

# 06

## CORPORATE GOVERNANCE



## 0. Statement of compliance

REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. (hereinafter “REN” or the “Company”), being an issuer of shares listed on the NYSE Euronext Lisbon (Eurolist by Euronext) securities market, regarding the disclosure of information on corporate governance, is subject to the Portuguese Securities Code (“CVM”), to Law No 28/2009 of 19<sup>th</sup> June, to the Portuguese Securities Market Commission (“CMVM”) Regulation no. 1/2010, and to the Corporate Governance Recommendations contained in the “Corporate Governance Code” approved by CMVM in 2010, available on CMVM’s website at [www.cmvm.pt](http://www.cmvm.pt).

Therefore, REN hereby declares that it fully adopts all the abovementioned CMVM recommendations on corporate governance laid down in said Code, except for Recommendations I.4.1 and II.5.1, which are not met for the reasons described below.

The chart below identifies CMVM recommendations on corporate governance and individually mentions those that have been fully adopted by REN and those that have not. Also indicated is where a more detailed description of measures taken for their adoption may be found in this report.

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
<b>I. GENERAL MEETING</b>		
<b>I.1. BOARD OF THE GENERAL MEETING</b>		
I.1.1. The Chairman of the Board of the General Meeting has the human and logistic resources appropriate to his needs, in light of the Company’s economic situation.	<b>Adopted</b>	<b>I.1 and I.2</b>
I.1.2. The remuneration of the Chairman of the Board of the General Meeting shall be disclosed in the annual Corporate Governance Report.	<b>Adopted</b>	<b>I.3</b>
<b>I.2. PARTICIPATION IN THE GENERAL MEETING</b>		
I.2.1. The minimum notice of prior reception of deposit or share blocking declarations by the board for participation in the General Meeting shall not exceed five business days.	<b>Not applicable</b> <i>(Since the coming in to force of Decree-Law No 49/2010 of 19 May, the exercising of the right to participate and vote at the General does not depend on its blocking.)</i>	<b>I.4</b>
I.2.2. In the event of suspension of the General Meeting, the Company shall not impose that such blocking be maintained for the entire suspension period. The usual share blocking period for the first session shall be sufficient.	<b>Not applicable</b> <i>(Since the coming in to force of Decree-Law No 49/2010 of 19 May, the exercising of the right to participate and vote at the General does not depend on its blocking.)</i>	<b>I.5</b>
<b>I.3. VOTING AND EXERCISE OF THE VOTING RIGHT</b>		
I.3.1. Companies’ Articles of Association shall not provide any restriction on voting by correspondence and, when adopted and admitted, on the electronic vote by correspondence.	<b>Adopted</b>	<b>I.9 and I.10</b>
I.3.2. The deadline established by the Articles of Association for the receipt of voting declarations issued by correspondence shall not exceed three business days.	<b>Adopted</b>	<b>I.11</b>

<sup>(1)</sup> Chapter refers to CMVM’s Corporate Governance Code.

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
<p>I.3.3. Companies shall ensure proportionality between voting rights and shareholders' participation, ideally through a provision in the Articles of Association establishing the one share one vote principle. Proportionality is not fulfilled by Companies which, namely <i>i)</i> hold shares which do not confer voting rights; <i>ii)</i> establish voting caps when votes are issued by one single shareholder or by related parties to the shareholder.</p>	<p><b>Adopted</b></p>	<p><b>I.6 and I.7</b></p>
<p><b>I.4. RESOLUTIONS QUORUM</b></p>		
<p>I.4.1. Companies shall not establish a resolution quorum exceeding what is set forth by law.</p>	<p><b>Not adopted</b></p> <p><i>(The resolution quorum for the amendment of the Articles of Association, spin off, merger, transformation or dissolution of the Company is two thirds of the issued votes, either in the first or second call notice for the General Meeting, in order to ensure an adequate representation of shareholders considering the nature of the activities of the Company and its shareholders structure; amendment resolutions which are pursuant to Article 7-A, Article 12(3) and pursuant to Article 11 itself of the Company's Articles of Association must be approved by three quarters of the votes issued).</i></p>	<p><b>I.8 and III.6</b></p>
<p><b>I.5. MINUTES AND DISCLOSURE OF RESOLUTIONS</b></p>		
<p>I.5. Extracts from General Meeting minutes (or other equivalent documents) shall be made available to shareholders on the Company's website within five days as of the General Meeting, even if not deemed as privileged information. Disclosed information shall contain the resolutions passed, the capital represented and the voting results. Such information shall be maintained on the Company's website for a period of at least three years.</p>	<p><b>Adopted</b></p>	<p><b>I.13 and I.14</b></p>
<p><b>I.6. MEASURES FOR CORPORATE CONTROL</b></p>		
<p>I.6.1. Measures adopted to prevent the success of takeover bids shall respect the interests of the Company and of its shareholders. Companies' Articles of Association which, respecting such principle, set out a limitation on the number of votes that may be held or exercised by a single shareholder, individually or in concert with other shareholders, shall also establish that at least every five years the amendment or maintenance of this provision – without aggravated quorum vis-à-vis that legally established – shall be subject to a resolution at the General Meeting, and that upon such resolution all votes cast shall be counted without applying such limitation.</p>	<p><b>Adopted</b></p>	<p><b>I.7 and I.19</b></p>
<p>I.6.2. Defensive measures that have the automatic effect of causing serious erosion of the Company's assets in the event of change of control or change in the composition of the management body, thus hindering the free transferability of shares and free assessment of the performance of the members of the management body by shareholders, shall not be adopted.</p>	<p><b>Adopted</b></p>	<p><b>I.7, I.20 and I.21</b></p>

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
<b>II. MANAGEMENT AND SUPERVISORY BODIES</b>		
<b>II.1. GENERAL</b>		
<b>II.1.1. STRUCTURE AND DUTIES</b>		
II.1.1.1. The management body shall assess the corporate governance model adopted in the Company's annual Corporate Governance Report, identifying any constraints on its operation and proposing the steps to be taken to overcome such constraints.	<b>Adopted</b>	<b>II.1</b>
II.1.1.2. Companies shall create internal risk management and control systems able to identify and manage risk, in order to safeguard its value and for the sake of transparency of its corporate governance. Such systems shall include, at least, the following components: <i>i)</i> setting out of the Company's strategic purposes relating to risk assumption; <i>ii)</i> identification of the main risks related to the performed activities and of the events able to generate risks; <i>iii)</i> analysis and measurement of the impact and probability of occurrence of each of the potential risks; <i>iv)</i> management of risk in order to adapt the risks effectively incurred to the Company's strategic option regarding risk assumption; <i>v)</i> control mechanisms for the execution of risk management measures adopted and their effectiveness; <i>vi)</i> adoption of internal mechanisms for information and communication on several components of the system and of risk warning; <i>vii)</i> periodic assessment of the implemented system and adoption of amendments that are deemed necessary.	<b>Adopted</b>	<b>II.5 and II.6</b>
II.1.1.3. The management body shall ensure the creation and functioning of the internal control and risk management systems. The supervisory body shall be liable for assessing the operation of these systems and shall propose their adjustment to the Company's needs.	<b>Adopted</b>	<b>II.5 and II.6</b>
II.1.1.4. In the annual Corporate Governance Report, companies shall: <i>i)</i> identify the main economic, financial and legal risks that the Company is exposed to when performing its activities; <i>ii)</i> describe the performance and effectiveness of the risk management system.	<b>Adopted</b>	<b>II.9</b>
II.1.1.5. Management and supervisory bodies shall establish internal regulations which shall be disclosed on the Company's website.	<b>Adopted</b>	<b>II.7</b>
<b>II.1.2. CONFLICTS OF INTEREST AND INDEPENDENCE</b>		
II.1.2.1. The Board of Directors shall include a number of non-executive members ensuring effective ability to supervise, monitor and assess the activity of the executive members.	<b>Adopted</b>	<b>II.1.1 and II.14</b>
II.1.2.2. The non-executive members of the management body shall include an appropriate number of independent members, considering the Company's dimension and its shareholder structure, which shall never be less than a quarter of the total number of directors.	<b>Adopted</b>	<b>II.14</b>
II.1.2.3. The independence assessment of its non-executive members by the Board of Directors shall take into account the legal and regulatory rules in force concerning independence requirements, as well as the conflict of interests framework applicable to members of other corporate bodies, thus ensuring the timely and systematic coherence in applying independence criteria to the whole Company. A director shall not be deemed as independent if not qualified as so in another corporate body by virtue of the applicable provisions.	<b>Adopted</b>	<b>II.14 and II.15</b>

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
<b>II.1.3. ELIGIBILITY AND APPOINTMENT</b>		
II.1.3.1. Depending on the applicable corporate model, the Chairman of the Audit Board, or of the Audit Committee or of the Financial Matters Committee, shall be independent and be appropriately qualified to carry out his duties.	<b>Adopted</b>	<b>II.14</b>
II.1.3.2. The selection procedure for Non-Executive Directors shall be construed in such a way as to prevent the interference of Executive Directors.	<b>Adopted</b>	<b>II.16</b>
<b>II.1.4. WHISTLEBLOWING POLICY</b>		
II.1.4.1. The Company shall adopt a whistleblowing policy for irregularities allegedly occurred, with the following characteristics: <i>i)</i> indication of the means that can be used for internal whistleblowing, including the persons entitled to receive such communications; <i>ii)</i> indication of the processing of such communications, including confidential treatment, if so required by the whistleblower.	<b>Adopted</b>	<b>II.35</b>
II.1.4.2. The general guidelines of such policies shall be disclosed in the annual Corporate Governance Report.	<b>Adopted</b>	<b>II.35</b>
<b>II.1.5. REMUNERATION</b>		
II.1.5.1. The remuneration of members of the management body shall (i) be structured to allow the alignment of their interests with the Company's long-term interests, (ii) be based on performance assessment and (iii) discourage excessive risk assumption. Thus, remuneration shall be structured more specifically as follows:	<b>Adopted</b>	<b>II.29 to II.34</b>
<i>i)</i> The remuneration of directors performing executive functions shall incorporate a variable component, the determination of which is subject to performance assessment by the Company's competent bodies, according to pre-defined measurable criteria. Said criteria shall take into account the Company's real growth and the amount of wealth actually created for shareholders, its long-term sustainability and the risks taken on, as well as compliance with the rules applicable to the Company's activity.		
<i>ii)</i> The variable component of the remuneration shall be globally reasonable vis-à-vis the fixed component, and maximum limits shall be set out for all components.		
<i>iii)</i> A significant part of the variable remuneration shall be deferred for no less than a three-year period and its payment shall depend of the Company's steady positive performance during said period.		
<i>iv)</i> Members of the Board of Directors shall not enter into contracts, either with the Company or with third parties, which have the effect of mitigating the risk inherent to the variability of the remuneration established by the Company.		
<i>v)</i> Until the end of their term of office, the Executive Directors shall hold the Company shares that were allocated to them by virtue of the variable remuneration schemes, up to twice the value of the total annual remuneration, with the exception of those shares that are required to be sold for the payment of taxes on the gains of said shares.		
<i>vi)</i> When the variable remuneration includes stock options, such exercise period shall be deferred for at least a three-year period.		

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
<p>(vii) Appropriate legal instruments shall be established in order to not pay the compensation set out for dismissal of a director without fair grounds, if such dismissal or agreed termination is due to the director's inadequate performance.</p>		
<p>(viii) The remuneration of non-executive board members shall not include any component the value of which is subject to the performance or the value of the Company.</p>		
<p>II.1.5.2. The statement on the remuneration policy of the management and supervisory bodies referred to under article 2 of Law No 28/2009 of 19<sup>th</sup> June, shall, in addition to the content referred to therein, contain enough information on: i) the corporate groups whose policies and remuneration practices have been taken as a comparative element for establishing the remuneration; ii) the payments relating to the dismissal or agreed termination of directors.</p>	<p><b>Adopted</b></p>	<p><b>II.29 and II.30</b></p>
<p>II.1.5.3. The remuneration policy statement referred to under article 2 of Law No 28/2009 shall also mention the remuneration of all other persons discharging managerial functions, as per Article 248-B(3) of the Portuguese Securities Code and whose remuneration contains a relevant variable component. The statement shall be detailed and the submitted policy shall consider, more specifically, the Company's long-term performance, compliance with the provisions applicable to the Company's activity and moderation on the assumption of risks.</p>	<p><b>Adopted</b></p>	<p><b>II.29 and II.30</b></p>
<p>II.1.5.4. A proposal shall be submitted to the General Meeting on the approval of plans for the allocation of shares, and/or share options or based on variations in share price, to members of the management and supervisory bodies and other persons discharging managerial functions as defined in Article 248-B(3) of the Portuguese Securities Code. The proposal shall contain all the necessary elements for the proper evaluation of the plan. The proposal shall be submitted together with the regulation governing the plan or, if not yet done, with the general conditions that it shall comply with. The General Meeting shall also approve the main characteristics of any retirement plan that benefits members of the management and supervisory bodies and other persons discharging managerial functions, according Article 248-B(3) of the Portuguese Securities Code.</p>	<p><b>Not applicable</b></p>	<p><b>II.33.g)</b></p>
<p>II.1.5.6. At least one representative from the Remunerations Committee shall attend the General Meeting.</p>	<p><b>Adopted</b></p>	<p><b>I.15</b></p>
<p>II.1.5.7. The amount of remuneration received, as a whole and individually, in other companies of the group and the pension rights acquired during the financial year in question shall be disclosed in the annual Corporate Governance Report.</p>	<p><b>Revoked</b></p> <p><i>(Revoked due to the entry into force of the disclosure duties provided for in articles 3 c) and d) of CMVM Regulation no. 1/2010)</i></p>	<p><b>II.31</b></p>
<p><b>II.2. BOARD OF DIRECTORS</b></p>		
<p>II.2.1. Within the legal limits established for each management and supervisory structure, and unless the Company has a reduced size, the Board of Directors shall delegate the day-to-day management of the Company. The delegated competences shall be identified in the companies' annual Corporate Governance Report.</p>	<p><b>Adopted</b></p>	<p><b>II.3.1</b></p>
<p>II.2.2. The Board of Directors shall ensure that the Company acts in accordance with its objectives, and shall not delegate its responsibilities, more specifically, in relation to: i) the definition of the Company's strategy and general policies; ii) the definition of the Group's corporate structure; iii) decisions that should be considered as strategic due to their value, risk or special characteristics.</p>	<p><b>Adopted</b></p>	<p><b>II.3.1</b></p>

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
II.2.3. In the event that the Chairman of the Board of Directors carries out executive duties, the Board of Directors shall find efficient coordination mechanisms for the work performed by non-executive members, as to ensure that these members are able to make decisions in an independent and informed manner. Such mechanisms shall be properly explained to shareholders within the Company's Corporate Governance Report.	Adopted	II.8
II.2.4. The annual management report shall include a description of the activities carried out by Non-Executive Directors, more specifically mentioning any constraints encountered.	Adopted	II.17
II.2.5. The Company shall clearly define its policy for the rotation of responsibilities of the Board of Directors, more specifically with regard to the member responsible for the financial area, and provide information on such policy in the Company's annual Corporate Governance Report.	Adopted	II.11
<b>II.3. DELEGATED DIRECTOR, EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS</b>		
II.3.1. Directors performing executive duties, when so requested by other corporate body members, shall provide any information requested by them in a timely and appropriate manner.	Adopted	II.13
II.3.2. The Chairman of the Executive Committee shall send all notices to convene and minutes of such Committee's meetings to the Chairman of the Board of Directors and, if applicable, to the Chairman of the Audit Board or of the Audit Committee.	Adopted	II.13
II.3.3. The Chairman of the Executive Board of Directors shall send to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee all notices to convene and minutes of the respective meetings.	Not applicable <i>(This recommendation is not applicable given the corporate governance model adopted by REN)</i>	II.1
<b>II.4. GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD</b>		
II.4.1. In addition to performing its supervisory roles, the General and Supervisory Board shall continually perform an advisory, assessment and monitoring role on the management of the Company by the Executive Board of Directors. The General and Supervisory Board shall make decisions on the following matters: <i>i)</i> definition of the Company's strategy and general policy; <i>ii)</i> the corporate structure of the group; and <i>iii)</i> decisions considered to be strategic due to the values, risks or special characteristics involved.	Not applicable <i>(This recommendation is not applicable given the corporate governance model adopted by REN)</i>	II.1
II.4.2. The annual reports on the activities of the General and Supervisory Board, the Financial Matters Committee, the Audit Committee and the Audit Board shall be disclosed on the Company's website along with the financial statements.	Adopted	II.4 and III.13
II.4.3. The annual reports on the activities of (i) the General and Supervisory Board, (ii) the Financial Matters Committee, (iii) the Audit Committee and (iv) the Audit Board shall include a description of the supervisory activity carried out and should also refer to any potential constraints.	Adopted	II.4 and III.13
II.4.4. The General and Supervisory Board, the Audit Committee and the Audit Board, depending on the corporate governance model adopted, shall represent the Company for all purposes before the external auditor and shall propose the supplier of such services and the respective remuneration, while ensuring that the Company makes available all the appropriate conditions for those services to be	Adopted	II.3.6

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
<p>rendered, as well as acting as the point of contact, being also the first to receive the respective reports.</p>		
<p>II.4.5. The General and Supervisory Board, the Audit Committee and the Audit Board, depending on the corporate governance model adopted, shall annually assess the external auditor and propose to the General Meeting that the external auditor be discharged if justifiable grounds so warrant.</p>	<p><b>Adopted</b></p>	<p>II.3.6</p>
<p>II.4.6. The internal audit services and those that ensure compliance with the rules applicable to the Company (compliance service) shall functionally report to the Audit Committee, to the General and Supervisory Board or, in the case of companies adopting the Latin model, to an Independent Director or to the Audit Board, regardless of the hierarchical relationship that these services have with the executive management of the Company.</p>	<p><b>Adopted</b></p>	<p>II.5 and II.6</p>
<p><b>II.5. SPECIALIZED COMMITTEES</b></p>		
<p>II.5.1. Except by virtue of the reduced dimension of the Company, the Board of Directors and the General and Supervisory Board, depending on the corporate governance model adopted, shall create the necessary committees in order to: <i>i)</i> ensure that a competent and independent assessment of the performance of Executive Directors is carried out, as well as of its own overall performance and the performance of existing committees; <i>ii)</i> consider the corporate governance system adopted and assess its effectiveness and propose to the respective bodies any measures required to improve it; <i>iii)</i> timely identify potential candidates with the high level required for the performance of director functions.</p>	<p><b>Not adopted</b>  <i>(Considering the composition of the management body, the governance model and the company's shareholder structure, the Board of Directors does not understand it to be suitable to its specificities, nor is the "formal setting up" necessary of specialized commissions with such competences.</i>  <i>The processes for performance assessment, identification of profile and selection, as well as those for analysis of the governance system, have been undertaken in a manner suitable to the company's interests, by the non-executive directors of REN as a group and, more particularly, by the members of the Audit Committee (consisting exclusively of independent directors). Moreover, within its responsibilities, the Remunerations Committee has also actively participated in performance assessment.</i>  <i>Similarly, as part of the selection process, the company shareholders – with ample knowledge of the sector - have played a vital role in identifying candidates.</i>  <i>Therefore, although it is not a "formal committee" of the Board of Directors, substantially, these matters have been duly dealt with by REN, as fully described in this report.)</i></p>	<p>II.2</p>
<p>II.5.2. Members of the Remuneration Committee, or equivalent, shall be independent in regard to the management bodies and such committee shall include, at least, one member with know-how and experience in remuneration policy matters.</p>	<p><b>Adopted</b></p>	<p>II.37 and II.38</p>
<p>II.5.3. Any natural or legal person which provides or has provided, over the past three years, services to any structure depending on the Board of Directors, to the Board of Directors of the Company or has a current relationship with the consultant of the Company, shall not be engaged to assist the Remuneration Committee on the performance of its functions. This recommendation also applies to any natural or legal person which has an employment or services agreement with the abovementioned persons.</p>	<p><b>Adopted</b></p>	<p>II.37 and II.39</p>
<p>II.5.4. All committees shall draw up minutes of their meetings.</p>	<p><b>Adopted</b></p>	<p>II.12, II.13 and II.37</p>

