



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

AUDIT COMMITTEE REPORT ON THE FINANCIAL YEAR OF 2013

I. Introduction

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

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

The current members of the Audit Committee are the following:

Chairman: José Luís Alvim Marinho

Member: José Frederico Vieira Jordão

Member: Emílio Rui Vilar

All the members of the Audit Committee were elected in the General Shareholders Meeting held on 27 March 2012.

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

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

The main powers and competences, methods of organization and operation of the Audit Committee – as set out in its respective Internal Regulation, available for consultation at REN's official website <http://www.ren.pt/>, in both Portuguese and in its English translation – can be summarised in the following main areas:

- Monitoring of the compliance with the REN Principles of Governance;
- Supervising the management of the Company and ensuring that the law and the Articles of Association are complied with;



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- Verifying the accuracy of the accounting documents prepared by the Board of Directors and overseeing the process of preparing and disclosing financial information, including the drawing up of the legal opinion on the Annual Report and Accounts and on the semi-annual accounts;
- Supervising the integrity and effectiveness of the internal control and risk management systems and presenting proposals for their improvement;
- Supervising the activity of the REN Internal Audit Office;
- Monitoring, on a regular basis, of the independence and of the activity carried out by the Statutory Auditor and by the External Auditor, namely in what concerns additional services;
- Ensuring compliance with internal proceedings for related party transactions, including issuing of preliminary opinions regarding transactions of relevant significance to be concluded with qualifying shareholders;
- Receiving whistleblowing communications.

II. Activity of the Audit Committee during the Financial Year of 2013

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

In 2013, the Audit Committee held 14 (fourteen) meetings, whose minutes were respectively drafted. The three members of the Audit Committee were always present in these meetings.

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

In order to better comply with its duties, the Audit Committee also deemed it equally relevant to invite the heads of the different REN operational areas – purchases, studies and



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regulation, information systems, risk management and sustainability – to participate in some of its meetings.

When carrying out its activities, the Audit Committee had available all the means and resources necessary, including the possibility of hiring specialized external advisors.

Based on the Activities Plan for 2013, the activities of the Audit Committee mainly focused on the following areas:

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

During 2013, the Audit Committee monitored the functioning of the Corporate Governance System adopted by REN.

The activities carried out by the Audit Committee on compliance with the law and bylaws, which always took into account the structure of Corporate Governance in effect at the Company, included, among others, the analysis and assessment of the conclusions of the Statutory Auditor and External Auditor, as supplied to the Audit Committee throughout 2013.

The Audit Committee also monitored the evolution of legal and regulatory provisions as well as of the recommendations relevant for the performance of its duties, especially those issued by the Portuguese Securities Market Commission (CMVM) – and namely by monitoring the activities of the Head of the Internal Audit Office, the Statutory Auditor and External Auditor, as described below.

In 2013, the Audit Committee worked to improve REN's governance, specifically through proposals to amend several of its internal regulations, which came into effect upon approval by the competent Company bodies.

In order to improve the capacity for execution and motorization of its respective activities, the Audit Committee and the Executive Committee held meetings to evaluate the situation of the ongoing initiatives and to define cooperation actions specific for 2013.



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Complementarily, the Audit Committee received and assessed the minutes of the meetings held by the Executive Committee in 2013, occasionally asking for additional clarification that was always properly rendered.

In 2013, and upon request of the Remuneration Committee, the Audit Committee also verified the quantitative elements regarding the evaluation process applicable to the Executive Committee.

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

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

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

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

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

The Audit Committee monitored the legal review of accounts and the external audit of the documents regarding to the accounts for the 2013 financial year, concluding that they were conducted in a suitable manner.

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



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In this same context, the Audit Committee analysed the Management Report on the financial year of 2013, as well as the proposals and the individual and consolidated financial statements in the report – and is of the opinion that, as expressed in the corresponding opinion, they are in accordance with the applicable law, bylaws and accountancy procedures, and, as such, (i) agrees with the annual Management Report and with the yearly accounts (ii) recommends that they be approved at the General Meeting of Shareholders and (iii) evaluated and issued its opinion pursuant to articles 423-F, 451 and 452, all of the Portuguese Companies Code.

The Audit Committee attended the Executive Meeting where the 2013 individual and consolidated financial statements of the Company were appraised.

