishes, in particular, the exercise of its powers, chairmanship, frequency of meetings, functioning and the framework of duties of its members, is available on REN's institutional website.

As provided in its regulation, detailed minutes of its meetings are drawn up, approved and signed by all members present.

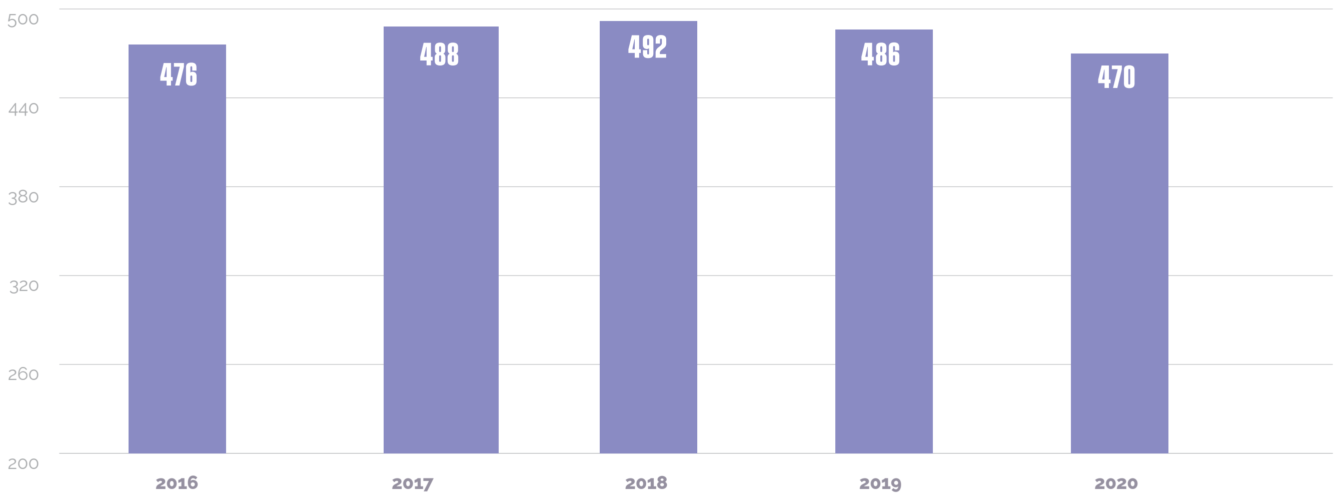
The Remuneration Committee is always represented at annual General Meetings, and, at the 2020 General Meeting, its Chairman, in accordance with the provisions of its regulation, was available to provide information or clarification as requested by shareholders at that Meeting or at any other meetings if the respective agenda includes a matter related to the remuneration of members of the company's bodies and committees or if such presence was requested by shareholders.

The most relevant activities carried out by the Remuneration Committee over the course of 2020 in relation to the meetings held are indicated below.

ACTIVITIES	1Q 2020	2Q 2020	3Q 2020	4Q 2020
Assessment of 2019 KPI of the EC	■			
Assessment of the members of the EC	■			
Definition of the 2019 variable remuneration of the EC	■			
Approval of the KPIs and its metrics for the 2020 assessment of the EC	■			
Approval of the 2020 remuneration policy		■		
Monitoring of the evolution of the Company's activity	■	■	■	■
Monitoring of the evolution of the KPIs relevant for the assessment of the EC			■	■
Analysis of the retributive benchmark				■

3. RESULTS AND INCENTIVES

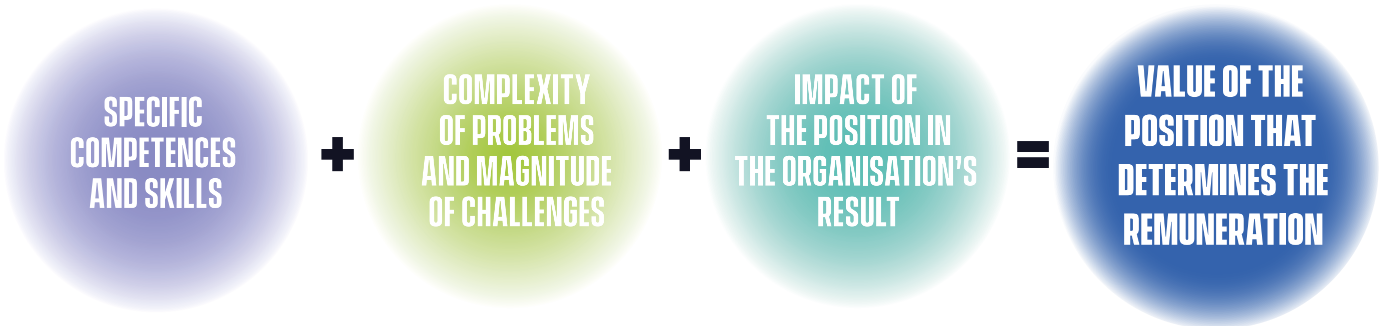
EBITDA REN (UNIT: €10^6)



The annual results of a company can be assessed according to operational, financial and sustainability indicators.

2020 was a generically challenging year for everyone, in general, and particularly for REN, due to the pandemic, which has affected the generality of citizens since the middle of its first quarter.

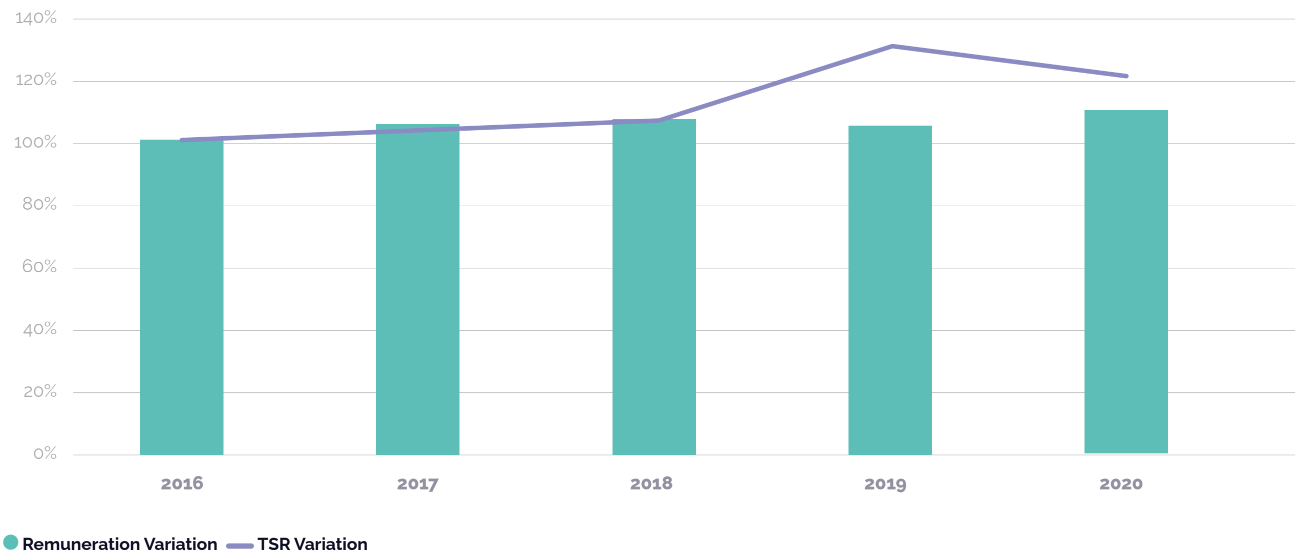
REN, despite the inherent difficulties, has always been able to respond properly to the new challenges that have been posed in terms of service quality. In addition, the operating and financial objectives initially defined were maintained and even exceeded, allowing the operating results measured through the EBITDA figure to remain aligned with the trend of the last 5 years.



The value of a remuneration is generally a function dependent on various associated variables, namely, specific skills, the complexity of problems and the magnitude of challenges, as well as the impact of the position on the final results.

Without prejudice to the foregoing, which defines the main pillars for the construction of the values of remuneration, the analysis of the percentage evolution of payments made to the Board of Directors (BoD) in the last 5 years, with the TSR (Total Shareholder Return), allows to compare the annual variations of payments to the BoD with the creation of value for the shareholders.

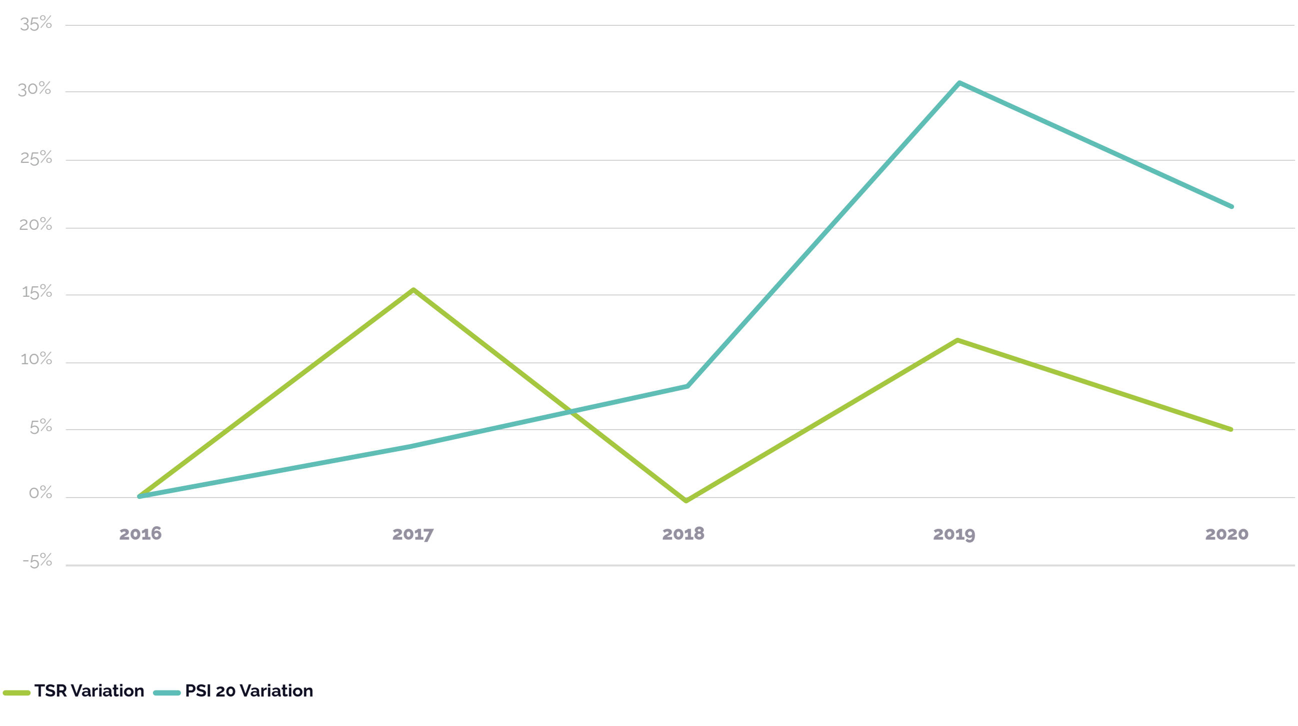
EVOLUTION OF REMUNERATION TO THE BOD VERSUS TSR (2016 = 100)



Explanatory notes: The remuneration considered concerns to the value approved annually by the Remuneration Committee, after the appraisal, in the fixed, short-term and medium-term variable components. The TSR, Total Shareholder Return, is the total return of the share and include, in addition to the respective price, the reinvestment of dividends.

