REN

INTEGRATED REPORT 2022

trensition

A new word for the future.

REN

INTEGRATED
REPORT
2022

What is the Future made of?

This is a Future that makes us believe in a cleaner and more efficient world, with a society that is fairer and has new ways of thinking, acting and connecting.

This is a Future that is made of wind, water, land and sun, a Future which will emerge and grow for everyone.

A new Future, so new that it belongs to those who transmit and supply it to each and every one.

Access all the information on REN via a single platform.

REN Investidores

REN Energia

THE NETWORK
OF ALL NETWORKS

www.ren.pt

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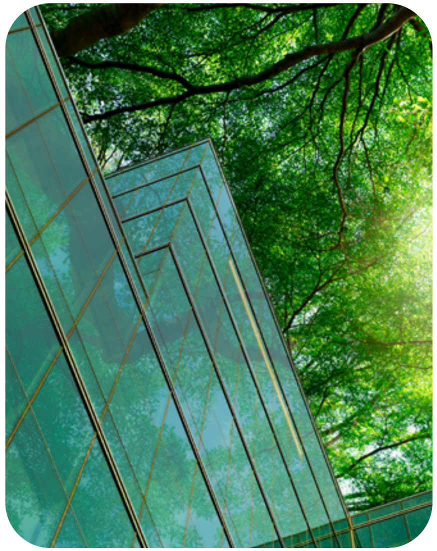
We recognize that our concerns regarding equality and inclusion are reflected in the Report and in our practices set out herein. For this reason, we have chosen not to provide a breakdown of information by gender.



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REN

We renew our connections

In line with our mission of change, we provide the power to build an interconnected Future.

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About the Report

This report includes the financial and non-financial/ sustainability information disclosure for **all REN Group companies** for the period from **1 January to 31 December 2022.** By consolidating the economic, social and environmental information considered most relevant for the company and our stakeholders, together with our corporate governance practices, the report provides a transparent picture of REN's commitments and legal obligations in these areas.

The Board of Directors, at their meeting of 23 March 2023, approved the consolidated and individual financial statements for the financial year, and in general, the social and environmental information presented in this report. It is the Board of Directors' opinion that this information accurately and suitably reflects the financial position of the Group and its different subsidiary companies and provides a balanced overview of its policies, organization, practices and operating results in areas of sustainability considered most relevant, in compliance with the reference Standards and Directives as implemented.

The full content of his report may be complemented by the following publicly available sources of information: Sustainability brochure 2022 and Company website.

About the non-financial/ sustainability information

As in previous years, this report complies with the **principles of the AA1000AP framework** (AccountAbility Principles – 2018: inclusion, materiality, responsiveness and impact), and was prepared **in accordance with the GRI standards** (Global Reporting Initiative), an international standard for the development of sustainability reports. The structure of the report takes into account the analysis and reporting

Material areas

Safety, reliability, quality and guarantee of supply	**Integration of renewable energies** Innovation, research and technology Integration of energy markets Quality of information on service **Information security**
Governance model	**Anti-corruption** **Ethics and conduct** Stakeholder engagement Corporate governance **Risk and crisis management**
Financial capital	Economic performance
Human capital	Diversity and equal opportunities **Non-discrimination** **Respect for human rights** Retention and development of human capital **Employee satisfaction and welfare**
Natural capital	Biodiversity Energy efficiency **Emissions and climate change** Environmental policy

Commitment to the ten principles of human rights, labour practices, environmental protection and anti-corruption from UNGC

of performance on **materially relevant topics**, determined through consultation with stakeholders, (see chapter 4.1. Engagement and satisfaction of interested parties), carried out in 2021.

With regard to our commitment to the ten principles of human rights, labour practices, environmental protection and anti-corruption, resulting from REN joining the United Nations Global Compact (UNGC), initiative in 2005, this report serves as a means of reporting information on the progress of the implementation of these principles.

Additionally, REN prepared a report on the proportion of eligible economic activities under the **European Union Taxonomy** Regulation 2020/852, as well as alignment with our climate objectives to mitigate and adapt to climate change, (see chapter 4.7. Natural Capital and in the annex European Environmental Taxonomy).

The sustainability information was audited by EY (Ernst & Young, Audit & Associados, SROC, S.A.), in accordance with the principles of Standard ISAE 3000 (International Standard on Assurance Engagements 3000) and with reference to the GRI Standards and the AA1000AP. This check provides a limited reliability assurance level.

About the financial information

The consolidated financial statements were draw up on the assumption that operations are to continue using the accounting books and records of the companies included in the consolidation (see Part II – Consolidated and Individual financial statements). This accounting information is maintained in accordance with accountancy standards in effect in Portugal, adjusted during the consolidation process so that the consolidated financial statements are in accordance with **International Standards on Financial Reporting** as implemented throughout the European Union, in effect for financial years starting on 1 January 2022.

Both the **International Financial Reporting Standards** (IFRS) issued by the International Accounting Standards Board (IASB) and the **International Accounting Standards** (IAS), issued by the International Accounting Standards Committee (IASC) and respective interpretations — **IFRIC** and **SIC**, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standard Interpretation Committee (SIC), respectively, which have been implemented in the EU, should be understood as forming part of those standards.

The attached individual financial statements were drawn up in accordance with Portuguese law, including Decree-Law No 158/2009 of 13 July 2009, updated by Decree-Law No 98/2015 of 2 June 2015 and by Ministerial Implementing Order No 220/2015 of 24 July 2015, and also in accordance with the structural concept, accountancy standards, financial reporting (NCRF) and other requirements applicable to the financial year ending 31 December 2022 (see Part II – Consolidated and Individual financial statements). The accounts were audited by Ernst & Young, Audit & Associados, SROC, S.A.

About the corporate governance information

The Corporate Governance Report is drawn up in accordance with that set out in **legislation** and in the **regulations** to which REN is subject and as a company issuing shares traded on the regulated market.

The report was drawn up in accordance with the recommendations made in regulations in force and in the **Code of Corporate Governance of the Portuguese Institute of Corporate Governance** (IPCG) and respective interpretation standards. In this regard, the report also includes an analysis of compliance with the IPCG code, providing details of the terms of implementation for each recommendation.

I INTEGRATED MANAGEMENT REPORT
II CONSOLIDATED AND INDIVIDUAL ACCOUNTS
III CORPORATE GOVERNANCE REPORT

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Message from the Chairman

Gonçalo Morais Soares
CFO and member of the Executive Committee

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

João Faria Conceição
COO and member of the Executive Committee

Message from the Chairman

The messages shared by companies via their annual reports have become a little repetitive in recent years, often not meeting the purpose of providing the information needed by the different stakeholders, more specifically, about how they propose to create value. The challenges are many and the surprises we face are non-stop, so we must be able to demonstrate how we make sure that we'll remain resilient when facing future risks and how we propose to achieve ongoing and sustained improvement.

Climate change that we still have not done enough to stop, the threat of Covid-19 that started three years ago, and the war that broke out in early 2022, are three situations that have very much contributed to the disruption of the stability we had become used to.

These phenomena, although not complete surprises, caught the world off guard and have impacted negatively on everyone: lives lost, geopolitical instability, jobs at risk, and more poverty and suffering all over the world.

We all know what's happening. Times have been tough and nobody's expecting that problems will be resolved quickly through short-term solutions.

Despite all the difficulties, 2022 was a year in which we were able to achieve what we had set out to do. We fully complied with our service quality

We highlight our reinforced focus on energy transition with the aim of achieving carbon neutrality by 2040

Our commitment is also based on the contribution we can make to the energy transition everywhere we operate, so that, more than ever, sustainability forms part of our core strategy targets and the results we achieved mean value has once again been created, which makes us especially proud.

We want to go beyond meeting operational and financial targets, our commitment is also based on the contribution we can make to the energy transition everywhere we operate, so that, more than ever, sustainability forms part of our core strategy.

We maintained the path set out under the commitments we took on in our 2021-2024 Strategic Plan and in our Sustainability Strategy.

At REN, management goals – which we won't deviate from – are totally focused on keeping our company in good working order, without distractions, with stability and an attitude of responsibility towards the communities where we operate and towards all those who work with us.

Today, as has been the case for many years, we are one of the key players in the smooth functioning of the country's energy system and a catalyst for energy transition. We actively contribute to the decarbonization of the economy and help meet the objectives of the Paris Agreement. We'd like to reiterate that this is our commitment everywhere we operate and in the multiple roles we play.

Participation in international initiatives is decisive for the success of the work we have led. Of note in this regard is the UN Global Compact, where REN is a member and a committed partner, through our high-impact accelerator programmes.

Against this complex background, the volume of work has grown in parallel with the challenges we want to overcome. We are experiencing restless times and some industrial chains have lost efficiency, creating additional difficulties for us. New demands are constant, meaning we have to look for different solutions, innovate, overcome obstacles, and be more creative.

These major challenges are also an opportunity for everyone who works with us, both inside and outside REN. We have no doubt that we'll continue our efforts and we'll count on everyone, just as I am sure you can count on our company and shareholders.

Our goal is to continue to develop the company, and to do so by maintaining our commitment to our people and their development and improvement, essential factors in meeting our objectives.

We want to continue to make a positive difference and show that it is possible to lead responsibly, improving our way of working on all fronts every day and always with the intention of making a real contribution to energy transition, a change that must take place.

We want to continue to make a positive difference and show that it is possible to lead responsibly

We always look to the future with the same determination and with the assurance of all the experience that our teams have accumulated over many years of service, to build a company that continues to attract new generations.

We believe that there is increasingly no distinction between aspects of business and aspects of sustainability, and this report highlights our work to combine these inseparable goals.

Rodrigo Costa

Value chain

	Inputs	Outputs	SDG
Financial Performance Financial resources to support, develop and maintain the system and infrastructure	202 M€ INVESTMENT (CAPEX); 59 M€ SALARIES AND BENEFITS	106 M€ PAID TAXES (INCLUDES CESE); 112 M€ NET INCOME	8 DECENT WORK AND ECONOMIC GROWTH
Management of the supply chain Follow-up and monitoring of the supply chain in order to support its sustainable development	287 M€ TOTAL VOLUME OF PURCHASES; 179 NO OF QUALIFIED SUPPLIERS	96.8% PURCHASES FROM LOCAL SUPPLIERS	8 DECENT WORK AND ECONOMIC GROWTH; 13 CLIMATE ACTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Innovation and development Processes, procedures, information systems and infrastructure for business development, more specifically, in energy transition and the decarbonization of the sector	2.3 M€ AVERAGE INVESTMENT IN INNOVATION AND DEVELOPMENT	44 NO OF RDI PROJECTS IN PORTFOLIO; 25 NO OF SCIENTIFIC ARTICLES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 15 LIFE ON LAND; 17 PARTNERSHIPS FOR THE GOALS

Value chain

	Inputs	Outputs	SDG
Communities Recognition of communities as an active agent, seeking their involvement in the different phases of projects	323 k€ INVESTMENT IN THE COMMUNITY 881 VOLUNTEER HOURS	18 ENTITIES SUPPORTED THROUGH REN PARTICIPATORY BUDGET 7 AWARDED MASTER THESIS	4 QUALITY EDUCATION
Human capital Skills and experience of employees, necessary to achieve REN's strategic objectives	719 NO OF EMPLOYEES 28.8% WOMEN IN MANAGEMENT POSITIONS	91% LEVEL OF ENGAGEMENT WITH EMPLOYEES 100% TRAINED EMPLOYEES	4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
Natural capital Respect for the characteristics and wealth of the land on which we operate and adaptation of the business model to support energy transition	43% GREEN ENERGY IN OPERATIONS 278 ha (RE)FORESTED AREA	34% ELECTRIFIED FLEET 78% INSTALLED POWER IN THE ELECTRICITY SYSTEM FROM RENEWABLE SOURCES	3 GOOD HEALTH AND WELL-BEING 13 CLIMATE ACTION 15 LIFE ON LAND 17 PARTNERSHIPS FOR THE GOALS

Activity model

Electricity

64%

43.6 TWh
ENERGY TRANSMITTED BY RNT

0.08 MIN
AVERAGE INTERRUPTION TIME

Gas

31%

65.6 TWh
ENERGY TRANSMITTED BY RNTG

100%
AVAILABILITY RATE

International

4%

331.6 M€
INVESTMENT (AQUISITIONS)

Other business

1%

8,100 km
FIBER OPTIC CABLE (RENTELECOM)

1. High environmental, social and corporate governance standards

2. Growth in investment, with excellence in quality of service

3. Solid financials and sustainable shareholder returns

The percentages of the activity model were calculated based on EBITDA.