The access by the Audit Committee to the financial information and its preparation by REN's Executive Directors and Officers was unhindered and no constraints were placed on the performance of its duties.

In light of the above, the Audit Committee is of the opinion, that, in 2013, it adopted the steps necessary for monitoring the process of preparing and disclosing the financial information carried out by the management body.

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

The Audit Committee, in line with its activity plan for the financial year of 2013, carried out several actions to monitor, supervise and assess the operation and suitability of REN's internal control, risk management and internal audit systems.

The Audit Committee is of the opinion that REN's management and the remaining supervisory bodies have placed a growing and reinforced importance on the development and improvement of internal control and risk management systems with regard to strategic, operational, economic and financial aspects as well as in relation to compliance, human resources and assets' security, with relevant impact on the activities carried out by the REN companies, in line with the size and business of the Company and the complexity of the corresponding risks, as well as with the recommendations issued by the CMVM.



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In 2013, the Audit Committee monitored and supervised the integrity and efficiency of REN's internal control and risk management systems, as well as that of its internal audit, the creation and implementation of which are the responsibility of the Executive Committee and, ultimately, of the Board of Directors. In this regard, the Audit Committee sent the proposals suited to adjust the abovementioned systems to the Executive Committee.

The Audit Committee believes that REN has implemented a series of changes to its internal control and risk management systems, involving the components provided for in the CMVM Recommendations, and using the rules of the International Organization for Standardization ("ISO") as guidance.

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

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information processing system;
- To check the reliability and accuracy of financial, accounting and other kinds of information;
- To prevent and detect fraud and errors;
- To promote operational effectiveness and efficiency;
- To ensure compliance of the Group's operations and business with the applicable legal and regulatory provisions, as well as with the Company's general policies and regulations.

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



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The duties of the Risk Management Committee are the following:

- To promote the identification and systematic evaluation of business risks and their impact on REN's strategic objectives;
- To categorize and prioritize the risks to be addressed, as well as the corresponding opportunities to prevent them that may be identified;
- To identify and define the persons responsible for risk management;
- To monitor significant risks and REN's general risk profile;
- To approve regular risk reporting mechanisms by different businesses areas;
- To approve, or submit to the Executive Committee, recommendations for the prevention, mitigation, sharing or transfer of significant risks.

In 2013, the Risk Management Committee, with support from the risk owners of the different units in the REN Group, reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile.

The Risk Management Committee further identified a set of new, more severe, risks, including risks related to the insolvency of suppliers and the criticality of the premises, from the point of view of the security of the assets.

Also in 2013, the Risk Management Committee promoted the conduction of an internal workshop with the various "risk owners" for the discussion of the activities carried out and for the presentation of the 2014 activities plan.

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

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

- To review risk management and internal control policies in force;
- To assess the degree of implementation of internal control (organizational structure and governance, delegation of powers, ethics and code of conduct, policies and procedures);



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- To implement financial, IT, operational and management audits in the various areas of the REN Group, confirming compliance with the policies, laws and regulations (compliance services);
- To define, jointly with the various areas, corrective measures for any weaknesses and non-compliances identified during audits;
- To monitor the implementation of corrective measures, through follow-up reports;
- To support high-level management in defining and/or implementing control and governance measures.

These duties were undertaken by the Internal Audit Office in the process of implementing its activities plan, approved by the Audit Committee which analysed the scope of such activities and the resources allocated to the Internal Audit Office and included in the plan additional activities that it deemed relevant.

The carrying out of the Internal Audit Office's activities was regularly monitored by the Audit Committee, namely with regard to the conclusions on how risks relating to processes, systems and business units are managed and to the corresponding proposals for improvements to the internal control and risk management systems. For this purpose, the Audit Committee has access to all reports drafted by the Internal Audit Office, which include, namely, issues related to accountability, potential conflicts of interests and the uncovering of potential irregularities.

The aforementioned activities plan of the Internal Audit Office for 2013 was based on the following priority objectives:

- To align the internal audit with REN's Group strategy principles;
- To focus the audits on the areas with the greatest risk;
- To assess the efficiency of the internal control systems implemented;
- To cover a significant number of business areas;
- To contribute to the generation of value by the REN Group.