The following graph provides another vision between the creation of value at REN, measured by TSR, and the performance of the main national stock index – PSI 20.

EVOLUTION OF REN'S TSR VERSUS PSI 20 INDEX (2016 = 100)



The best practices of the remuneration systems are a strategic element in the ability to attract, retain and motivate the best professionals in the market. The models for executive members, from the listed companies, favour the integration of the different components, namely a fixed component, operating as "base" remuneration, and a variable component, usually broken down into short-term and medium/long-term. In this context, it should be noted that the components of REN's remuneration system for executive members of the Board are aligned with those practiced by other comparable companies.

The variable remuneration associated with the fulfilment of management objectives is exercised by awarding a short-term annual bonus and a medium-term annual bonus.

The value of the variable remuneration proposed by the Remuneration Committee to shareholders depends on the individual appraisal of each executive member and the respective alignment with the results achieved.

The medium/long-term variable remuneration is paid over time through Remuneration Units, which are explained in detail in the specific chapter called "Alignment of the remuneration policy with the creation of sustainable value", and aims to ensure the alignment of individual interest with the corporate objectives and the interests of REN shareholders, rewarding the fulfilment of objectives that presuppose the creation of value in a sustained way.

Non-executive members of the Board of Directors, since they do not have responsibilities in the operationalisation of the defined strategies, have a compensation system that does not provide for any of the components of the variable remuneration, including only a fixed component.

Aware of the importance of compensation models for the achievement of the Company's policies, a benchmark analysis was carried out by a reputed international entity.

This study analysed a few companies comparable to REN with regard to the remuneration of executive and non-executive members:

- 77 companies in the domestic market;
- 385 companies in the European market.

In the following sectors:

LIST OF SECTORS SUBJECT TO BENCHMARK IN PORTUGAL AND EUROPE			
CONSTRUCTION	CONSUMPTION	DISTRIBUTION	ENERGY
BANKING & INSURANCE	AUTOMOTIVE INDUSTRY	MANUFACTURING	PAPER PULP
CHEMISTRY	HEALTH	INFORMATION TECHNOLOGIES	TRANSPORT

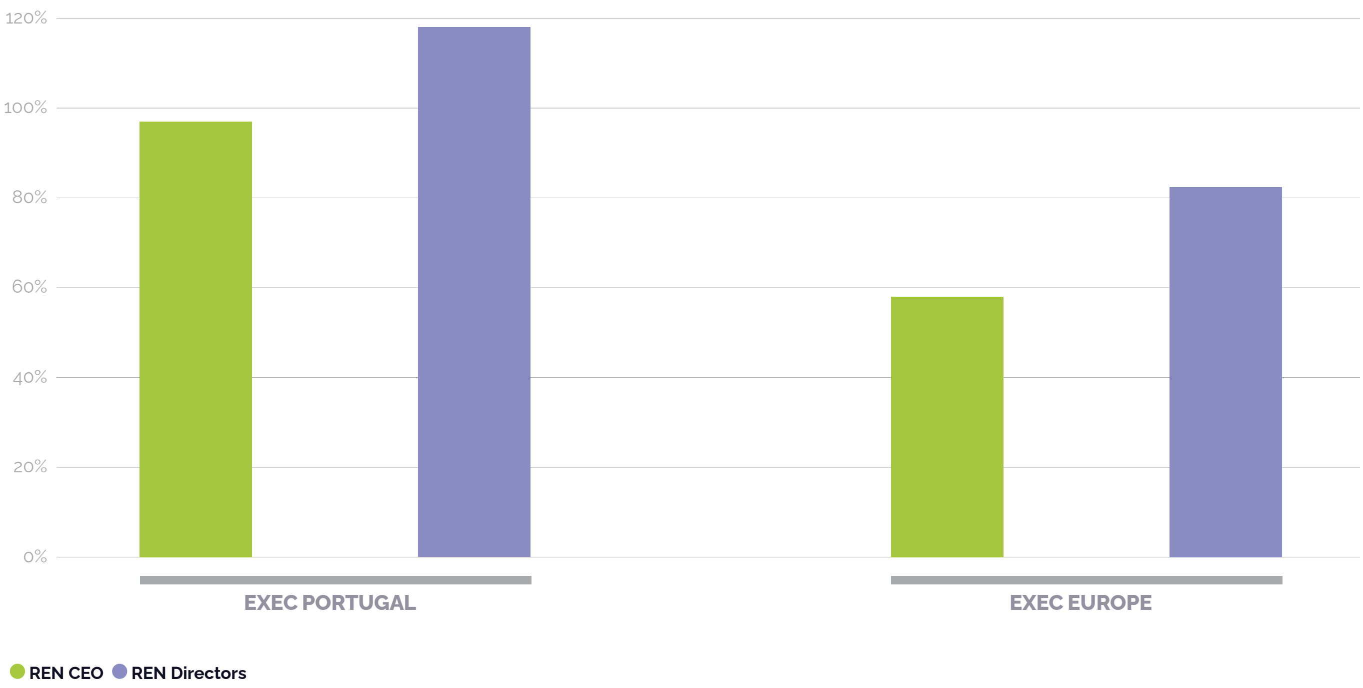
And countries:

LIST OF EUROPEAN COUNTRIES SUBJECT TO BENCHMARK						
GERMANY	AUSTRIA	BELGIUM	DENMARK	SPAIN	FINLAND	FRANCE
GREECE	IRELAND	ITALY	LUXEMBOURG	NORWAY	THE NETHERLANDS	PORTUGAL
POLAND	CZECH REPUBLIC	RUSSIA	UNITED KINGDOM	SWEDEN	SWITZERLAND	TURKEY

EXECUTIVE MEMBERS

The analysis of the remuneration with groups of executives in similar positions in comparable companies proves that the remuneration policy followed by REN has a conservative profile in the perspective of the benchmark carried out with European executives – the remuneration of REN's CEO corresponds to the 55th percentile of the median value for positions in comparable companies - demonstrating to be more aligned with the median value of equivalent positions in the domestic market.

REMUNERATION COMPARISON OF REN'S CEO AND DIRECTORS WITH THEIR PEERS IN PORTUGAL AND EUROPE (100 = MEDIAN REMUNERATION FOR EXECUTIVE PEERS IN PORTUGAL AND/OR IN EUROPE)

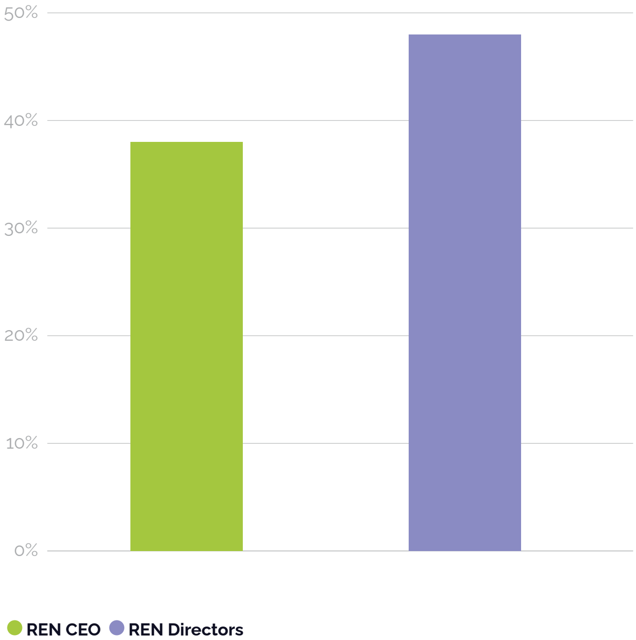


A salary analysis was also carried out with 11 European utilities comparable to REN, and the results reinforced the conclusions of the previous study regarding the moderate salary profile practiced by the Company, compared to the average of its peers.

LIST OF EUROPEAN UTILITIES SUBJECT TO BENCHMARK

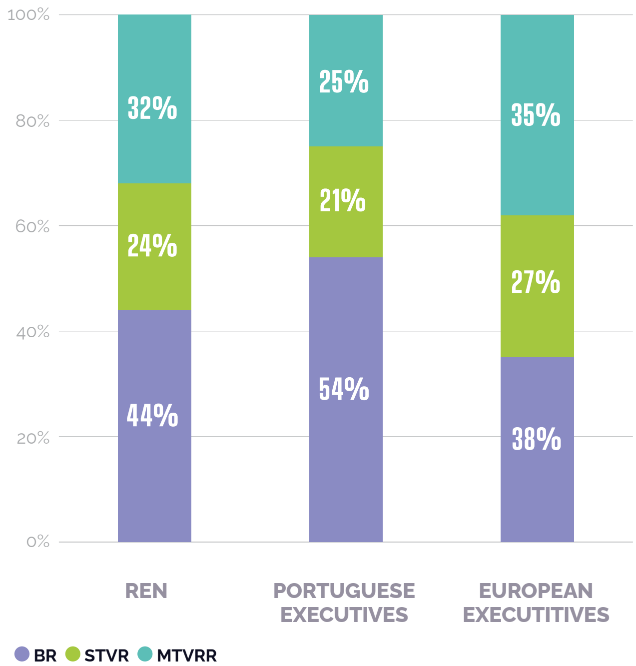
EON (GERMANY)	RWE (GERMANY)	ELIA GROUP (BELGIUM)	ENAGAS (SPAIN)
REE (SPAIN)	EDF (FRANCE)	SNAM (ITALY)	TERNA (ITALY)
EDP (PORTUGAL)	NATIONAL GRID (UNITED KINGDOM)	SWISSGRID (SWITZERLAND)	

REMUNERATION COMPARISON OF REN'S CEO AND DIRECTORS WITH PEERS FROM 11 COMPARABLE EUROPEAN UTILITIES (100 = AVERAGE REMUNERATION OF PEERS)

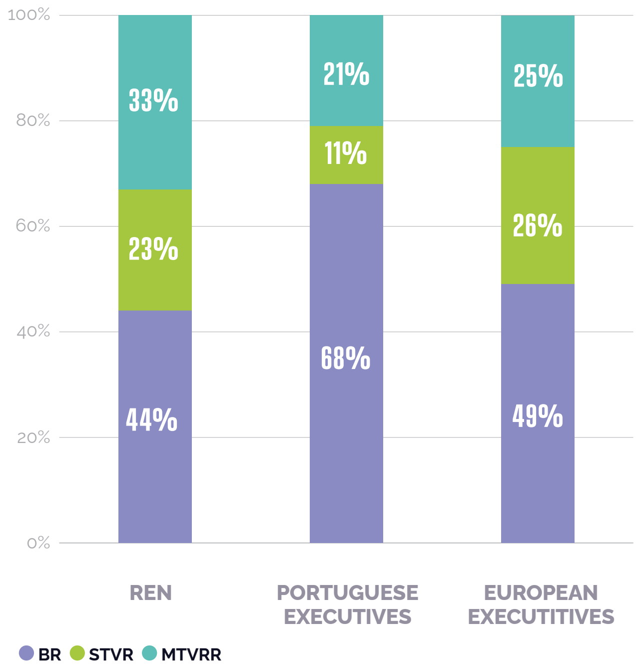


Within the scope of the components that make up the remuneration policies, the study carried out shows that the remuneration principles in force at REN, namely the remuneration mix between fixed and short- and medium/long-term variable, whose details will be included in the respective chapter, are in line with good market practices.