Recommendation / Chapter <sup>(1)</sup>	Indication on the adoption of the Recommendation	Chapter of the Report
<b>III. INFORMATION AND AUDITING</b>		
<b>III.1. GENERAL DISCLOSURE DUTIES</b>		
III.1.1. Companies shall ensure permanent contact with the market, respecting the principle of shareholder equality and preventing any inequalities in investors' access to information. For such purposes the Company shall maintain an investor support office.	<b>Adopted</b>	<b>III.16</b>
III.1.2. The following information, to be available on the Company's website, shall be provided in English:	<b>Adopted</b>	<b>III.16</b>
a) The company name and the fact that it is a public company, its registered office and all other information mentioned under article 171 of the Portuguese Companies Code; b) The Articles of Association; c) The identity of all members of the corporate bodies and the representative for market relations; d) The investor support office, its duties and means of access; e) The financial statements; f) The bi-annual agenda of corporate events; g) The proposals submitted to discussion and voting at the General Meeting; h) Notices to convene for the General Meeting.		
III.1.3. Companies shall promote the rotation of the auditor at the end of two or three terms of office, as they respectively are of four or three years. Their maintenance beyond this period shall be grounded on a specific opinion of the supervisory body, which shall expressly consider the auditor's independence conditions and the advantages and costs arising out of its substitution.	<b>Adopted</b>	<b>III.18</b>
III.1.4. Within the scope of its competences, the external auditor shall verify the implementation of the remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms and report any deficiencies to the Company's supervisory body.	<b>Adopted</b>	<b>II.3.6</b>
III.1.5. The Company shall not engage the external auditor, or any entities in a participation relationship with him or which are part of the same network, for services other than audit services. Should there be reasons for the engagement for such services – which shall be approved by the supervisory body and explained in the annual Corporate Governance Report - then such services shall not exceed 30% of the total value of the services rendered to the Company.	<b>Adopted</b>	<b>III.17 and Annex IV</b>
<b>IV. CONFLICTS OF INTERESTS</b>		
<b>IV.1. RELATIONSHIPS WITH THE SHAREHOLDERS</b>		
IV.1. Deals entered into between the Company and qualified shareholders or with entities in a relationship with such shareholders as set out in article 20 of the Portuguese Securities Code shall be carried out in normal market conditions.	<b>Adopted</b>	<b>III.12 and Annex III</b>
IV.1.2. Deals entered into between the Company and qualified shareholders or with entities in a relationship with such shareholders as set out in article 20 of the Portuguese Securities Code shall be submitted to a prior opinion of the supervisory body. This body shall establish the procedures and criteria required for the definition of the level of materiality of such deals, as well as the other terms of its intervention.	<b>Adopted</b>	<b>II.13 and III.14</b>

## 6.1 GENERAL MEETING

### I.1. and I.2. Identification of the Members of the Board of the General Meeting, Start and Finish Date of the Respective Terms of Office and Suitability of Resources

The following members of the Board of the General Meeting were elected for the term of office 2012-2014:

Name	Age <sup>2</sup>	Position	Date of 1 <sup>st</sup> appointment	Term of office in course
Pedro Canastra de Azevedo Maia	46	Chairman	27.03.2012	2012-2014
Duarte Vieira Pestana de Vasconcelos	55	Vice-Chairman	24.10.2008	2012-2014

The annual General Meeting of 27<sup>th</sup> March 2012 resolved on ending the three-year 2010-2012 term of office<sup>3</sup>. 2012 was determined as the reference point for the start of following terms of office (2012-2014).

In the performance of his duties, the Chairman of the Board of the General Meeting has the support of the Vice-Chairman of the Board, as well as of the Company Secretary, Pedro Cabral Nunes, within their legal powers.

The Board of the General Meeting has at its disposal the human and logistic resources which are appropriate to its needs, taking into account the Company's economic situation, and may benefit for such purpose from the support of the Company Secretary, the in-house legal office and from an external law firm, as well as the technical and voting counting services made available by a financial institution.

### I.3. Remuneration of the Chairman of the Board of the General Meeting

In 2012, the Chairman and the Vice-Chairman of the Board of the General Meeting were paid €2 000 and €1 500 respectively, for undertaking the respective functions, as attendance fees.

### I.4. Indication of the Notice Period required to Block Shares to Attend the General Meeting

Blocking of shares is not required.

Therefore, shareholders may attend REN's General Meetings if on the Record Date, corresponding to 00.00 hours (GMT) of the fifth day of negotiation prior to the holding of the meeting ("Record Date"), they are holders of shares entitling them to at least one vote<sup>4</sup>. Such right of attendance and voting in the General Meeting is not prejudiced by the transfer of the shares after the Record Date nor depends on its blocking between such date and the date of the General Meeting.

<sup>2</sup> At 31<sup>st</sup> December 2012

<sup>3</sup> Up to 27<sup>th</sup> March 2012, the position of Chairman of the Board of the General Meeting was undertaken by Mr. Agostinho Pereira de Miranda, who was appointed on 15<sup>th</sup> March 2010, for the 2010-2012 term of office.

<sup>4</sup> cf. Article 12(7) of the Articles of Association

### **I.5. Indication of the Rules applicable to the Blocking of Shares in the event that the General Meeting is suspended**

As described in I.4. above, the right of attendance and vote in the General Meeting is not dependent on the blocking of shares between the Record Date and the date of the General Meeting.

### **I.6. Number of Shares corresponding to one Vote**

Following recommendations and 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 lay down the principle of "one share one vote"<sup>5</sup>.

### **I.7. Restrictions on the Exercising of the Right to Vote or Counting of Votes**

According to 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 equity capital<sup>6</sup>.

These limitations on the ownership of REN shares were introduced further to the transposition of community directives applicable to the electricity and natural gas sectors with regard to the legal and ownership separation between the transmission operator using those assets and the operators who conduct other activities in each of the sectors. The aim of these directives is to promote competition in the market and equal access by operators to the transmission infrastructures.

Given the applicable legal regime, article 12 of the Articles of Association was amended at the annual General Meeting of 27<sup>th</sup> March 2012, so as to stipulate that the votes attached to class A shares shall not be counted if issued by any shareholder, on his behalf or as representative of another shareholder, which exceed 25% of the total votes corresponding to REN'S share capital. Considered for the purpose are the rights to vote inherent to Class A shares which, pursuant to Article 20(1) of the Securities Code, are attributable to it.

This is the only provision in the REN Articles of Association that establishes that voting rights will not be counted above a certain number.

### **I.8. Rules of the Articles of Association on the Exercising of Voting Rights, Quorum in General Meetings and emphasis of rights**

Owners of one or more shares on the Record Date may attend, participate in and vote at the REN General Meeting, as long as 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. This communication may be sent by e-mail<sup>7</sup>.
- 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<sup>8</sup>.

Shareholders with voting rights may be represented at a General Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Meeting, under the terms of law and of the notice to convene. This communication may be sent by e-mail<sup>9</sup>.

<sup>5</sup> Cf. article 12(2).

<sup>6</sup> Cf. Article 25(2)(i) of Decree-Law No 29/2006 of 15 February (as amended by Decree-Law No 215A/2012 of 8<sup>th</sup> October), and Article 20-A(3)(b) and Article 21(3)(h) of Decree-Law No 30/2006, of 15 February (as amended by Decree-Law No 230/2012 of 26<sup>th</sup> October)

<sup>7</sup> cf. Article 12(8) of the Articles of Association

<sup>8</sup> cf. Article 12 (9) of the Articles of Association

<sup>9</sup> cf. Article 12(10) of the Articles of Association

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may cast votes as required with their shares, as long as they submit this fact to the Chairman of the Board of the General Meeting before the Record Date and using proportional and sufficient proof: (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.

Without prejudice to III.6. below with regard to certain resolutions for which an aggravated quorum applies, the attendance and resolution quorum of the General Meeting is as follows: on the first convening date is 51% of the share capital; on the second convening date, the General Meeting may meet and resolve regardless of the number of shareholders present or represented<sup>10</sup>.

REN's Articles of Association do not provide for any system of detachment of rights with economic content.

### **I.9. Existence of Rules in Articles of Association on the Exercising of Voting Rights by Correspondence**

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<sup>11</sup>.

This letter must be addressed to the Chairman of the Board of General Meeting by registered mail with acknowledgement of receipt, under the terms of I.11. above. The Chairman of the Board of the General Meeting shall verify the authenticity and regularity of the votes exercised by correspondence as well as ensure that they remain confidential until the voting takes place<sup>12</sup>.

It is also established that these votes are considered to be votes against, in the case of resolution proposals submitted after the date on which they were cast.

### **I.10. Availability of Model for the Exercising of Voting Rights by Correspondence**

In order to facilitate votes by correspondence, REN provides a voting ballot on its website<sup>13</sup> 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.

### **I.11. Time Requirement between Receipt of the Vote Declaration by Correspondence and the Date on which the General Meeting is Held**

As mentioned in I.9. above, vote declarations must be received at REN's registered office at least three business days prior to the date of the General Meeting, except if the relevant notice to convene establishes a different term<sup>14</sup>.

### **I.12. Exercising of Right to Vote by Electronic Means**

Currently, the exercise of voting rights by correspondence through electronic means is not yet established.

### **I.13. Extracts of General Meetings Minutes**

Extracts General Meetings Minutes are published on the REN website [www.ren.pt](http://www.ren.pt) a maximum of five days after they have been held.

<sup>10</sup> cf. Article 11(1) of the Articles of Association

<sup>11</sup> cf. Article 12(5) and (6) of the Articles of Association

<sup>12</sup> cf. Article 12(5) and (6) of the Articles of Association

<sup>13</sup> [www.ren.pt](http://www.ren.pt)

<sup>14</sup> Cf. Article 12(5) of Articles of Association.

#### **I.14. Historical Acquis of General Meetings**

REN maintains a historic record on its website of points of order and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results, for a minimum period of 3 years.

#### **I.15. Indication of the Representative(s) of the Remunerations Committee present at General Meetings**

At the Annual General Meeting of 2012 held on 27<sup>th</sup> March 2012, the Chairman of the Remunerations Committee, José Castel-Branco was present as representative of that committee.

#### **I.16. Intervention of the General Meeting with regard to the Remunerations and Assessment Policy in effect at the Company**

The REN General Meeting is responsible for the appointment of the members of the Remuneration Committee<sup>15</sup>, which is responsible for setting the remuneration and for submitting the annual declaration on the remuneration policy for members of the managing and supervisory bodies<sup>16</sup>. Moreover, this declaration will be subject to independent assessment and deliberation by the shareholders of the Annual General Meeting.

The abovementioned declaration on the remuneration policy covers all company officers (within the meaning of the provision of Article 248-B(3) of the Securities Code, given that the REN Board of Directors understands that those officers correspond only to the members of the company's Management and Supervisory Bodies.

It should also be noted that, under the terms of the Portuguese Companies Code ("CSC")<sup>17</sup>, the General Meeting has also the duty to make, on an annual basis, a general evaluation of the performance of the managing and supervisory bodies.

#### **I.17. and I.18. Intervention of the General Meeting in the Approval of Plans to Allocate Shares and/or Options to Purchase Shares, and in the Retirement Benefit System for members of the Management and Supervisory Bodies / Directors**

There are no programs or variable remuneration plans that consist of the allocation of shares, options to purchase shares or other incentive systems 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 248-B(3) of the Portuguese Securities Code).

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 248-B(3) of the Portuguese Securities Code).

#### **I.19. Existence of Rule in Articles of Association which subjects the General Meeting every five years, to possible Limitation of Number of Votes Eligible to be Held or Exercised by a Single Shareholder**

Further to that mentioned in I.7. above, the obligation to submit the maintenance or elimination of such provisions of the Articles of Association to the General Meeting, at least once every 5 years, is not provided, as such provision, on one hand, of the Articles of Association arises out of a legal obligation and, on the other, does not intend to prevent the exercise of voting rights, but rather ensure the existence of a penalty system for breaching the legal limit on ownership of shares.

<sup>15</sup> cf. Article 8(2)(d) of the Articles of Association

<sup>16</sup> cf. Article 26 of the Articles of Association

<sup>17</sup> Cf. Article 455.

### **I.20. Defensive Measures which cause Erosion to Company Assets**

REN has not adopted any measures aimed at preventing the success of takeover bids and/ or any defensive measures which result in a serious, automatic erosion of the Company's assets in the event of change of control or a change in the composition of the management body.

As mentioned in I.7. above, limitations on Class A share ownership which represent REN equity capital and the exercising of the respective voting rights, pursuant to Article 12 of the Articles of Association, were introduced only with a view to accommodating the legal limitations imposed by regulatory laws for the sectors of activity in which REN subsidiaries operate.

### **I.21. Significant Agreements with Clauses for Change in Control**

There are no significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change in control over the Company.

### **I.22. Agreements with the Management or Other Officers which stipulate Compensation in the event of Resignation, Unfair Dismissal or Termination of the Employment Relationship, Following a Change in Control**

There are no significant agreements between REN and the members of the management body or other officers (pursuant to Article 248-B(3) of the Portuguese Securities Code) that would award compensation in the event of resignation or dismissal of any member of the management and supervisory bodies, or in the event of resignation of any employee, unfair dismissal or termination of the employment relationship, following a change in control over the Company.

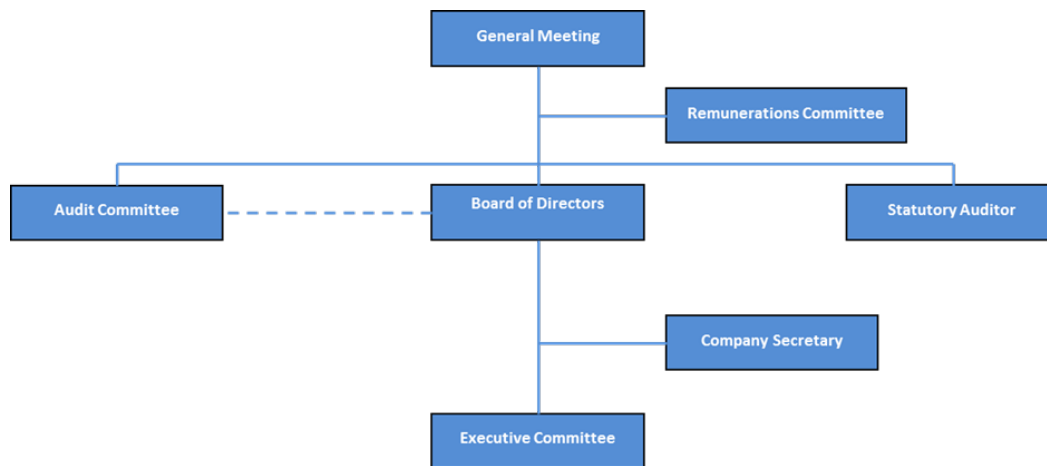
In accordance with the remuneration policy approved by the Remuneration Committee with regard to the financial year of 2012, in the event of termination of functions of management through agreement or unfair dismissal, no compensation will be paid if the termination or dismissal is due to the unsuitable performance of the director.

## 6.2 MANAGEMENT AND SUPERVISORY BODIES

### SECTION I – GENERAL

#### II.1. Corporate bodies

REN has adopted an Anglo-Saxon corporate governance model consisting of the following corporate bodies elected by the General Meeting<sup>18</sup>: (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<sup>19</sup>, and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors<sup>20</sup>.



The Board of Directors evaluates the model of governance adopted by the Company positively, and does not identify any constraint to its functioning, particularly with regard to the following aspects:

- c) At the management level, there is a clear delimitation between the powers of the Board of Directors and those of the Executive Committee, due to the meticulous and objective delegation of powers by the Board of Directors on 27<sup>th</sup> March, 2012, as mentioned in II.3.1. above.
- d) Furthermore, the fact that the Chairman of the Board of Directors is also the Chief Executive Officer ensures the coherence and transparency that is essential to the Company's management and its adequate monitoring by the remaining members of the management body.
- e) In terms of supervision, the Audit Committee supervises and oversees the Company's management in an independent and autonomous manner. The dual capacity 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.
- f) This model has contributed to more efficient management and supervision of company business in accordance with principles of transparency and accountability to shareholders, investors and the market.

<sup>18</sup> cf. Article 8(2)(d) of the Articles of Association

<sup>19</sup> cf. Article 8(1) of the Executive Committee Regulations

<sup>20</sup> cf. Article 3(3) of the Executive Committee Regulations

### II.1.1. The Board of Directors

The Board of Directors consists of a minimum of 7 and maximum of 15 members, as determined by the General Meeting that elects said members<sup>21</sup>.

The Board of Directors currently has 15 members including a total of 12 non-executive members, which ensures its effective capacity to monitor and evaluate the activity of the executive members.

At 31<sup>st</sup> December 2012 and on this date, the REN Board of Directors consisted of the following members, who have been appointed for the 2012-2014 term of office:

Name	Age	Position
Rui Manuel Janes Cartaxo	60	Chairman of the Board of Directors and the Executive Committee
Gonçalo Morais Soares	41	Director and Member of the Executive Committee
João Caetano Carreira Faria Conceição	38	Director and Member of the Executive Committee
Guangchao Zhu (representing State Grid International Development Limited) <sup>22</sup>	45	Vice-Chairman
Hilal Ali Saif Al-Kharusi <sup>23</sup>	46	Director
Aníbal Durães dos Santos (appointed by Parública - Participações Públicas (SGPS), S.A.)	64	Director
Filipe Maurício de Botton (appointed by EGF - Gestão e Consultoria Financeira, S.A.) <sup>24</sup>	54	Director
Manuel Champalimaud (appointed by Gestmin, SGPS, S.A.) <sup>25</sup>	67	Director
Mengrong Cheng <sup>21</sup>	43	Director
Haibin Wan <sup>21</sup>	48	Director
José Folgado Blanco (appointed by Red Eléctrica Corporación, S.A.)	68	Director
José Luis Arnaut <sup>26</sup>	49	Director
José Luís Alvim Marinho	60	Director and Chairman of the Audit Committee
José Frederico Vieira Jordão	67	Director and Member of the Audit Committee
Emílio Rui Vilar <sup>27</sup>	73	Director and Member of the Audit Committee

A more detailed description of the board members can be found in Annex I.

<sup>21</sup> cf. Article 8(2)(b) and Article 14(1), both of the Articles of Association

<sup>22</sup> Took up this position on 25<sup>th</sup> May 2012, subsequent to the entry into force of the Strategic Partnership Agreement, signed by REN and Oman Oil Company, S.A.O.C.

<sup>23</sup> Took up this position on 25<sup>th</sup> May 2012, subsequent to the entry into force of the Strategic Partnership Agreement, signed by REN and Oman Oil Company, S.A.O.C.

<sup>24</sup> Luís Guedes da Cruz Almeida, appointed by EGF – Gestão e Consultoria Financeira, S.A. (“EGF”) to hold position in his own name, resigned on 14 June 2012. Subsequently, EGF informed REN on 15<sup>th</sup> June 2012 of its decision to appoint Filipe Maurício de Botton as a member of the REN Board of Directors to hold position in his own name

<sup>25</sup> José Félix Morgado, appointed by Gestmin, SGPS, S.A. (“GESTMIN”) to hold position in his own name, resigned on 03<sup>rd</sup> July 2012. Subsequently, GESTMIN informed REN on 17<sup>th</sup> July 2012 of its decision to appoint Manuel Champalimaud as a member of the REN Board of Directors to hold position in his own name

<sup>26</sup> The Board of Directors deliberated to co-opt José Luis Arnaut for the position of non-executive director, on 22<sup>nd</sup> June 2012, as a result of the resignation of Luís Palha da Silva, on 22<sup>nd</sup> May 2012, who did not accept the position, and as such did not take up responsibilities

<sup>27</sup> Took up this position on 25<sup>th</sup> May 2012

### II.1.2. Executive Committee

At 31<sup>st</sup> December 2012 and on this date, the Executive Committee consisted of the following three members

Name	Position
Rui Manuel Janes Cartaxo	Chairman of the Board of Directors and the Executive Committee
Gonçalo Morais Soares	Member
João Caetano Carreira Faria Conceição	Member

### II.1.3. Audit Committee

At 31<sup>st</sup> December 2012 and on this date, the Audit Committee consisted of the following three members

Name	Position
José Luís Alvim Marinho	Chairman
José Frederico Vieira Jordão	Member
Emílio Rui Vilar	Member

### II.1.4. Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the chartered accountants Deloitte & Associados, SROC, S.A., registered with the Board of Chartered Accountants under no. 43 and registered at CMVM under number 231, represented by Jorge Carlos Batalha Duarte Catulo (C.A. no. 992).