The Audit Committee believes that the Internal Audit Office carried out its functions with independence and competency and that, in carrying out the various internal audits,



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particular attention was paid to the assessment of internal control systems, to compliance with established procedures, to the efficient use of resources, to the effective monitoring of processes and to the assessment and minimization of identified risks.

Whenever deemed suitable, the results of the work carried out by the Internal Audit Office were forwarded to the Executive Committee, the Board of Directors, the Statutory Auditor and the External Auditor, in line with the duties performed at each of these bodies in the management and supervision of Company business, so as to be taken into consideration in the financial information and in the Company's internal control system.

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

In this context, the Audit Committee analysed the reports drawn up by the Statutory Auditor and the External Auditor and transmitted the conclusions deemed relevant to the managing bodies.

5) Assessment of the activity and monitoring of the independence of the Statutory Auditor and the External Auditor

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

In 2013, the Audit Committee assessed the activity carried out by the Statutory Auditor and by the External Auditor, through regular monitoring of their activity, namely, through the analysis of periodic reports and by overseeing the performance of the audit and review services, as well as by assessing any changes in procedures recommended by the Statutory Auditor or the External Auditor.



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The Audit Committee further carried out an annual evaluation of the activity of the Statutory Auditor and of the External Auditor in 2013, concluding that they have both provided their services in a satisfactory manner, complying with the applicable standards and regulations, including international auditing standards, and that they performed their duties with the adequate technical accuracy; thus it is not appropriate to suggest the appointment of a new Statutory Auditor or External Auditor for the current term of office.

This analysis took mainly into account the following factors:

- The correctness, presentation and clarity of the activities plans;
- The scope of the services provided, including, namely, the review of the accounting policies and practices adopted, the effectiveness and the functioning of the internal control mechanisms, and the report of any deficiencies to the Audit Committee (whistleblowing), as well as the implementation of the policies and systems regarding the remuneration of the governing bodies;
- The quality of the conclusions presented within the scope of the work undertaken;
- The effectiveness and efficiency of the recommendations presented; and
- The competence with regard to the procedures followed.

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

Within the compliance with the independence rules established in relation to the External Auditor, REN's Audit Committee monitored, the provision, during 2013, of non-audit services performed by Deloitte & Associados, SROC, S.A. in order to ensure that situations of conflicts of interest did not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of the Company in terms of auditing, or its complementarity in face of the auditing services, would justify such an approval, based on the associated cost control advantage.

In this context, CMVM Recommendation IV.2 was complied with, since the performance of non-audit services by the External Auditor did not extend beyond the limit of 30%,



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given that 76% of the total services provided by the External Auditor consist of the legal review of accounts, of the audit of accounts and of the so called audit related services.

6) Company business with related parties

The Corporate Governance Report of 2013 contains the description of the main elements of business and operations carried out between, on the one hand, the Company and, on the other hand, holders of qualified shareholdings or entities with whom they are in any relationship under Article 20 of the Portuguese Securities Code.

During 2013, the Audit Committee conducted the prior verification of one business transaction, since the criteria under which such intervention is required were met, under the terms of the Internal Regulation on “Analysis and control of transactions with related parties and prevention of situations involving conflict of interests”.

Thus, once, regarding this business transaction, the adequacy of the adopted pre-contractual and contractual procedures and the adequacy of the grounds given (in particular, concerning corporate interest and comparability under normal market conditions) was verified, the Audit Committee decided to issue an opinion endorsing the transaction.

Moreover, and also under the terms of that Regulation, the Audit Committee analysed other transactions with related parties carried out during the financial year of 2013, having issued a semi-annual report regarding those transactions, in which it concluded, namely, that these transactions had been conducted in a suitable manner under the market conditions applicable to transactions of the same nature.

7) Whistleblowing Policy

Shareholders, members of corporate bodies, employees, service providers, clients, suppliers and other stakeholders of REN or the REN Group companies may communicate to the Audit Committee any irregular practices they have knowledge of or in regard to which they



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have reasonable doubts, in order to prevent, stop or allow the sanction of irregularities which could adversely affect the REN Group.

In 2013, no potential cases of irregularities within the REN Group were reported to the Audit Committee.

Lisbon, 6 March 2014

José Luís Alvim (Chairman)

José Frederico Jordão (Member)

Emílio Rui Vilar (Member)