REMUNERATION COMPONENTS OF REN'S CEO COMPARED TO PEERS



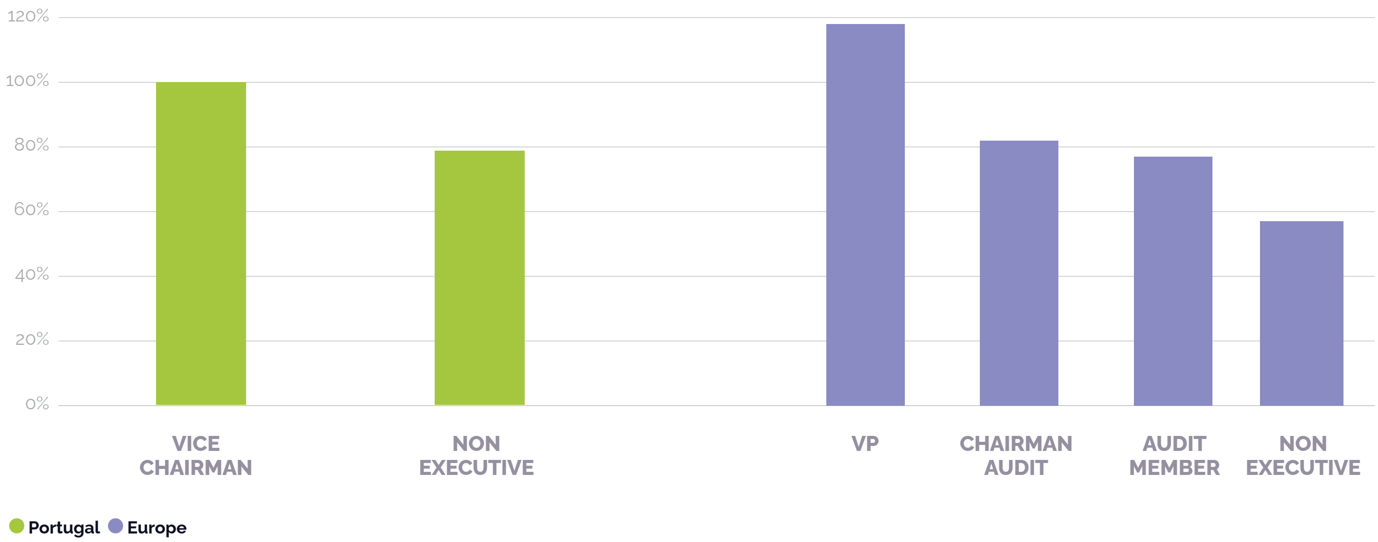
REMUNERATION COMPONENTS OF REN'S DIRECTORS COMPARED TO PEERS



NON-EXECUTIVE MEMBERS

The benchmark analysis that has been referred to also examined the value of the remuneration of the non-executive members of REN Board of Directors, comparing with its peers in the abovementioned Portuguese and European peer companies.

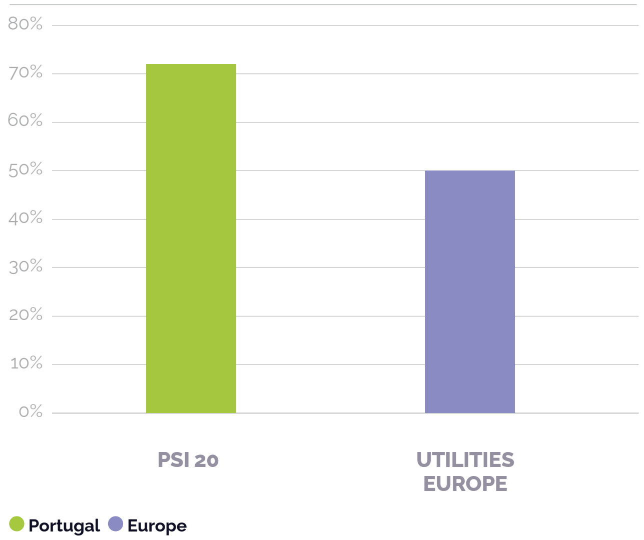
REMUNERATION COMPARISON OF REN'S NON-EXECUTIVE DIRECTORS WITH THEIR PEERS IN PORTUGAL AND EUROPE (100 = MEDIAN REMUNERATION FOR NON-EXECUTIVE PEERS IN PORTUGAL AND/OR IN EUROPE)



The data analysed from these samples demonstrate the existence of a below-average compensation, regardless of the market considered, for the majority of the non-executive members of the Board.

Other significant groups of companies were also analysed, namely those in the PSI 20 and 11 European utilities, which were also studied for the executive members' benchmark.

WEIGHTED AVERAGE REMUNERATION OF REN'S NON-EXECUTIVE DIRECTORS IN RELATION TO THE AVERAGE OF THEIR PSI20 PEERS AND 11 EUROPEAN UTILITIES (100 = MEDIAN REMUNERATION FOR EXECUTIVE PEERS IN PORTUGAL AND/OR IN EUROPE)



Reading the above graph corroborates the conclusions already inferred from the other samples with national and European companies, with regard to the non-alignment of the compensation of non-executive members of REN, with both the average and median values of the multiple companies that took part in this study.

4. REMUNERATION POLICY

In the interest of transparency and legitimacy of the remuneration policy and in compliance with legal provisions and recommendations, the Remuneration Committee submitted a statement on the remuneration policy for corporate bodies for the 2019 financial year to the annual General Meeting held on 7 May 2020 for approval, as well as its respective continuity in 2020.

In accordance with recommendation V.2.3 of the IPCG Code, according to the wording in force at that time, the aforementioned statement must contain, where applicable, the following reference, which actually occurred:

i) the total remuneration broken down into the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied;

ii) remuneration from companies belonging to the same group, where applicable;

iii) the number of shares and stock options granted or offered, and the main conditions for exercising the respective rights, including the price and date of such exercise and any change in those conditions, if applicable;

iv) information on the possibility or impossibility of requesting the return of variable remuneration;

v) v)information on any deviation from the procedure for the implementation of the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation, if any;

vi) information on the enforceability or unenforceability of payments for the termination of the directors' service.

Following the amendment to the Portuguese Securities Code, in particular with the addition of Article 245-C, as well as with the amendment to the Corporate Governance Code of the Portuguese Institute of Corporate Governance, the statement on the remuneration policy has been repealed, and a remuneration report must be submitted, which shall include:

a) The total remuneration broken down by the different components, including the relative proportion of the fixed remuneration and variable remuneration;

b) An explanation of how the total remuneration complies with the adopted remuneration policy, including how it contributes to the Company's long-term performance and information on how the performance criteria have been applied;

c) The annual variation of the remuneration, the performance of the Company and of the average remuneration of the Company's employees in full-time equivalent terms, excluding the members of the management and supervisory bodies, in the last five years, presented together in order to allow their comparison;

d) Remuneration from companies belonging to the same group, in the meaning of Article 2(1)(g) of Decree-Law No. 158/2009, of 13 July;

e) The number of shares and stock options granted or offered, and the main conditions for the exercise of rights, including the price and date of such exercise and any changes to these conditions;

f) The possibility of requesting the refund of a variable remuneration;

g) Information on any deviation from the procedure for applying the remuneration policy and on the derogations applied, including an explanation of the nature of the exceptional circumstances and an indication of the specific elements subject to derogation.

The remuneration policy of REN follows the guidelines set out below:

a) To be simple, clear, transparent and in line with REN interest and culture;

b) To be suitable and adjusted to the size, economic conditions, nature, scope and specificity of REN's business;

c) To ensure total remuneration which is competitive and equitable and in line with the best practices in Portugal and in Europe, particularly regarding REN's peers and that, while attracting qualified professionals, induces the alignment of interests with those of shareholders, constituting a factor for the development of a culture of professionalisation and to promote merit and transparency at REN;

d) To be evolutionary, but not disruptive; and

e) To incorporate a fixed remuneration component adjusted to functions, availability, competence and responsibilities of the Members of the Board of Directors.

In the procedure for applying the remuneration policy, there was no deviation from the policy, nor were any derogations applied.

The remuneration of the executive members of the Board of Directors is also based on the following principles:

i) Competitiveness, taking into consideration the practice of the Portuguese market;

ii) Based on objective, uniform, consistent, fair and balance criteria that reward performance;

iii) Performance assessment in accordance with the duties and level of responsibility, as well as the effective performance, assumption of suitable levels of risk and compliance with rules applicable to REN's activity, taking into account the compliance with REN's strategic plan and budget, risk management, the internal functioning of the Board of Directors and the contribution of each member for this purpose, as well as the relationship between the Company's bodies and committees;

iv) Incorporating a variable remuneration component which is reasonable overall in relation to the fixed remuneration component, without encouraging excessive risk taking;

v) Alignment of the interests of the executive members of the Board and those of the Company, its sustainability and creation of long-term value, including by indexing medium/long-term remuneration to the evolution of REN's share price; and

vi) Variable remuneration indexed to the effective performance of REN, measured against specific, objective and measurable goals which are in line with the interests of REN stakeholders.

The remuneration of the executive directors includes a fixed component and a variable component, being the latter a non-fixed amount dependent on the performance appraisal.

The members of the Board of Directors cannot enter into contracts with REN or with third parties which have the purpose or effect of directly mitigating the risk inherent to the variability of their remuneration established by REN.

Non-executive directors (including the members of the Audit Committee) earn a fixed remuneration, monthly paid and defined in line with the best practices of large companies in the Portuguese market. The remuneration policy for these members of the Board of Directors is guided by the core objective of compensating dedication and responsibility required for the performance of their functions.

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

5. ALIGNMENT OF THE REMUNERATION POLICY WITH THE CREATION OF SUSTAINABLE VALUE

As mentioned above, the remuneration of non-executive directors (including the members of the Audit Committee) is composed exclusively of a fixed component, thus not depending on REN's performance or value, thus meeting the recommendations applicable to this matter.

The remuneration structure for executive directors consists of a fixed component and a variable component, and there is adequate proportionality between both components, as detailed below.

In accordance with the remuneration policy applicable to remuneration awarded in 2020 and described in accordance with the annex to the Remuneration Committee's statement approved by the annual General Meeting in 2020, the variable component of remuneration for 2020 may include a short-term parcel (STVR) and a medium/long-term parcel (MLTVR). Both parcels are based on performance assessment, reflecting a weighting of key individual performance indicators of the director and the performance of the Company itself. Such indicators, as described below, aim to bring the interests of executive directors closer to the long-term interest of REN and its shareholders.