The substitute Statutory Auditor of the Company is Carlos Luís Oliveira de Melo Loureiro, a Chartered Accountant registered with the Board of Chartered Accountants under no. 572.

## II.2. Specialist Committees with Competences in Management and Supervision

The REN Board of Directors does not see as suitable to its specificities nor necessary, the “formal setting up” of specialist committees with Competences in supervision, particularly with regard to: (i) the composition of the management body, with only three executive members in a total of fifteen members; (ii) the model of corporate governance implemented, integrating an Audit Committee within the Board of Directors composed exclusively by independent members; and (iii) the company’s shareholder structure, with the presence of several shareholders with knowledge of the sector and with the vocation of strategic partners.

Furthermore, it has been our position that the setting up of specialist committees is not justified, bearing in mind the supervisory activity carried out by the Audit Committee and the non-executive members of the Board of Directors.

In 2012, the Non-Executive Directors monitored issues relating to: (i) the model and principles of Company governance; (ii) the assessment of the overall performance of the Board of Directors and the analysis of the appropriate profile to perform the functions of a REN director; as well as (iii) the assessment of the performance of the Executive Directors.

Indeed, the assessment of the performance of the Executive Committee members is made by the Non-Executive Directors, in order to create an adequate internal balance and an effective performance of non-executive tasks by all members of the Board

of Directors and not just by a number of directors. Likewise, Non-Executive Directors monitor the global performance of the Board of Directors and analyze the functioning of the corporate governance system. Within its responsibilities, the Remuneration Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

Moreover, REN understands that the establishment of a specialized committee with powers regarding the identification of candidates with adequate profile for the office of director does not fit with the Company's specific characteristics, since the process of selection has been appropriately carried out, whether through election at General Meetings, or in the event of co-option by a resolution of the Board of Directors. As mentioned in II.16. above, as part of the selection process, the company shareholders – with ample knowledge of the sector - have played a vital role in identifying candidates.

Moreover, during 2012, the process to select the members of REN's Corporate Bodies was further influenced by the fact that, up to March and aware of its nature as a public company, was subject to state company regulations and also the second stage of privatization took place with the transfer of 40% of capital to two new shareholders.

Therefore, although they are not "formal committees" of the Board of Directors for the purpose, the company considers that, substantially, the content of CMVM Recommendation II.5.1 - which is of the greatest importance to ensure the transparency and accountability of management with regard to the company's shareholders - has been duly followed by REN. However, bearing in mind the position taken by the CMVM in their annual reports on quoted company governance for 2010 and 2011, the company declares, for the purposes of this report, that it does not comply with this recommendation.

## II.3. Sharing of Competences between Corporate Bodies, Committees and/or Departments

### II.3.1. Delegation of the Board of Directors on its Executive Committee

On 27<sup>th</sup> March 2012, the Board of Directors delegated powers of day-to-day management of the Company to the Executive Committee, which include the following powers, to be exercised under the terms and within the limits stipulated every year in the operating budget and in the strategic plan submitted by the Executive Committee and approved by Board of Directors:

- a) To manage normal company business and conduct all matters covered by the company's object which are not the exclusive competence of the Board of Directors;
- b) To approve the disposal of assets and the investment to be made by the company and its subsidiaries, which individual or aggregate value is equal or lower than EUR 15 000 000.00 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, EUR 25 000 000;
- c) To constitute companies and acquire, pledge and dispose of holdings when it relates to companies which are a vehicle to realize specific investments with a value of not more than EUR 7 500 000 or which are already approved in the annual budget;
- d) To indicate the people to appoint to the corporate bodies of the two operators of the transmission networks and the investment vehicle companies referred to in the previous point;
- e) To implement the Company's functional and administrative organization, its internal rules, including those governing human resources and their remuneration, as well as its internal control systems and procedures;
- f) To prepare and implement the annual budget, the business plan and medium and long-term development plans;
- g) To negotiate, sign, amend and terminate any agreements, of a sum equal to or less than €5 000 000 and short-term financing contracts (i.e. with maturity equal to or less than three years);
- h) To lease or let any property or parts thereof;
- i) To coordinate the activity of the companies in a control relationship with REN, being also allowed, with regard to the companies in relationships of total control, to issue binding instructions, under the terms legally permitted;

- j) Deliberate to provide technical or financial support to subsidiary companies;
- k) Represent the Company actively and passively, in and out of court, by proposing and pursuing lawsuits or arbitrations, with the power to confess, to waiver and to settle, as well as to enter into arbitration agreements;
- l) Open, use and close bank accounts;
- m) Appoint attorneys with the powers deemed convenient.

The delegation of powers to the Executive Committee does not, however, exclude the power of the Board of Directors to pass resolutions on delegated matters.

Moreover, in accordance with the Board of Directors Regulation approved on 27 March 2012<sup>28</sup>, the following matters cannot be delegated to the Executive Committee:

- a) Matters which cannot be legally delegated include the co-option of directors, requests to convene General Meetings, approval of the annual report and accounts to be submitted to the General 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;
- b) Definition of the general strategy and policy, the corporate structure and the management aims and policies;
- c) Approval of the annual budget, the business plan and other long-term development plans;
- d) Contracting of debt on the national or international financial market, without prejudice to that stipulated in delegation of powers above;
- e) Proposal to the General Meeting to acquire or dispose of own securities;
- f) Approval of internal control systems, risk management systems and internal audit systems;
- g) Appointment of the Company Secretary and respective substitute;
- h) Designation of the REN representative at the General Meetings of subsidiaries;
- i) Indication of those to be designated by REN to form the lists of corporate bodies to be elected at subsidiaries, with the exception of the corporate bodies of the two operators of the transmission networks and the vehicle companies referred to in the previous point I.;
- j) Appointment of the REN Chief Technical Office, through a proposal from the Executive Committee;
- k) Approval of disposal of assets and/or investment rights and the constitution of encumbrances to be made by REN and/or by its subsidiaries, which individual or aggregate value is equal or lower than EUR 15 000 000.00 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, EUR 25 000 000;
- l) Constitution of companies, acquisition, encumbrance and disposal of holdings, except in cases in which those companies are, or the holdings refer to companies which are a vehicle for realizing investment with a value which does not exceed EUR 7 500 000 or which have been approved in the annual budget;
- m) Intervention of the Company or any of its subsidiaries in activities which are not part of their main activities;
- n) Participation by REN in joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;
- o) Enter into transactions with related parties the value of which exceeds €500 000 or which, regardless of the value, may be considered as not having been executed based on market conditions;

<sup>28</sup> cf. Article 3(3) and (5)

- p) All other resolutions on strategic matters, particularly with regard to strategic agreements, risk or their special characteristics.

### II.3.2. Competences of the Chairman and Vice-Chairman of the Board of Directors

The Chairman of the Board of Directors is appointed by the General Meeting, from among the appointed directors, and holds a casting vote (as does the substitute)<sup>29</sup>.

The Vice-Chairman substitutes the Chairman of the Board of Directors, when he is absent or impaired. The Board of Directors further determines which of its members replaces the Chairman, in the event of the Chairman or Vice-Chairman's absence or impairment<sup>30</sup>.

The Chairman of the Board of Directors is especially empowered to<sup>31</sup>:

- a) Represent the Board of Directors;
- b) Coordinate the activity of the Board of Directors and to convene and to preside over its meetings;
- c) Supervise the correct implementation of the approved resolutions.

### II.3.3. Competences of the Chairman of the Executive Committee

The responsibilities of the Chairman of the Executive Committee include especially:

- a) To coordinate the activity of the Executive Committee;
- b) To convene and direct Executive Committee meetings and exercise the casting vote;
- c) To ensure that all information is provided to other members of the Board of Directors on the activity and resolutions of the Executive Committee;
- d) To ensure compliance with the limits of delegation and the Company strategy.

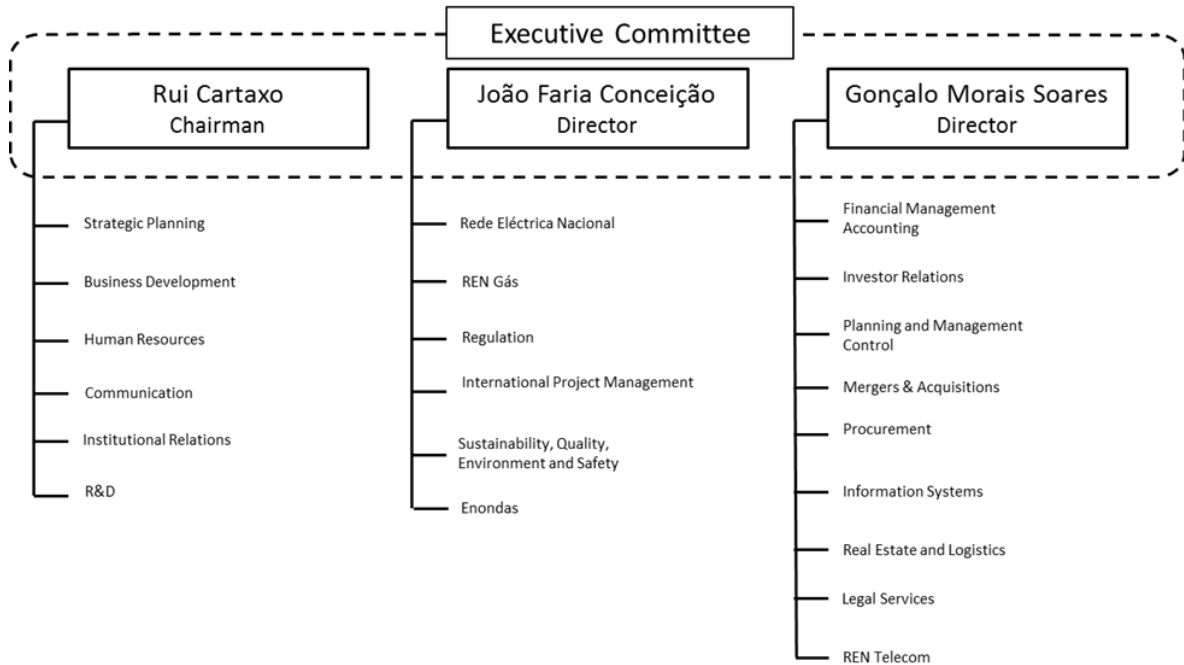
### II.3.4. Distribution of Responsibilities in the Board of Directors

With a view to optimizing management efficiency, the members of the Executive Committee distribute among themselves the responsibility for the direct monitoring of specific performance areas of the Company, under the terms evidenced in the following chart:

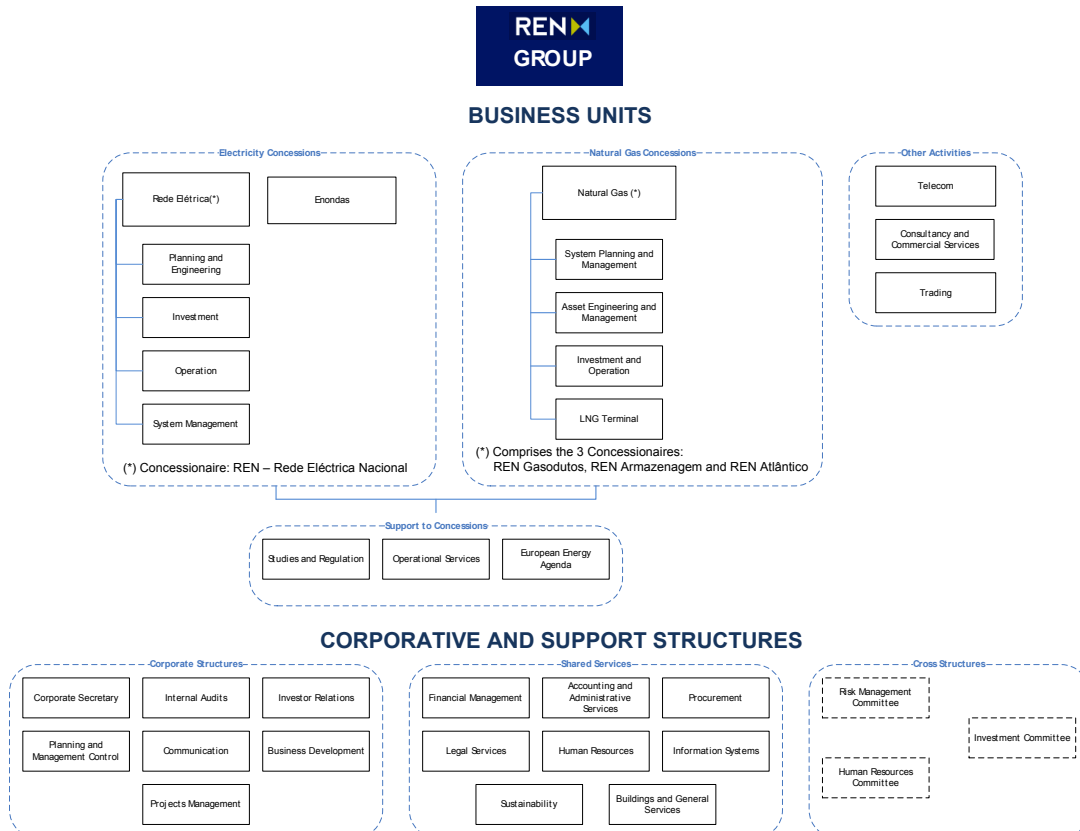
<sup>29</sup> cf. Article 14 (2) and (5) of the Articles of Association and Article 2(1) of the Board of Directors Regulations

<sup>30</sup> cf. Article 2(4) of the Board of Directors Regulations

<sup>31</sup> Article 17 of the Articles of Association and Article 2(5) of the Board of Directors Regulations.



II.3.5. Functional Flowchart



### II.3.6. Audit Committee and Statutory Auditor / External Auditor

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<sup>32</sup>:

- a) Supervising the management of the Company and compliance with the law and the Articles of Association;
- b) Drawing up an annual report on their supervisory action and issue an opinion on the report, accounts and proposal to distribute profits presented by management;
- c) Supervising the effectiveness of the risk management, internal control and internal audit systems;
- d) Verifying the accuracy of books, accounting records and documents they use as support;
- 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) Verifying if the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;
- g) Verifying the accuracy of the accounting documents prepared by the Board of Directors and overseeing the respective review;
- h) Supervising the preparation and disclosure of financial information;
- i) Receiving whistleblowing communications submitted by shareholders, company employees or third parties;
- j) Proposing the appointment of the Statutory Auditor to the General Meeting (particularly with regard to proposing the external auditor and the respective remuneration);
- k) Inspecting the independence of the Statutory Auditor, more specifically with regard to the provision of additional services;
- l) Inspecting the review of accounts in accounting documentation;
- m) Contracting the services of experts who will assist one several of its members in exercising their duties;
- n) Convene the General Meeting whenever the Chairman of the Board of the General Meeting fails to do so, despite this obligation.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditors and external auditor, representing it in relation to the Statutory Auditors 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 external auditors and of the Statutory Auditor by analyzing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the external auditors or the Statutory Auditor<sup>33</sup>. Accordingly, the Audit Committee is responsible for undertaking an annual assessment of the 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.

Taking into account the work carried out in 2012, the Audit Committee carried out its evaluation of the service provided to the Company by the external auditors. Consequently, the Audit Committee considers that the external auditors have provided their services in a positive way and have complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with extreme technical accuracy.

<sup>32</sup> cf. Article 6 of the Audit Committee Regulations

<sup>33</sup> Article 6(3)(j) of the Audit Committee Regulations.

The Statutory Auditor<sup>34</sup> is responsible for the examination and verification required for the review and legal certification of the financial statements. 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.

Within its scope of powers as an external auditor, the Statutory Auditor verifies the implementation of the remuneration policies and systems, the effectiveness and functioning of the internal control mechanisms and is obliged to report any deficiencies to the Company's Audit Committee. The Statutory Auditor also verifies the Corporate Governance Report, under the legally applicable terms.

### II.3.7. The Remuneration Committee

The Remuneration Committee is responsible for presenting and submitting to the shareholders the principles of the remuneration policy of the corporate bodies, as well as for determining the respective remunerations<sup>35</sup>.

At 31<sup>st</sup> December 2012 and on this date, the following three members, appointed at the annual General Meeting of 27<sup>th</sup> March 2012, were on the Remunerations Committee (three-year period of 2012-2014)<sup>36</sup>:

Name	Position
Carlos Adolfo Coelho Figueiredo Rodrigues	Chairman
Rui Horta e Costa	Member
Pedro de Sommer de Carvalho	Member

The current Remuneration Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of another corporate body for which it determines the respective remuneration, and 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 3<sup>rd</sup> degree, inclusive.

The members of the Remuneration Committee have relevant knowledge and experience concerning remuneration policies (cf. II.38. of CMVM Regulations No 1/2010).

During the performance of its duties, the Remunerations Committee received advice from specialized entities on remuneration matters, which do not provide or have provided, over the past three years, services to the REN Board of Directors or to any structure in its dependence (under employment or service agreements) and have no current relationship with a consultant of the Company (cf. II.39. of CMVM Regulations No 1/2010).

The Remuneration Committee held six meetings in 2012. For each meeting of the Remuneration Committee minutes were drawn up.

### II.4. Annual Report on the Activity of the Audit Committee

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints), further submitting an opinion on the management report of the Board of Directors, the financial statements, as well as on the Corporate Governance Report, which are available together with the accounting documents on the REN website ([www.ren.pt](http://www.ren.pt)).

<sup>34</sup> cf. Article 420

<sup>35</sup> cf. Article 2.6 of the Articles of Association

<sup>36</sup> Up to 27<sup>th</sup> March 2012, the following members were on the Remuneration Committee: José Emilio Castel-Branco, Francisco Manuel Marques Bandeira and José Alexandre de Oliveira (appointed for the 2010-2012 term of office).

## II.5. and II.6. Risk Management and Internal Control Systems and Respective Responsibility of the Management and Supervisory Bodies

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 Group's companies. This approach has been in line with national and international recommendations, including CMVM's recommendations and the good governance principles contained in the Council of Ministers Resolution No. 49/2007 of 28<sup>th</sup> March.

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems.

Therefore, on 8<sup>th</sup> November the REN Board of Directors approved the review of the regulations on "Appreciation and Control 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".

The Audit Committee is responsible for assisting the Executive Committee in analyzing the integrity and efficiency of REN's Internal Control and Risk Management Systems<sup>37</sup>. Furthermore, in its plan of activities for the financial year of 2012, the Audit Committee considered carrying out a number of steps to monitor and evaluate the functioning and adequacy of the internal control and risk management systems.

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 Group strategy;
- ▶ Ensure that information is reliable and complete;
- ▶ Ensure the complete, reliable and timely preparation and reporting of 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.

During the 2009 financial year, on 13<sup>th</sup> May 2009, the Executive Committee passed a resolution to set up the Internal Audit Department (IAD), with the mission of supervising the creation, operation and effectiveness of the Group's risk management control model and internal control and governance systems, through objective, independent and systematic monitoring. In operational terms, it reports to the Audit Committee, notwithstanding its hierarchical relationship with the executive management of the Company. The officer in charge of the Internal Audit Department is Gil Vicente Jorge Marcelino.

Of note, among the various tasks of the Internal Audit Department are the following:

- ▶ Review of risk management and internal control policies in force;
- ▶ Assessment of the degree of implementation of internal control (organizational structure and governance, delegation of powers, ethics and conduct code, policies and procedures);
- ▶ Implementation of financial, IT, operational and management audits in the various areas of the REN Group, confirming compliance with the policies, laws and regulations (compliance services);
- ▶ Definition, jointly with the various areas, of measures to correct any weaknesses and non-compliances identified during the audits;
- ▶ Monitoring the implementation of corrective measures, through follow-up reports;

<sup>37</sup> Article 6(3)(d) of the Audit Committee Regulations

- ▶ Support for high-level management in defining and/or implementing control and governance measures.