Our year 2022

January

- APCER certification of the Research, Development and Innovation Management System of five REN Group companies.
- Inclusion in the Bloomberg Gender-Equality Index (GEI).

February

- The Sines LNG Terminal provided 100% of the gas supply in Portugal.

April

- MSCI ESG rating upgrade from "BBB" to "A".
- Joined the Portuguese Diversity Charter.

May

- The tenth auction of guarantees of origin (GOs) issued by REN was held, and for the first time, the net result of the auction exceeded 5 million euros, an amount that will be deducted from the extra cost for renewables borne by Portuguese consumers.

July

- Moody's upgrades REN's rating from "Baa3" with a positive outlook to "Baa2" with a stable outlook.

August

- REN Portgás reaches historic milestone of 400 thousand customers.

September

- Transemel awarded two new projects for the construction and operation of two electrical substations.

October

- "Best Practice of the Year" for the Speed-E project, in the "Technological Innovation and Systems Integration" category, by the Renewables Grid Initiative (RGI).

November

- "Strategy in Social Responsibility and Sustainability" Award from the Portuguese Association of Business Ethics.

December

- Approval of the Development and Investment Plan for the National Electricity Transmission Network (PDIRT) for the 2022-2023 period, with a total Capex of 475 million euros.
- Green energy financing to the value of 300 million euros.
- Submission of targets to Science Based Targets initiative.
- REN, Enagás, GRTgaz and Teréga signed a Memorandum of Understanding (MoU) for the joint development of the first green hydrogen corridor (H_2MED).
- Upgrade in CDP Climate Change ratings from "C" to "B" and S&P Global Corporate Sustainability Assessment from 43 to 62.

We renew relation*ships*

We believe in an uninterrupted supply as a key-factor in the service of society.

Our activity

1.1. Context

REN aims to be one of the most efficient energy transmission operators, creating value for all stakeholders while also maintaining excellence in the operational management of our asset base.

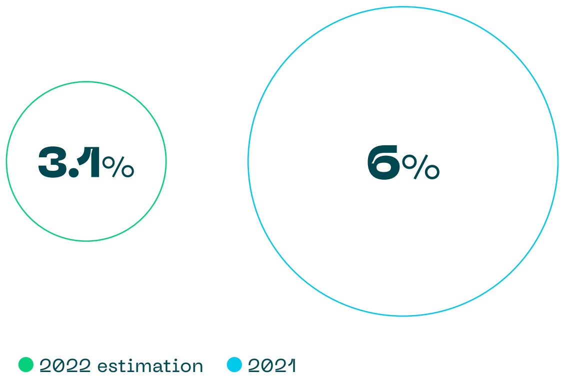
Economic environment[1]

World economy

After a strong recovery in 2021, global economic activity stagnated in the first half of 2022. In the United States, real GDP contracted in the first two quarters of 2022, mainly influenced by the impact of the reduction of budget stimuli, while domestic demand remained robust. In China, there was also a sharp economic slowdown in the second quarter due to the prolonged blockades caused by "Zero Covid" policies and the worsening of the housing market crisis.

[1] Source of information presented in the Chapter: European Commission: European Economic Forecast, Autumn 2022, except when a different source is indicated. The economic statistics for 2022 mentioned in this chapter refer to the European Economic Autumn Forecast published on 11 November 2022, and should not be considered as final figures for the year.

Real global GDP



Real GDP growth in the European Union recovered in the fourth quarter of 2021 and remained strong during the first half of 2022, as a result of the significant recovery in consumer spending

According to European Commission (EC) forecasts, real global GDP was expected to fall from 6.0% in 2021 to 3.1% in 2022, reflecting inflationary pressures, the Russian invasion of Ukraine and the slowdown in China.

Chile[2]

Chile's economy recovered quickly from the pandemic on the back of exceptionally strong support policies in 2021. However, in the first quarter of 2022, growth contracted and then remained stable in the second quarter. The withdrawal of pandemic support measures led to a slowdown in public and private consumption and an increase in the unemployment rate, which reached 7.9% in December.

The increase in energy and food prices, together with the war in Ukraine, drove inflation to historic highs, reaching 12.8% in 2022. In order to curb inflation, the Central Bank of Chile raised reference interest rates from 0.5% in June 2021 to 11.25% in October 2022.

Eurozone

Real GDP growth in the European Union (EU) recovered in the fourth quarter of 2021 and remained strong during the first half of 2022, as a result of the significant recovery in consumer spending, following the easing of Covid-19 containment measures. However, the shocks triggered by the war in Ukraine impacted negatively on global demand and reinforced global inflationary pressures in the second half of the year.

Despite a background of high uncertainty and the energy crisis, with high pressure on energy prices and more restrictive financing conditions, real GDP was surprisingly strong in the third quarter of 2022 in some euro area economies, supported by the positive effect of private consumption and investment.

Inflation remained very high throughout the first ten months of 2022, reflecting the continued rise in wholesale gas and electricity prices and the proliferation of pressure on the price of services and other goods, reaching 10% or more in several euro area countries.

Despite this difficult environment, the labour market continued to perform strongly, with unemployment reaching its lowest level ever in September 2022, of 6.0%.

The strong nominal growth seen in the first three quarters of the year led to a reduction in public deficits in 2022 to 3.6% of GDP (4.2% in 2021), despite the new measures implemented to mitigate the impact of higher energy prices. With respect to the ratio of public debt to GDP, the latest EC estimates point to a reduction from 97.1% in 2021 to 93.6% in 2022.

[2] Information source relating to Chile: OECD Economic Outlook, November 2022 and Chilean National Statistics Institute.

6.8% domestic GDP growth in 2022

3.2% in the eurozone

8.1% HICP in Portugal in 2022

8.5% in the eurozone

1.9% public deficit in 2022

3.5% in the eurozone

Portuguese economy

Portugal's economic growth recovered in the first half of 2022, supported by a strong rebound in foreign tourism. Exports of services surpassed pre-pandemic levels, representing one of the main components contributing to growth. However, in quarterly terms, GDP decelerated from 2.4% in the first quarter, to 0.1% in the second quarter of 2022, reflecting the global problems in supply chains, mainly in the energy and food markets. However, private consumption continued to grow, albeit at a slower pace, benefiting from the gradual removal of restrictions related to the pandemic and support measures. Investment contracted significantly in the second half, reflecting the strong increase in commodity prices, as well as higher interest rates. These effects were mitigated by the resilience of the labour market, where the monthly unemployment rate stabilized at 6% from May to August, below pre-pandemic levels. Overall for the year, and according to projections from the Bank of Portugal[3], GDP grew by 6.8% in 2022 (5.5% in 2021), double the average of European partners.

In 2022, inflation measured by the Harmonized Index of Consumer Prices (HICP) saw an average variation of 8.1%, reflecting growing external pressures on prices. Moreover, according to the latest EC forecasts, the GDP deflator, the driver used to update REN's regulated revenue, reached 3.6% in 2022 (vs. 1.4% in 2021).

In relation to public finances, the European Commission's estimates are in line with those of the Portuguese Government, pointing to a deficit of 1.9% of GDP in 2022, below the eurozone average. The public debt ratio as a percentage of GDP stood at 123.4%[4] at the end of the first half, 2.1% less that at the end of 2021.

Financial markets and monetary policies

Global financing conditions have tightened with rising interest rates and increases in treasury bond yields across different economies. The sudden and persistent increase in inflation seen since the second half of 2021 has led the main central banks to raise policy interest rates from the minimums of recent years. The Federal Reserve increased its target rates from 0.5% in March 2022 to 4.5% in December, which certainly contributed to the strong appreciation of the US dollar. In order to control inflation, the European Central Bank also raised policy interest rates four times in 2022. After the increase of 50 bps in July, there were increases of 75 bps in September and October, and 50 bps in December, bringing the reference interest rate to 2.5%, while the deposit rate rose to 2.0% and the credit rate to 2.75%.

Euribor rates also increased, recovering from negative values since the beginning of the year. On 30 December 2022, Euribor rates for 3, 6 and 12 months stood at 2.132% (*vs.* -0.572% on 31 December 2021), 2.693% (*vs.* -0.546% in December 2021) and 3.291% (*vs.* -0.501% in December 2021), respectively[5].

Interest rates on Portuguese Republic 10-year Treasury bonds, the index on the rate of return on REN's regulated assets, showed a sharp upward trend, recovering from the historic lows seen in 2021.

[3] Source: Bank of Portugal, Economic Bulletin, December 2022.
[4] Source: Bank of Portugal, Economic Bulletin, October 2022.
[5] Source: Euribor Rates (www.euribor-rates.eu).

Electric power consumption

50.4 TWh

49.5 TWh

● 2022 ● 2021

Sector environment

Electricity demand and production

In 2022, electricity consumption recovered from the effects of the pandemic to 2019 levels. Compared to 2021, consumption, which totalled 50.4 TWh, grew by 1.8%, or 2.4% when taking into account the correction for the effects of temperature and number of working days. This figure is around 3.5% lower than the historical maximum consumption recorded in 2010.

Electricity consumption (TWh)

	Consumption	Variation	*Corrected*
2022	**50.4**	**1.8%**	***2.4%***
2021	49.5	1.3%	*1.7%*
2020	48.8	-3.0%	*-3.6%*
2019	50.3	-1.1%	*-0.2%*
2018	50.9	2.6%	*1.7%*

Photovoltaic installations continued to grow last year, totalling close to 500 MW

The maximum power requested from the National Electricity System (NES) was on 26 January at 19:30, standing at 8,595 MW. This was around 1,200 MW below the historical maximum seen in the previous year, in a period where consumption was particularly high, due to exceptionally low temperatures.