In particular, MLTVR has a set of characteristics that contribute to the alignment of the interests of executive directors with those of REN and its shareholders:

- A MLTVR shall be awarded in Remuneration Units (RU), and the number of RU is calculated by dividing the value attributed to MLTVR by the unit value of the RU:

- Each RU has an initial value corresponding to the average closing price of REN's shares on Euronext Lisbon in the 30 days prior to the date of the General Meeting approving the annual accounts for the relevant financial year. This value will be adjusted subsequently over time in an amount equal to the Total Shareholder Return (TSR) of REN's shares. The number of value of RUs attributed may be adjusted considering the facts/corporate actions that affect, in particular, the number and nominal value of REN's shares or equity.

The main objective of the proportionality between the fixed and variable component and the limits to the variable remuneration (that is, between a minimum of 0% and a maximum of 120% of the annual fixed remuneration, gradually, without prejudice to the evolution in RU) is to discourage excessive risk taking, while encouraging the pursuit of an adequate risk management strategy.

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

- Annual appraisal of the Executive Directors' performance for the purpose of granting the variable component of remuneration is carried out by the Remuneration Committee, based on the opinion of the Company's main shareholders, as well as of non-executive directors, considering a report to be prepared by the Nominations and Appraisals Committee by March of each year, based on the achievement of predefined objectives [Key Performance Indicators (KPIs)] indexed to metrics of REN's strategic plan;

- By the end of March each year, the Audit Committee shall validate the figures that serve as reference for the assessment of compliance with REN's KPIs;

- Annual final performance appraisal and the setting of variable remuneration by the Remuneration Committee must be concluded before the General Meeting that approves the accounts for the financial year in question, in accordance with the level of compliance with the KPIs defined and is subject to the approval of the annual accounts by the General Shareholders' Meeting in their exact terms;

- Individual performance appraisal in relation to an Executive Director shall only be taken into account when negative, in which case the variable remuneration shall not be awarded to that Executive Director;

- The degree of achievement of the defined goals is measured through an annual performance appraisal, based on a predefined model. Therefore, if compliance with targets is below 80% (minimum performance level), no variable remuneration shall be awarded. On the other hand, if compliance with targets lies between 80% and 120% or above, the corresponding total variable remuneration will gradually be set between 20% and 120% of the fixed remuneration. If compliance is between 100% and 119% of objectives achieved, the percentage of fixed remuneration to be awarded, as global variable remuneration, is fully proportional to the level of compliance (instead of being indexed by tiers).

The table below summarises the philosophy underlying the degree of achievement of objectives.

% OF OBJECTIVES ACHIEVED	% OF FIXED REMUNERATION TO BE AWARDED AS GLOBAL VARIABLE REMUNERATION
≤ 79.99%	0%
80% - 89.99%	20%
90% - 94.99%	40%
95% - 99.99%	80%
100% - 119.99%	100% TO 119.99%, PROPORTIONATELY TO THE LEVEL OF COMPLIANCE
≥ 120%	120%

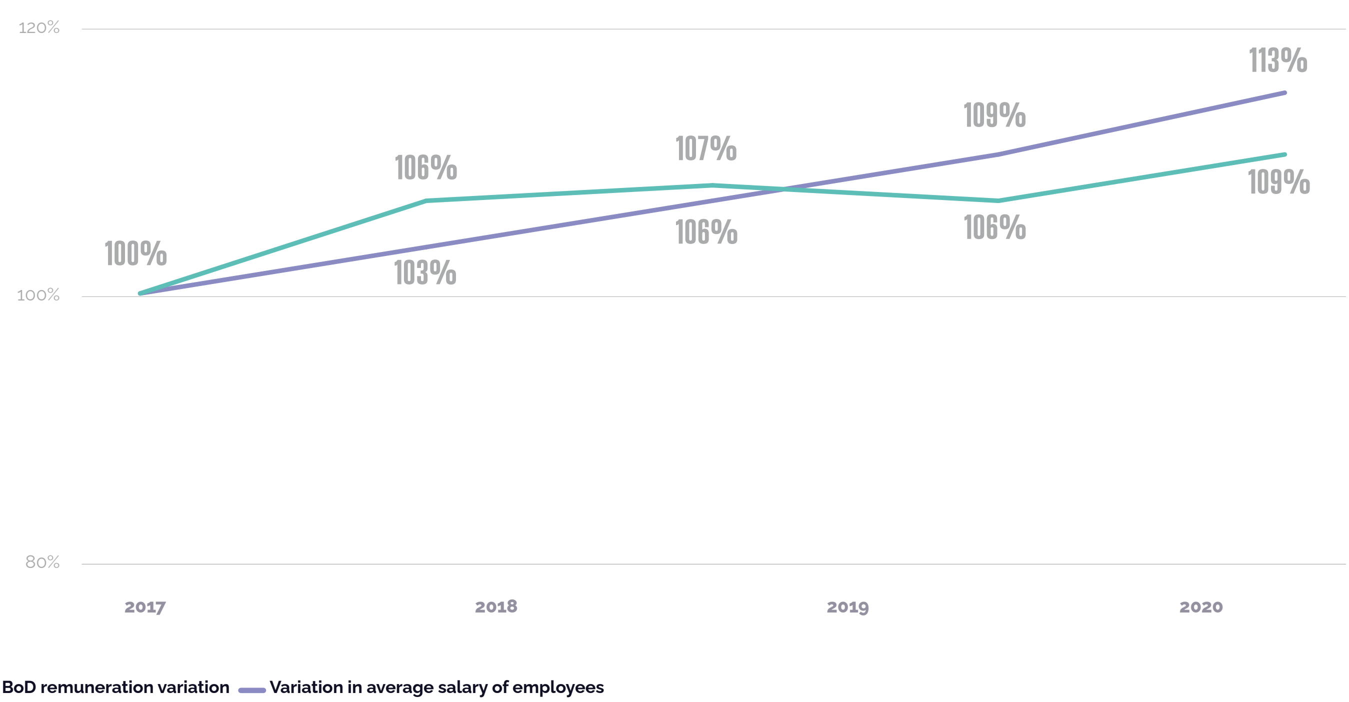
KPIS (KEY PERFORMANCE INDICATORS)

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

REN'S KPIS	KPIS WEIGHTING
Cost of Debt	25%
ROIC (Return on Invested Capital)	15%
EBITDA in investments abroad	12.5%
EBITDA in investments in Portugal	12.5%
Earnings per Share	15%
Health & Safety	10%
Service Quality	10%

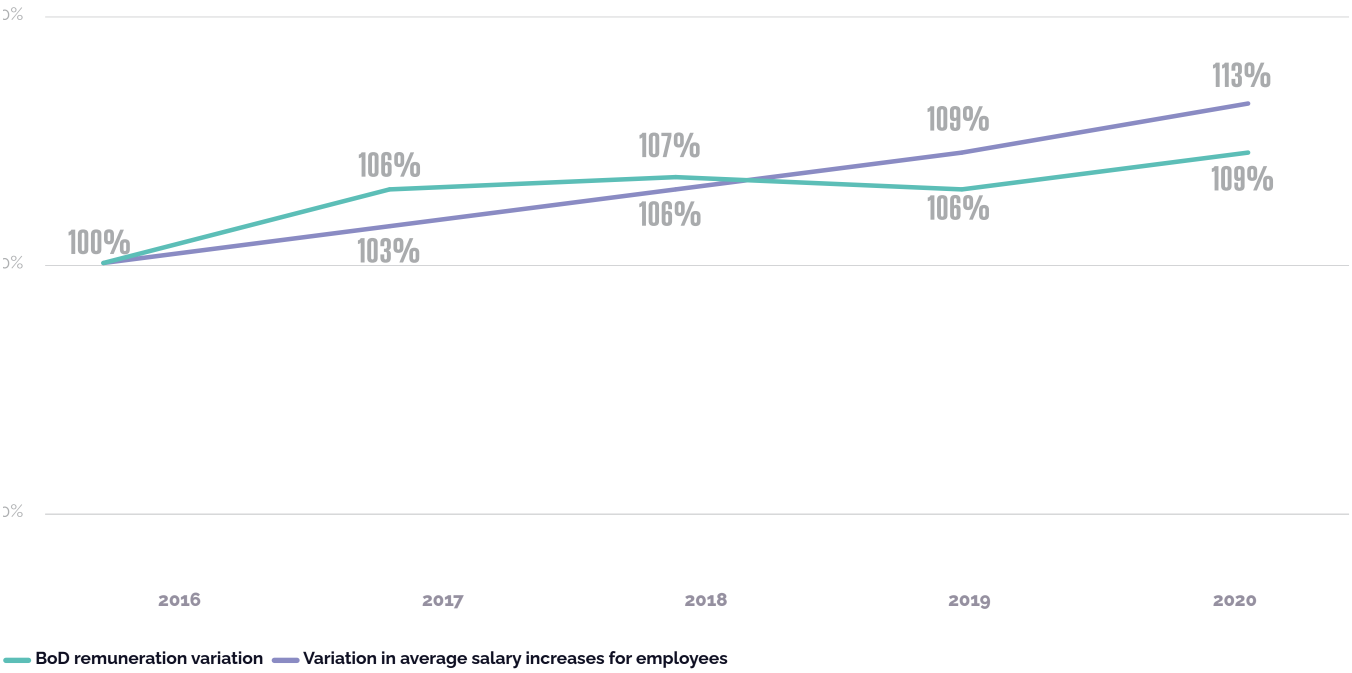
Within the scope of the Company's sustainability, it must be noted how the remuneration policy has contributed to the development and balance between the Company's Corporate Bodies and employees, taking into account the variations in the salary mass of the BoD and the average salary of employees over the last 5 years.

EVOLUTION OF THE BOD REMUNERATION VS EVOLUTION OF AVERAGE SALARY OF EMPLOYEES (2016=100)

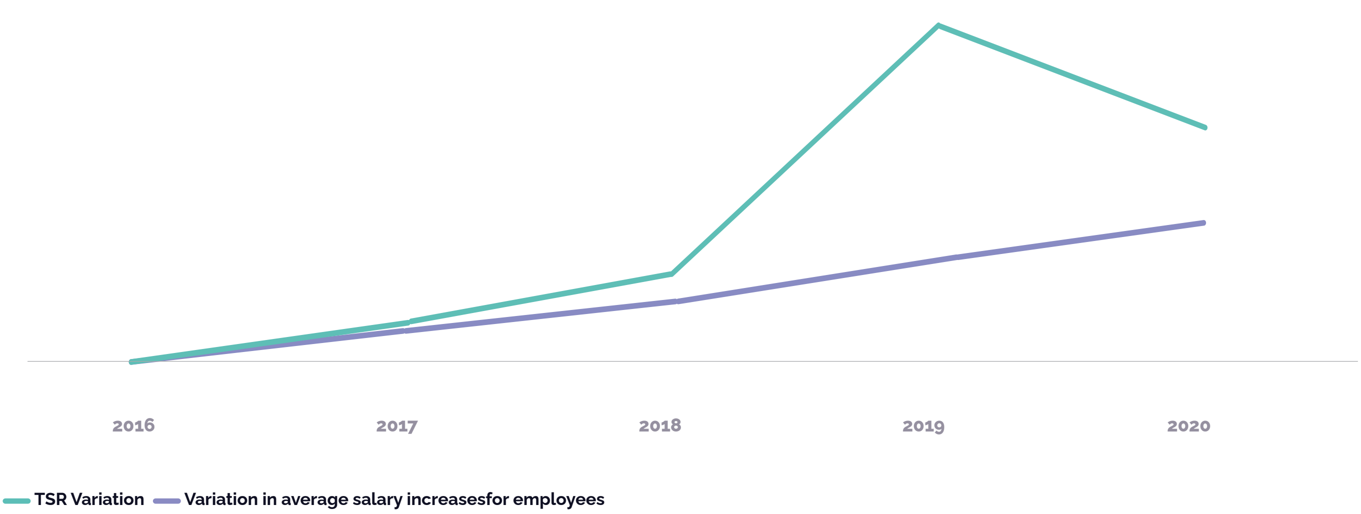


However, we must keep in mind that increases in the average wages of employees are negatively affected whenever there is more marked mobility, namely through programmes to rejuvenate the active population. When only the constant population over the period is considered, the variation in the average salary increases for employees is greater compared to that of the Board of Directors.