All internal audits conducted by the IAD follow a plan based on risk assessment, whether corporate or by the IAD itself, the latter including an assessment of how risks are managed in terms of processes, systems and business units.

The IAD's Business Plan for 2012, approved by the Audit Committee, has defined and characterized the audits to be carried out. The Business Plan was designed to:

- ▶ Focus on the audits in areas of greatest risk;
- ▶ Assess the efficiency of the internal control systems implemented;
- ▶ Cover all REN Group companies;
- ▶ Add value to the REN Group.

In implementing the various 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.

In 2013, the audit procedures will be maintained and as far as the IAD's future plan of activities is concerned, we highlight the following objectives:



With the main concern being the monitoring of the main aspects of REN's activity, and in order to ensure the procedures followed are in compliance, an assessment of the main Internal Control Systems in the Group's various companies is conducted regularly, with the following underlying principles:

- ▶ Strengthening and improving effectiveness and efficiency in the use of resources;
- ▶ Safeguarding assets;
- ▶ Analyzing the information processing system;
- ▶ Checking of the reliability and accuracy of financial, accounting and other kinds of information;
- ▶ Preventing and detecting fraud and errors;
- ▶ Checking for compliance of the Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and Company regulations;
- ▶ Promoting operational effectiveness and efficiency.

In addition, the mission of the Risk Management Committee, created in 2010, 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 Risk Management Committee's main functions 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 material risks.

In 2012, the Risk Management Committee conducted its activity, continuing 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.

### Risk Management Procedure

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. It has also been guided by the norms of the International Organization for Standardization (IOS).

In 2012, the company set out to design, develop and apply 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.

Therefore, within the scope of the Group risk management system, the following activities were undertaken:

- ▶ Review and updating of risk models and the respective processing files;
- ▶ Review and updating of the list of greatest risks;
- ▶ Definition of the action plan to mitigate the greatest risks;
- ▶ Definition of the Key Risk Indicators (KRI);
- ▶ Development and entry into operation of the do Risk Management Portal.

The goal of the risk management process is to contribute directly towards improving REN's performance and complying with CMVM recommendations.

### Other Initiatives within the scope of Risk Management

In 2012, through the ISO and the Sustainability Department, REN participated in the Project "GestãoTransparente Org - Practical Guide for the Corruption Risk Management in Organizations". The public presentation of this project took place on 10<sup>th</sup> December.

The main objectives of this project consist of developing a joint initiative to prevent corruption and promote transparency, promoting the sharing of values of integrity, transparency and responsibility, identifying and characterizing the main organizational instruments to prevention risks of corruption, developing a practical management instrument to support organizations, particularly in Corruption Risk Management, in a style of language accessible to companies and the general public.

## II.7. Working Regulations of Management Bodies

The Board of Directors Regulations, Audit Committee Regulations and the Executive Committee Regulations are available on the REN website<sup>38</sup> in Portuguese and English.

There are no internal rules on incompatibilities nor on the maximum number of positions which can be accumulated, beyond those referred to in II.15. above.

<sup>38</sup> [www.ren.pt](http://www.ren.pt)

## Section II – The Board of Directors

### II.8. Coordination Mechanisms for Work of Non-Executive Members

According to the Board of Directors Internal Regulations, this corporate body established efficient mechanisms for the coordination of the work of its members having non-executive functions, in particular in order to facilitate the exercise of their right to information, as follows<sup>39</sup>:

- a) Without prejudice to the exercising of powers not delegated to the Executive Committee, Company directors having a non-executive function assume a supervisory role of 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 answer should be adequately and timely provided;
- c) The directors of the Company having non-executive functions will hold ad hoc meetings, upon convening by the Chairman of the Audit Committee, at its own initiative or upon request of two of those directors, in order to undertake an assessment of the management of the Company.

In addition, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion to the non-executive members of the Board of Directors and the Executive Committee's resolutions shall be always available for consultation<sup>40</sup>.

Therefore, the Board of Directors considers that, 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 and informed decisions.

### II.9. Identification of the Main Economic, Financial and Legal Risks 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 amount 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 2012, the Risk Management Committee, with support from risk owners, identified the various risks to which REN is exposed, thereby determining the Group's risk profile.

<sup>39</sup> cf. Article 11 of the Board of Directors Regulations

<sup>40</sup> cf. Article 5 of the Executive Committee Regulations

The most serious risks for the REN Group are shown in detail below, with their category and subcategory:

#	Category	Subcategory	Nature	Risk
1	Surrounding Environment	External context	Regulatory	Change to the regulatory model and parameters
2			Financial Markets	REN's credit quality / rating
3				Evolution of interest rates
4	Processes	Operacional	Business Interruption	Occurrence of a general incident
5			Investment Projects	Non approval of investment plans
6				No transfer of assets into operation on schedule
7			Health and Safety	Occurrence of serious work accidents
8		Information Technology	Information system safety	
9		Human Resources	Knowledge / Skills	Capacity to attract / retain skills and the know-how necessary for the business
10	Quality of information for the Decision-Making	Reporting	Accounting / Taxation	Adequacy of the management information

► **Changes to the regulatory model and parameters**

The risk of the existence 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 monitoring the progress of the regulatory strategy as well as European regulatory trends.

► **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 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 servicing REN's debt. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the 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.

► **Occurrence of a generalized incident**

The company's performance could be influenced by the occurrence of events causing an interruption in the electricity supply service and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a set of conditions (pollution, atmospheric conditions, fires, birds, among others), which could cause interruptions in 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 this risk.

► **Non-approval of investment plans**

The existence of delays in the approval of investment plans by the Regulator 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 and other competent entities in the process of authorizing the investment to be made.

► **Non-entry into operation of assets within planned deadlines**

Current economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, often results in the insolvency/bankruptcy of such companies which may compromise the entry into operation of assets within planned deadlines.

The key tools to manage this risk are the supplier qualification and assessment system implemented at REN, the financial assessment of suppliers and contract workers during the market consultation process and the monitoring of corporate information on suppliers and service providers.

► **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.

► **Unavailability of information systems**

REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the security of information systems and technologies and their capacity to meet the needs of the company are crucial to REN performing well.

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 are 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.

► **Ability to attract/retain the skills and know-how required for the business**

REN's success depends on the skills and efforts of its employees and its management teams. The continuation of the company's success depends, to a great extent, on its ability to attract, keep and motivate skilled employees.

To this end, REN is developing its human resources policy by focusing on training, ethics and the development of potential and motivation. The human resources policy also aims to constantly update knowledge and strengthen a culture of quality, both of which are indispensable for it to meet its public service mission.

► **Adequacy of management information**

REN regularly provides management information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations, 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.

In this way, the production of accurate, reliable information allows us to ensure that the information does not contain errors that could compromise the decision-making process.

## II.10. Powers of the Board of Directors

The Board of Directors has the powers and duties conferred by CSC and the Articles of Association<sup>41</sup>. Among these, of special note are:

- a) To define the Company's goals and management policies;
- b) To draw up the annual financial and business plans;
- c) To manage corporate business and carry out all actions and operations relating to the Company's object which do not fall within the competences attributed to other corporate bodies;
- d) To represent the company in and out of court, actively and passively and may waive, settle or confess in any proceedings as well as establish arbitration agreements;
- e) To acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;
- f) To incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;
- g) To submit proposals to the General Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;
- h) To 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) To perform any other functions granted by law or by the General Meeting<sup>42</sup>.

With regard to the scope of delegation of powers to the Executive Committee and to matters which cannot be delegated by the Board of Directors, see II.3.1. above.

In turn, the acquisition and disposal 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 Meeting.

It should be noted that the Company's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

## II.11. Responsibility Rotation Policy and Rules on the Appointment and Substitution of Members

### II.11.1. Policy on the rotation of responsibilities

The Board of Directors has adopted a set of general principles concerning its policy on the rotation of responsibilities on the Board, as follows:

- a) Concerning the allocation of responsibilities, the Board of Directors will take into account, among others, the following factors: (i) the know-how and experience appropriate to the relevant functions, (ii) the thorough knowledge of the sector and (iii) the diversity of skills and qualifications within the Board of Directors, as a body intended to be multidisciplinary;
- b) The allocation of responsibilities will fall within the human resources culture and management policy of the Company in order to allow, whenever this is desirable and in the interest of REN, the harmonization of global practices and maximization of synergies in the several business units;
- c) The Board of Directors will, on a case by case basis, rotate director's responsibilities, whenever such rotation is in line with the improvement of corporate governance and the pursuit of the Company's interests, more specifically when a refreshing of the adopted strategy with regards to a specific responsibility or role is considered to be positive;

<sup>41</sup> Article 15(1) of REN's Articles of Association

<sup>42</sup> cf. Article 15(3) of the Articles of Association

- d) Usually, in the allocation of responsibilities to the executive members of the Board of Directors, particularly regarding financial matters and other highly complex and specialized roles, the tendency will be to give priority to the criteria mentioned on the first paragraph above, as it is considered that in such situations the experience, appropriate qualifications and, most of all, an in-depth knowledge of the Company and its business have a higher added value than rotation;
- e) Furthermore, with regard to its non-executive members, the Board of Directors will seek to rotate an adequate number of members, usually after the lapse of 3 consecutive terms of office, in order to contribute to the efficient performance of its functions of accompanying and monitoring the executive management.

The abovementioned principles will apply in the context of the following powers of the Board of Directors:

- a) Appointment of the members of the Executive Committee and its Chairman;
- b) Granting of powers to one or more directors to specifically deal with certain management matters;
- c) Appointment of specialist committee members, which may be established pursuant to article 10 of the Internal Regulations of the Board of Directors; and
- d) Replacement by co-option of missing directors subject to ratification in the first subsequent General Meeting, according to the applicable legal provisions.

### II.11.2. Rules relating to the Appointment and Substitution of Members

In accordance with legislation and the Articles of Association<sup>43</sup>, the election and dismissal of members of the Board of Directors<sup>44</sup> and the Audit Committee is the responsibility of the General Meeting. It is the responsibility of the General Meeting to elect the Chairman and Vice-Chairman of the Board of Directors. In turn, the Chairman of the Audit Committee is chosen by the General Meeting or the Committee itself, should the General Meeting not do so<sup>45</sup>.

In accordance with the Articles of Association<sup>46</sup>, a minority of shareholders who voted against the winning proposal appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

CSC rules apply<sup>47</sup> with regard to the substitution of members of the Board of Directors and members of the Audit Committee, 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 Company's Articles of Association<sup>48</sup> 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.

In accordance with legislation and the Articles of Association<sup>49</sup>, the Statutory Auditor is appointed by the General Meeting under a proposal of the Audit Committee. His dismissal also falls to the General Meeting.

<sup>43</sup> Article 8(2)(b).

<sup>44</sup> cf. Article 15(3) of the Articles of Association and Article 2(1) of the Board of Directors Regulations

<sup>45</sup> cf. Article 21(2) of the Articles of Association and Article 3(2) of the Audit Committee Regulations

<sup>46</sup> Article 14(2).

<sup>47</sup> Article 393(3) and Article 423(H).

<sup>48</sup> cf. Article 19(8) and (9)

<sup>49</sup> Article 8(2)(c).

## II.12. Number of Board of Directors and Audit Committee Meetings. Drawing up of the respective Minutes

The Company's Articles of Association and the respective internal regulations, the Board of Directors holds ordinary meetings at least bi-monthly, on dates established by agreement between its members for each calendar year, and extraordinary meetings whenever convened by its Chairman, by any 2 directors or by the Statutory Auditor. During the first eighteen months in its term in office, the Board of Directors shall meet monthly<sup>50</sup>.

During the financial year of 2012, the Board of Directors held fourteen meetings. For each meeting the respective minutes were drawn up.

The drawing up of the minutes of the Board of Directors meetings is the responsibility of the Company Secretary. The minutes shall be submitted for the approval of the Board at the ordinary meeting after that to which they refer<sup>51</sup>.

Meetings of the Audit Committee 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. For each meeting, the respective minutes are drawn up, which are submitted for approval at the ordinary meeting after that to which they refer<sup>52</sup>.

In 2012, the Audit Committee held 16 meetings.

## II.13. Number of Meetings Held by the Executive Committee Sending of the respective meetings Invitations to Convene

Executive Committee meetings are held, as a rule, once a week<sup>53</sup>.

In 2012, the Executive Committee held 47 meetings, for which the relevant minutes were drawn up<sup>54</sup>.

The Chief Executive Officer sends to the Chairmen of the Board of Directors and of the Audit Committee the notices to convene and the minutes of the meetings of the Executive Committee. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request.

## II.14. Incompatibility Rules and Independence Criteria for Executive and Non-Executive Members

The Board of Directors shall include a number of non-executive members ensuring effective ability to supervise, monitor and assess the activity of the executive members. Therefore, on 31<sup>st</sup> December 2012 and on this date, twelve of the fifteen members of the REN Board of Directors were non-executive directors.

Taking into account the assessment criteria of independence laid down in CMVM's Recommendation II.1.2.3. and in Article 414(5) of the Portuguese Companies Code, the REN Board of Directors considers the following non-executive directors as independent:

Name	Position
José Luís Alvim Marinho	Chairman of the Audit Committee
José Frederico Vieira Jordão	Member of the Audit Committee
Emílio Rui Vilar	Member of the Audit Committee
José Luís Arnaut	Non-Executive Member of the Board of Directors

<sup>50</sup> Article 19(1) of the Articles of Association and Article 4(2) and (3) of the Board of Directors Regulations

<sup>51</sup> Article 5(4) of the Board of Directors Regulations.

<sup>52</sup> Articles 8 and 9 of the Audit Committee Regulations.

<sup>53</sup> Article 2 of the Executive Committee Regulations.

<sup>54</sup> cf. Article 5 of the Executive Committee Regulations

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 stipulated in paragraph 1 of article 414-A of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

In light of the above, REN fully complies with Recommendations II.1.2.1 to II.2.1.3, as the Board of Directors comprises an adequate number of non-executive members and, among these, independent members.

Also with regard to members of the Audit Committee, this body understands that all its members have suitable competences for exercising their respective duties, including a suitable degree and knowledge of auditing and accounting, with the Company also complying with Recommendation II.1.3.1.

## II.15. Rules on Gauging the Independence of Members of the Board of Directors

The independence of Company directors is gauged based on the relevant rules in Article 414(5) and Article 414A(1) (with the exception of b)) in the CSC, and is pursuant to the information and declarations provided by the directors themselves.

Moreover, at the Company General Meeting held on 27<sup>th</sup> March 2012, the introduction of a new provision into the Articles of Association was approved – Article 7-A, which governs the special system of incompatibilities applicable to the exercising of duties in any REN corporate body. The aim of this new proposal 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 electric or natural gas sectors, either in Portugal or abroad. It should be noted that the system established in this provision would not apply to the members elected at the same General Meeting. It will only be fully applied for the election of members of future corporate bodies.

## II.16. Non-Executive Director Candidate Selection Process

Taking into account that, under the law and the Articles of Association, the election and dismissal of the members of the Board of Directors of the Company is within the scope of powers of the General Meeting, and is carried out through lists of people selected by the proposing shareholder(s), with voting taking place on these lists, the shareholders have an exclusive role in this selection process, without any intervention by executive directors.

The Board of Directors of the Company will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case, since it is non-delegable competence of the Board of Directors, all Directors are involved in the resolution of co-option, except in the event of conflicts of interest.

In any case, in the absence of a specialized committee, concerning selection/appointment matters, as explained in II.2. above, the continuous monitoring of matters relating to the assessment of the overall performance of the Board of Directors, as well as the analysis of the appropriate profile for the performance of the functions of REN Directors is a competence of the non-executive members of the Board of Directors, within their supervisory role.

## II.17. Description of the Activity of Non-Executive Directors

In compliance with their competences, in 2012, the Non-Executive Directors of the Company performed their supervisory duties of the executive members in an effective manner and without detecting any constraints.

Therefore, pursuant to the CSC, the Articles of Association and the Board of Directors Regulations, the Non-Executive Directors have performed the duties necessary to comply with their general duty to monitor the work of the Executive Committee. We are providing in this report, which is an integral part of the annual management report, a description of the work of Non-Executive Directors relating to their supervisory duties during 2012:

- a) the exercising of duties within the Audit Committee by the three Non-Executive Directors on said Committee;
- b) participation in the meetings of the Board of Directors and the timely appreciation of matters discussed there, taking on an important role in formulating corporate strategy and in the supervision of its implementation;

- c) presentation of requests to the Executive Committee for clarifications on matters relating to the management status of the company. Of note among these matters are financial aspects, internal control and risk management, matters on governance and regulatory aspects; and
- d) the permanent monitoring of issues relating to: (i) the model and principles of Company governance; (ii) the assessment of the overall performance of the Board of Directors and the analysis of the appropriate profile to perform the functions of a REN director; as well as (iii) the assessment of the performance of the Executive Directors.

### **II.18. Professional Qualifications of Members of the Board of Directors, Information on the Professional Activities they have carried out, covering at least the previous five years, the Number of shares they hold in the Company, Date of first Appointment and Date of End Term of Office**

This information can be found in Annexes I and II of this report.

### **II.19. Duties which the Members of the Board of Directors carry out in other companies, with a break down of duties in other companies of the same Group**

The duties carried out by the Members of the Board of Directors in other companies can be found in Annex I of this report.

Section III - General and Supervisory Council, Financial Matters Committee and Fiscal Council

The information required in paragraphs II.21. to II.28. of CMVM Regulation No 1/2010 does not apply to REN, bearing in mind that the Company adopted an Anglo-Saxon model of governance.

## **Section IV – Remuneration**

### **II.29. and II.30. Remuneration Policy for Management and Supervisory Bodies**

REN's remuneration policy for 2012 takes into account the recent legal, regulatory and recommendatory rules regarding the remuneration of the members of corporate bodies, to which REN is subject, on one hand, as an issuer of shares admitted to trading and, on the other hand, up to 25<sup>th</sup> May 2012, it was a public company.

The following instruments are of special note due to their importance and impact on REN's remuneration policy for 2012:

- a) As an issuer of shares admitted to trading, REN is subject to Law No. 28/2009 of 19<sup>th</sup> June and to CMVM Regulation No. 1/2010, as well as to CMVM Recommendations;
- b) Moreover, as a company of the corporate sector of the State, REN is subject to (i) Council of Ministers Resolution No. 49/2007 of 28<sup>th</sup> March, on the principles of corporate governance, and (ii) Ministerial Order No. 11420/2009 of 11<sup>th</sup> May, which develops that Resolution with regard to remuneration;
- c) Up to 25<sup>th</sup> May 2012, REN was also subject to compliance with the Statute of Public Manager, approved by Decree-Law No. 71/2007 of 27<sup>th</sup> March, with its current wording, as well as to other laws which govern the setting of monthly salaries for public managers;
- d) Due to the implemented exceptional measures of budget consolidation, until 25<sup>th</sup> May 2012, temporary restrictions on the remuneration of members of corporate bodies were applicable to REN, in particular Law No. 12-A/2010 of 30<sup>th</sup> June and Law No. 64-B/2011 of 30<sup>th</sup> December, which approved the State Budget for 2012.

As part of its duties, the REN Remunerations Committee approved the declaration on the remunerations policy for REN corporate bodies for 2012, annex to the 2011 report (Annex II), which was submitted to vote and approval at the annual General Meeting of 27<sup>th</sup> March 2012.

As referred to above, further to the conclusion of the second stage of REN privatization, the Remunerations Committee approved new remunerations policy for REN corporate bodies, which came into effect on 1<sup>st</sup> June 2012. The REN Remuneration Committee will therefore submit a declaration on the abovementioned remunerations policy for approval at the annual General Meeting for 2012, to apply to the 2012-2014 term of office, with effect as of that date (Annex II).

The abovementioned declarations cover all company officers (within the meaning of the provision of Article 248-B(3) of the Securities Code), given that the REN Board of Directors understands that those officers correspond only to the members of the company's management and Supervisory Bodies.

The Company considers that there are no other workers who are entitled to remuneration with a significant variable component, whose professional activity may have a relevant impact on the Company's risk profile.