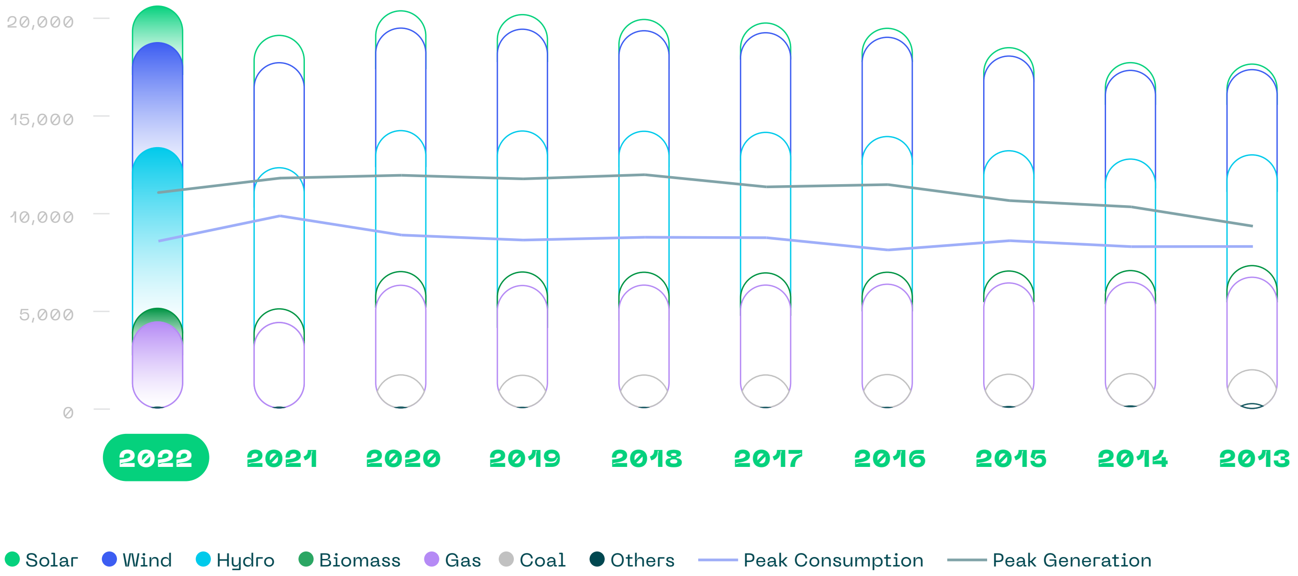
Maximum generation power was recorded on 5 January at 17:45, standing at 11,082 MW. This figure is also lower than the previous year and around 900 MW less than the maximum historic value recorded in 2018. This peak occurred at a time when the national system registered a consumption of around 7,870 MW, and exports of 3,212 MW.

Installed power in the national electricity generation system, which in the previous year saw a reduction of more than 1,000 MW, as the entry of new power plants did not compensate for the closure of coal-fired plants, increased again this year, reaching the highest figure ever of close to 20,700 MW. In terms of new facilities coming online, the Alto Tâmega hydroelectric complex is of note, with the entry into service of the first two facilities: Gouvães, with four reversible groups totalling 880 MW and Daivões with 118 MW.

While wind farms have not seen any changes, photovoltaic installations continued to grow last year, totalling close to 500 MW. This growth was lower than the previous year.

At the end of 2022, renewable energies included hydro power plants with installed capacity of 8,221 MW, wind farms with 5,374 MW, photovoltaic plants with 1,891 MW and biomass plants with 700 MW. Non-renewable energies, practically all gas powered, represent 4,489 MW. Most production facilities are connected to the transmission grid, accounting for 14,716 MW, while the remaining 5,959 are connected to the distribution grid.

Evolution of installed power (MW)

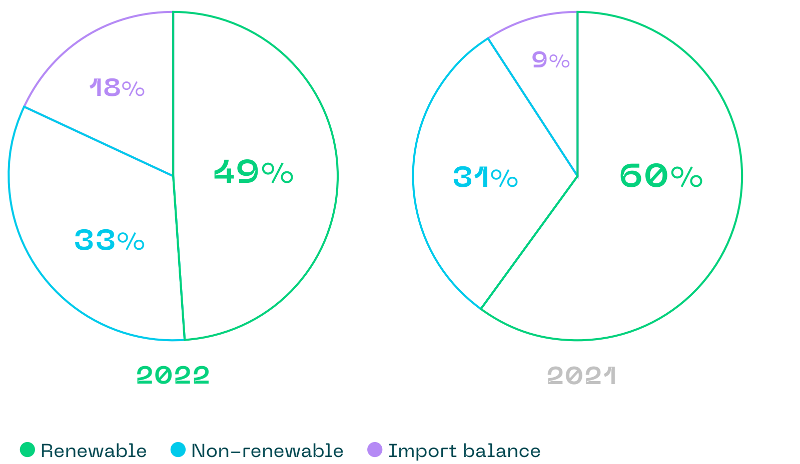


25%

wind energy consumption in 2022

In 2022, renewable generation supplied 49% of consumption, well below the 60% recorded in the previous year. This reduction was due to a much lower hydroelectric component. Under average weather conditions, current renewable generation accounts for around 62% of national consumption.

Renewable and non-renewable generation

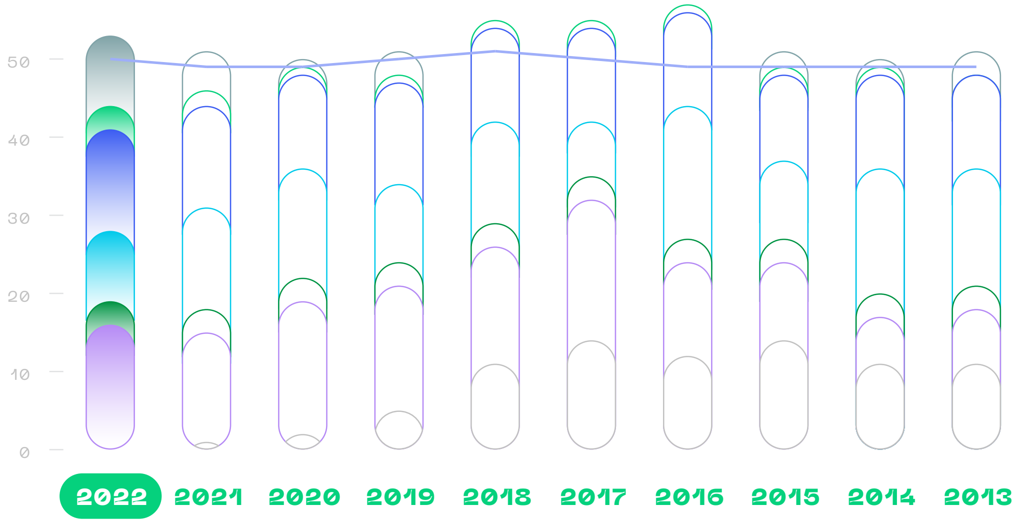


With dry weather seen practically throughout the entire year, the hydroelectric capability factor only reached 0.63 compared to the 0.93 of the previous year. Wind and photovoltaic components were more favourable, recording capability factors of 0.99 and 1.06, close to the figures seen in the previous year of 1.01 and 1.02, respectively.

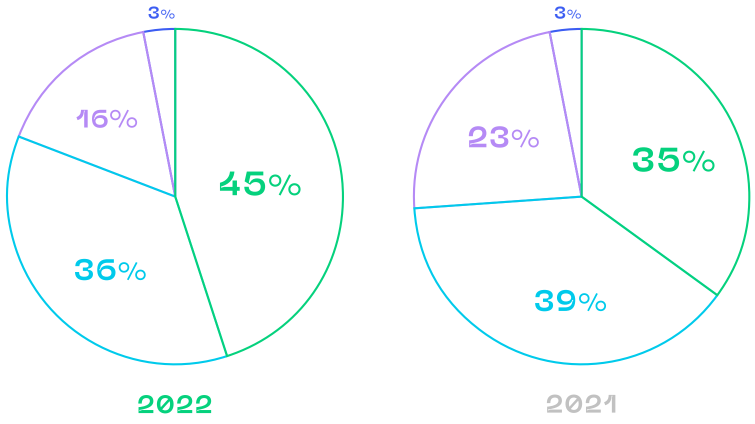
Wind continued to be the most significant renewable source, with a share of 25%, while hydropower fell to just 12% of consumption. With regard to other renewable sources, biomass, including classic power plants and co-generators, had a share of close to 7% of consumption. Photovoltaic generation is increasing its share as new plants enter service, representing around 5% of consumption in 2022. As for non-renewable generation, in the first year without coal, gas plants, including combined cycle and cogeneration, supplied around one third of consumption.

For the third consecutive year, the exchange balance with foreign countries saw more imports than exports. Imports supplied around 18% of national consumption, which is the highest figure since 2008. For a consumption of 50.4 TWh, generation reached 44.0 TWh, with an import balance of 9.3 TWh, while pumping operations absorbed 2.9 TWh.

Meeting demand (TWh)



Gas consumption



Gas demand and supply

In 2022, gas consumption totalled 61.8 TWh, a drop of 3.2% compared to the previous year, due to the contraction seen in the conventional segment. The recovery from the effects of the pandemic ended up not being reflected in gas consumption due to the high prices caused by the disturbances in international markets. The consumption recorded in 2022 was around 11% lower than the historical maximum of 2017.

In the conventional segment, the market contracted by almost 19% compared to the previous year, with consumption of 33.7 TWh, which represents 55% of total gas consumption. The consumption recorded in this segment is the lowest since 2012.

However, the electricity generation segment saw the highest figure ever recorded, with consumption of 28.1 TWh. This is an increase of 26% compared to the previous year and was the result of the closure of coal-fired power plants, but essentially due to the low availability of hydro power. Consumption by electrical power plants represented 45% of total gas consumption.

The maximum hourly consumption was recorded on 5 April at 20:00 with 11.7 GWh, 3.4 GWh below the historical maximum recorded in the previous year, over a sequence of days with abnormally low temperatures. This is the lowest peak recorded in the national network since 2015.

Gas consumption (TWh)

	Market				Consumption	
TWh	**Conventional**	***Change***	**Electric**	***Change***	**Total**	***Change***
2022	**33.7**	***-18.8%***	**28.1**	***25.9%***	**61.8**	***-3.2%***
2021	41.5	*-1.5%*	22.3	*-9.7%*	63.8	*-4.6%*
2020	42.2	*-4.5%*	24.7	*3.8%*	66.9	*-1.6%*
2019	44.1	*0.2%*	23.8	*14.6%*	67.9	*4.8%*
2018	44.0	*4.6%*	20.8	*-24.7%*	64.8	*-7.0%*

A total of 63.3 TWh of energy was unloaded in the Sines LNG terminal, representing around 94% of the total gas that entered the system

The Sines LNG terminal continued to be the main source of supply for the national system, a trend that has been increasing over the last five years.