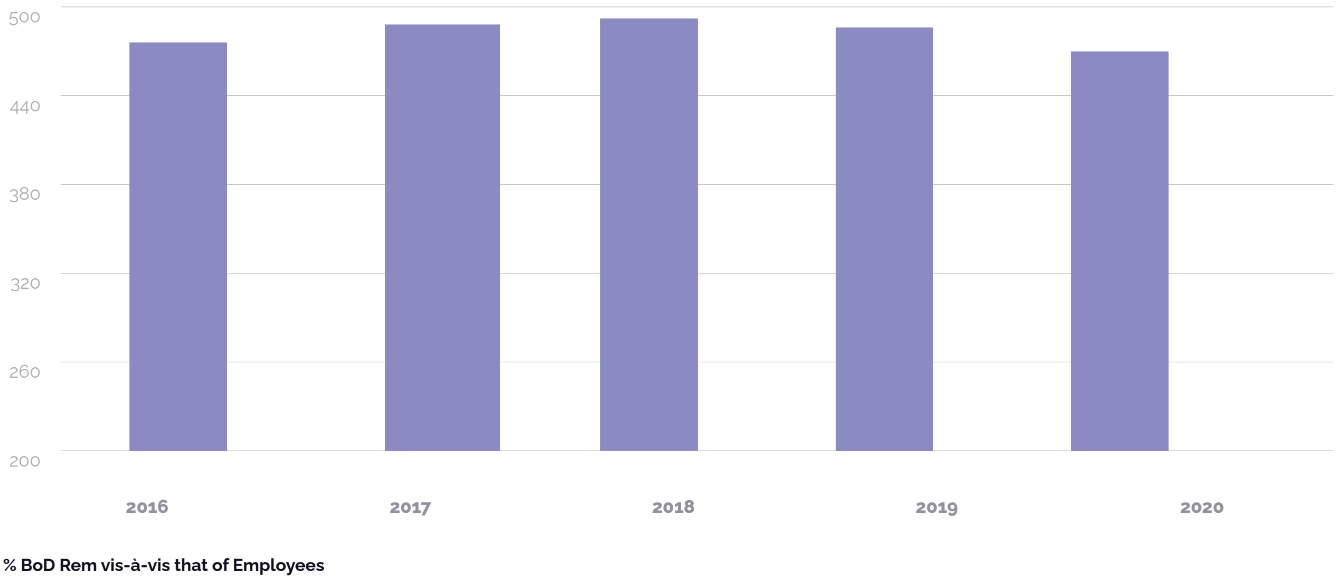
EVOLUTION OF BOD REMUNERATION VS EVOLUTION OF INCREASE OF AVERAGE SALARY FOR EMPLOYEES (2016=100)



When analysing the evolution of the increase of the average salary of employees with the TSR (total shareholder return), a correlation can be found over the last 5 years.



Finally, it should be noted that the weight of remuneration paid to the Board vis-à-vis that of other employees has been decreasing in the period that we have been considering as a reference.



It can be deducted from what has been explained that the remuneration policy has been actively contributing to the Company's business strategy, its long-term interests and its sustainability, as summarised below.

WHAT WE DO TO ENSURE SUSTAINABILITY

Variable remuneration dependent on objectives.

Objectives linked to the Strategic Plan.

Objectives include sustainability KPIs.

50% of variable remuneration is deferred over time.

Malus clause in the long-term variable remuneration.

Long-term variable remuneration in line with the creation of shareholder value.

Variable remuneration limited to 120% of fixed remuneration.

Remuneration policy following the best market practices.

Balance in the evolution of the salary mass of the BoD compared to that of employees.

Moderation in the weight of the salary mass of the BoD vis-à-vis that of employees.

Regular benchmark on remuneration policies.

WHAT WE DO NOT TO ENSURE SUSTAINABILITY

Non-existence of discretionary variable remuneration.

Non-existence of contracts aiming to guarantee remuneration.

Non-existence of objectives that promote excessive risk taking.

Non-existence of advance payments of future remuneration

6. OPERATIONALISATION OF THE REMUNERATION POLICY

SHORT-TERM VARIABLE REMUNERATION

STVR is paid in cash, depending on the annual performance assessment. The sum being paid varies in accordance with the degree of achievement of the targets relating to certain Key Performance Indicators.

Therefore, if the annual performance assessment falls below 80% (minimum performance level), no payment of STVR takes place. However, if the annual performance assessment lies between 80% and 120% or above, the corresponding STVR will be set between 10% and 60% of fixed remuneration.

The awarding of STVR shall correspond to an amount of up to 50% of total variable remuneration awarded with regard to each financial year in question.

Medium / long-term variable remuneration

MLTVR aims to strengthen the alignment of the interests of REN's executive directors with those of the Company and its shareholders. This payment will vary depending on the annual performance assessment (already specified above) and according to the same model of STVR.

For payment purposes, the variable remuneration shall be divided into two components, each corresponding to 50% of the total variable remuneration granted for the relevant annual period.

STVR is allocated and paid in cash within 30 days following the annual shareholders' meeting that approves the annual accounts.

In turn, MLTVR is structured to ensure the deferral of its payment in cash for a period of three years from the date of the award, one third being paid per year, starting one year after the award and within 30 days from the date of the General Meeting of shareholders approving the accounts for each financial year.

The right of each Executive Director to receive MLTVR is conditioned upon:

1. REN's positive performance during the period in question, which means that the consolidated net position in years t+1, t+2 and t+3, excluding any extraordinary movements that occurred after the end of year t, and deducted, for each financial year, an amount corresponding to a pay-out of 40% on the net income calculated in the consolidated accounts of each deferral period (regardless of the actual pay-out), must be higher than that calculated at the end of year t;

   For these purposes, extraordinary movements shall mean, for the period between year t and t+3, namely, capital increases, sale or purchase of own shares, extraordinary distribution of profits, annual pay-out other than 40% of the consolidated result for the respective financial year or other movements that, affecting the net position, do not result from the Company's operating results.

   The net position of years t+1, t+2 and t+3 must be determined based on the accounting rules applicable to year t, in order to ensure comparability;

2. The non-violation by the Executive Director of any mandatory rules applicable to REN, whether they are legal, regulatory or internal;

3. The non-occurrence of any termination event that leads the Executive Director to terminate his mandate or terminate his professional relationship with REN, taking into account what is mentioned below.

Termination Events

a) In case any Executive Director ceases his/her term of office before the end of the term and during an assessment period, the pro-rata Variable Remuneration relating to such assessment period when he/she served shall be due, except if such termination is caused by or attributable to that Executive Director;

b) In case any Executive Director ceases his/her term of office after the end of the assessment period, but before the date of award, the Variable Remuneration shall be due, except if such termination results from a Termination Event;

c) In case any Executive Director terminates his/her professional relationship with REN due to other facts not qualified as a Termination Event, this shall not trigger the loss of the MLTVR already awarded but not yet paid. In this case, REN may agree with the Executive Director that the MLTVR shall be paid on termination of the professional relationship with REN, in which case the condition of REN's positive performance above shall be based on REN's performance until that date;

d) The following shall be considered Termination Events for the purpose of this Policy: (i) termination of the professional relationship due to dismissal with cause of the Executive Director; and (ii) material default or breach by the Executive Director.

Without prejudice to the foregoing, no situations are foreseen in which it is possible to claim the refund of the variable remuneration already paid.

Other Benefits

In 2020, executive directors were entitled to use a vehicle for the performance of their duties, as well as to a health insurance, life insurance and personal accident insurance, for the performance of their duties. It is estimated that the value of these benefits is around 25 thousand euros per director.

7. INDIVIDUAL REMUNERATION OF THE CORPORATE BODIES

The remuneration of the members of the Board of Directors includes, as detailed above, a fixed component and, in the case of Executive Directors, a variable component, broken down into short-term and medium/long-term.

Fixed component

The fixed component of the remuneration is exclusively composed of the base remuneration, as there is no other remuneration or payment of any costs or allowances (e.g., travel expenses or meal allowance), without prejudice to "Other monetary and non-monetary benefits" with a total annual cost of around EUR 25,000 per director), as described above.

This component is paid monthly, in cash.

The fixed remuneration of the Company's executive directors corresponded in 2020 to an annual gross amount of EUR 388,888.08 (three hundred and eighty-eight thousand eight hundred eighty-eight euros and eight cents) for the Chief Executive Director, and of EUR 308,080.20 (three hundred and eight thousand and eighty euros and twenty cents) for the remaining executive directors. No other fixed remuneration shall be added to this amount, without prejudice to "Other monetary and non-monetary benefits" described above.

The Fixed Remuneration of the executive directors shall be updated according to the Consumer Price Index (CPI) whenever there has been no nominal change in relation to the Fixed Remuneration paid at the end of the previous term of office. The update according to the CPI shall be carried out provided that it has not presented negative values and is applied from the first year of the term of office in which there was no nominal change in the remuneration. That is, if in the first year of the term of office started in year t there was no change in the nominal value of the fixed remuneration compared to the fixed remuneration paid at the end of the term of office of the previous year, then the update shall follow the equation below, which will be maintained year after year until new nominal update of the fixed remuneration:

$$\textit{Fixed Remuneration}_{t+1} = \textit{Fixed Remuneration}_{t} * CPI_t$$

Where:

CPI_t = *Consumer Price Index of year t*

Variable component

The variable component of the remuneration is composed of a short-term and a medium-/long-term component, each component corresponding to 50% of the Variable Remuneration, as described below.

For payment purposes, the Variable Remuneration is divided into two components, each of them corresponding to 50% of the total Variable Remuneration granted with reference to the relevant annual period, as follows:

- A short-term variable remuneration (STVR), which is awarded and paid in cash within 30 days following the annual shareholders' meeting which approves the relevant annual accounts; and
- A medium-/long-term variable remuneration (MLTVR), which is awarded and paid under the terms and conditions established hereunder.

