



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

Audit Committee Report on the Financial Year of 2012

I. Introduction

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

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

During the Financial Year of 2012, the Audit Committee had different compositions due to the early termination of the previous term in office, pursuant to Article 27(3) of the REN Articles of Association. Therefore, up to 27 March 2012, the members in office were as follows:

Chairman: José Luís Alvim Marinho

Member: José Frederico Vieira Jordão

Member: Fernando Rocha Andrade

On 27 March 2012, a General Shareholders' Meeting was held which approved the introduction of the abovementioned provision to the Articles of Association and the election of the members of the REN corporate bodies for the 2012-2014 term of office. The following members of the Audit Committee were elected:

Chairman: José Luís Alvim Marinho

Member: José Frederico Vieira Jordão

Member: Emílio Rui Vilar

The member Emílio Rui Vilar only took up duties on 25 May 2012, the date he accepted the position, given that it was on this date that REN ceased to be a public company.

All the members of the Audit Committee elected on 27 March 2012 are currently in office and comply with compatibility criteria for performing their respective duties as set out in Article 414-A(1) of the Portuguese Companies Code.

The main powers and competences, methods of organization and operation of the Audit Committee, as set out in the respective Internal Regulations which are available at www.ren.pt, can be summarised as follows:



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

- Monitoring of compliance with the REN Principles of Governance;
- Supervising the management of the Company and ensuring that the law and the Articles of Association are observed;
- Verifying the accuracy of the accounting documents prepared by the Board of Directors and overseeing the process to prepare and disclose financial information, including the drawing up of the legal opinion on the Annual Report and Accounts and on the six monthly accounts;
- Supervising the integrity and effectiveness of the internal control and risk management systems and present proposals for their improvement;
- Supervising the activity of the REN Internal Audit Office;
- Monitoring, on a regular basis, of the independence of the activity of the Statutory Auditor and External Auditor;
- Receiving whistleblowing communications.

II. Activity of the Committee during the Financial Year of 2012

In accordance with the respective regulations, the Audit Committee meets at least once a month.

In 2012, the Audit Committee held 16 (sixteen) meetings.

At the invitation of the Audit Committee, also participating regularly in these meetings were the Head of the Internal Audit Office, the Statutory Auditor and External Auditor as well as the CFO, the Company Secretary and the Heads of Accounts and Management Planning and Control.

The Audit Committee also considered it equally relevant - in order to better comply with its duties - to invite the heads of the different REN operational areas to participate occasionally at some of the meetings.

During 2012, the activities of the autonomous and independent Audit Committee mainly focused on the following areas:

1) Supervision of the management of the Company and observance of compliance with the law and the Articles of Association;

During 2012, the Audit Committee monitored the functioning of the Corporate Governance System adopted by REN.



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

Work carried out by the Audit Committee on compliance with the law and the Articles of Association, which always took into account the structure of Corporate Governance in effect at the Company, included the analysis and assessment of the conclusions of the Statutory Auditor and External Auditor, as supplied to the Audit Committee throughout 2012.

The Audit Committee also monitored the evolution of legal and regulatory provisions as well as the relevant recommendations for it to perform its duties, especially those issued by the Portuguese Securities Market Commission (CMVM).

In 2012, the Audit Committee worked to improve REN governance, more specifically through proposals to update several internal regulations, which came into effect during this financial year, after their approval by the Company Bodies with the respective powers.

Within this scope, we would like to highlight work done in relation to the following internal regulations:

- Audit Committee;
- Adjudication of provision of services by the Statutory Auditor and External Auditor;
- Analysis and control of transactions with related parties and prevention of situations involving conflict of interests;
- Procedures Applicable to the Processing of Whistleblowing Communications and the Inspection of Irregularities.

Also within the context of monitoring matters relating to Corporate Governance, the Audit Committee analysed the Corporate Governance Report for the financial year of 2012, and confirmed that this report includes the information required by Article 245-A of the Portuguese Securities Market Code.

2) Inspection of compliance with accounting and supervision policies and practices during the legal review of accounts and the process to prepare and disclose financial information

In this regard, meetings of the Audit Committee were held with the Statutory Auditor and External Auditor, the CFO and the Heads of Accounts, Administrative Services and Management Planning and Control.

Supervision of compliance with accounting criteria, policies and practices and the reliability of financial information was also conducted, through an analysis of the audit conclusions and



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

assessments of procedures carried out during the financial year by the Statutory Auditor and External Auditor.

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

The Audit Committee inspected the legal review of accounts for the financial year of 2012, and concluded that it was conducted in a suitable manner.

The Audit Committee issued an opinion on the Consolidated Accounts for the 1st Semester, also taking into consideration the reports produced by the Statutory Auditor and External Auditor.

In the same regard, the Audit Committee analysed the Management Report on the financial year of 2012, as well as the proposals and the individual financial and consolidated statements in said report and is of the opinion that, as expressed in the corresponding opinion, they are in accordance with the law, the Articles of Association and accountancy procedures, and as such, recommends that they be approved at the General Meeting of Shareholders.

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

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

The Audit Committee, in line with its activity plan for the financial year of 2012, conducted several actions to monitor, inspect and assess the operation and suitability of the REN internal control, risk management and internal audit systems.

The Audit Committee considers that the REN management and supervisory bodies have placed growing and reinforced importance on the development and improvement of internal control and risk management systems with regard to strategic, operational, economic and financial aspects as well as in relation to compliance and human resources, with relevant impact on the activities of REN companies, in line with CMVM recommendations relating to the Portuguese Companies Code.