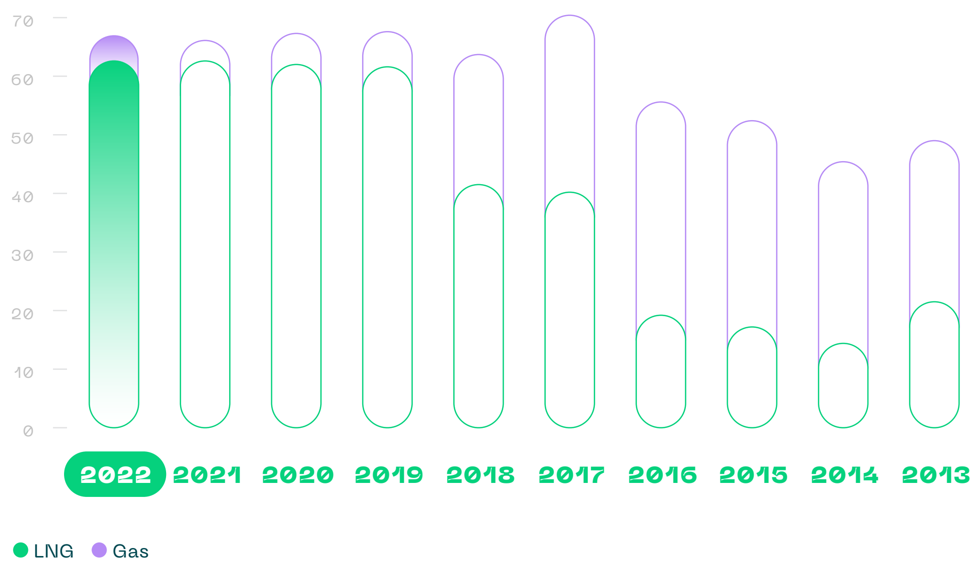
70 methane tankers unloaded through 71 operations, as one of the unloading operations was broken down into two, due to weather conditions. In total, 63.3 TWh of energy was unloaded. This energy represented around 94% of the total gas that entered the system, setting new historical highs, both in number of ships received and in volume unloaded, exceeding the previous maximum recorded in 2019. With regasification of around 59.9 TWh, in line with the previous year, a high occupancy rate was maintained of around 82%.

Imports of 4.4 TWh were recorded through the Campo Maior and Valença interconnection points, 26% higher than the previous year. However, this did not exceed 6% of total gas entering the national system, the second lowest percentage ever, just slightly higher than that of the previous year.

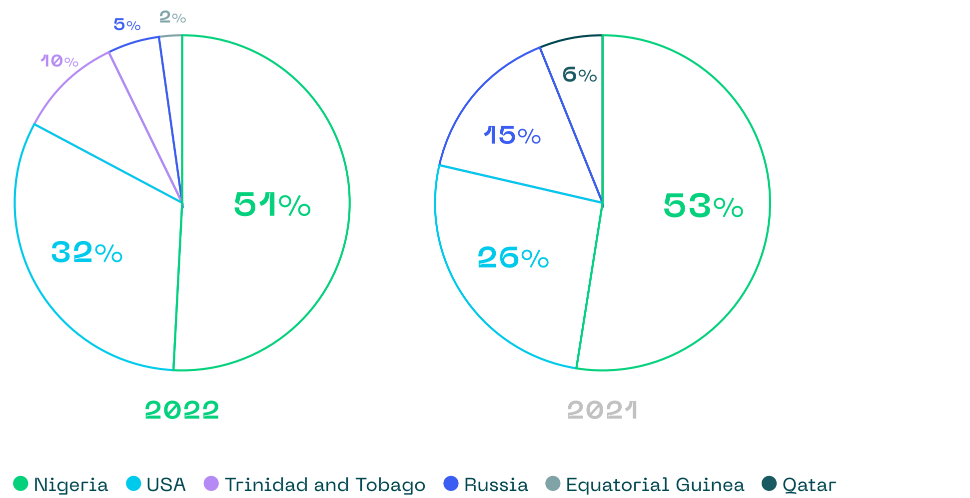
The highest ever exports were seen at the interconnections, with operations totalling 3.2 TWh.

As in previous years, Nigeria was the main source of gas received at the terminal, with 51% of the total unloaded. The USA, which has increased its share in national supply, was also of note with 32%.

Supply (TWh)



Source of gas



2022 was subject to particular disruption due to the conflict between Russia and Ukraine, with particular focus on the energy sector

REPowerEU main pillars

- Energy saving
- Diversification of energy imports
- Replacing fossil fuels and accelerating the EU's transition to clean energy
- Smart investment

Regulatory environment

European energy policy

In line with the previous two years, marked by the effects of the pandemic, 2022 was once again subject to particular disruption due to the conflict between Russia and Ukraine, with particular focus on the energy sector: market turmoil, higher volatility in energy prices and increased risks on energy supply conditions all over the world.

In order to address this geopolitical situation, the European Union (EU) and the respective Member States sought to review their energy and climate strategies, exploring opportunities for bringing forward solutions to allow them to meet exceptional circumstances in the short-term, but maintaining the long-term objectives set out in the European Green Deal and the ongoing legislative review processes under Fit-for-55.

This EU response is supported by the REPowerEU plan, presented in May, and a series of other measures to resolve the problems of high energy prices, security of energy supply and to provide a response to energy supply emergencies in the EU.

Specifically, REPowerEU is based on four main pillars:

The pillar for **Energy saving** involves a set of initiatives, including:

- "EU Energy Savings Plan", published on 18 May;
- Council Regulation 2022/225 of 5 August on coordinated demand-reduction measures for gas (-15%);
- Increased mandatory target of the Energy Efficiency Directive (EED) from 9% to 13% by 2030 (compared to the baseline scenario);
- Reinforcement of support for building renovation provided for in the Energy Performance of Buildings Directive (EPBD);
- The Plan "Playing my part", in cooperation with the International Energy Agency, to help consumers reduce their energy needs; and
- Guidance on the submission of NECPs in 2024 (to be published soon), focusing on inter-sectorial integrated planning and reducing the use of fossil fuels.

With regard to **Diversification of energy imports**, REPowerEU has established:

- The EU's energy platform for the common voluntary purchase of pipeline fossil gas, LNG and hydrogen;
- "External EU action with regard to energy in a world in change", also published on 18 May, to promote long-term relationships with new partners based on the transition to the delivery of renewable energy;
- Obligation to reach 80% of gas storage capacity by 1 November 2022;
- Compliance with projects on the 5th list of PCIs;
- Acceleration of the main interconnection projects on the European electricity grid, more specifically, between France and Spain and in the Baltic region; and
- Reinforcement of the Southern Gas Corridor and connection of Central Europe and Northern Germany via LNG imports.

With regard to the pillar **Replacing fossil fuels and accelerating the EU's transition to clean energy,** some actions intended to speed up the use of renewable energies must be mentioned:

- Higher target for the new Renewable Energy Directive (RED III) to 45% by 2030 (40% in the 2021 European Green Deal), backed by the approval of the European Parliament in September;
- Increased production of photovoltaic electricity – a mature and quickly-implemented technology – through higher targets (another 320 GW by 2025, more than doubling the current capacity, and another 600 GW by 2030), the implementation of the "EU Strategy for solar energy" and the "European Solar Rooftops Initiative" (obligation applicable to certain categories of new buildings);
- Increased use of wind, taking advantage of its abundance and public acceptance, maximizing the EU's leadership in the field of offshore wind energy and strengthening equipment supply chains;
- Speeding up of the large-scale use of heat pumps and geothermal and solar thermal power;
- Strengthening the regulatory framework to ensure lifecycle sustainability through ecodesign and energy labelling requirements for photovoltaic panels and reviewing existing requirements for heat pumps (expected for 2023);
- Legislative proposal from the European Commission to streamline the licensing of RES power plants by amending the provisions of Directive (EU) 2018/2001 (RED II) relating to administrative procedures: Application of the overriding public interest principle to RES power plants and introduction of the concept of "areas particularly suitable for the development of renewable energy" (so-called "go-to areas")[6];
- Council Regulation (EU) 2022/2577 of 22 December, which establishes temporary emergency rules to speed up the granting of RES production licenses, while the RED II Directive is being reviewed; and
- Speeding up the deployment of renewable hydrogen to replace natural gas, coal and oil in industries and transport subsectors that are difficult to decarbonize (target of 10 Mt of renewable H_2 domestic production +10 Mt of renewable H_2 imports by 2030);
- Expand the use of biomethane, given that it is a stable energy source available within the EU (biomethane production target of 35,000 Mm^3 by 2030[7]).

With regard to the pillar of **Smart Investment**, a priority of REPowerEU is the implementation of the different projects that have been pending for some time, with special emphasis on cross-border interconnections, in order to complete the Internal Energy Market (MIE).

To ensure access to sufficient quantities of LNG and gas via pipelines from alternative suppliers to Russia, additional investment estimated at 10 billion euros will be required by 2030. This investment will include strengthening the connection of Iberian Peninsula LNG terminals to the EU grid through infrastructure prepared for H_2 and projects to increase storage and withdrawal capacities.

[6] ZCDRE can be a specific site, on land or at sea, designated by an MS as especially suitable for the installation of RES plants (with the exception of biomass combustion plants); A particularly suitable location should allow potential licensing risks and negative impacts on the environment to be simultaneously minimized.

[7] Investment estimated at €37 billion to increase biogas production capacity in the EU and promote conversion into biomethane.

Since the end of 2021 a series of measures were implemented in order to alleviate the pressure on electricity prices

-5%
obligation to reduce electricity consumption during the 10% hours of higher price

-10%
reduction of electricity demand before 31 March 2023

180 €/ MWh
infra-marginal revenues limit

With regard to electricity, REPowerEU places particular emphasis on the three PCIs within the SWE region (France, Spain and Portugal) and on the synchronization of the electricity grids of the Baltic States with the EU grid. The financing of this investment will be facilitated through changes to different energy policy instruments (such as the Recovery and Resilience Facility, CEF, the ETS Directive and the InvestEU Programme), in order to reinforce capacity and improve flexibility in the use of financial resources.

Also, as part of the review of Directive (EU) 2018/2001 (RED II), in September, the European Parliament approved amendments to the sustainability requirements of renewable fuels of non-biological origin (including H_2), which dispense with the application of the "principle of additionality" and the hourly correlation between the production of fuels and the generating of renewable electricity used. Taking into account the risk of promoters relocating to outside the EU, the origin of electricity supplied through the network is now required to be proven based on a quarterly balance up to 2030 (subsequently, monthly, quarterly or annually, as the European Commission may decide on the basis of an assessment to be carried out in due course). Geographic correlation is also alleviated (PPAs in adjacent neighbouring countries are no longer constrained to the existence of interconnection capacity for commercial exchanges and fuels produced from electricity without a PPA are subject to the country's average RES share of the previous two years).

In order to alleviate the pressure on electricity prices seen since the end of 2021, aggravated by the war in Ukraine, a series of measures were implemented through Council Regulation (EU) 2022/1854 of 6 October:

- Reduction of demand during the coming winter, focusing on periods of peak demand, with the aim of moderating prices and obtaining a calming effect on the market (obligation to reduce electricity consumption by at least 5% during the 10% of hours with higher price);
- Reduction of electricity demand by at least 10% before 31 March 2023; and
- Capping infra-marginal revenues set at €180/ MWh and allowing revenues above that cap to be charged by Member States and used to help energy consumers reduce their bills.

The aim of the hydrogen and decarbonized gas package is to review the Natural Gas Transmission Networks Regulation and the 2009 Natural Gas Internal Market Directive, allowing renewable and low-carbon gases to be supplied to the European energy system, reducing the share of natural fossil gas. Due to the increased importance this package has in the EU's response to pressures on the price and availability of natural gas supplies, the evolution throughout 2022 of the process leading to its implementation should be noted. Presented in December 2021, the European Commission proposal underwent public consultation until mid-April 2022. After the summer, debates took place in the European Parliament and in the Council, which culminated in a Plenary vote at the end of January 2023. Publication and entry into force of the package is expected to take place in the last quarter of 2023.