Common requirements applicable to both components:

The allocation of the variable component of the remuneration only occurs after the approval of the accounts of each financial year, after the performance appraisal concerning the year to which the payment relates, and only occurs if there is compliance with the predefined objectives, measured using individual and corporate performance indicators, indexed to metrics of REN's strategic plan. The appraisal of the performance of executive directors shall be carried out by the Remuneration Committee, based on the opinion of the main shareholders of the Company, as well as the non-executive directors, considering a report to be prepared by the Nominations and Appraisals Committee by March of each year. The Audit Committee shall validate the figures that will serve as reference to such appraisal process by the end of March.

Considering the requirements and criteria applicable to the variable component of the remuneration and the value of the fixed remuneration, the maximum potential amount (annual gross value) of the variable remuneration may correspond to EUR 466,666 (four hundred and sixty-six thousand six hundred and sixty-six euros), for the Chief Executive Officer, and EUR 369,696 (three hundred and sixty-nine thousand six hundred and ninety-six euros), for the remaining executive directors, without prejudice to the evolution of the value of allocated remuneration units, as described below. This amount corresponds to a maximum potential amount, defined according to maximum performance goals which essentially envisage to motivate the management team. As mentioned above, these figures depend on the degree of achievement of the goals for a three-year term of office and on the performance appraisal to be carried out annually and are also subject to imponderable aspects related to the sector's and the country's context or the specificities of the business and of the Company.

Non-executive directors

Non-executive directors (including the members of the Audit Committee) receive a fixed remuneration paid monthly and defined in line with the best practices of large companies in the Portuguese market, which is described as follows:

- An annual gross amount of EUR 80,807.88 (eighty thousand eight hundred and seven euros and eighty eight cents) for the Vice-Chairman of the Board of Directors;
- An annual gross amount of EUR 75,757.44 (seventy five thousand seven hundred and fifty seven euros and forty four cents) for the Chairman of the Audit Committee;
- An annual gross amount of EUR 60,606.00 (sixty thousand six hundred and six euros) for the remaining members of the Audit Committee;
- An annual gross amount of EUR 36,363.60 (thirty six thousand three hundred and sixty three euros and sixty cents) for the remaining non-executive directors.
- The members of the Corporate Governance Committee and the Nominations and Appraisals Committee received the following additional remuneration (except for the Chairman of the Board of Directors and/or the Chief Executive Officer, who does not receive any additional remuneration for the exercise of this functions):

  i) Chairman: EUR 5,000.00 (five thousand euros); and

  ii) Other members: EUR 3,000.00 (three thousand euros).

The Remuneration of the Non-Executive Directors shall be updated according to the CPI whenever there has been no nominal change in relation to the Fixed Remuneration paid at the end of an earlier term of office and follows the same rules applicable to the executive directors and already expressed above.

The remuneration of the non-executive members of the Board of Directors does not include the payment of any bonuses linked to REN's performance, or the payment of any costs, allowances or benefits.

The individualised and aggregated remuneration of members of the Board of Directors is explained in the next table:

NAME	POSITION	FIXED REMUNERATION	COMMITTEES	VARIABLE SHORT TERM	VARIABLE MEDIUM/ LONG TERM REMUNERATION REGARDING THE FINANCIAL YEARS OF 2016, 2017 AND 2018, PAID IN 2020	TOTAL
Rodrigo Costa	Chairman of the Board and CEO	388,888.08	-	214,277.33	367,990.42	971,155.83
João Faria Conceição	Executive Director	308,080.20	-	169,752.19	291,524.90	769,357.29
Gonçalo Morais Soares	Executive Director	308,080.20	-	169,752.19	291,524.90	769,357.29
Guangchao Zhu	Vice-Chairman	80,807.88	-	-	-	80,807.88
Mengrong Cheng	Director	36,363.60	-	-	-	36,363.60
Lequan Li	Director	36,363.60	6,000.00	-	-	42,363.60
Omar Al-Wahaibi	Director	36,363.60	3,000.00	-	-	39,363.60
Jorge Magalhães Correia	Director	36,363.60	3,000.00	-	-	39,363.60
Manuel Ramos de Sousa Sebastião	Director/Chairman of Audit Committee	75,757.44	5,000.04	-	-	80,757.48
Gonçalo Gil Mata	Director/Chairman of Audit Committee	60,606.00	-	-	-	60,606.00
Maria Estela Barbot	Director/Chairman of Audit Committee	60,606.00	-	-	-	60,606.00
José Luís Arnaut	Director	36,363.60	5,000.04	-	-	41,363.64
Ana Pinho(*)	Director	60,410.50	-	-	-	60,410.50
TOTAL		**1,525,054.30**	**22,000.08**	**553,781.71**	**951,040.22**	**3,051,876.31**

(*) The amounts earned by the Director Ana Pinho correspond to the months of May to December 2019 and January to December 2020, as these amounts were only paid in 2020.

STVR paid in 2020 refers to the financial year of 2019.

Members of the Executive Committee were also awarded (but not paid) an additional remuneration parcel, as MLTVR referring to the financial year of 2019, set in RU. Considering that the REN share price on the date the MLTVR was set was EUR 2,439, the number of RU awarded to each member of the Executive Committee was as follows:

i) Rodrigo Costa – 87.872,60 RU;

ii) João Faria Conceição – 69.613,36 RU; and

iii) Gonçalo Morais Soares – 69.613,36 RU.

Other sums paid for any reason

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a controlling or group relationship with REN.

Remuneration paid in the form of profit sharing

There were no, nor are expected any, payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

Compensation paid or due to former executive directors

In 2020, there were no amounts due or paid in the form of compensation to former executive directors for the termination of their duties during such financial year.

Remuneration of the Members of the Board of the General Meeting

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed amount which has the following values since 2016:

- For the Chairman, an amount of EUR 15,000.00 (fifteen thousand euros);
- For the Vice-Chairman, an amount of EUR 5,000.00 (five thousand euros);
- For the Secretary, an amount of EUR 3,000.00 (three thousand euros);

Remuneration of the Statutory Auditor

The remuneration of the Statutory Auditor, proposed by the Audit Committee, is defined taking into account the criteria and remuneration practices for this type of service under normal market conditions and is not related to REN's performance.

Agreements with remuneration implications

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

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

There are no agreements between REN and the members of the management body or officers (in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014) that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company.

Plans to allocate shares or stock options

There are no variable remuneration programmes or plans that consist of the awarding of shares, options to acquire shares or other incentive scheme based on a variation of the price of shares, notwithstanding the method for calculating the medium/long-term variable remuneration (MLTVR) for members of the management or supervisory bodies or officers, in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

Retirement Benefits or equivalent

There is no retirement benefit system for the members of the management or supervisory bodies (or officers, in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014).

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, members of the management body of the Company have not entered into agreements either with the Company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

Control mechanisms available in a possible scheme for employee participation in the share capital

There are no schemes for employee participation in the Company's share capital.

8. ALIGNMENT OF THE GENERAL MEETING WITH THE REMUNERATION POLICY

At the annual General Meeting held on 7 May 2020, a 99.61% majority approved the Remuneration Committee's statement on the remuneration policy for members of the Corporate Bodies, in relation to 2019, which was expected to be adopted in 2020.

The level of approval obtained over the years proves that the remuneration policy designed and presented by the Remuneration Committee has earned the consensus of its shareholders, taking into account the percentage of approval obtained and expressed in the table below, which is adequate in a perspective of creating sustained value for stakeholders.

GENERAL MEETING VOTE REGARDING THE REMUNERATION COMMITTEE STATEMENT ON THE REMUNERATION POLICY FOR CORPORATE BODIES

DATE OF GENERAL MEETING	IN FAVOUR	AGAINST	ABSTENTIONS
7 May 2020	99.61%	0.39%	-
3 May 2019	99.80%	0.20%	-
3 May 2018	99.88%	0.12%	-
11 May 2017	99.25%	0.75%	-
13 April 2016	99.73%	0.27%	-

9. CONCLUSION

Remuneration Committees face today a considerable set of challenges, often expressed at General Meetings and even in the media. The value of the respective remuneration, clarity in the relationship between compensation and performance, among other issues, are topics discussed outside the stricter scope of the Remuneration Committees.

The vectors of REN's remuneration policy, explained in detail in this report, are based on clear principles that ensure both transparency and intelligibility of the model.

The prior clarification of the role of each member of the Board of Directors is an important element in the definition of this policy. In addition, there is an awareness that compensation, although truly relevant, is only one of the elements that influence the behaviour of executive members, through variable remuneration, and that other aspects, such as career and individual satisfaction of success, should not be overlooked.

The weight of the Board of Directors' remuneration vis-à-vis that of employees has a reduced percentage.

The model of REN, providing for a relationship between performance and compensation, seeks to ensure that the achievement of KPIs (Key Performance Indicators) depends, as much as possible, on the direct action of the respective executive members.

There is concern about an alignment between executive remuneration and the creation of value for shareholders, without prejudice to the understanding that this analysis must be relative since the evolution of the share price depends on several other forces exogenous to the Company.

The Company's compensation model is aware that there is a specific market for executives and that their attraction/retention presupposes an alignment with that same market.

The remuneration of executive members has incorporated the risk associated with compliance with KPIs, which may fluctuate positively or negatively over the years.

The Remuneration Committee, besides being composed of independent members, has full power to propose to shareholders the respective remuneration policy for members of the Corporate Bodies and any revisions thereto. However, as independent members, they must ensure the monitoring of the activity by meeting, throughout the year, with members of the Board of Directors, and they may be supported, whenever deemed appropriate, by external consultants.

The Remuneration Committee, as responsible for the design of the compensation plan, has managed to ensure, over time, total alignment with the shareholders, which is reflected in the almost unanimous vote of the General Meeting regarding the approval of this policy.

In summary, REN's compensation model, as shown above, complies with all the good practices instituted by Corporate Governance bodies in the vectors of:

- Transparency of the compensation amounts and respective business context;
- Independency of the body responsible for defining the compensation policy;
- Alignment with shareholders;
- Objectives adjusted to the strategic plan, ensuring medium- and long-term sustainability;
- Accountability of executives in the medium and long term, namely through the *malus* clause.

ANNEXES

01

MANAGEMENT REPORT

1.1. ELECTRICITY AND NATURAL GAS LEGISLATION PUBLISHED IN 2020

1.1.1. ELECTRICITY

DIRECTIVE NO 1/2020 (ERSE) OF 17 JANUARY, PORTUGUESE OFFICIAL JOURNAL NO 12, SERIES II

Approves the profiles for consumption, production and self-consumption applicable in 2020.

MINISTERIAL ORDER NO 16/2020 OF 23 JANUARY, PORTUGUESE OFFICIAL JOURNAL NO 16, SERIES I

Sets out the tariffs due under the administrative procedures for self-consumption activity and Renewable Energy Communities (RECs).

DIRECTIVE NO 2/2020 OF 14 FEBRUARY, PORTUGUESE OFFICIAL JOURNAL NO 32, SERIES II

Regulates the risk and guarantee management regime in the National Electricity System (SEN).

DIRECTIVE NO 3/2020 (ERSE) OF 17 FEBRUARY, PORTUGUESE OFFICIAL JOURNAL NO 33, SERIES II

Approves the tariffs and prices for electrical power and other services in 2020.

ORDER FROM DIRECTORATE GENERAL OF ENERGY AND GEOLOGY (DGEG) OF 17 FEBRUARY, PUBLISHED ON ITS WEBSITE

Approves the terms of reference of the agreements to be concluded with network operators for the allocation of injection capacity into the Public Service Electric Network (RESP).