In 2012, REN adopted a transparent and equitable remuneration system which, on one hand, respects the remuneration restrictions applicable to the public sector, and on the other, is flexible with a view to being able to adopt the Recommendations of the CMVM, as described below:

- a) Remuneration of the members of management and supervisory bodies includes a fixed component, determined by taking into account the policies followed by a series of national and European peers identified in Annex II;
- b) Remuneration of the Non-Executive Directors, including the members of the Audit Committee, is composed exclusively of a fixed component, thus is not dependent on the performance or value of REN;
- c) In turn, remuneration of the members of the Executive Committee includes, in addition to a fixed component, a variable component determined, essentially based on four general criteria described in more detail in II.33 below: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) equity, in that remuneration must be based on uniform, consistent, fair and balanced criteria; (iii) assessment of performance, in accordance with duties and the level of responsibility of the person in question, as well as the assumption of suitable levels of risk and compliance with the rules applicable to REN business; and (iv) alignment of directors' interests with the Company's and its sustainability and creation of long-term wealth.

### **II.31. Individual Remuneration of the Members of Management and Supervisory Bodies**

At the General Meeting of 27<sup>th</sup> March 2012, shareholders voted in favor of a proposal to terminate the term of office underway for the three-year period 2010-2012. It was also determined that 2012 would be the reference point for the start of new terms of office for corporate bodies, the first of which will be for the three year period 2012-2014. Therefore, new corporate bodies were elected for the 2012-2014 term of office.

With regard to the period referring to the previous term of office, listed below are the remunerations of the Members of Management and Supervisory Bodies, individually and as a whole, which only includes the fixed remuneration:

**TERM OF OFFICE CONCLUDED ON 27/03/2012**

<b>Name</b>		<b>Fixed Remuneration<sup>(1)</sup></b>
Rui Cartaxo	Chairman of the Board of Directors and the Executive Committee	81 229.45 <sup>(2)</sup>
Aníbal Santos	Executive Committee	61 005.10
João Caetano Conceição	Executive Committee	61 005.10
João Plácido Pires	Executive Committee	61 005.10
João Nuno Palma <sup>(3)</sup>	Executive Committee	689.52
José Morgado	The Board of Directors	6 445.32
EGF, S.A.	The Board of Directors	6 445.32
Oliren, SGPS, S.A.	The Board of Directors	6 445.32
Red Eléctrica Corporación, S.A.	The Board of Directors	6 445.32
José Luis Alvim	Audit Committee	12 135.48
José Frederico Jordão	Audit Committee	9 770.84
Fernando Rocha de Andrade	Audit Committee	9 770.84
<b>Total</b>		<b>322 392.71</b>

<sup>(1)</sup> The established fixed remuneration was reduced in accordance with legislation applicable to public managers.

<sup>(2)</sup> This sum includes EUR 15 165.00 paid by the subsidiary Red Eléctrica Corporación, S.A., a Company incorporated under Spanish Law, in which Rui Cartaxo inherently holds the office of member of the Board of Directors.

<sup>(3)</sup> Resigned as Member of the Board of Directors and of the Executive Committee on 2<sup>nd</sup> January, 2012

As mentioned above, in the term of office started on 27<sup>th</sup> March 2012, the sum of remunerations paid to members of corporate bodies took into account two distinct time frames:

- a) Up to 31<sup>st</sup> May 2012, the rules in effect from the previous term in office were applied;
- b) From 1<sup>st</sup> June 2012, the new remuneration policy has been applied as approved by the Remunerations Committee elected at the General Meeting of 27<sup>th</sup> March.

Therefore, the remunerations of the members of the management and supervisory bodies, individually and as a whole, which only included a fixed component, were as listed below and:

**TERM OF OFFICE STARTED ON 27/03/2012**

Name		Fixed emuneration <sup>(1)</sup>
Rui Cartaxo	Chairman of the Board of Directors and the Executive Committee	282 540.21 <sup>(1)</sup>
João Caetano Conceição	Executive Committee	224 324.19
Gonçalo Morais Soares	Executive Committee	224 344.67 <sup>(2)</sup>
Guangchao Zhu	Vice-Chairman of the Board of Directors	47 173.63
Mengrong Chen	The Board of Directors	21 506.94
Haibin Wan	The Board of Directors	21 506.94
Hilal Al-Kharusi	The Board of Directors	21 506.94
Aníbal Santos	The Board of Directors	20 205.00
EGF, S.A.	The Board of Directors	25 779.68
Manuel Champalimaud	The Board of Directors	15 000.00
Red Eléctrica Corporación, S.A.	The Board of Directors	25 779.68
José Luís Arnaut	The Board of Directors	18 900.00
José Morgado	The Board of Directors	10 779.68
José Luis Alvim	Audit Committee	52 989.52
José Frederico Jordão	Audit Committee	42 439.16
Emílio Rui Vilar	Audit Committee	35 777.22
<b>Total</b>		<b>1 090 553.46</b>

<sup>(1)</sup> This sum includes EUR 153 028.88 paid by the subsidiary Red Eléctrica Corporación, S.A., a Company incorporated under Spanish Law, in which he inherently holds the office of member of the Board of Directors.

<sup>(2)</sup> In the context of the recruitment and selection process concerning a new member for the Executive Committee for the position of Chief Financial Officer, Gonçalo Morais Soares, the reference shareholders decided to grant a supplementary remuneration to said director in the amount to EUR 100.000,00, to be paid only once, in addition to the fixed and variable remunerations paid to the directors. This supplement has accrued to the amounts referred to in the table above, thus contributing to consolidate the main goals of REN's remuneration policy, namely the ability to attract and preserve highly qualified professionals.

## II.32. Alignment with Long-Term Company Interests, Remuneration based on Performance and Disincentive to Take on Excessive Risk

It is intended that the remuneration of the Executive Committee be composed of a fixed component and a variable component. There should be an adequate proportionality between both components, as explained in II.33 below.

In accordance with the new remuneration policy in effect since 1<sup>st</sup> June 2012, the variable component of remuneration for 2012 may include a short-term parcel ("RVCP") and a medium-term parcel ("RVMP"), both based on a performance assessment with weighting on key individual performance indicators of the director and the performance of the Company itself, described in more detail in II.33 below. Such indicators seek to bring the interests of the executive directors closer to the long-term interests of REN and its shareholders.

The main aims of the proportionality between the fixed and variable components and the limits to variable remuneration (i.e. between 20% and 120% of fixed remuneration, in a gradual manner and as better described in II.33 below) are to dissuade taking on excessive risk and to stimulate the adoption of a suitable risk management strategy.

### II.33. With regard to the Remuneration of Executive Directors

#### **a) and c) Reference to the fact that the Remuneration of Executive Directors includes a Variable Component, Information on How this Component depends on Performance Assessment and indication of dos Assessment Criteria**

the awarding of RVCP and RVMP is subject to the following common requirements:

- ▶ The awarding of the variable component of the remuneration only takes place after approval of the accounts and the performance assessment for the year to which the payment refers and only when predefined objectives have been complied with, measured against individual and company performance indicators, indexed to targets in the REN strategic plan;
- ▶ The degree of achievement of defined goals is measured through an annual performance assessment, based on a predefined model. Therefore, if compliance with goals falls below 80% (minimum performance level), no payment of variable remuneration takes place. However, if compliance with goals lies between 80% and 120% or greater, the corresponding total variable remuneration will equate to between 20% and 120% of the fixed remuneration.

Particularly, RVMP has the following characteristics which contribute to the alignment of the interests of REN executive directors with those of the Company and shareholders:

- ▶ RVMP is set in Remuneratory Units which refer to every financial year in the term of office in which each executive director has performed duties;
- ▶ Each Remuneratory Unit has a value corresponding to the REN share price at the date the RVMP is set and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN shares;

The abovementioned annual performance assessment for the awarding of RVCP and RVMP throughout the term of office is based on the following Key Performance Indicators (KPI),

- i) Average Cost of Debt;
- ii) Return on Invested Capital;
- iii) EBITDA abroad;
- iv) Earnings per Share (compound annual growth rate – CARG; and
- v) EBITDA CARG.

These objective criteria are mechanisms intended to promote a proper alignment with medium and long-term interests of the Company and shareholders and shall be determined for all financial years, regardless of the existence of variable remunerations.

#### **b) Indication of the competent Corporate Bodies to conduct the Performance Assessment of Executive Directors**

Performance assessment of members of the Executive Committee is carried out by the Remunerations Committee, with the support of the Company's non-executive directors. Of note is the role played by the Audit Committee in the verification of the quantitative elements of the assessment.

#### **d) Explanation of the Relative Importance of the Variable and Fixed Components in the Remuneration of Directors, as well as an Indication of the Maximum Limits of each Component**

The fixed component corresponds to a monthly amount paid in twelve installments over the year. The annual value of the fixed component of remuneration earned in 2012 by the members of the Executive Committee is described in II.31 above.

In turn, depending on the level of success in targets as referred to above, the total variable component is graduated between 20% and 120% of the fixed component.

**e) and f) Indication on the Deferral of Payment of the Variable Component of Remuneration, with Mention of the Deferral Period and Explanation on How the Payment of Variable Remuneration is subject to Continued Positive Performance of the Company over the Deferral Period**

In accordance with the remuneration policy in effect since 1<sup>st</sup> June 2012, the granting of the RVCP shall correspond to an amount up to 50% of the global variable remuneration granted in relation to each relevant year.

In turn, RVMP is set in Remuneratory Units which refer to every financial year of the term of office in which each executive director has performed duties, and is structured to ensure deferral of payment and is conditioned to continued positive performance, through the following channels:

Each Remuneratory Unit has a value corresponding to the REN share price at the date the RVMP is set and this value evolves in a manner equal to that of the Total Shareholder Return (TSR) for REN shares;

The entitlement executive directors have to convert their Remuneratory Units is attained on a successive basis. The units are broken down into thirds and the first 1/3 is consolidated at the end of the first financial year while the remaining 2/3 are consolidated at the end of subsequent financial years, as long as the director performs executive duties in the respective financial year (except if termination occurs as a result of acquisition of a controlling position in REN);

Remuneratory Units will be automatically converted into cash or, should the REN General Meeting come to deliberate, into REN shares, either partially or totally, when three years have elapsed since the date on which they were awarded.

**g) Sufficient Information on Criteria on which the Awarding of Variable Remuneration in Shares is based, as well as on the Maintaining, by Executive Directors, of Company Shares they have accessed, with regard to the possible signing of Contracts on such Shares**

There are no programs or variable remuneration plans that consist of the allocation of shares, options to purchase shares or other incentive systems 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 248-B(3) of the Portuguese Securities Code (except the RVMP (Medium-Term Variable Remuneration) index for the REN share price, as described above).

However, the remuneration policy approved by the Remuneration Committee and which came into effect on 1 June 2012, determines that, within the scope of RVMP, Remuneratory Units can be converted into REN shares, either partially or totally, should the REN General Meeting so deliberate.

**h) Information on Criteria on which the Awarding of Variable Remuneration in Options is based and Indication of the Deferral Period and the Price**

See sub paragraph g) above.

**i) Identification of the Main Parameters and Basis of any System of Annual Bonuses and any other Non-Monetary Benefits**

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and that referred to in p) above.

**j) 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**

There are no payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

**l) Compensation paid or due to Ex Executive Directors for the Termination of their Duties during Office**

There are no agreements between the Company and the members of the managing and supervisory bodies providing the award of compensation in the event of directors' resignation or dismissal from office.

No other amounts are due and no other amounts were paid in 2012 as compensation, beyond the sums listed below:

Taking into account the early termination of the 2010-2012 term in office, the Remuneration Committee set a compensation payment for outgoing directors, due to the reduction by one year of the term of office started in 2010.

Therefore, and taking into consideration that the members of the REN Board of Directors who, up to the coming into effect of the second REN privatization stage, were subject to the State's Public Manager Status, approved by Decree-Law No. 71/2007 of 27<sup>th</sup> March, currently in the version resulting from Decree-Law No 8/2012 of 18 January (applicable through the fact that REN was considered, up to the end of the second privatization stage, to be a public company for the purposes of Article 3 of Decree-Law No. 558/99 of 17<sup>th</sup> December) it was deliberated to award outgoing directors with compensation corresponding to the base salary paid in the respective term of office for a period of twelve months. This decision was governed by the provisions of Article 26(4) of the abovementioned Public Manager Status.<sup>55</sup>

Based on the applicable legislation, the following compensation was paid:

Compensation for early termination of term of office		
Name		
Aníbal Santos	Executive Committee	229 560.00
João Plácido Pires	Executive Committee	31 500.00
José Carvalho Neto	The Board of Directors	29 940.00
Oliren, SGPS, S.A.	The Board of Directors	29 940.00
Fernando Rocha de Andrade	Audit Committee	41 304.00
<b>Total</b>		<b>362 244.00</b>

**m) Reference to the Contractual Limitation for Compensation to be paid for Unfair Dismissal of a Director and its Relation to the Variable Remuneration Component**

Upon termination of the management functions by agreement or by dismissal without fair grounds, no indemnification shall be paid if the termination or dismissal is due to inadequate performance by the director, in line with the remunerations policy approved by the Company's Remunerations Committee.

**n) Sums of any nature paid by other Companies in a Domain or Group Relationship with REN**

The members of the corporate bodies of REN did not receive any amounts paid by other companies in a domain or group relationship with REN.

**o) Description of the Main Characteristics of the Complementary Systems for Pensions or Early Retirement for Directors, indicating if they were or were not, subject to Appreciation by the General Meeting**

<sup>55</sup> "In cases of return to duties or the acceptance, within the time referred to in the previous point, of duties or a position in the civil service or with a public company, or in the case of return to duties previously carried out by managers appointed through a commission of service or special or occasional assignment, the compensation possibly due is reduced to the sum of the difference between the salary as a manager and the salary of the position of origin on the date that duties as a manager terminated, or the new salary, and the part of the compensation which may possibly have been paid shall be returned."

There is no system of retirement benefits for the members of the managing and supervisory bodies.

**p) Estimate of the Value of relevant Non-Monetary Benefits considered as Remuneration not covered by the Situations above**

In 2012, Executive Directors were entitled to the use of a car, a cell phone, health insurance, life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is € 20 000/director.

**q) Existence of Mechanisms which impede Executive Directors from signing Contracts which jeopardize the Reason for the Existence of Variable Remuneration**

Bearing in mind the objectives sought through the remuneration model stipulated herein, executive directors of the Company shall not take out contracts designed to mitigate the risk inherent to the variability of their remuneration, as stipulated in the remuneration policy approved by the Remuneration Committee.

### **II.34. Reference to the Fact that the Remuneration of Non-Executive Directors on the Board of Directors does not include Variable Components**

Non-executive directors' remuneration is exclusively composed of a fixed component, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter. Their remuneration is paid in twelve monthly installments during the year.

### **II.35. 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 cause adverse effects on the REN Group.

This system covers the communication of irregular practices by shareholders, members of corporate bodies, employees or service providers of the REN Group.

Communications must be submitted in writing to the head office or via electronic mail to [comissao.auditoria@ren.pt](mailto:comissao.auditoria@ren.pt), which is only accessible by the Audit Committee for this purpose. Communications must contain all the information the author has and considers necessary to the assessment of the irregularity.

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identification in the communication of the irregularity, which will only be disclosed for the purposes of investigations 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.

The investigation process by the Audit Committee includes a preliminary stage with the aim of (i) conducting an in-depth investigation which may use contracted external consultants, (i) rejection of the communication, or (iii) presentation of a proposal for corrective measures to the Board of Directors or the Audit Committee.

### **II.36. Performance Assessment Committees for Executive Directors and the Governance System and Identification of potential candidates for the position of Director**

See point II.2 above

### **II.37. Number of Meetings of Management And Supervision Committees**

See point II.2 above

### **II.38. Knowledge and experience of Members of the Remunerations Committee**

See point II.3.7. above

### II.39. Independence of the Members of the Remunerations Committee

See point II.3.7. above

## 6.3 INFORMATION AND AUDITING

### III.1. Capital Structure

REN's share capital, in the amount of EUR 534 000 000 (five hundred and thirty-four million Euro) is represented by 534 000 000 (five hundred and thirty-four million) shares with a face value of EUR 1.00 (one Euro), in the form of nominative book-entry shares, divided as follows<sup>56</sup>:

- a) 475 260 000 (four hundred and seventy-five million, two hundred and sixty thousand) class A shares, corresponding to 89% of REN's share capital;
- b) 58 740 000 (fifty-eight million, seven hundred and forty thousand) class B shares, corresponding to 11% of REN's share capital.

Class A shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder, under the terms of legislation.

Class B shares are shares to be privatized and the only special entitlement they have is that they do not subject holders to the voting limitation stipulated in Article 12(3) of the Articles of Association (see I.7. above).

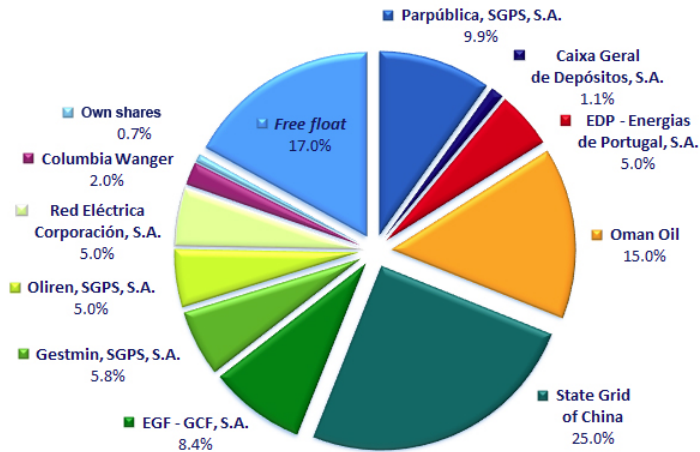
On 31 December 2012, all of REN's class A shares were admitted to trading on Euronext Lisbon, with the exception of 213 600 000 shares held by State Grid Europe Limited and Mazoon B.V., corresponding to code PTRELOAM0008.

### III.2. Qualified Holdings in Company Capital, calculated pursuant to Article 20 of the Portuguese Securities Code

Qualified shareholdings held in REN's share capital, on 31<sup>st</sup> December 2012, are listed in Annex II, which also includes the identification of shares held by members of REN's management and supervisory bodies, as well as transactions carried out by these members of corporate bodies or people related to them.

Thus, using as a reference the announcements made to the Company, pursuant to CSC Article 447, Article 16 of the Portuguese Securities Code and Article 14 of CMVM Regulation No. 5/2008, the structure of voting rights stemming from REN's qualified shareholdings, calculated pursuant to Article 20(1) of the Portuguese Securities Code, with reference to the date of 31<sup>st</sup> December 2012, can be summarized as follows:

<sup>56</sup> cf. Article 4(1) and (2) of the Articles of Association



### III.3. Identification of Shareholders who have Special Rights

All Class B shares, corresponding to 11% of REN capital, are held by Parpública – Participações Públicas (SGPS) S.A. See paragraph III.1. on special rights conferred to this class of shares.

In turn, according to Article 4 of the Articles of Association, the transfer of Class B shares to non-public entities, pursuant to the conclusion of a phase of REN's privatization process, determines the automatic conversion of Class B shares into Class A shares.

### III.4. Possible Restrictions on the Transferability of Shares, such as Consent Clauses for Disposal, or Limitations on Ownership of Shares

There are no limitations on the transferability of shares representing REN capital, which are freely tradable on the regulated market, without prejudice to the legal limitations (lock up) established within the scope of the second stage of REN privatization and applicable to shareholders who acquire their holdings in such a context.

With regard to limitations on ownership and the exercising of voting rights, see I.7. and I.20. above on the limitations expressed in the Articles of Association arising from the legal system applicable to the electricity and gas sector.

### III.5. Shareholder Agreements which could lead to Restrictions with regard to the Transfer of Securities or Voting Rights

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.