Measures to simplify procedures for the production and storage of energy from renewable sources were approved

National energy policy

In Portugal, of note during 2022 were the publication of the National Electric System (NES) Law and the Regulations for the activities of the National Gas System (SNG), the National Transmission and Distribution Network, the Liquefied Natural Gas (LNG) Reception, Storage and Regasification Terminal and the Underground Gas Storage in Natural Saline Formations, and the approval of measures to simplify procedures for the production and storage of energy from renewable sources (RES). All the initiatives above are necessary steps towards the decarbonization of the economy.

The NES Law, published via Decree-Law No 15/2022 of 14 January, amended by Rectification Declaration No 11-A/2022 of 14 March, transposed Directives (EU) 2019/944 and (EU) 2018/2001, and aims to adapt the NES legal regime to the needs and challenges posed by the paradigm shift from a centralized production system and deterministic planning to a dynamic model. This new model seeks to ensure the representation of decentralized production, self-consumption, the dynamic management of smart networks and the active participation of consumers.

The main changes are structured around five main pillars:

- **Administrative activity** – concentrates organization and operational matters into a single legislative document and simplifies NES operation, eliminating the distinction between production under the ordinary and special schemes;
- **Network planning** – aims at allowing the potential of the Public Service Electricity Network to be maximized and the allocation of reservation of injection capacity with restrictions, and to require evolution towards a probabilistic and innovative network planning and management model which is dynamic and flexible, to limit the construction of lines to those strictly necessary for NES operation enabling supply security and quality of service;
- **Introduction of competitive mechanisms for NES operations** – generation, supply, aggregator of last resort, logistical operator for switching suppliers and aggregator and the issuing of guarantees of origin; eliminating guaranteed remuneration schemes and moving to a single remuneration scheme based on a market determined price. The possibility of granting RES generation support schemes will always be subject to competitive procedures;
- **Active participation by consumers in generation and in the markets** – with the setting up of the figure of aggregator and requiring the installation of smart meters and networks, the elimination of barriers, the reinforcement of information rights and the obligation to provide supply contracts at dynamic prices to promote service flexibility; and
- **Framework and consolidation of legislation to address new situations such as re-equipping, hybrids or hybridization and storage** – highlighting the appropriate legislative framework for pilot innovation and development projects with the setting up of three Technological Free Zones (TFZ).

Portugal faced a situation of severe and prolonged drought with repercussions on the availability of hydroelectric energy

4
preventive measures

energy supply security

The new Regulations for SNG activities incorporate the adaptation to the SNG Law (Decree-Law No 62/2020 of 28 August) regarding new activities such as the production of renewable low-carbon gases, the injection of other gases into the national gas network, meeting the targets set out in the National Energy and Climate Plan (NECP) and the Carbon Neutrality Roadmap (CNR).

2022 was a year marked by the conflict in Ukraine and the respective implications for the European energy market with regard to fuel prices and supply security. Repercussions were felt by all Member States, and the main priorities were to save energy, speed up the transition to renewable energies and diversify energy supply.

In May, the Governments of Portugal and Spain, considering the specificities of the Iberian Electricity Market (MIBEL) and the reduced electricity interconnection capacity of the Iberian Peninsula to mainland Europe, implemented a mechanism to decouple the price of natural gas from MIBEL with a view to mitigating current price instability. Accordingly, Decree-Law No 33/2022 of 14 May sets out an exceptional and temporary regime for adjusting the costs of electricity production under MIBEL. This adjustment mechanism is temporary and will remain in force until 31 May 2023. It sets the reference price for natural gas intended for the production of electricity in this market, aiming to protect the Iberian Peninsula from the excessive variations experienced in the respective reference markets.

At the same time, Portugal faced a situation of severe and prolonged drought throughout the mainland during the first three quarters of the year, with repercussions on the availability of hydroelectric energy. As such, Council of Ministers Resolution No 82/2022 of 27 September set out preventive measures that allow the current situation and possible future disruptions to be addressed, always bearing in mind energy supply security, creating:

- **Strategic water reserve** – for NES supply security purposes;
- **Transfer of liquefied natural gas between ships** – to be implemented at Sines, in the shortest possible time, installing the necessary infrastructure and equipment;
- **Reinforcement of underground gas storage capacity**; and
- **Energy savings plan.**

Also with regard to natural gas, Decree-Law No 70/2022 of 14 October sets out a strategic natural gas reserve, belonging to the Portuguese State and to be added to existing reserves, while further establishing extraordinary and temporary measures for the reporting of information and guaranteeing gas supply security. The setting up, management and maintenance of this reserve is the responsibility of the National Entity for the Energy Sector (ENSE, E.P.E.).

Reflecting the simplification of licensing processes and the speeding up of RES projects, Decree-Law No 72/2022 of 19 October was also published, amending Decree-Law No 30-A/2022 of 18 April. This new law reinforces exceptional measures for implementing RES production and storage projects. Of note are the following measures:

- Speeding up of the implementation of RES projects;
- Compensating municipal authorities;
- Review of the conditions for solar capacity production auctions; and
- Priority agreements with promoters for new construction or reinforcement of the network.

With the aim of helping to ensure consistency and stability in the supply of electricity in the NES, in November 2021 ERSE Directive No 14/2021 created the Regulation Reserve Band (RRB) market, which operated throughout 2022.

The Government decided on a set of measures with the objective of contributing to the regularity and stability of the SEN electricity supply

85% of consumers are in the liberalized electricity market

77.7% of consumers are in the liberalized gas market

5.5 M
liberalized electricity market consumers

1.2 M
liberalized gas market consumers

With a view to maintaining this market, in November 2022 auction bids were requested in relation to RRB requirements for 2023 for a total of 800 MWh, resulting in the award of only 316.90 MW, as published on 24 November 2022. In December 2022, a new invitation to bid for the 2023 RRB was sent out, to be held on 18 January 2023 for a total of 483 MWh. However, no offers were submitted, as published on 20 January 2023.

In addition to the abovementioned regulatory framework, in 2022 the government also focused on a series of measures which are of note for the sector:

- Approval of the regulations for the Incentive System to Support the Production of Renewable Hydrogen and Other Renewable Gases in mainland Portugal, financed by the Recovery and Resilience Plan;
- Approval of exceptional measures to ensure the simplification of licensing procedures , covering RES power plants, storage facilities, generation units for self-consumption and the respective connecting lines to the Public Service Electrical Network, as well as installations for the production of hydrogen by electrolysis from water and the electricity transmission and distribution infrastructure; and
- Review of the deadlines for submitting applications for the installation and operation of new biomass recovery plants and reformulation of the respective assessment and decision procedures in order to meet decarbonization and energy transition targets.

Liberalized market in Portugal

Electricity

In general terms, in November 2022, the free market represented more than 85% of the total number of customers and around 93% of consumption in Mainland Portugal, with YoY decreases of 0.4% and 1.0%, respectively. Almost all supplies to large-scale consumers continue to be via the free market (around 99%), while the residential customer segment still has the lowest penetration (around 85% of consumption on the free market).

The number of free electricity market consumers was around 5.5 million, an increase of approximately 0.7% compared to November 2021, although there was a net reduction of 5,099 clients with respect to October 2022. Annualized consumption stood at 42.5 TWh.

Gas

In November 2022, in mainland Portugal, the free market represented around 77.7% of all customers, and around 97% of consumption, a YoY decrease of 7.3% and 0.9%, respectively. Almost all supply to heavy users and industrial customers is provided by the free market.

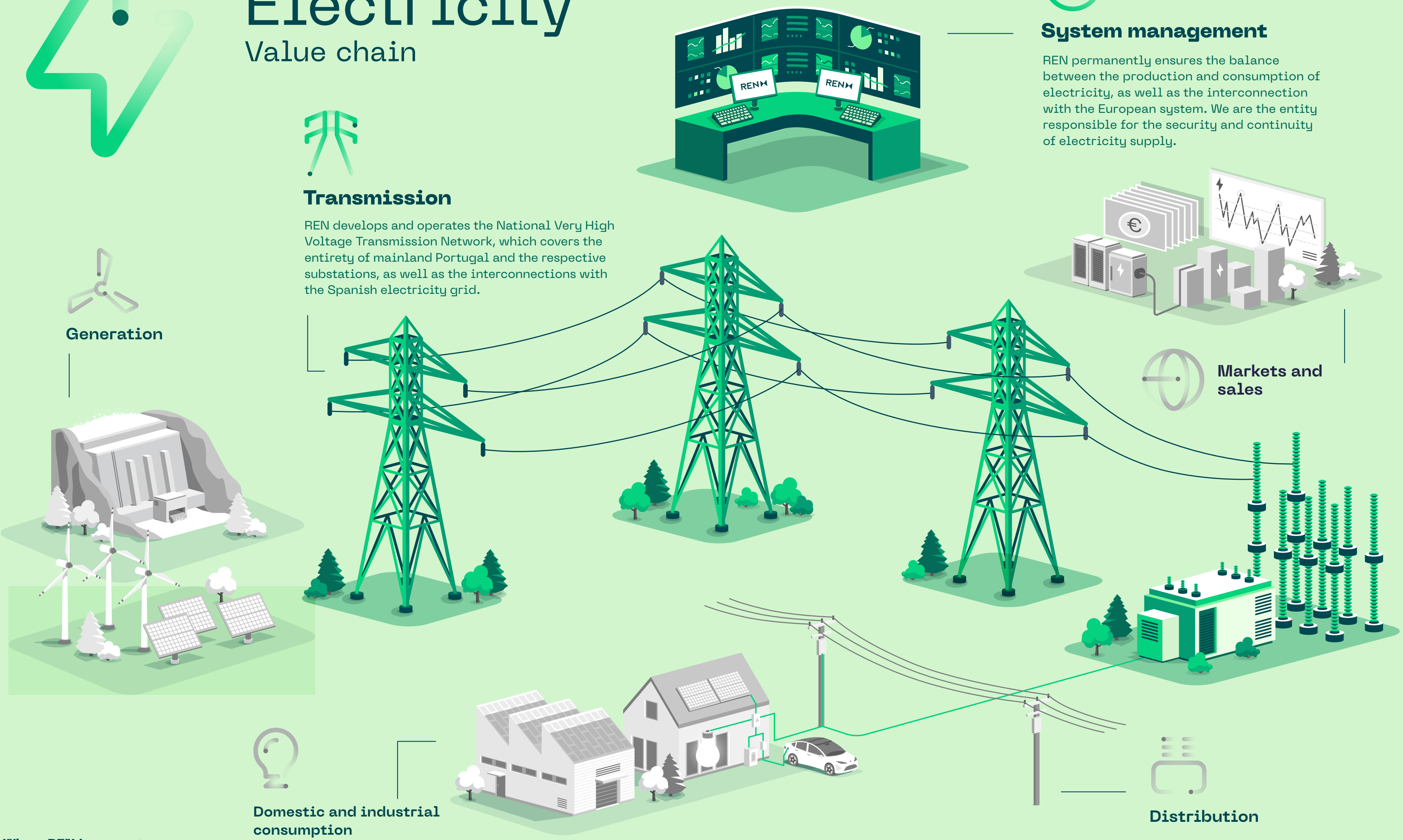
The total number of customers in the liberalized natural gas market in November 2022 was around 1.2 million, representing a decrease of approximately 7.6% YoY. Annualized consumption in the liberalized market stood at 33.9 TWh, a reduction of 13.5% in YoY terms.