MINISTERIAL ORDER NO 53/2020 OF 28 FEBRUARY, PORTUGUESE OFFICIAL JOURNAL NO 42, SERIES I

Sets out the amounts to be charged by the guarantee of origin issuing body (EEGO) for services rendered in the course of its duties.

MINISTERIAL ORDER NO 73/2020 OF 16 MARCH, PORTUGUESE OFFICIAL JOURNAL NO 53, SERIES I

Defines the non-exhaustive requirements for connecting the generator modules to the Public Service Electricity Network.

REGULATION NO 255-A/2020 (ERSE) OF 18 MARCH, PORTUGUESE OFFICIAL JOURNAL NO 55, SERIES II

Approves the Regulation laying down extraordinary measures for the energy sector due to epidemiological emergency of Covid-19.

ORDER NO 27/2020 (DGEG), OF 20 MARCH, PUBLISHED ON DGEG OFFICIAL WEBSITE

Stipulates the implementation of exceptional and temporary measures within the context of the licensing of the electricity sector, in response to the epidemiological situation arising from COVID-19.

DIRECTIVE NO 5/2020 (ERSE) OF 20 MARCH, PORTUGUESE OFFICIAL JOURNAL NO 57, SERIES II

Approves grid access tariffs for self-consumption of electricity through the public network in 2020.

REGULATION NO 266/2020 (ERSE) OF 20 MARCH, PORTUGUESE OFFICIAL JOURNAL NO 57, SERIES II

Approves the Electricity Self-Consumption Regulation.

ORDER NO 3547-A/2020, OF 22 MARCH, PORTUGUESE OFFICIAL JOURNAL NO 57-B, SERIES II

Regulates the declaration of a state of emergency, ensuring the functioning of supply chains of goods and essential public services and the conditions under which they must operate.

DIRECTIVE NO 5-A/2020, OF 2 APRIL, PORTUGUESE OFFICIAL JOURNAL NO 66, SERIES II

Updates the energy tariffs for the electricity sector.

REGULATION NO 356-A/2020 (ERSE) OF 8 APRIL, PORTUGUESE OFFICIAL JOURNAL NO 70, SERIES II

Approves the regulation laying down exceptional measures within the context of the National Electricity System (SEN) SEN and the Natural Gas Electricity System (SSGN).

LAW NO 7/2020, OF 10 APRIL, PORTUGUESE OFFICIAL JOURNAL NO 71-A, SERIES I

Establishes exceptional and temporary response regimes to the SARS-CoV-2 epidemic and makes the first amendment to Decree-Law No. 10-I/2020 of 26 March and the fourth amendment to Law No. 27/2007 of 30 July.

REGULATION NO 496/2020 (ERSE) OF 26 MAY, PORTUGUESE OFFICIAL JOURNAL NO 102, SERIES II

Approves the amendment to the Electricity Sector Tariffs Regulation.

ORDER NO 6453/2020, OF 19 JUNE, PORTUGUESE OFFICIAL JOURNAL NO 118, SERIES II

Sets out the conditions for exemption from charges for costs of general economic interest on grid access for self-consumption tariffs determined by the Energy Services Regulatory Authority (ERSE).

MINISTERIAL ORDER NO 158/2020 OF 25 JUNE, PORTUGUESE OFFICIAL JOURNAL NO 122, SERIES I

First amendment to Ministerial Order No 172/2013, of 3 May, which establishes the verification regime for the availability of electric generating centers.

OFFICIAL ORDER NO 6740/2020 OF 30 JUNE, PUBLISHED IN OFFICIAL GAZETTE NO 125, SERIES II

Approves the payment on account to be applied for 2020 under the scheme to correct distortions in competitive balance in the wholesale market.

COUNCIL OF MINISTERS RESOLUTION NO 53/2020 OF 10 JULY, PORTUGUESE OFFICIAL JOURNAL NO 133, SERIES I

Approves the National Energy and Climate Plan 2030 (PNEC 2030).

DIRECTIVE NO 14/2020 (ERSE), OF 17 SEPTEMBER

Sets the Grid Access tariffs to be applied to sel-consumption of electricity through the public grid for projects benefiting from the exemption from the CIEG costs.

MINISTERIAL ORDER NO 233/2020 OF 3 OCTOBER, PORTUGUESE OFFICIAL JOURNAL NO 193, SERIES I

Revokes Ministerial Order No 251/2012, of 20 August, which establishes the system for granting incentives for the guarantee of power made available by generating centers to the National Electric System (SEN).

DIRECTIVE NO 15/2020 (ERSE), OF 7 OCTOBER, PORTUGUESE OFFICIAL JOURNAL NO 195, SERIES II

Approves the grid access tariffs for self-consumption of electricity through the public grid for projects benefiting from the exemption from the CIEG costs.

ORDER NO 9807/2020, OF 12 OCTOBER, PORTUGUESE OFFICIAL JOURNAL NO 198, SERIES II

Sets out the social tariff for the supply of electricity to economically vulnerable consumers, applicable from 1 January 2021.

ORDER NO 10177/2020, OF 22 OCTOBER, PORTUGUESE OFFICIAL JOURNAL NO 206, SERIES II

Determines the final compensation to be applied for the year 2019 per unit of energy injected into the public utility grid in the context of the scheme for correcting distortions to the competitive balance of the wholesale market.

ORDER NO 10835/2020, OF 4 NOVEMBER, PORTUGUESE OFFICIAL JOURNAL NO 215, SERIES II

It sets out the reduction in power of production (curtailment) under a special scheme benefiting from a guaranteed remuneration scheme or another subsidized remuneration support scheme.

DECREE-LAW NO 100/2020, OF 26 NOVEMBER, PORTUGUESE OFFICIAL JOURNAL NO 231, SERIES I

Extends the social tariff for electricity and the social tariff for natural gas to further situations of social and economic insufficiency.

ORDER NO 12088/2020, OF 14 DECEMBER, PORTUGUESE OFFICIAL JOURNAL NO 241, SERIES II

Sets out the values for the purpose of remuneration for the five-year flattening of the permitted income for the year 2021.

DIRECTIVE (EXTRACT) NO 16/2020 (ERSE), OF 24 DECEMBER, PORTUGUESE OFFICIAL JOURNAL NO 249, SERIES II

Approves the profiles for consumption, production and self-consumption applicable in 2021.

REGULATION NO 1129/2020 (ERSE) OF 30 DECEMBER, PORTUGUESE OFFICIAL JOURNAL NO 252, SERIES II

Approves the Regulation on Commercial Relations in the Electricity and Gas Sectors and revokes Regulation No 561/2014 of 22 December and Regulation No 416/2016 of 29 April.

1.1.2. NATURAL GAS

REGULATION NO 255-A/2020 (ERSE) OF 18 MARCH, PORTUGUESE OFFICIAL JOURNAL NO 55, SERIES II

Approves the Regulation laying down extraordinary measures for the energy sector due to epidemiological emergency of Covid-19.

ORDER NO 3547-A/2020, OF 22 MARCH, PORTUGUESE OFFICIAL JOURNAL NO 57-B, SERIES II

Regulates the declaration of a state of emergency, ensuring the functioning of supply chains of goods and essential public services and the conditions under which they must operate.

ORDER NO 4131/2020, OF 3 APRIL, PORTUGUESE OFFICIAL JOURNAL NO 67, SERIES I

Establishes the discount to be applied to tariffs for access to natural gas network.

REGULATION NO 356-A/2020 (ERSE) OF 8 APRIL, PORTUGUESE OFFICIAL JOURNAL NO 70, SERIES II

Approves the regulation laying down exceptional measures within the context of the National Electricity System (SEN) SEN and the Natural Gas Electricity System (SSGN).

LAW NO 7/2020, OF 10 APRIL, PORTUGUESE OFFICIAL JOURNAL NO 71-A, SERIES I

Establishes exceptional and temporary response regimes to the SARS-CoV-2 epidemic and makes the first amendment to Decree-Law No. 10-I/2020 of 26 March and the fourth amendment to Law No. 27/2007 of 30 July.

DIRECTIVE NO 7/2020 (ERSE), OF 21 APRIL, PORTUGUESE OFFICIAL JOURNAL NO 78, SERIES II

Approves the first amendment to the Manual of Procedures for Access to Natural Gas Infrastructure.

REGULATION NO 455/2020 (ERSE), OF 8 MAY, PORTUGUESE OFFICIAL JOURNAL NO 90, SERIES II

Approves the first amendment to the Natural Gas Sector Tariffs Regulation.

DIRECTIVE NO 10/2020 (ERSE), OF 8 JUNE, PORTUGUESE OFFICIAL JOURNAL NO 111, SERIES III

Approves natural gas consumption profiles and average daily consumption for the gas year 2020-2021.

OFFICIAL ORDER NO 6403-A/2020, OF 17 JUNE, PORTUGUESE OFFICIAL JOURNAL NO 116, SERIES II

Opens a period for expression of interest for participation in the upcoming Important Project of Common European Interest (IPCEI) Hydrogen.

DIRECTIVE NO 11/2020 (ERSE), OF 25 JUNE, PORTUGUESE OFFICIAL JOURNAL NO 122, SERIES II

Approves natural gas tariffs and prices for gas year 2020-2021.

DIRECTIVE NO 12/2020 (ERSE), OF 30 JUNE, PORTUGUESE OFFICIAL JOURNAL NO 125, SERIES II

Approves the update of the 2019-2020 energy tariffs for the natural gas sector.

COUNCIL OF MINISTERS RESOLUTION NO 53/2020 OF 10 JULY, PORTUGUESE OFFICIAL JOURNAL NO 133, SERIES I

Approves the National Energy and Climate Plan 2030 (PNEC 2030).

DECLARATION OF RECTIFICATION NO 549/2020 (ERSE), OF 11 AUGUST, PORTUGUESE OFFICIAL JOURNAL NO 155, SERIES II

Amends Directive No 11/2020 of 25 June, which approves natural gas tariffs and prices for the year 2020-2021.

COUNCIL OF MINISTERS RESOLUTION NO 63/2020 OF 14 AUGUST, PORTUGUESE OFFICIAL JOURNAL NO 158, SERIES I

Approves the National Hydrogen Plan.

DECREE-LAW NO 60/2020, OF 17 AUGUST, PORTUGUESE OFFICIAL JOURNAL NO 159, SERIES I

Sets out the mechanism for issuing guarantees of origin for low carbon gases and for gases of renewable origin, updating the targets for energy from renewable sources (Rectification: Declaration of Rectification No 40-C/2020, of 27 October, Portuguese Official Journal No 209, Series I).

DECREE-LAW NO 62/2020, OF 28 AUGUST, PORTUGUESE OFFICIAL JOURNAL NO 168, SERIES I

Establishes the organisation and functioning of the National Gas System and its legal regime and transposes Directive 2019/692.

DIRECTIVE NO 14/2020 (ERSE), OF 30 SEPTEMBER, PORTUGUESE OFFICIAL JOURNAL NO 191, SERIES II

Approves the rules for trading products with delivery on VTP on the MIBGAS platform and associated procedures.