### III.6. Rules applicable to Resolutions by Qualified Majority

Changes to the Articles of Association are subject to the relevant rules as stipulated by law<sup>57</sup> and in the Articles of Association<sup>58</sup> themselves. Therefore:

- a) The quorum required to constitute the General Meeting, at first call, is 51% of capital;
- b) Both for the first call as well as the second, resolutions on changes to the Articles of Association, splits, mergers, transformation or dissolving of the Company, shall only be considered as approved by two thirds of the votes issued;

<sup>57</sup> cf. Article 383 of the Portuguese Companies Code

<sup>58</sup> cf. Article 11

- c) Resolutions for changes relating to Articles 7-A and 11 and Article 12(3) of the Articles of Association require the approval of three quarters of the votes issued.

### III.7. Control Mechanisms available in a possible Worker Participation System in Capital, in that Voting Rights Shall not be Directly exercised by said Workers

There are no systems for worker participation in the share capital of the Company.

### III.8. Description of the Evolution of the Company's share price

In 2012, REN shares fell by 2.6%, a less accentuated fall than in the previous year (18%). REN's shares have been affected by the successive downgrades of the sovereign public debt, awarded by rating agencies that, despite defining REN's risk profile as low, considered that REN's rating must not exceed that of the Portuguese State by more than one notch, due to the fact that the Portuguese State is a majority shareholder of REN's share capital and that REN is a regulated company that focuses its activities in the domestic market.

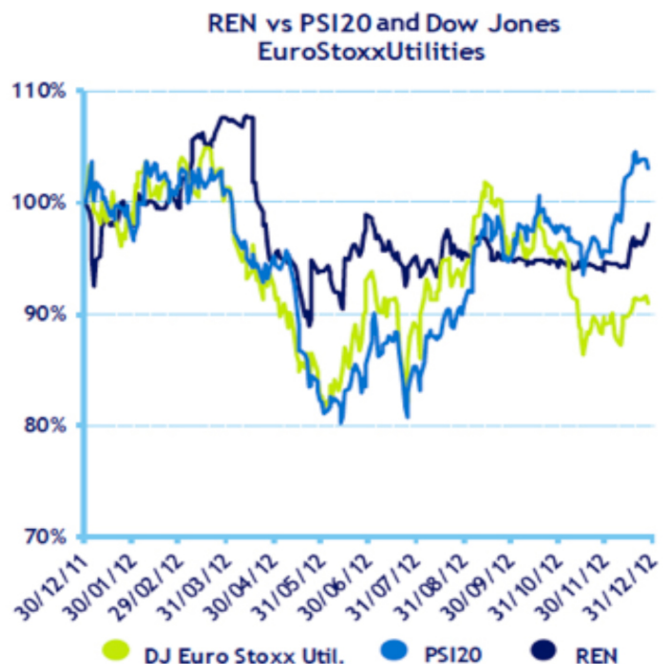
In February 2012, Moody's announced that it would maintain REN's rating at Ba1, placing the Company under review for possible downgrade. In the same month, Standard and Poor's reviewed REN's long and short term rating from "BBB - / A-3" to "BB+ / B", as well as the rating of the respective senior non-guaranteed debt from "BBB-" to "BB+", as a result of the downgrade in Portugal's rating. At the same time, they removed REN's ratings from CreditWatch, changing them to a negative outlook.

Finally, in October, Moody's decided to REN's rating, as they considered that the additional liquidity provided by financing and the continued support of State Grid contribute significantly to mitigation of the risk for REN's medium-term refinancing, as well as due to its reduced connection to Portugal's rating.

REN liquidity almost doubled as compared to the previous year: average daily transactions rose from around 241 000 in 2011 to 414 000 in 2012. This result was due to the contractual operations between EGF, Millennium BCP, Morgan Stanley and JPMorgan, duly communicated to the market, which involved more than 28 000 000 REN book-entry nominative shares. Therefore, the liquidity recorded on 8<sup>th</sup> March, 4<sup>th</sup> June and 4<sup>th</sup> December 2012, was greater than 28 000 000. If we do not consider these operations, the figure for average daily transactions was 85 054 shares.

Euronext Lisbon		31/Dec/2011 to 31/Dec/2012
Price (€)	Close	2.055
	Maximum	2.295
	Minimum	1.800
	Average	2.046
Transactions	Volume (millions)	106.0
	Average daily volume (millions)	0.414
	Accumulated Transactions (M€)	216.89
	Average daily transactions (M€)	0.85
Value	Stock Market Cap (31/Dec/12; M€)	1 097,37
Variation since start of year		
Δ%	PSI20	2.9%
	REN	-2.6%

Font: Bloomberg



Having started the year trading at EUR 2.10, REN's shares hit a minimum price of EUR 1.80 on 13 August and closed the year at EUR 2.06 with a market capitalization close to EUR 1.1 Billion . REN is on the PSI20 index with a weighting of 1.48%, and can be found on a total of 240 market indexes, including Euronext PSI Utilities, NYSE Euronext Iberian and Euronext Top 150.

REN EVOLUTION AND TRANSACTIONS IN 2012



Font: Bloomberg

In 2012, 83 announcements were made to the market regarding privileged information and other events affecting REN's share price. The following graph shows the evolution of closing prices and the number of published communications for every month.

REN – COMMUNICATIONS TO THE MARKET AND OTHER FACTS



Font: Bloomberg, CMVM

The chart and table below summarize the most significant events during 2012.

List of Event	Date	Description	Type
1	02-02-2012	Strategic partnerships with State Grid e Oman Oil	Material Information
2	03-02-2012	Presentation on the strategic partnerships with State Grid e Oman Oil	Material Information
3	15-02-2012	Qualified shareholdings (Columbia Wanger)	Qualifying Holdings and Shareholders' Agreements
4	16-02-2012	Rating maintenance (Moody's)	Material Information
5	21-02-2012	Amendment agreements in relation to the concession agreements	Material Information
6	22-02-2012	Entered into strategic partnerships with State Grid e Oman Oil	Material Information
7	22-02-2012	Qualified shareholdings (State Grid)	Qualifying Holdings and Shareholders' Agreements
8	23-02-2012	Qualified shareholdings (Oman Oil)	Qualifying Holdings and Shareholders' Agreements
9	28-02-2012	Rating review (S&P)	Material Information
10	01-03-2012	2011 Annual Results report	Material Information
11	08-03-2012	Issue of debt instruments	Material Information
12	14-03-2012	Issue of debt instruments (20M€)	Material Information
13	16-03-2012	Qualified shareholdings	Qualifying Holdings and Shareholders' Agreements
14	16-03-2012	Qualified shareholdings	Qualifying Holdings and Shareholders' Agreements
15	27-03-2012	Resolutions approved at the General Shareholders Meeting	Material Information
16	28-03-2012	Corporate bodies members of REN	Material Information
17	04-04-2012	Payment of dividends relating to the financial year of 2011	Dividends
18	09-04-2012	Purchase of a stake in a Mozambican company - Cahora Bassa	Material Information
19	14-05-2012	Results of the first quarter 2012	Material Information
20	23-05-2012	Approval of decree-law that changes shareholders voting rights	Material Information
21	25-05-2012	Qualified shareholdings (State Grid Europe Limited and Oman Oil Company)	Material Information
22	29-05-2012	Corporate Bodies members	Material Information
23	11-06-2012	Qualified holding position (JPMorgan, EGF)	Qualifying Holdings and Shareholders' Agreements
24	03-07-2012	Conclusion of the purchase of 7.5% of the HCB's share capital	Material Information
25	31-07-2012	Results of the first half of 2012	Material Information
26	31-07-2012	Replacement of member of the Board of Directors	Material Information
27	10-09-2012	REN Fixed Rate Notes 2012-16	Material Information
28	27-09-2012	Qualifying holding (JPMorgan)	Qualifying Holdings and Shareholders' Agreements
29	05-10-2012	Issue of debt instruments (50M€)	Other documents relating to a admission
30	11-10-2012	China Development Bank Corporation approves 800 M€ loan	Material Information
31	17-10-2012	Moody's maintains REN's rating	Material Information
32	08-11-2012	First nine months 2012 consolidated results	Material Information
33	09-11-2012	New Strategic Plan 2012 - 2016	Material Information
34	23-11-2012	New Collective Bargaining Agreement proposal	Material Information
35	07-12-2012	Qualifying holding	Qualifying Holdings and Shareholders' Agreements
36	10-12-2012	Issue of debt instruments	Other documents relating to a admission

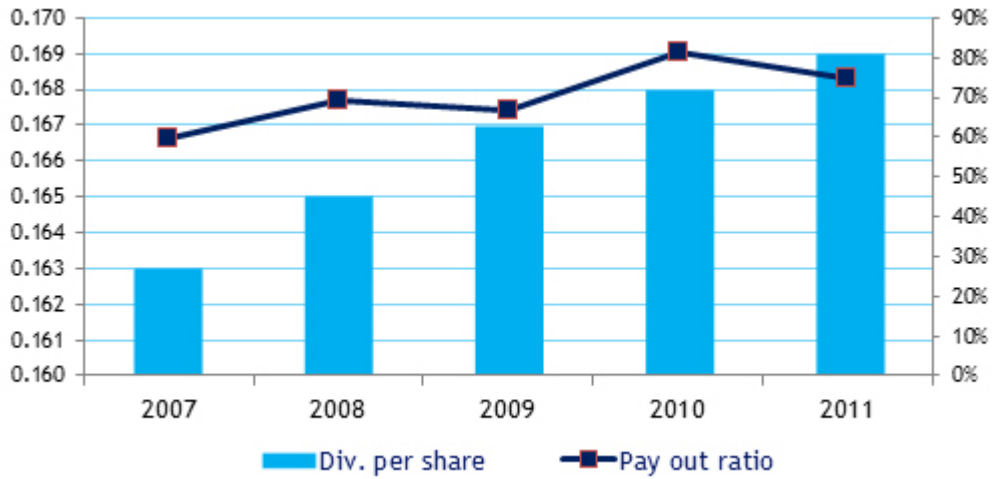
### III.9. Dividend Distribution Policy

REN's dividend policy depends on a number of factors, including REN's distributable profits, financial situation, financing needs (in particular with regard to capital expenditure and the investment plan), REN's business perspectives, conditions applicable to the pursuit of REN's activities and other factors deemed as relevant at the time of the allocation of results.

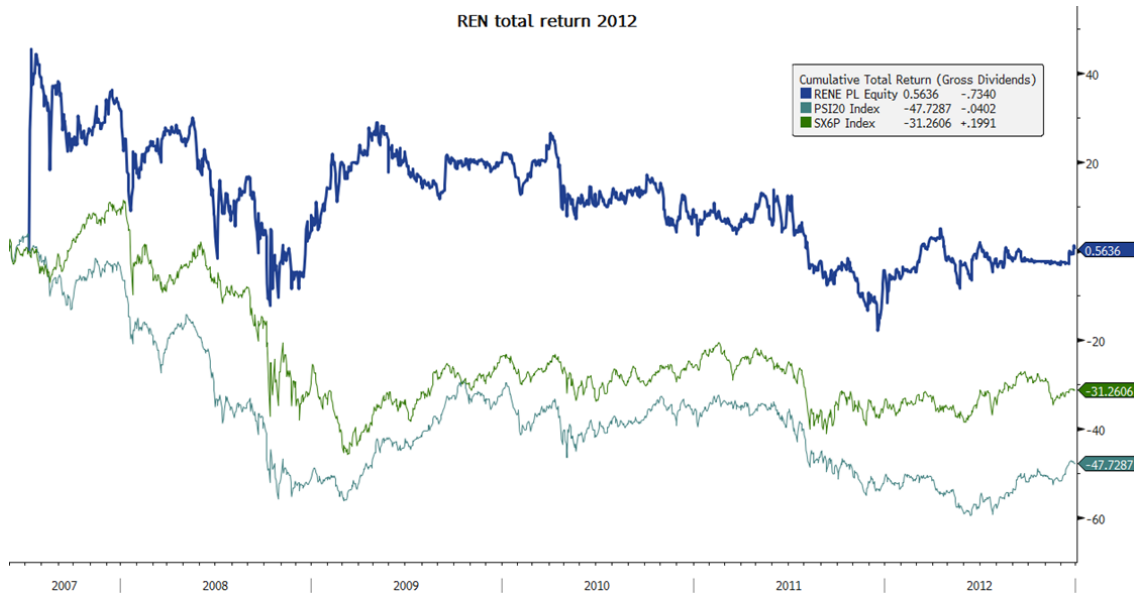
Historically, with the purpose to maintain an attractive dividend that falls within the range of its peers, REN has offered shareholders an annual dividend distribution from approximately 60% to 80% of its net results, as shown in the table below:

Year	Amount (M€)	Type	Payment year	Net result	Pay out ratio	Gross dividend per
2011	90.25	Ordinary	2012	120.6	75%	0.169
2010	89.71	Ordinary	2011	110.3	81%	0.168
2009	89.18	Ordinary	2010	134.0	67%	0.167
2008	88.11	Ordinary	2009	127.4	69%	0.165
2007	87.04	Ordinary	2008	145.2	60%	0.163

In 2012, REN distributed to shareholders, as dividends for the financial year 2011, a total amount of EUR 90 246 000.00, corresponding to a gross amount of EUR 0.169 per share and a net value of EUR 0.1268 per share (regardless of the share type), which was in line with the distribution in previous years.



Since the IPO carried out in July 2007, REN has provided a return to its shareholders that is significantly higher than the return provided by comparable indexes (+ 0.56%), notably the PSI 20 and the Dow Jones Euro Stoxx Utilities.



In 2012, twelve analysts regularly monitored REN's performance. Although it was a particularly adverse year for most companies listed in Portugal in the regulated market, REN closed the year with 2 recommendations to "buy", 9 "neutral/hold" recommendations and only 1 recommendation to "sell".

On 31<sup>st</sup> December 2012, the average price target of several investment houses was EUR 2.36, which represents a value increase potential of around 15% on the share price at the close of 2011.

Institution	Name	Target price	Recommendation	Date	Analyses REN since
Goldman Sachs	Manuel Losa	€ 2.20	Sell	18-Dez-12	06-Nov-12
Morgan Stanley	Carolina Dores	€ 2.00	Underweight	06-Dez-12	24-Jan-11
Espirito Santo Research	Fernando García	€ 2.32	Neutral	06-Nov-12	14-Jan-08
BPI	Gonzalo Sánchez-Bordona	€ 2.25	Hold	02-Nov-12	11-Set-07
Millennium	Vanda Mesquita	€ 2.60	Buy / Low risk	02-Out-12	15-Set-07
Barclays Capital	Monica Girardi	€ 2.50	Equal-weight	30-Ago-12	12-Abr-11
Santander	Bosco Muguiro	€ 2.22	Hold	19-Jul-12	20-Abr-11
CITI	Andrew Simms	-	Under review		
Societe Generale	Jorge Alonso	€ 2.05	Hold	02-Mar-12	12-Jan-10
BBVA	Daniel Ortea	€ 2.30	Market Perform	14-Fev-12	15-Jul-11
Caixa BI	Helena Barbosa	€ 3.20	Buy	04-Ago-11	14-Abr-08
EQUITA	Gianmarco Bonacina	€ 2.30	Hold	20-Jul-11	01-Fev-08
		<b>Average:</b>	<b>€ 2.36</b>		
<b>Note:</b> Target prices and recommendations at 31 December 2012					

### III.10. Plans to Award Shares and Share Purchase Options

There are no programs or variable remuneration plans that consist of the allocation of shares, options to purchase shares or other incentive systems 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 248-B(3) of the Portuguese Securities Code (without prejudice to that stipulated in II.33.g)).

### III.11. Business and Operations with the Management and Supervisory Bodies or with Companies which are in a Group or Control Relation, outside Normal Market Conditions

No business has been done between the Company and members of its Management or Supervisory Bodies or companies which are in a group or control relation, without prejudice to that referred to in Annex III on the acquisition of REN bonds.

### III.12. Business and Operations between the Company and those with Qualified Holdings or Entities which are in any Relation, pursuant to Article 20 of the Portuguese Securities Code, outside Normal Market Conditions

Annex IV contains the description of the main elements of the business and operations carried out between the Company and the holders of qualified shareholdings and entities with which they are in any relationship.

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 was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations.

### III.13. Intervention of the Supervisory Body for Purposes of Prior Assessment of Business to be carried out between the Company and those with Qualified Holdings

So as to facilitate control by the Audit Committee of transactions concluded or to be concluded by REN with related parties and the methodology to be adopted in the event of potential conflict of interests, the REN Audit Committee decided to propose new internal regulations to the Board of Directors to analyze and control transactions with related parties and prevent situations of conflict of interest, which were approved by the Board of Directors on 8 November 2012.

Under the terms of the abovementioned regulations, transactions carried out between a Related Party<sup>59</sup> and REN or its affiliates, which come under the situations listed below, will be submitted by the management body to the Audit Committee<sup>60</sup> for a prior opinion:

- a) The acquisition and sale of goods or the provision of services valued at over EUR 1 000 000 (one million Euro);
- b) The acquisition or disposal of shareholdings;
- c) New loans, financing and subscription of financial investments resulting in an overall annual indebtedness exceeding EUR 100 000 000 (one hundred million Euro), except when dealing with 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 the above criteria, has a value that exceeds EUR 1 000 000 (one million Euro) or must be considered relevant for this purpose by the Board of Directors, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

In turn, any business between a Related Party as referred to above, on the one hand, and REN or one of its Affiliates, which does not fall into any of the above circumstances, must be submitted by the management body to the Audit Committee<sup>61</sup> for its consideration.

If the Audit Committee issues an unfavorable prior expert opinion, approval of the transaction by the Board of Directors 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 of its Affiliates and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee<sup>62</sup>.

Finally, the Audit Committee submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest<sup>63</sup>.

### III.14. Description of the Statistical Information on Business subject to prior Intervention by the Supervisory Body

The Audit Committee did not intervene in any business or operations conducted 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, given that no situations arose in which such intervention was required under the terms described in III.13 above.

<sup>59</sup> That is, (a) a member of a REN managing or supervisory body or of any other company in a control or group relationship with REN, pursuant to Article 21 of the Portuguese Securities Code ("Affiliates") or (b) any individual who, due to the post he or she holds in REN or in the Affiliates, serves in a senior or managerial capacity, or who has regular or occasional access to privileged information ("Official") or (c) a shareholder who holds a qualified shareholding of at least 2% of REN's share capital or of that of the Affiliates, calculated under article 20 of the Portuguese Securities Code ("Relevant Shareholder") - or (d) a third-party body, related to an Official or a Relevant Shareholder by means of any relevant commercial or personal interest.

<sup>60</sup> cf. Point III(a) of the Regulations

<sup>61</sup> cf. Point III(b) of the Regulations

<sup>62</sup> cf. Point IV(4) and (5) of the Regulations

<sup>63</sup> cf. Point IX(1) of the Regulations

### III.15. Indication of the Availability on the Company's website of Annual Reports on work done by the Audit Committee

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints), and also submits an opinion on the management report of the Board of Directors, the financial statements, as well as on the Corporate Governance Report, which are available together with the accounting documents on the REN website ([www.ren.pt](http://www.ren.pt)).

### III.16. Investor Relations Office (IRO)

The Investor Relations Office (IRO) was set up in July 2007 and is devoted exclusively to relations with investors and the market in general. It may be contacted by the following means:

Ana Fernandes – Head of Office  
Alexandra Martins  
Telma Mendes

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: +351 21 001 35 46 | Telefax: +351 21 001 31 50 | E-mail: [ir@ren.pt](mailto:ir@ren.pt)

Since 28<sup>th</sup> March 2012, the Representative for Market Relations is the Director Gonçalo Morais Soares, who is also the Chief Financial Officer (CFO) of the REN Group. Until that date, his duties, were performed by the Chairman of the Board of Directors and Chief Executive Officer, Rui Manuel Janes Cartaxo.

The IRO has the following main duties:

- a) To act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing incorrect information;
- b) To ensure that feedback from institutional investors is communicated to the Executive Committee;
- c) To guarantee timely compliance with CMVM obligations and other financial authorities;
- d) To 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) To 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) To prepare and continuously monitor the financial and operational benchmark of competitors and the peer group;
- g) To attract the interest of potential institutional investors, as well as a greater number of financial analysts;
- h) To draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Investor Day;
- i) To develop and maintain the page Investor Relations on the Company's website.