Our activity

1.2. Electricity

REN's mission is to ensure the uninterrupted supply of electricity, meeting quality and safety criteria, maintaining a real-time balance between supply and demand and ensuring system conditions that make the energy market viable. Further goals are to contribute to the development of communities and improve the quality of life of people living in Portugal.

Electricity
Value chain



Transmission

REN develops and operates the National Very High Voltage Transmission Network, which covers the entirety of mainland Portugal and the respective substations, as well as the interconnections with the Spanish electricity grid.

System management

REN permanently ensures the balance between the production and consumption of electricity, as well as the interconnection with the European system. We are the entity responsible for the security and continuity of electricity supply.

Where REN is present:
Transmission | System management

Main performance indicators

Transmission	UN	2022	2021	2020	2019	2018
Consumption	TWh	50.4	49.5	48.8	50.3	50.9
Annual variation in consumption	%	1.8	1.4	-3	-1.1	2.6
Installed power	MW	20,675	19,157	20,412	20,218	19,971
Installed power RES	%	78	77	69	69	68
Energy transmitted by the RNT	TWh	43.6	42.3	42.8	43	47.2
Length of lines	km	9,424	9,348	9,036	9,002	8,907
Transformation power	MVA	39,517	39,221	38,463	38,463	37,638
Losses in energy transmission	%	1.83	1.98	1.84	1.71	1.66
Equivalent Interruption Time	min	0.08	0.05	0.03	0.72	0.83

Regulated assets

Electricity business

Through REN – Rede Eléctrica Nacional, S.A., REN works in two regulated areas:

General System Management (GSM)

Transmission of Electrical Power (TEP)

The revenue allowed from GSM and TEP business is received by applying two regulated tariffs: the tariff for the General Use of the System (TUGS) and the tariff for the Use of the Transmission Network (TURT). Both tariffs are defined annually by the Energy Services Regulatory Authority (ERSE) based on energy and economic forecasts for demand, costs, revenues and investment. The regulatory period underway started in 2022 and ends in 2025.

In 2022, the mechanism for indexing the annual remuneration rate to the annual arithmetic average[8] of the daily trading yield on 10-year Portuguese Republic Treasury Bonds (TB) was maintained. The respective parameters were also reviewed:

- the starting point was set at 0.302% for an initial base remuneration rate of 4.4%;
- a variation of 1% in TB yields requires a variation of 0.3% in the base rate; and
- variation limits for base remuneration between 3.7% and 7.0%. For 2022, the remuneration rate was 4.75%.

The incentive-based regulation model was maintained, however, in transmission business, incentives are no longer applied individually to Opex and Capex and are now applied in a global manner Totex (Capex+Opex), providing for more efficient economic management of the business by allowing free choice in the use of Opex vs Capex resources.

Accordingly, once certain efficiency premises are met, regulation based on incentives with respect to Totex leads network operators to base their decisions within a more flexible regulatory environment, with the aim of ensuring good overall economic performance of the activities carried out.

In addition to this regulation methodology, a symmetric mechanism for sharing gains or losses was also introduced, which is activated only above certain yield thresholds. By applying this mechanism to the portion of the Totex cost base subject to efficiency targets, the aim is to guarantee an adequate margin and not overly limit incentive regulation indicators as applied to Totex. The goal is to limit deviations in the profitability of the business when they are significant when compared to a reference. This mechanism is calculated one year after the end of the regulatory period to which it applies and reflects the profitability of that period. The regulatory period was extended to four years.

In the transmission business, incentives are no longer applied individually to Opex and Capex and are now applied in a global manner Totex (Capex+Opex)

[8] From 1 October of year n-1 to 30 September of year n.

In the electricity transmission business, a regulation methodology based on revenue cap type incentives started to be applied

20 M€
maximum incentive reached in 2022

40.4 M€
average RAB for GSM business in 2022

Regulation of activities
In the current regulatory period of 2022-2025, in general system management business, the previous incentive model for the remuneration of the asset base and Opex incentive was maintained. As there are growing requirements on a European level imposed on Transmission System Operators (TSOs), which are beyond their control, a portion of costs not subject to efficiency targets is provided for in order to accommodate costs of this nature not foreseen by the regulator when the cost basis for the regulatory period was calculated.

In the electricity transmission business, a regulation methodology based on revenue cap type incentives applied to total controllable costs (Opex+Capex) started to be applied, with an efficiency factor of 1.5% in a number of its components.

With respect to the 2022-2025 regulation period, this new methodology corresponds to the application of efficiency targets to a series of previously defined costs, which incorporate capital costs and operating costs, with the simultaneous introduction of a mechanism for sharing gains and losses between companies and consumers, that is activated only after certain profitability thresholds have been reached. Additionally, the incentive to improve technical performance (IMDT) was introduced, which replaced the previous incentive for the rationalization of economic investment (IREI) in its technical component.

The goal of IITP is to encourage the operator of the National Electricity Transmission Network (RNT) to improve their technical performance. The technical performance of the RNT consists of the joint assessment of the transmission network's response to needs in terms of:

- equipment availability, measured through a combined availability rate for RNT elements;
- quality of service level, measured via the equivalent interruption time; and
- the international interconnection capacity made available to the markets, measured by the capacity available for interzonal trade of 70% of the transmission capacity during a percentage of hours of the year.

In 2022, all indicators exceeded the reference level set by the regulator, having reached the maximum incentive of 20 million euros.

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

In the GSM business, the principle of RAB valuation is based on historical costs. In these cases, the abovementioned indexed remuneration rate is applied. In 2022, the average RAB for GSM business stood at 40.4 million euros. Assets used in this activity also include land in the public water domain used in hydro power production, in the sum of 184.7 million euros, remuneration for which, in accordance with Ministerial Implementing Order No 301-A/2013 of 14 October, depends on the classification allocated to the performance of the RNT concession holder by a group formed especially for the purpose. The rate may vary between -1.5% and +1.5%. As no performance reports have been issued since 2015, ERSE stated that the rate would be zero with retroactive effects to 2017. Therefore, the value considered for 2022 was 0%.

With regard to the Transmission of Electrical Power, with the aim of promoting more efficient behaviour by the TSO in investment, the reference costs mechanism was introduced into the 2009-2011 regulatory period. This mechanism was published in September 2010 through Official Order No 14 430/2010 of 15 September, with retroactive application to investment transferred to operations since 2009. The first update was in 2015 with the entry into force of ERSE Directive No 3/2015 of 29 January.

In the current regulatory period, this incentive no longer applies to assets that enter into operation from 1 January 2022, but remains for assets that entered into operation in the 2019–2021 period, which are remunerated at the base rate plus a premium of 75 p.p. In 2022, the remuneration rate for these assets was 5.5%.

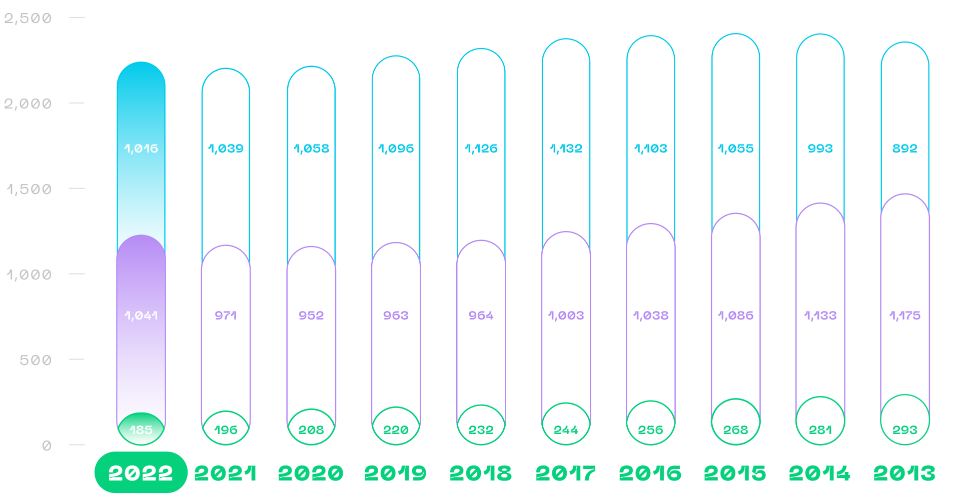
The following graph shows the RAB for the different asset groups.

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

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

At the end of 2022, the balance of regulated activity differences was 59.7 million euros to be recovered by REN – Rede Electrica Nacional, S.A.

RAB for the different asset groups (10^6 EUR)



● RAB public water domain land ● RAB rate without premium (excluding land) ● RAB rate with premium

Technical infrastructures

At the end of 2022, the RNT consisted of 9,424 km of line circuits, 70 transformer substations and 17 switching and transition stations. The RNT ensures the flow of electrical power from power plants to the transformer substations where connections exist directly to very high voltage consumers and at high voltage between the national transmission and distribution network.

9,424 km length of line circuits

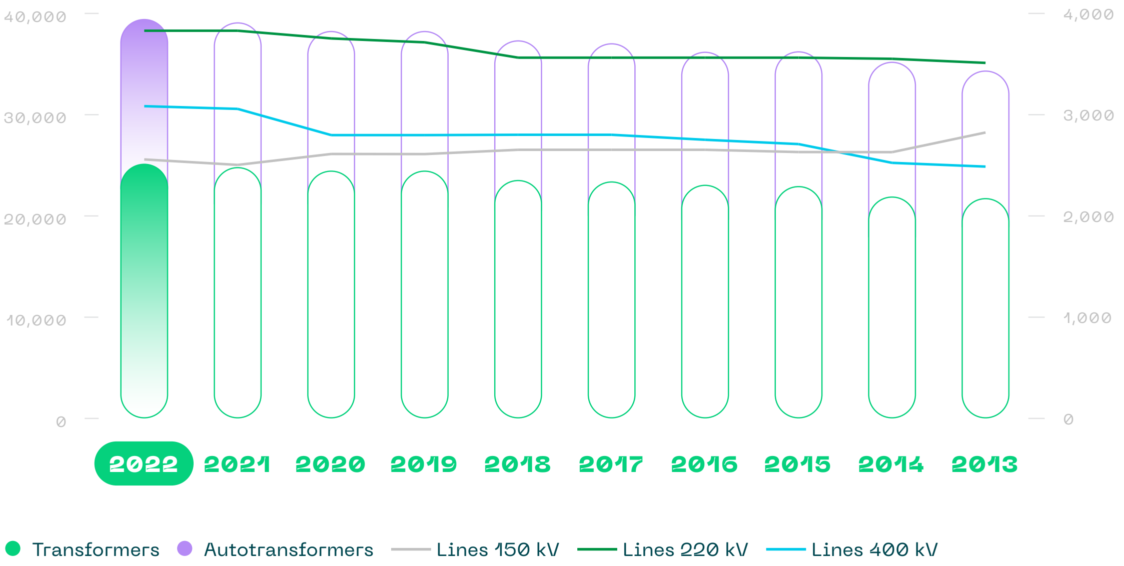
70 transformer substations

17 switching stations

The National Electricity Transmission Network

	2022	2021	Var. 21/22
Length of lines in service (km)	**9,424**	**9,348**	**0.8%**
400 kV	3,075	3,051	0.8%
220 kV	3,848	3,848	0.0%
150 kV	2,501	2,449	2.1%
Transformation power in service (km)	**39,517**	**39,221**	**0.8%**
Autotransformation (MVA)	**14,920**	**14,920**	**0.0%**
400/ 220 kV	7,650	7,650	0.0%
400/ 150 kV	6,440	6,440	0.0%
220/ 150 kV	830	830	0.0%
Transformation (MVA)	**24,597**	**24,301**	**1.2%**
400/ 60 kV	4,760	4,590	3.7%
220/ 60 kV	13,071	13,071	0.0%
150/ 60 kV	6,306	6,180	2.0%
150/ 130 kV	140	140	0.0%
220/ 30 kV	320	320	0.0%