During 2012, the Audit Committee monitored and inspected the integrity and efficiency of REN internal control and risk management systems and that of internal audit, the creation and implementation of which are the responsibility of the Executive Committee and ultimately the Board of Directors. In this regard, the Audit Committee sent to the Executive Committee, the proposals to adjust the abovementioned systems which are considered necessary.



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

The Audit Committee considers that REN has implemented a series of changes to its internal control and risk management systems, involving the components provided for in CMVM Recommendation II.1.1.2., relating to the Portuguese Companies Code. It has also been guided in this process by the norms of the International Organization for Standardization (ISO).

Therefore, The Audit Committee considers that the assessment of the main internal control systems was conducted regularly in the different Group companies, with the following underlying principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information processing system;
- To check the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;
- To promote operational effectiveness and efficiency.
- 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;

Equally relevant in this sphere is the activity of the the Risk Management Committee, an internal structure created in 2010 whose mission 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 Group and the internal disclosure of best practices for Risk Management.

The duties of the Risk Management Committee are to:

- Promote the identification and systematic evaluation of business risks and their impact on REN's strategic objectives;
- Categorize and prioritize the risks to be addressed, as well as the opportunities identified;
- Identify and define the persons responsible for risk management;
- Monitor significant risks and REN's risk profile;
- Approve regular risk reporting mechanisms by different businesses areas.
- Approve, or submit to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of significant risks.



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

In 2012, the Risk Management Committee, with support from risk owners from the different units in the REN Group, reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile.

4) Supervision of the activity of the REN Internal Audit Office

The Audit Committee supervised the activity of the REN Internal Audit Office, which reports functionally to the Audit Committee and its main duties are to:

- Review risk management and internal control policies in force;
- Assess the degree of implementation of internal control (organizational structure and governance, delegation of powers, ethics and code of conduct, policies and procedures);
- Implement financial, IT, operational and management audits in the various areas of the REN Group, confirming compliance with the policies, laws and regulations (compliance services);
- Identify risk warnings by systematically monitoring indicators;
- Define, jointly with the various areas, corrective measures for any weaknesses and non-compliances identified during audits;
- Monitor the implementation of corrective measures, through follow-up reports;
- Support high-level management in defining and/or implementing control and governance measures.

These duties were undertaken by the Internal Audit Office through the drawing up and implementation of an activities plan, scheduled and based on risk assessment which was regularly monitored by the Audit Committee, more specifically with regard to the conclusions on how risks relating to processes, systems and business units are managed and the corresponding proposals for improvements to the internal control and risk management systems.

The abovementioned activities plan of the Internal Audit Office for 2012, approved by the Audit Committee, was based on the following priority objectives:

- To align the internal audit with REN Group strategy;
- To guide resources to areas of greatest risk;
- To focus audits on processes/activities which present significant substantiality;
- To assess the efficiency of the internal control systems implemented;
- To cover all REN Group companies;
- To contribute to the generating of value by the REN Group.



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

The Audit Committee considers that in the implementation of the different audits, particular attention was paid to the assessment of internal control systems, to compliance with established procedures, to the efficient use of resources, to the effective monitoring of processes and to the assessment and minimization of identified risks.

Whenever deemed suitable, the results of the work done by the Internal Audit Office were forwarded to the Executive Committee, the Board of Directors, the Statutory Auditor and the External Auditor, in line with the duties performed at each of these bodies in the management and supervision of Company business.

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

In this context, the Audit Committee analysed the reports drawn up by the Statutory Auditor and the External Auditor and transmitted the conclusions which were considered relevant to the management bodies.

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

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

In 2012, the Audit Committee carried out an evaluation of the activity of the Statutory Auditor and the External Auditor, through regular monitoring of their activities, namely, through the analysis of periodic reports and overseeing the performance of audit and review services, as well as by assessing any changes in procedures recommended by the Statutory Auditor or the External Auditor.

The Audit Committee considers that the Statutory Auditor and the External Auditor have provided their services in a satisfactory manner and have complied with the applicable standards and regulations, including international standards on auditing, and that they performed their duties with exceptional technical accuracy

This analysis took into account the following factors:



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

- The accuracy, presentation and clarity of the activities plans;
- The quality of the conclusions presented within the scope of the work undertaken;
- The effectiveness and efficiency of the recommendations presented; and
- Competence with regard to the procedures followed.

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

Within the compliance with the independence rules established in relation to the External Auditor, in 2012, REN's Audit Committee accompanied the provision of non-audit services provided by Deloitte & Associados, SROC, S.A. in order to ensure that situations of conflicts of interest did 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 Deloitte in terms of auditing, as well its complementarity regarding audit services, would justify such approval, based on the associated cost control.

Within this scope, CMVM Recommendation III.1.5. was complied with as the services other than audit services did not extend beyond the limit of 30%, given that 82.40% of the total services provided by the External Auditor are services consisting of the legal review of accounts, as well as audit related services.

6) Company business with related parties

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

The Audit Committee did not conduct any prior verification of any of this business or operations, as the criteria in which such intervention is required did not arise, under the terms of the Internal Regulations "Analysis and control of transactions with related parties and prevention of situations involving conflict of interests".

However, and also under the terms of the Internal Regulations, during the financial year of 2012, the Audit Committee analysed the transactions with related parties after they had been conducted and concluded that these transactions had been conducted in a suitable manner under market conditions in accordance with how such transactions of the same nature are normally conducted.



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

Whistleblowing Policy

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

In 2012, no potential cases of irregularities within the REN Group were reported to the Audit Committee.

Lisbon, March 6th, 2013

José Luís Alvim (Chairman)

José Frederico Jordão (Member)

Emílio Rui Vilar ((Member))