DECREE-LAW NO 100/2020, OF 26 NOVEMBER, PORTUGUESE OFFICIAL JOURNAL NO 231, SERIES I

Extends the social tariff for electricity and the social tariff for natural gas to further situations of social and economic insufficiency.

REGULATION NO 1129/2020 (ERSE), OF 30 DECEMBER, PORTUGUESE OFFICIAL JOURNAL NO 252, SERIES II

Approves the Regulation on Commercial Relations in the Electricity and Gas Sectors and revokes Regulation No 561/2014 of 22 December and Regulation No 416/2016 of 29 April.

GLOSSARY

FINANCIAL GLOSSARY

ACRONYMS

CAPEX
Capital Expenditure on acquisitions and upgrades of tangible fixed assets

DEBT TO EQUITY RATIO
Net Debt/Equity

DIVIDEND PER SHARE
Ordinary dividend/total number of shares outstanding

EBIT
Earnings Before Interest and Taxes

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation (operating profit, excluding amortisation and depreciation)

NET DEBT
Short and long-term financial debt – cash balances

OPEX
Operational Expenditure

PAYOUT RATIO
Ordinary dividend/net profit

RAB
Regulated Asset Base (Assets value net of depreciations and subsidies also nte of depreciations)

RCCP
Current ROE

RETURN ON ASSETS (ROA)
EBIT/total assets

RETURN ON EQUITY (ROE)
Net profit/Equity

RoR
Rate of Return

TURNOVER
Sales plus services provided

VAT
Value Added Tax

TECHNICAL GLOSSARY

ACRONYMS

AA
Environmental Assessment

AA1000
Assurance Standard 2008

AA1000APS
Accountability Principles Standard

AA1000SES
Stakeholder Engagement Standard

AAE
Strategic Environmental Assessment

ACER
Agency for the Cooperation of Energy Regulators

ACT
Collective Bargaining Agreement

AGC
Agreement on the Management of Natural Gas Consumption

AGSI
Aggregated Gas Storage Inventory

AGU
Autonomous Gas Units

ALSI
Aggregated LNG Storage Inventory

APA
Portuguese Environment Agency

APAI
Portuguese Association for Impact Assessment

BCSD
Business Council for Sustainable Development

BV
Block Valve Station

BTN
Normal Low Voltage

CDP
Carbon Disclosure Project

CELE
European Union Emission Trading Scheme

CEM
Electric and Magnetic Fields

CEO
Chief Executive Officer

CER
Certified Emissions Reductions

CESUR
Power Purchase Agreements for the Supplier of Last Resort

CIGRÉ
International Council on Large Electric Systems

CIT
Individual Employment Contract

CMVM
Portuguese Securities Market Regulator

CO
Certificates of Origin

CODEMO
Portuguese Code for Market Research and Opinion Studies

CRH
Human Resources Committee

CT
Term Contracts

CTS
Custody Transfer Station

DACF
Day Ahead Congestion Forecast

DGEG
Department of Energy and Geology

DR
Diário da República [Portuguese official journal]

DRS
Disaster Recovery System

DWDM
Dense Wavelength Division Multiplexing

EC
European Commission

ECS
Environmental Framework Studies

ECSI
European Customer Satisfaction Index

ECX
European Climate Exchange

EDP
Energias de Portugal, S.A.

EEGO
Issuing Entity for Guarantees of Origin

EGIG
European Gas Pipeline Incident Data Group

EIA
Environmental Impact Assessment

EIB
European Investment Bank

EINCA
Study of Environmental Incidences

EIS
Environmental Impact Statement

EIT
Equivalent Interruption Time

ELECPOR
Portuguese Association of Companies in the Electricity Sector

EMTN
Euro Medium Term Notes

ENAAC
National Strategy for Adaptation to Climate Changes

ENF
Energia Não Fornecida [Non Supplied Energy]

ENTOS-E
European Network of Transmission System Operators for Electricity

ENTSO-G
European Network of Transmission System Operators for Gas

EPIS
Entrepreneurs for Social Inclusion

ERGEG
European Regulators Group for Electricity and Gas

ERSE
Energy Services Regulatory Authority

ESOMAR
European Society for Opinion and Marketing Research Association

ETA
Electricity Transmission Activity

ETS
Emissions Trading Scheme

ETSO
European Transmission System Operators

EU
European Union

EUA
European Unit Allowances

EURELECTRIC
European Union of Electricity Companies

FAI
Innovation Support Fund

FBF
Firefly Bird Flapper

FEP
School of Economics, University of Porto

FEUP
Engineering faculty of Porto University

FP7
7th Framework Program of the European Community on research, technological development and demonstration activities

FSR
Florence School of Regulation

GDP
Gás de Portugal, SGPS, S.A.

GDP
Gross Domestic Product

GGS
Global System Management

GHG
Greenhouse Gases

GNL
Liquefied Natural Gas

GNR
Guarda Nacional Republicana [Portuguese National Guard]

GO
Guarantees of Origin

GPEARI
Planning, Strategy, Evaluation and International Relations Office

GRI
Global Reporting Initiative

GRMS
Gas Regulating and Metering Station

GSE
Gas Storage Europe

GTG
Global Technical Management

GVA
Gross Value Added

HICP
Harmonised Index of Consumer Prices

HIV
Human Immunodeficiency Virus

HV
High Voltage

Icae
PPA's management optimization incentive

ICE
Intercontinental Exchange

ICJCT
Interconnection Junction Station

ICNF
Institute for Conservation of Nature and Forests

IDAD
Institute for the Environment and Development of the University of Coimbra

IEA
International Energy Agency

IES
Independent Electricity System

IFRS
International Financial Reporting Standards

INE
Portuguese Institute of Statistics

INESC
Institute of Systems and Computer Engineering

IOPS
Official Social Welfare Institutions

IP
Internet Protocol

IPCTN09
Survey of the National Scientific and Technological Potential, 2009

IPSS
Private Institutions of Social Solidarity

IRC
Corporate Income Tax

ISAE
3000 International Standard on Assurance Engagements 3000

ISDA
International Swap and Derivatives Association

ISO
International Organization for Standardization

ISQ
Welding and Quality Institute

IST
Higher Technical Institute

ITELSA
Innovative Tools for Electrical System security within Large Areas

IUCN
International Union for Conservation of Nature

JCT
Junction Station

KPI
Key Performance Indicator

LABELEC
Research, Development and Laboratory Activities

LBG
London Benchmarking Group

LNEG
National Laboratory for Energy and Geology

LNG
Liquefied natural gas

LPN
League for the Protection of Nature

MBA
Master of Business Administration

MC
Market Committee

MEC
Portuguese Ministry of Science and Education

MEDGRID
Consortium with the goal of promoting the development of electrical interconnections between the North, South and East Mediterranean

MEFF
Spanish Futures and Options Exchange

MERGE
Mobile Energy Resources for Grids of Electricity

METSO
Mediterranean Transmission System Operators

MIBEL
Iberian Electricity Market

MIBGAS
Iberian Gas Market

MLT
Medium- and Long-Term

MODPEHS
Modular Development of a pan-European Electricity Highway System

MTSP
Municipal Tax on Sale of Property

NATO
North Atlantic Treaty Organization

NG
Natural Gas

OECD
Organisation for Economic Co-operation and Development

OHS
Occupational Health and Safety

OHSAS
Occupational Health and Safety Advisory Services

OMEL
Operador del Mercado Ibérico de Energía – Polo Español, S.A. [Spanish Cluster]

OMIE
Energy Iberian Market Operator

OMICLEAR
Sociedade de Compensação de Mercados de Energia, S.A.

OMIP
Operador do Mercado Ibérico de Energia Energia (Pólo Português), S.A. [Portuguese Cluster]

PAM
PPA's market adequacy incentive

PAPI
Pen and Paper Interview

PDIRT
Development and Investment Plan of the Electricity Transmission Network

PDIRG
RNTIAT Decennial indicative Development and Investment Plan

PDIRGN
Development and Investment Plan of the RNTIAT

PEGASE
Pan European Grid Advanced Simulation and State Estimation

PNALE
Portuguese Emission Licence Award Plan

PNBEPH
Portuguese Plan for High Hydraulic Potential Dams

PNDI
Natural Park of International Douro

PNLE II
Portuguese Emission Licence Award Plan

POC
Portuguese Official Accounting Plan

PPA
Power Purchase Agreement

PPDA
Environmental Performance Promotion Plan

PPEC
Plan for the Promotion of the Efficient Use of Electricity

PRE
Subsidised producers

PREN
Plan for the Rationalization of Energy Consumption

PRV
Variable Remuneration Program

PSP
Portuguese Police Force

QAS
Quality, Environment and Safety

QP
Permanent Staff

QUERCUS
National Association for Nature Conservation

RQS
Quality of Service Regulation

R&D
Research & Development

RDC
Research and Development Committee

RDI
Industrial Data Network

RDI
Research, Development & Innovation

RECAPE
Environmental Compliance Report on the Execution Project

RECS
Renewable Energy Certificate System

REIVE
Power lines with Smart Electric Vehicles

REN Telecom
RENTELECOM – Comunicações, S.A.

RES
Renewable Energy Sources

RH
Human Resources

RNDG
National Gas Distribution Network

RNT
National Electricity Transmission Network

RNTG
National Gas Transmission Network

RNTIAT
National Gas Transmission Network, Storage Infrastructure and LNG Terminals

SAP
Systems of applications and products for data processing

SDC
System Development Committee

SDH
Synchronous Digital Hierarchy

SEN
National Electricity System

SEP
Public Electricity Supply System

SGCIE
Intensive Energy Consumption Management System

SGNL
Sociedade Portuguesa de Gás Natural Liquefeito, S.A.

SGPS
Holding Company

SGRI
South Gas Regional Initiative

SIFIDE
System of Tax Incentives for Research and Developmen

SIGQAS
Integrated Management System for Quality, Environment and Safety

SNG
National Gas System

SOC
System Operations Committee

SRPV
Service of Private Voice Networks

SS
Substation

SSSV
Sub-Surface Safety Valve

TEE
Transmission of Electrical Power

TEN
Trans-European Networks

TSO
Transmission System Operator

TYNDP
Ten-Year Network Development Plan

UGS
Global Use of the System Tariff

URT
Use of the Transmission Network Tariff

VHV
Very High Voltage

VHVL
Very High Voltage Lines

ZCA
Hunting Area

ZPE
Special Protection Areas

UNITS

bcm 1×10^9 cubic metres

cent Euro cents

CO_2 carbon dioxide

EUR Euro

€ Euros

GHz gigahertz

GJ gigajoule

GW gigawatt

GWh gigawatt.hour

k€ thousand of Euro

km kilometre

kV kilovolt

kWh kilowatt hour

m^3 metro cúbico

m^3(n) normal cubic metre (volume of gas measured at 0° Celsius and at the pressure of 1 atmosphere)

M€ million euros

mEuros thousand of euro

MVA megavolt-ampere

Mvar megavolt-ampere reactive

MW megawatt

MWh megawatt hour

p.p. percentage points

s second

t tonne

tcm 1×10^{12} cubic metres

tCO_2eq tonne of CO_2 equivalent

TWh terawatt hour

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Report & Accounts

2020

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