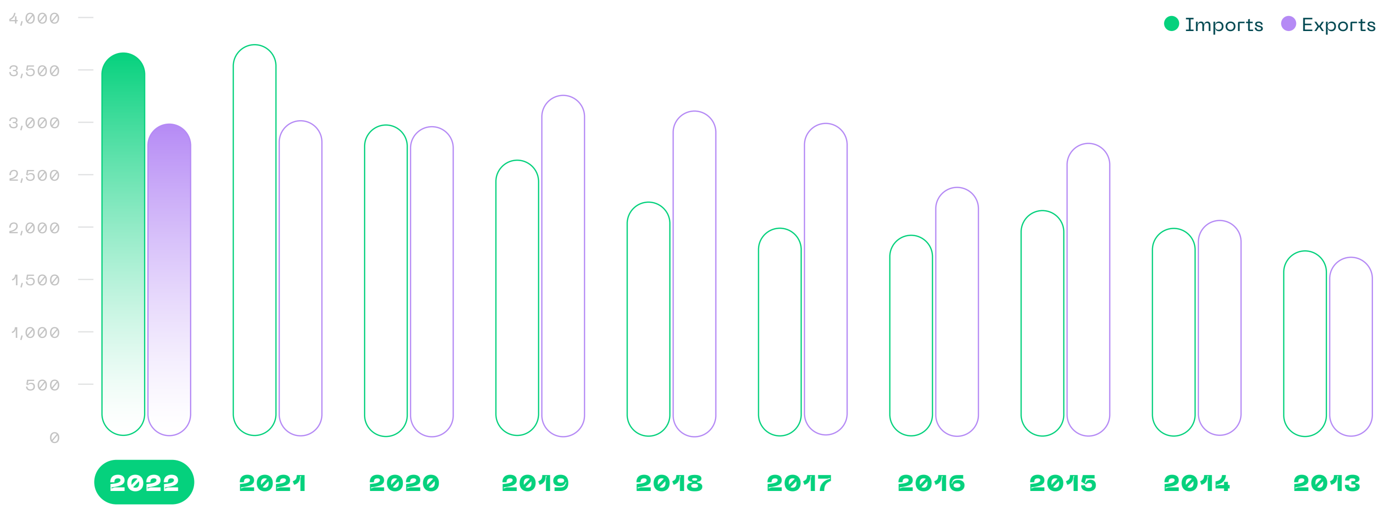
Line length and transformation power (MVA/ km)



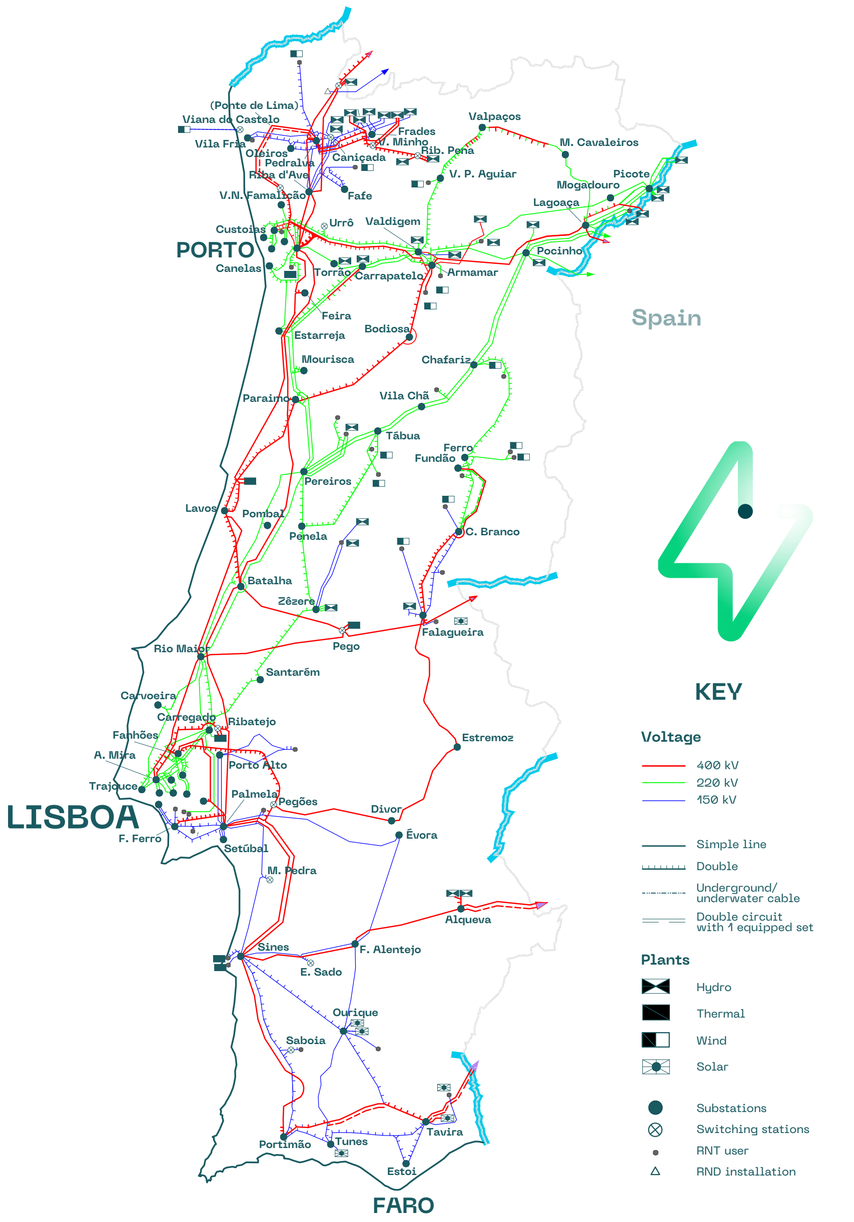
The RNT also connects to the European Transmission System through 10 interconnection points with the Spanish Transmission Network

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

Average import and export capacity (MW)



National Electricity Transmission System



Operation

Use of Transmission System

In 2022, the RNT transmitted 43.6 TWh of power, an increase of 3% over the previous year. Maximum network power reached 8,674 MW on 5 January at 17:45, around 1,000 MW below the historical maximum registered in the previous year.

Power plants connected to the transmission network injected 28.8 TWh, which was 1.4 TWh less than the previous year, due to the steep reduction in hydro power production. Power plants connected to the distribution network produced 14.5 TWh, 2.5 TWh of which was injected into the transmission network, due to lack of consumption on a distribution level. This injection into the transmission network, as well as the respective peak, which reached 1,471 MW, were both close to their respective historical maximum figures, recorded in the previous year.

Transmission network losses totalled 798 GWh, equivalent to 1.83% of energy transmitted, below the 1.98% recorded in the previous year. Despite some trend towards an increase in losses in recent years, due to the greater geographical imbalance in production as a result of the closure of the two large coal-fired power stations in centre and south of the country, this year there was a reduction in losses due to lower hydro power production and consequent lower use of the 220 kV network and greater use of the 400 kV network.

Transmission system balance (TWh)

	2022	2021
Energy intake into the network	**43.6**	**42.3**
Power plants	28.8	30.2
Interconnections	12.3	9.5
Distribution network	2.5	2.5
Energy output by the network	**42.8**	**41.5**
Power plants/ direct customers	4.9	4.0
Interconnections	3.1	4.8
Distribution network	34.8	32.6
Own consumption	0.0	0.0
Losses	**0.8**	**0.8**
Losses (%)	**1.83%**	**1.98%**

Average interconnection capacities provided to the daily wholesale market stood at 3,679 MW for imports and 2,992 MW for exports, both figures being close to those seen in the previous year. The national system continued mainly to import, as in the previous year, registering minor congestion after the daily market, in less than 1% of periods in both import and export directions.

Quality of service

In 2022, the quality of service of the National Electricity Transmission Network was marked by two interruptions of service at the Alcochete and Carvoeira delivery points, corresponding to power not supplied of 6.2 MWh and 1.5 MWh, respectively. Despite this, the quality of technical service provided – understood as being security and continuity of supply of electrical power with the necessary technical characteristics – was positive, consolidating the suitable performance of the RNT.

General continuity of service indicators, set out in the Quality of Service Regulations, recorded generally positive values, in line with that seen in the previous year. In this regard, the policies and strategies adopted for the activity of electrical power transmission have promoted the suitability and efficiency of RNT operation.

Average Interruption Time (AIT), an indicator of overall performance commonly used by electrical utility firms, attributed directly to REN, was only 4.8 seconds. This corresponds to energy not supplied of 7.7 MWh. This overall EIT value represents what would be a practically uninterrupted supply of electrical power (99.99998% of the time) to a single 'equivalent' consumer (in mainland Portugal), with power and energy which would represent all the different delivery points to the national electricity distribution network and consumers directly connected to the RNT.

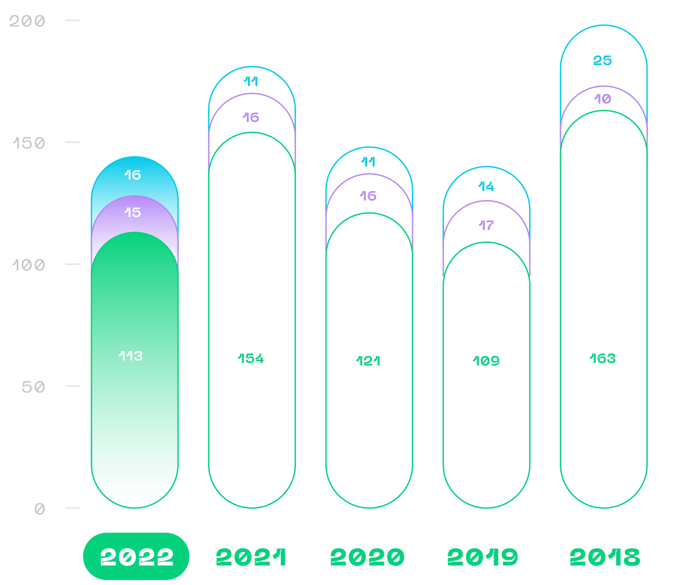
In 2022, the monitoring of voltage waveform quality continued at delivery and interconnection points on the RNT. The measurements carried out continued to show results that, with a limited number of exceptions in individual and localized cases, match the figures recommended in the Quality of Service Regulations.

The overall level of the quality of electrical power depends on the number of incidents recorded or which impact on the transmission grid. In 2022, the total number of incidents fell by 20.4% over figures for 2021. In 2022, there were a total of 144 incidents (181 in 2021), 113 of which originated in the vry high voltage network (VHV), 15 in the high voltage network (HV) and 16 in other networks but impacting on VHV networks and HV equipment in the grid. Only two incidents (1.3% of the total) actually caused interruptions to the supply of electricity to customers, having led to two interruptions at delivery points.