## IR Activity in 2012

The environment in which REN operates has changed significantly since the first half of 2011. In a macro economic context, we have seen a slowdown in the Euro zone, with world-wide effects. Portugal was obliged to seek financial assistance, following in the footsteps of Greece and Ireland. These changes influenced demand for energy and potential domestic growth fell, which required less investment in infrastructures. Finally, the Portuguese state started the second stage in the REN privatization process, an intention demonstrated in the agreement with the Troika, in which State Grid and Oman Oil acquired 25% and 15% of REN capital, respectively. Consequently, Parública reduced its holdings in REN from 49.9% to 9.9%. On 3 February, REN held a conference call to present the advantages of the strategic partnerships formed with the two new shareholders.

In July 2012, also of note was the conclusion of the purchase of 7.5% of capital in HCB (Cahora Bassa) for EUR 38 400 000, an investment designed to reinforce Company holdings in electricity transmission projects in Mozambique. This acquisition was well received by the markets, particularly as it represented an important step in the realization of aims in the REN strategic plan.

In September 2012, REN held its first retail bond issue with a value of EUR 300 000 000, maturing in September 2016. The bond issue was a success and demand exceeded supply by 300% of the initial sum, having attracted more than 18 000 new investors.

In October, the China Development Bank approved the terms of a loan of EUR 800 000 000 granted to REN, within the scope of commitments taken on by the strategic partnership between REN and State Grid. This operation contributed to mitigating the Company's refinancing risk, as well as reducing association to Portugal's rating. Further to this operation, Moody's announced that it would maintain REN's rating at Ba1.

The entry of the two new strategic shareholders was fundamental for REN business, making new challenges viable and led to changes in investment strategy. On 9<sup>th</sup> November, on Investor Day, the main guidelines of the new REN strategic plan were presented to the market for the period 2012-2016. The aim is for more modest national growth in order to dilute exposure in Portugal, complemented with disciplined international expansion.

In addition to issues raised about the privatization process and also about its new strategic plan, the REN debt level and its maturity, plus the capacity to finance its investment plan, were constant concerns for REN investors. Therefore, these events were well received by REN investors, as was its new strategic plan, in which one of the strategic priorities is precisely financial solidity, through the reduction of debt ratios, optimization of the cost of capital, extension of average debt maturity and an improvement in liquidity.

During 2012, all annual and intermediate results were presented by the Until that date, his duties, were performed by the Chairman of the Board of Directors, Rui Cartaxo, or by the CFO and the representative for Market Relations, Gonçalo Morais Soares. All the presentations were followed by conference calls, moderated by the head of Investor Relations, Ana Fernandes.

In 2012, five conference calls were held, four providing clarification on results and one on the REN privatization process, during which analysts and investors were able to put their questions directly to the Chairman of the Board of Directors and the CFO. In total, the IRO answered more than 100 queries from investors and shareholders, either in person, by telephone or email.

To help raise the Company's profile, the IRO was present at several different events held in Portugal and the main stock market cities such as Madrid, London, New York, Chicago, Montreal and Toronto.

In total, more than ninety meetings were held at sixteen events, organized by six different promoters, which were attended by around 120 investors.

During 2012, the REN website received more than 100 new subscribers through the option "receive updates" (75 in 2011), and currently has more 308 permanent users.

REN has a website exclusively for news which usually, contains all the public institutional information on the Group. The website [www.ren.pt](http://www.ren.pt) (colocar em nota de rodapé) is available in Portuguese and English and contains a section entirely dedicated to investors (<http://www.ren.pt/investidores/>).

In accordance with CMVM Recommendation III.1.2, REN publicizes on its Internet site, legal information and information on Company governance. Therefore, investors have access to information such as (i) the company, as an open company, the registered office and other similar details<sup>64</sup> on the company, (ii) The Articles of Association, (iii) identity of the holders of company office, Representative for Market Relations, (iv) members of the Investor Relations Office, (v) accounts documents, (vi) calendar of corporate events, (vii) proposals presented for discussion and vote at the General Meeting and (viii) invitations to hold General Meetings

At the end of 2012, REN launched a site with a new design - more dynamic, interactive and intuitive - a project which included the reformulating of content and new functions with the aim of better serving stakeholders. In the area dedicated to investors, of note is the enhanced information available and the new tools for both the small as well as professional investors. Also of note is the page "TECHNICAL ANALYSIS", where REN share behavior can easily be viewed (price, volume, return for shareholder, etc.), as well as information on comparable companies and related indexes ([http://www.ren.pt/investidores/cotacao\\_atual/](http://www.ren.pt/investidores/cotacao_atual/)).

In 2012, there were more than 177 000 visits to the two versions of the REN site, 13 000 more than in the previous year. Two thirds of the visits were to the Portuguese version. Average visit time was 8.2 minutes (6.4 in the Portuguese version and 10.0 in the English version).

The shareholder information page was most visited, as can be observed in the following table:

INVESTOR, SITES	PORTUGUESE VERSION	ENGLISH VERSION
Company Governance	32.7%	16.3%
Information to shareholders	30.1%	45.5%
Home page	16.2%	14.4%
Shares and Debt	12.1%	8.7%
REN Group	3.2%	7.7%
Investor Relations Office	2.6%	4.3%
REN privatization	1.1%	0.7%
Subscribe to news	1.0%	0.6%
Schedule	0.6%	0.7%
Share prices	0.4%	1.1%
	0.0%	0.0%

### III.17. Annual Remuneration of the Statutory Auditor / External Auditor

The Statutory Auditor and External Auditor are remunerated under the terms and conditions which are agreed in the provision of services contract between them and REN, in accordance with market practices and the legal recommended framework.

The total recorded value as a relative cost of audit services and legal review of accounts provided by The Statutory Auditor and External Auditor (Deloitte & Associados, SROC S.A.), during 2012, can be found in Annex V.

### III.18. Rotation Period Statutory Auditor / External Auditor

The REN Statutory Auditor and External Auditor (Deloitte & Associados, SROC S.A.) was initially contracted to carry out these duties in 2009. Therefore, the period corresponding to three terms in office is still in effect. When this period is over, the Company shall rotate this work in accordance with CMVM Recommendation III.1.3.

<sup>64</sup> cf. Article 177 of the Portuguese Companies Code

## 6.4 ANNEXES

### ANNEX I

a) Composition and characterization of management body as at 31<sup>st</sup> December 2012

Name	Age	Position	Year of first appointment	Year of ending of Term of Office
Rui Manuel Janes Cartaxo	60	Chairman of the Board of Directors and the Executive Committee	2007	2014
Gonçalo Morais Soares	41	Director and Member of the Executive Committee	2012	2014
João Caetano Carreira Faria Conceição	38	Director and Member of the Executive Committee	2009	2014
Guangchao Zhu (representing State Grid international Development Limited)	45	Vice-Chairman	2012	2014
Hilal Ali Saif Al-Kharusi	46	Director	2012	2014
Aníbal Durães dos Santos (appointed by Parpública - Participações Públicas (SGPS), S.A.)	64	Director	2001	2014
Filipe Maurício de Botton (appointed by EGF - Gestão e Consultoria Financeira, S.A.)	54	Director	2012	2014
Manuel de Mello Champalimaud (appointed by Gestmin, SGPS, S.A.)	67	Director	2012	2014
Mengrong Cheng	43	Director	2012	2014
Haibin Wan	48	Director	2012	2014
José Folgado Blanco (appointed by Red Eléctrica Corporación, S.A.)	68	Director	2012	2014
José Luis Arnaut	49	Director	2012	2014
José Luís Alvim Marinho	60	Director and Chairman of the Audit Committee	2007	2014
José Frederico Vieira Jordão	67	Director and Member of the Audit Committee	2007	2014
Emílio Rui Vilar	73	Director and Member of the Audit Committee	2012	2014

b) Professional Qualifications and duties performed in other companies by members of the Board of Directors, at 31<sup>st</sup> December 2012, and indication of the professional activities undertaken by them in the last five years

#### **Rui Manuel Janes Cartaxo**

Holds a degree in Economy by the Lisbon Technical University. Was Executive Director of Galp Energia between 2002 and 2006, and assistant to the Minister of Economy and Innovation from 2006 to 2007. Between 2007 and 2009, he was CFO of REN, and since then has been Chairman of the Board of Directors and Chairman of the Executive Committee (CEO).

#### **Gonçalo João Figueira Morais Soares**

Holds a degree in Economy by the Universidade Nova de Lisboa. Also awarded an MBA at Georgetown University (Washington D.C.) and completed an Advanced Management Programme at the Kellogg Business School (Chicago) and the Lisbon Catholic University. Was director at ZON TV Cabo and ZON Lusomundo Audiovisuais from 2007 to 2012. Member of the REN Board of Directors and member of the Executive Committee since 2012.

#### **João Caetano Carreira Faria Conceição**

Holds a degree in Aerospace Engineering by 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 (France). From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he was a consultant to the Minister for the Economy and Innovation. Since 2009 he has been a member of the REN Board of Directors and member of the Executive Committee.

#### **Guangchao Zhu**

Holds a degree in Relay Protection by 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, and Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of the National Grid Corporation of the Philippines. 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 Development Limited. He is currently Chairman and CEO and member of the Board of Directors of State Grid International Development Limited and Chairman of the Board of Directors of State Grid Brazil Holding S.A.

#### **Hilal Ali Saif Al Kharusi**

Holds a degree in Geo-Sciences/Economic Geography, and concluded an MBA at the Henley Management College (United Kingdom). His collaboration with the Oman Oil Company started in 2005 where he carried out the duties of Director of the Oil Engineering Department. He then went on to become Director for Business Development, and was responsible for upstream investment management and new business opportunity development in the energy sector. In 2011, he was appointed as Group Director for Business Development at the Oman Oil Company, coordinating new investment and business in the energy sector.

#### **Aníbal Durães dos Santos**

Holds a degree in Finance by ISCEF, and a PhD in Economy from the Portuguese Catholic University. In addition to being a member of the REN Board of Directors, he has been a member of the Directive Council at Elecpor since December 2006 and also a member of the Consultative Council at Portugal Telecom, SGPS, S.A.

#### **Filipe de Botton**

Holds a degree in Company Management by the Portuguese Catholic University. Founder of Logoplaste, becoming CEO in 1991. He is also involved in the hotel and resorts sector, as well as in the production of wine. He was elected Businessman of the Year 2004 by the International Entrepreneurship and Venture Capital Conference. He also won the award for "Industrial Marketing Personality 2004". He is also on the Board of Governors at the University of Évora, is a member of the Board of Directors at COTEC (Business Association for Innovation) and Chairman of the Executive Committee of CADin.

### Manuel Carlos de Mello Champalimaud

Chairman of the Board of Directors of Gestmin SGPS, S.A., Chairman of the Board of Directors of Sogestão – Administração e Gerência, S.A., Deputy Manager of Sogolfe – Empreendimentos Turísticos, Sociedade Unipessoal, Lda., Deputy Manager of Agrícola São Barão – Unipessoal, Lda., Manager of Da Praia – Promoção Imobiliária, Lda., member of the Board of Directors of Winreason, S.A.

### Mengrong Cheng

Holds a degree in English Literature by the Beijing Second Foreign Language Institute and concluded a Master's Degree in Company Management at the Tsinghua University (Beijing, China). Between 2006 and 2011, Mengrong Cheng carried out the duties of General Director of the Department of International Cooperation at the State Grid Corporation of China. Currently, she is a Member of the Chinese Expert Committee of IEC MSB; Co-Director of the Department of International Cooperation and Member of the Foreign Investment Management Committee at the State Grid Corporation of China.

### Haibin Wan

Hold a degree in Automation Engineering by the University of Northeastern (China), and concluded his Master's Degree in Automation Engineering at the same faculty. He was awarded a PhD from Bath University (United Kingdom). He has been a member of the REN Board of Directors since 2012, and assistant Director-General of the European Branch of State Grid. Between 1997 and 2009, he was Chief Engineer at State Grid International Development Limited and Project Manager for Network Operations at the National Grid Company, United Kingdom.

### José Folgado Blanco

Holds a degree and a PhD in Economy awarded by Autonomous University of Madrid. Currently Professor of Public Finance and tax Systems at the Autonomous University of Madrid, Consultant to the Board of Governors at the Autonomous University of Madrid and Chairman of the Board of Directors of Red Eléctrica Corporación, S.A. He has been Director of the Department of the Economy at CEOE, Member of the Economic and Social Council, as representative of the Spanish Confederation of Corporate Organizations and was Secretary of State for the Budget. He performed duties at the Ministry of Finances and the Ministry of the Economy, he was Secretary of State for the Economy, Energy, and Small and Medium Enterprises, Member of Parliament for the Province of Zamora in the Congress of Members and Vice-President of the Tax Office. He was also the Mayor of Tres Cantos (Madrid).

### 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.

He has specialized as a lawyer working mainly in Intellectual Property Law, with special focus on Patent Law, Trade Marks, Dominion Names, New Technologies and Competition Law. Since 1992, he has been a European Patent Attorney at the European Patent Office (Munich) and since 1996, European Trade Mark Attorney at the European Union Office for Harmonization in the Internal Market (Alicante) and Official Industrial Property Agent at the I.N.P.I. – National Industrial Property Institute.

He first started working as a lawyer in 1989 at the practice of Pena, Machete & Associates. He was a founding Partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner.

He is a member of the REN-Redes Energéticas Nacionais, SGPS, S.A. Board of Directors; member of the AON Advisory Board; member of the BOGARIS, S.A. Portuguese Consultancy Board; a member of the MOP, S.A. Board of Directors; Chairman of the LIDE Law and Justice Sub-committee and since December 2011, President of the General Assembly 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 Defense 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, representing the government, having been appointed in November 1993.

In 1995, he was awarded the "Commend of Great Officer of Henry the Navigator Order" by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross of the National Order of the Southern Cross by the President of the Republic of Brazil; in 2005, he was conferred with the Grand Cross of Henry the Navigator Order, by the President of the Portuguese Republic. 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.

#### **José Luís Alvim Marinho**

Holds a degree in Economics by the Faculty of Economy at Oporto University. Has held the position of Manager in the company JLALVIM – Consultoria Estratégica e Formação Avançada, Lda. since 2011. Was (non-executive) Chairman of the Board of Directors of Microprocessador – Sistemas Digitais, SA. between 2008 and May 2012, Non-Executive Director of Microprocessador – Sistemas Digitais, S.A between May and October 2012 and Non-Executive Director of CUF SGPS between 2007 and December 2012. Professor at Porto Business School.

#### **José Frederico Vieira Jordão**

He holds a degree in Finance by the Instituto Superior de Ciências Económicas e Financeiras. Mr. Jordão was consultant to the Chairman of the RAR Board of Directors between 2001 and 2008 as a member of the Board of Directors and member of the Audit Committee since 2007.

#### **Emílio Rui Vilar**

Graduated in Law from the University of Coimbra and was awarded an honorary doctorate by the University of Lisbon. Chairman of the Bank of Portugal Audit Committee (since 1996), non-executive director of the Calouste Gulbenkian Foundation and the Partex Oil and Gas (Holdings) Corporation. He is also a consultant lawyer at PLMJ – Law Firm (since 2012). He was Chairman of the Calouste Gulbenkian Foundation Board of Directors from 2002 to 2012, and director from 1996. Chairman of the Partex Oil and Gas (Holdings) Corporation from 2002 to 2012. He was President of the European Foundation Centre (EFC), from 2008 to 2011, and also presided over the Portuguese Foundation Centre between 2006 and 2012. He was founder and President of the General Council of the Portuguese Institute of Corporate Governance from 2007 to 2010.

DIRECTOR	DUTIES CARRIED OUT ON MANAGEMENT OR SUPERVISORY BODIES	REN GROUP
<b>Rui Manuel Janes Cartaxo</b>	Chairman of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Chairman of the REN Gasodutos, S.A. Board of Directors. Chairman of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Chairman of the REN Armazenagem, S.A. Board of Directors. Chairman of the REN Serviços, S.A. Board of Directors. Chairman of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Chairman of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Chairman of the REN Gás, S.A. Board of Directors. Non-executive Director of Red Electrica Corporación, S.A.	X X X X X X X X
<b>Gonçalo João Figueira Morais Soares</b>	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors.	X X X X X X X X
<b>João Caetano Carreira Faria Conceição</b>	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Member of the ENONDAS, Energia das Ondas, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors.	X X X X X X X X
<b>Guangchao Zhu</b>	Chairman of the Board of Directors and CEO of the Sate Grid International Development Limited Chairman of the State Grid Brazil Holding S.A. Board of Directors.	
<b>Hilal Ali Saif Al Kharusi</b>	Chairman of Oman Rolling Mill Vice-chairman of Takamul Investment Company Vice-chairman of Bharat Oman Refineries Limited Company; Member of the Oman Gas Board of Directors. Member of the Oman India Fertilizers Company Board of Directors. Member of the Sohar Aluminum Company Board of Directors.	
<b>Aníbal Durães dos Santos</b>	Does not carry out any duties of director/inspection at other companies beyond his duties at REN	
<b>Filipe Maurício de Botton</b>	Chairman of the EGF – Gestão e Consultoria Financeira, S.A. Board of Directors. Chairman of the LOGOINVESTE, SGPS, S.A. Board of Directors. Member of the NORFIN – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. Board of Directors Manager of INVESFIN – Assesores Financeiros, Lda. Manager of LOGOVINHA – Sociedade Agrícola, Lda. Manager of LOGOTEIS – Consultoria e Gestão, Lda.	
<b>Manuel de Mello Champalimaud</b>	Chairman of the Gestmin, SGPS, S.A. Board of Directors. Delegated Manager of Agrícola São Barão, Unipessoal, Lda. Manager of Praia – Promoção Imobiliária, Lda. Chairman of the Sogestão – Administração e Gerência, S.A. Board of Directors. Delegated Manager of Sogolfe – Empreendimentos Turísticos, Sociedade Unipessoal, Lda. Prodimed, S.A. Board Member Winreason, S.A. Board Member	
<b>Mengrong Cheng</b>	Member of the Chinese Expert Committee of IEC MSB Co-Director of the International Cooperation Department Member of the State Grid Corporation of China Management Committee for Foreign Investment	
<b>Haibin Wan</b>	Assistant General Director of the European State Grid Body	
<b>José Folgado Blanco</b>	Does not carry out any duties of director/inspection at other companies beyond his duties at REN	
<b>José Luís Arnaut</b>	Member of the MOP, S.A. Board of Directors. Chairman of the General Assembly of the Portuguese Football Federation.	
<b>José Luís Alvim Marinho</b>	Manager of Sociedade J. L. Alvim – Consultoria Estratégica e Formação Avançada, Lda.	
<b>José Frederico Vieira Jordão</b>	Does not carry out any duties of director/inspection at other companies beyond his duties at REN	
<b>Emílio Rui Vilar</b>	Chairman of the Bank of Portugal Audit Committee (since 1996) Member (non-executive) of the Board of the Calouste Gulbenkian Foundation Member (non-executive) of the Board of Directors of Partex Oil and Gas (Holdings) Corporation	

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.

**a) Members of the management body who terminated their duties before 31<sup>st</sup> December 2012<sup>65</sup>**

Name	Age	Position	Year of first appointment	Date position ended
João Manuel de Castro Plácido Pires	62	Director and Member of the Executive Commission	2010	27.03.2012
José Manuel Félix Morgado (appointed by Gestmin, SGPS, S.A.)	52	Director	2011	17.07.2012
Luís Guedes da Cruz Almeida (appointed by EGF - Gestão e Consultoria Financeira, S.A.)	34	Director	2011	15.06.2012
Luís Maria Atienza Serna (appointed by Red Eléctrica Corporación, S.A.)	55	Director	2011	27.03.2012
José Isidoro d' Oliveira Carvalho Neto	67	Director (independent)	2008	27.03.2012
Gonçalo Xavier de Araújo (appointed by Olíren, SGPS, S.A.)	37	Director	2011	27.03.2012
Fernando António Portela Rocha de Andrade	41	Director and Member of the Audit Committee (independent)	2008	27.03.2012

### João Manuel de Castro Plácido Pires

Holds a degree in Finance by the Instituto Superior de Economia and an MBA from HEC (Lausanne). From 1992 to 2010, he served as Chairman of the Board of Directors of Parpública – Participações Públicas (SGPS), S.A. and as Chairman or Director of affiliates, namely SAGESTAMO, ADP, PARCAIXA.

### José Manuel Félix Morgado

With a degree in Business Management and Administration from the Catholic University of Portugal, he holds a specialization in Asset and Liability Management from INSEAD. From 2005 to 2006, he was member of Senior Management at EDP – Energias de Portugal, CFO and later Delegated Director of Oni SGPS, where he headed the carrier's restructuring and repositioning plan in the Portuguese and Spanish markets. Vice-Chairman of the Board of Directors and Chief Executive Officer (CEO) of Inapa – Investimentos, Gestão e Participações, IPG, SGPS, since February 2007 and Chairman of the Board of Directors of its subsidiaries in Germany, France, Spain, Switzerland, Belgium, Angola and Portugal.

### Luís Guedes da Cruz Almeida

Holds a degree in Management by the Faculty of Economics of the Universidade Nova de Lisboa. Currently in charge of Logoplaste's expansion to new geographical areas, a post which he held while also serving as director of Lusofinança. From 2003 to 2008, he worked in London at UBS and Goldmans Sachs, with responsibilities in the field of Fixed Income and Derivatives for the Iberian Peninsula.

<sup>65</sup> The non-executive members mentioned would comply, if applicable, with all incompatibility rules stipulated in Article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

### **Luis Maria Atienza Serna**

Holds a degree in Economic and Company Sciences by the Universidad de Deusto. Among other positions, Mr. Serna is now the Chairman of the Board of Directors of Red Eléctrica Corporación, S.A. (previously named Rede Eléctrica de España) and member of the Board of Directors of Red Eléctrica Internacional, S.A. Unipersonal. Throughout his working life, Mr. Luis Serna, in addition to other duties, has been Spanish Minister of Agriculture, Fisheries and Food; General Secretary for Energy and Mineral Resources of the Ministry of Industry and Energy of Spain; Chairman of the Spanish Institute for the Diversification and Energy Investment (IDEA); and General Secretary of the Spanish Agricultural Structures Department of the Agriculture, Fisheries and Food Ministry.

### **José Isidoro d'Oliveira Carvalho Neto**

Holds a degree in Mechanical Engineering by the Instituto Superior Técnico. He has been a Director of Transgás and GDP, SGPS, S.A and Chairman of the Boards of Directors of the natural gas distribution companies – Dianagás; Duriensegás; Medigás; and Paxgás. From 2005 to 2007 he was Advisor for the energy sector to the Deputy Secretary of State for Industry and Innovation (2005-2007) and to the Minister of Economic Affairs and Innovation (2007-2008). He led several international projects which resulted in the publishing of several articles on energy matters.

### **Gonçalo Xavier Araújo**

Holds a degree in Economics by the Faculty of Economics of the University of Oporto and a Master's Degree in Finances from the Catholic University of Portugal. Since 2007, he has been part of the Financial Department of the Riopelle Textile Group, as head of the area of Management Control and for the area of Treasury and Credit Control.

### **Fernando António Portela Rocha de Andrade**

Holds a Master's Degree in Law in the area of legal and economic sciences by the Law School of the University of Coimbra. He has been assistant Professor at the Law School of the University of Coimbra since 1995. He acted as Home Affairs Under Secretary of State from 2005 to 2008. He has been author and co-author of several books and articles covering areas such as taxation, public finances and electoral law.

On the date of termination of duties in the Company, the outgoing directors carried out management or supervisory duties at the following companies:

Director	Duties carried out on management or supervisory bodies	REN Group
<b>João Manuel de Castro Plácido Pires</b>	Member of the REN Rede Eléctrica Nacional, S.A. Board of Directors. Member of the REN Gasodutos, S.A. Board of Directors. Member of the REN Atlântico – Terminal de GNL, S.A. Board of Directors. Member of the REN Armazenagem, S.A. Board of Directors. Member of the REN Serviços, S.A. Board of Directors. Member of the REN RENTELECOM – Comunicações, S.A. Board of Directors. Member of the REN Gás, S.A. Board of Directors. Member of the OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. Board of Directors Member of the OMEL - Operador do Mercado Ibérico de Energia, Pólo Espanhol, S.A. Board of Directors	X X X X X X X
<b>José Manuel Félix Morgado</b>	Chairman of the Board of Directors of several subsidiaries of Inapa – Investimentos, Participações e Gestão, S.A. Chief Executive Officer of Inapa – Investimentos, Participações e Gestão, S.A. Vice-Chairman of the Board of Directors of Inapa – Investimentos, Participações e Gestão, S.A.	
<b>Luis Guedes da Cruz Almeida</b>	Member of the administrative body of Lusofinança Dois – Consultores de Gestão, Lda. Person in charge of EGF – Gestão e Consultoria Financeira, S.A. expansion to new geographical areas Person in charge of the Department of Fixed Income and Derivatives at Goldmans Sachs for the Iberian Peninsula	
<b>Luis Maria Atienza Serna</b>	Chairman and Executive member of the Board of Directors of Red Eléctrica Corporación, S.A. Joint Director of Red Eléctrica Internacional, S.A., Unipersonal Chairman of the Red Eléctrica del Sur, S.A. Board of Directors. (Peruvian company) Chairman of the Transportadora de Electricidad, S.A. Board of Directors. (Bolivian company) Chairman of Doñana 21 Foundation, for the Sustainable Development of Entorno de Doñana	
<b>José Isidoro d' Oliveira Carvalho Neto</b>	Chairman of the Board of Directors of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. Chairman of the Board of Directors of OMIP - Operador do Mercado Ibérico de Energia (Pólo Português), SGMR, S.A. Chairman of the Board of Directors of OMIClear – Sociedade de Compensação de Mercados de Energia, SGCCCC, S.A. Chairman of the Board of Directors of OMIE, Operador del Mercado Ibérico de Energia, Polo Espanhol S.A.	
<b>Gonçalo Xavier de Araújo</b>	Member of the Financial Department of Riopelle Textile, S.A.	
<b>Fernando António Portela Rocha de Andrade</b>	On the date of termination of duties, he did not carry out management/supervisory duties beyond those at REN	

## ANNEX II

a) Qualified shareholdings in REN's share capital on 31<sup>st</sup> December 2012

Taking into account the communications submitted to the Company in accordance with Article 447 of the Portuguese Companies Code, Article 16 of the Portuguese Securities Code and Article 14 of CMVM Regulation No. 5/2008, with reference to 31<sup>st</sup> December 2012, the shareholders owning qualified shareholdings representing at least 2% of REN's share capital, calculated in accordance with Article 20 of the Portuguese Securities Code, were as follows:

List of Holders of Qualified Shareholdings (at 31.12.2012)	No of Shares	Capital (%)	Voting Rights (%)
State Grid of China	133 500 000 <sup>66</sup>	25.0%	25.0%
Oman Oil	80 100 000 <sup>67</sup>	15.0%	15.0%
Portuguese State <sup>68</sup>	58 990 112	11.0%	11.0%
EGF, Gestão e Consultoria Financeira, S.A. <sup>69</sup>	45 019 666 <sup>70</sup>	8.4%	8.4%
EDP-Energias de Portugal, S.A.	26 707 335 <sup>71</sup>	5.0%	5.0%
Gestmin, SGPS, S.A.	31 291 251 <sup>72</sup>	5.8%	5.8%
Olíren, SGPS, S.A.	26 700 000	5.0%	5.0%
Red Eléctrica Corporation, S.A.	26 700 000	5.0%	5.0%
Columbia Wanger	10 703 317 <sup>73</sup>	2.0%	2.0%

<sup>66</sup> These qualified holdings are attributable to the companies (i) State Grid Europe Limited ("SGEL"), as a direct owner, (ii) State Grid International Development Limited ("SGID"), as the controlling shareholder of SGEL and, finally, (iii) State Grid Corporation of China, as the company which wholly controls SGEL.

<sup>67</sup> As part of the second stage of REN privatization, Parpública – Participações Públicas (SGPS), S.A. transferred the ownership of 80 100 000 shares representing 15% of REN capital to Mazoon B.V., a company wholly owned by Oman Oil Company SAOC (as per REN communication of 25<sup>th</sup> May 2012). This acquisition was made for the total price of EUR 205 056 000.

<sup>68</sup> These holdings include: (i) the qualified holdings of Parpública - Participações Públicas (SGPS), S.A., equating to 52 871 340 shares, corresponding to 9.9% of REN capital and voting rights; (ii) holdings belonging to Caixa Geral de Depósitos, S.A. totalling 6 118 772 shares (equivalent to direct holdings of 6.007.771 shares, 27 shares held by Fundo Pensões Pessoal CGD and 110 974 held by Fidelidade - Companhia de Seguros, S.A.).

<sup>69</sup> Previously called Logoplaste Gestão e Consultoria Financeira, S.A.

<sup>70</sup> The qualified holdings of EGF, Gestão e Consultoria Financeira, S.A. ("EGF") comprising (i) 33 999 783 shares held directly by EGF, (ii) 10 933 393 shares held by Logo Finance, S.A., a company wholly owned by EGF, (iv) 86 000 shares held directly and indirectly by Mr. Filipe Maurício de Botton, Chairman of the EGF Board of Directors and (v) 490 shares held directly and indirectly by Mr. Alexandre Carlos de Mello, member of the EGF Board of Directors.

The voting rights inherent to the REN shares held by EGF are also attributable to the company Nikky Investments, S.A., holder of the entire EGF capital and to Mr. Filipe Maurício de Botton, holder of the controlling interest in Nikky Investments, S.A.

<sup>71</sup> EDP - Energias de Portugal, S.A. holds 18 690 000 shares directly and 8 017 335 shares indirectly through the EDP Pension Fund, a company in a group relation with EDP.

<sup>72</sup> These qualified holdings of Gestmin, SGPS, S.A. ("Gestmin"), comprising (i) (i) 31.046.951 shares held directly by Gestmin and (ii) 244.300 shares held by Mr. Manuel Carlos de Melo Champalimaud, while majority shareholder of that company and Chairman of the Board of Directors.

<sup>73</sup> These qualified holdings are also attributable to Columbia Management Investment Advisers LLC and to Ameriprise Financial Inc, due to the controlling relations which exist.

Financial Instruments held by members of corporate bodies and the respective transactions

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 mentioned Article<sup>74</sup>, as well as all its acquisitions, encumbrances or disposals with reference to the financial year 2012 were as follows:

#### Audit Committee

Audit Committee	Acquisitions	Encumbrances	Disposals	No of Shares at 31.12.2012
José Luís Alvim Marinho	-	-	-	0 (zero)
José Frederico Vieira Jordão	-	-	-	0 (zero)
Emílio Rui Vilar	-	-	-	0 (zero)

#### Outgoing members of the Audit Committee before 31.12.2012

Audit Committee	Acquisitions	Encumbrances	Disposals	No of Shares at the point of termination
Fernando António Portela Rocha de Andrade	-	-	-	0 (zero)

<sup>74</sup> 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 under aged 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.

## Board of Directors as per composition at 31.12.2012

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Shares at 31.12.2012
Rui Manuel Janes Cartaxo	-	-	-	19 162 <sup>75</sup>
Gonçalo Morais Soares	-	-	-	0
João Caetano Faria Carreira Conceição	-	-	-	500
Guangchao Zhu – representing State Grid International Development Limited	133 500 000			133 500 000 <sup>76</sup>
Hilal Ali Saif Al-Kharusi	-	-	-	-
Aníbal Durães dos Santos - appointed by Parpública - Participações Públicas (SGPS), S.A.	-	-	-	10 250 <sup>77</sup>
Filipe Mauricio de Botton – Appointed by EGF – Gestão e Consultoria Financeira, S.A.		28 131 422 <sup>78</sup>	-	45 019 666 <sup>79</sup>
Gestmin, SGPS, S.A.	911 133	-	-	31 046 951
Manuel Carlos de Melo Champalimaud - Appointed by pela Gestmin, SGPS, S.A.	911 133 <sup>80</sup>	-	-	31 291 251 <sup>81</sup>
	-	-	-	0

<sup>75</sup> Comprises (i) 18 672 directly held shares and (ii) 490 shares held by his spouse.

<sup>76</sup> Mr. Guangchao Zhu is Chairman, CEO and member of the Board of Directors of State Grid International Development Limited and Director of State Grid Europe Limited, which has qualified holdings corresponding to 133 500 000 REN shares.

<sup>77</sup> Includes the following shares: (i) 10 000 directly held shares and 250 shares held by his spouse;

<sup>78</sup> These shares were subject to the right of disposal of Millennium BCP maintaining EGF the right to repurchase those shares, which has occurred on December 4.

<sup>79</sup> Consisting of (i) 33 999 783 shares held directly by EGF (which on 4<sup>th</sup> December 2012, ended the financial operation with Millennium bcp as referred to in the previous note), (ii) 10 933 393 shares held by Logo Finance, S.A., a company wholly owned by EGF, (iv) 86 000 shares held directly and indirectly by Filipe Mauricio de Botton, Chairman of the EGF Board of Directors and (v) 490 shares held directly and indirectly by Alexandre Carlos de Mello, member of the EGF Board of Directors.

<sup>80</sup> Although these acquisitions were previous of the indication of Manuel Champalimaud to the Board of Directors of REN, they are attributable pursuant to Article 447 of the Portuguese Companies Code, due to the exercising of the duties of Chairman of the management body of this company.

<sup>81</sup> Comprises 244 300 shares held directly and 31 046 951 shares held by Gestmin SGPS, S.A. ("Gestmin"), representing 5.8% of capital and corresponding to voting rights in REN, and which, due to the exercising of the duties of Chairman of the management body of that company and the majority holding of the respective capital is attributable to him.

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Shares at 31.12.2012
Mengrong Cheng				
Haibin Wan	-	-	-	0
José Folgado Blanco - appointed by Red Eléctrica Corporación, S.A.	-	-	-	26 700 000 <sup>82</sup>
José Luís Arnaut	-	-	-	0

#### Members of the outgoing Board of Directors before 31.12.2012

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Shares at the point of termination
José Manuel Félix Morgado	911 133	-	-	31 046 951 <sup>83</sup>
João Manuel de Castro Plácido Pires	-	-	-	0
Luís Guedes da Cruz Almeida	-	-	-	885
Luís Maria Atienza Serna	-	-	-	26 700 000 <sup>84</sup>
José Isidoro d' Oliveira Carvalho Netto	-	-	-	970 <sup>85</sup>
Oliren, SGPS, S.A.	-	-	-	26 700 000
Gonçalo Xavier de Araújo	-	-	-	0

<sup>82</sup> Corresponds to the shares held by Red Eléctrica Corporación, S.A., which are attributable pursuant to Article 447 of the Portuguese Companies Code, due to the exercising of the duties of Chairman of the management body of this company.

<sup>83</sup> José Manuel Félix Morgado performs the duties of member of the Gestmin Board of Directors, which to date had qualified holdings of 31 046 951 ordinary REN shares, representing 5.8% of capital and corresponding voting rights.

<sup>84</sup> Corresponds to the shares held by Red Eléctrica Corporación, S.A., which are attributable Pursuant to Article 447 of the Portuguese Companies Code, due to the exercising of the duties of Chairman of the management body of this company.

<sup>85</sup> Comprises 490 directly held shares and 480 shares held by his spouse.

At 31<sup>st</sup> December 2012, members of the REN management and supervisory bodies held the following bonds issued by REN:

The Board of Directors	Acquisitions	Encumbrances	Disposals	No of Bonds at 31.12.2012
Rui Manuel Janes Cartaxo	1 <sup>86</sup>	-	-	1
José Frederico Jordão	5	-	5 <sup>87</sup>	0

As at 31<sup>st</sup> December 2012, the members of the REN management and supervisory bodies and those related to them pursuant to Article 447(2) of the Portuguese Companies Code did not hold any bonds issued by REN nor shares or bonds issued by companies in a group or control relationship with REN, nor did they perform any transaction related to those securities in 2012, in both cases pursuant to and for the purposes of the abovementioned Article 447.

During 2012, REN was informed that the holding company GESTMIN SGPS, S.A., an entity solely relating to the Company director Mr. José Manuel Félix Morgado, member of the REN Board of Directors until 30 July 2012, due to him also holding the position of member of the GESTMIN SGPS, S.A. Board of Directors, executed the transactions relating to REN shares, relevant for the purposes of Article 14 of CMVM Regulation 5/2008, that are discriminated in Annex 2 of the document Report & Accounts 2012.

## ANNEX III

### Balances and transactions held with associates and other related parties

During the periods ended 31<sup>st</sup> December 2012 and 2011, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue	2012	2011
<b><u>Sales and services provided</u></b>		
Invoicing issued- EDP	1,361,316	1,420,999
Invoicing issued- OMIP	15	6
Invoicing issued- State Grid	137	-
<b><u>Financial income</u></b>		
Interest on financial applications-CGD	286	1,548
<b><u>Dividends received</u></b>		
REE	3,911	2,538
Enagás	3,393	2,001
OMEL	157	-
	<b>1,369,214</b>	<b>1,427,093</b>

<sup>86</sup> Rui Cartaxo acquired 1 REN bond on 8<sup>th</sup> May 2012 for the sum of EUR 53 399.

<sup>87</sup> The batch of REN bonds acquired by José Frederico Jordão on 19<sup>th</sup> September 2012 had a value of EUR 5 000, and were entirely disposed of on 21<sup>st</sup> September 2012 for the sum of EUR 5 075.

The amounts shown as invoicing issued relate to the overall management of the electricity system tariff (UGS) and electricity transmission tariff (TEE) that includes the same pass through amounts reversed in the consolidated statement of profit and loss.

## Costs

	2012	2011
<b><u>External supplies and services</u></b>		
Invoicing received-EDP	523,733	667,097
Invoicing received-OMIP	348	13
<b><u>Financial costs</u></b>		
Interests on Commercial paper - CGD	3,550	1,963
Borrowings fees - CGD	3,474	539
Derivative financial instruments	1,293	-
	<b><u>532,399</u></b>	<b><u>669,612</u></b>

The amounts shown as invoicing received relate to the intermediation role of REN in the purchase and sale of electricity, the income and costs of which are reversed in the statement of profit and loss, since they are pass through amounts in the income recognition.

## Balances

The balances as at 31<sup>st</sup> December 2012 and 2011 resulting from transactions with related parties were as follows:

	2012	2011
<b><u>Trade and other receivables</u></b>		
EDP - Trade receivables	107,487	89,984
EDP - Other receivables	1,267	1,471
OMIP - Trade receivables	2	3
OMIP - Other receivables	920	105
Oman Oil - Other receivables	1	-
<b><u>Cash and cash equivalents</u></b>		
CGD - Treasury investments	-	26,000
CGD - Bank deposits	551	701
	<b><u>110,227</u></b>	<b><u>118,264</u></b>
<b><u>Trade and other payables</u></b>		
EDP - Trade payables	3,937	9,979
EDP - Other payables	-	268
OMICLEAR, S.A. - Other payables	889	48
<b><u>Borrowings</u></b>		
CGD - Borrowings (Commercial paper)	93,000	5,000
CGD - Bank overdrafts	-	-
CGD - Finance lease	1,001	406
	<b><u>98,827</u></b>	<b><u>15,701</u></b>

## ANNEX IV

### Annual Remuneration of the Auditor

The total value recorded as a cost for services provided by the Statutory Auditor and external auditor (Deloitte & Associados, SROC S.A.), during 2012, was as follows:

Services	Amount (€)	Percentage
Audit and legal review of accounts	246 200	41.83%
Other services of reliability guarantee	238 800	40.57%
Tax consultancy services	75 650	12.85%
Services other than the legal review of accounts	28 000	4.75%
<b>Total</b>	<b>650</b>	<b>100%</b>

Pursuant to Article 423-F(o) of the Portuguese Companies Code, the Audit Committee is responsible for supervising and evaluating the activity and independence of REN's Auditor, as well as 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, REN's Audit Committee accompanied, in 2012, the provision of non-audit services by Deloitte in order to ensure that situations of conflicts of interest would not arise. Thus, 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.

The Company considers that it fully complies with CMVM Recommendation III.1.5., as the non-audit services do 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.