Average interruption time (minutes)

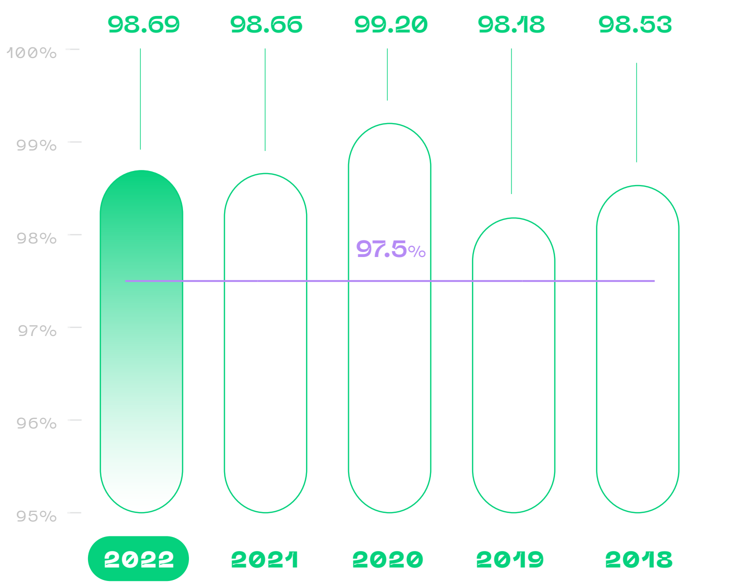
Interruptions by fortuitous or force majeure and exceptional events
Other interruptions

Evolution in the number of incidents



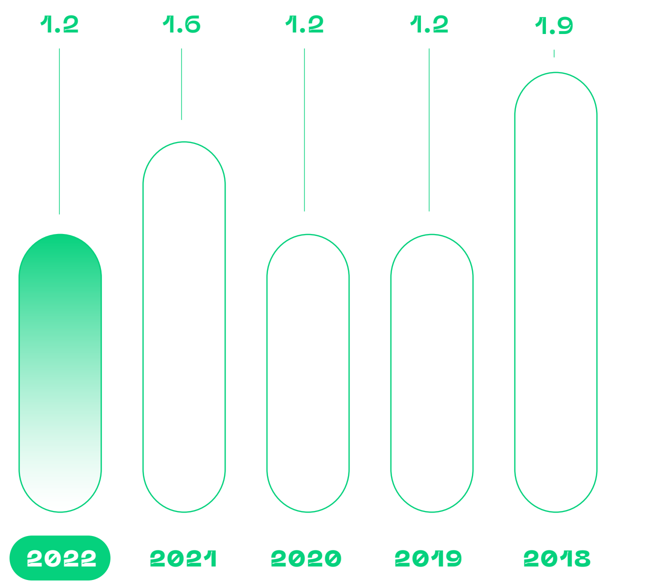
VHV network
HV network
Networks external to RNT

Combined availability rate (%)



ERSE reference value

Evolution in the number of faults originating in RNT lines per 100 km of circuit



Performance of assets

Availability

The combined availability rate – an indicator defined by ERSE which evaluates the availability of RNT transformers and lines – was 98.69% in 2022. This figure is in line with that seen in 2021 (98.66%). The following graph shows the annual evolution of this indicator over the last five years. This performance shows an effective coordination and programming of grid outages during the period in question and to a certain extent, the reliability of RNT assets.

Performance of the lines and substation equipment

In general, substations and their respective equipment and systems registered an adequate performance. The number of faults in power transformers and circuit breakers fell slightly in relation to figures for 2021. More in-depth technical detail is available in the Quality of Service Report published annually by REN.

The majority of incidents originated in RNT lines, and in 2022, the number of faults per 100 km of circuit was the second lowest ever: 1.15 faults per 100 km of circuit. This decrease was mainly due to the reduction in the number of faults caused by lightning strikes, which registered a fall of 60.5% compared to 2021.

Network behaviour

The behaviour of the RNT in 2022 was in general adequate, with maintenance activities and the construction of network infrastructure taking place normally. The main constraints which took place in the RNT in 2022 involved grid element outages, which were solved through the introduction of topological changes or generating restrictions and pumping.

In this regard, of special note are the outages which occurred in the area south of Palmela due to remodelling work on 400 kV lines to increase their transmission capacity. This work required the implementation of special topological procedures at 150 kV level at the Sines substation with a view to minimizing restrictions on power generation and maximizing the interconnection capacity between Portugal and Spain.

In 2022, consumption in mainland Portugal grew, totalling 50.4 TWh

System operation

In 2022, consumption in mainland Portugal grew by +1.8 % over the previous year, totalling 50.4 TWh. It should also be noted that 49% of the abovementioned consumption was supplied from renewable energy sources representing a decrease of around 15% in comparison to 2021.

In February 2022, the service provided by the Regional Coordinating Centre (CORESO) for the coordinated calculation of interconnection capacity in South West Europe (SWE), a region that includes Portugal, Spain and France, started to integrate the monitoring process and compliance with the 70% rule established in the Clean Energy Package approved by the European Union (Clean Energy Package). In March 2022, CORESO started to provide the first intraday calculation service for interconnection capacity in SWE.

Market operation

In the management of the electricity system, in 2022 developments were continued in view of the national implementation of MARI and PICASSO (projects that aim to ease cross-border exchanges associated with frequency restoration reserves with manual and automatic activation, respectively) to the RNT.

Furthermore, the "Iberian Mechanism" was implemented, pursuant to the provisions of Decree-Law No. 33/2022 of 13 May and Directives Nos. 11/2022 of 14 May and 13-A/ 2022 of 21 June, as well as the publication of Directive No. 23/2022 of 13 December, approving the new Procedures Manual for the General Management of the Electricity System (MGMES).

With regard to the application of the European codes, of note for 2023 is the implementation of the alteration of the process to quantify deviations from programming and their valuation in order to comply with the provisions of ACER Decision No. 18/2020 concerning the methodology for harmonizing the main aspects of the settlement of deviations, resulting from the provisions of Article 52(2) of the Electricity Balancing Guideline (EBGL) (Regulation (EU) No. 2017/2195 of 23 November 2017) and the new MGMES.

We will also continue the work on the trans-European projects in which REN is participating (MARI and PICASSO). These projects will impact significantly on National Dispatch operation, more specifically, on the remodelling of the real-time computer tools used in balancing the NES (SIME application) and on the respective observation and control (SCADA application).

Also in 2023, we are planning to implement the new MGMES in accordance with the provisions of Directive No. 23/2022 of 13 December. Of particular note are the change in the deviation settlement period to 15 minutes, the inclusion of new types of installations, the replacement of the Balance Area concept by the Offer Area and the implementation of weekly settlement for participation in the ancillary services market.

In addition to the network development projects, investment was also directed to end-of-life assets renewals

Investment

Projects concluded in 2022

RNT projects concluded in 2022 also helped reinforce the supply to the National Electricity Distribution Network and create new connections (reinforcing reception capacity) for new production. These projects also contributed to the internal security and reliability of the network and the overall functioning of the NES. In this regard, the following projects are of note:

- Second 150 kV connection between the Fernão Ferro and Trafaria substations on the Setúbal Peninsula;
- Transformation capacity reinforcements at the Falagueira substation, with the third 150/ 60 kV (126 MVA) unit, and at the Estremoz substation, with the second 400/ 60 kV (170 MVA) unit; and
- Conclusion of the new line bays at the following substations: Lagoaça, one 400 kV bay, Falagueira, one 400 kV bay, Estremoz, one 400 kV bay, Alcochete, two 60 kV bays, and Sines, one 400 kV bay, as well as one 400 kV bay at the Ribatejo switching station to receive new generation with direct connection to the RNT.

In addition to the network development projects mentioned above, investment was also directed to end-of-life assets renewals. This work included the uprating of the Alcochete – Fanhões 400 kV line, as well as the conclusion of modernization on protection equipment, automation and control systems at the Alto da Mira, Estoi, Pereiros and Valdigem substations and at the Ribatejo switching station.

Main investments underway

Highlights in the main investment underway:

Connection of large hydro-plants to RNT	400 kV line between the Feira and Ribeira de Pena substations to create conditions for connection stages 1 and 2 and full integration of new power generation throughout the Tâmega River hydro basin (around 1,150 MW of installed power).
Connection to the RNT of other than large hydro or thermal power generation	Studies on new RNT infrastructure and reinforcement of the transmission capacity of some existing infrastructure to provide additional capacity, in order to receive new solar photovoltaic production as a result of the competitive procedures for granting reservation of injection capacity into the Public Service Electricity Network (PSEN) and connection requests under the agreement regime, between the applicant and the PSEN operator, as is the case between the transmission network operator and promoters of new power generation centres.
Supply of consumption centres in distribution networks and VHV clients	Reinforcement and introduction of new RNT/ RND transformer capacity in several network areas, more specifically, at the Vila Nova de Famalicão, Alcochete and Divor substations to meet security of supplyrequirements and adapt to regulatory standards.
Reinforcement of the RNT regarding the decommissioning of the Sines coal-fired thermal power plant	Development of the Ferreira do Alentejo – (Ourique) – Tavira 400 kV line, as well as the Fanhões – Rio Maior line, also at 400 kV, in order to reinforce the RNT in the Lisbon area and southern Portugal, which will help structurally adapt the performance of the network, after the termination of electricity generation at the Sines coal-fired power plant.
Reinforcement of the interconnection capacity between Portugal and Spain	New 400 kV interconnection in the Minho region between the future substations of Ponte de Lima, on the Portuguese side, and Fontefría, on the Spanish side, to reinforce commercial exchange capacity between Portugal and Spain. This project is at the detailed study stage and verification of environmental compliance of the execution project.
Renewal and uprating of equipment and systems at the end of working life	Several projects to modernize transmission network assets, by remodelling and replacing high and very high voltage equipment in substations, protection, automation and control systems, power transformers and overhead lines.

The 2022-2031 PDIRT was approved by the Secretary of State for Environment and Energy in December 2022

19 CRR issued up to the end of 2022

1,899 MVA

Projects of Common Interest for Electricity (PCI)

At the end of 2022, applications were submitted for European Union projects relating to the 1st list of PCI/ PMI (Projects of Common Interest/ Projects of Mutual Interest). REN submitted an application for a project in the area of electricity for PCI status, more specifically, the new 400 kV Ponte de Lima – Fontefría interconnection between the Portuguese and Spanish transmission networks.

The selection process for projects that will form part of the 1st list of PCI/ PMI will take place throughout 2023, with this list expected to be made available by the European Commission in November 2023.

Transmission Network Development and Investment Plan (PDIRT)

The proposed Development and Investment Plan for the Electricity Transmission Network for the 2022-2031 period (PDIRT 2022-31), including the inputs after public consultation and feedback received from the Directorate-General for Energy and Geology (DGEG) and the Regulator (ERSE), was submitted to DGEG in November 2021. As provided for by legislation in force, the final proposal of PDIRT 2022-2031 was discussed in the Portuguese Parliament. In July 2022, REN also attended a hearing at the Environment and Energy Commission.

In December 2022, the proposed final PDIRT 2022-2031 (website) was approved by the Secretary of State for the Environment and Energy.

Network connections

With respect to connections to the Public Service Electricity Network (RESP), REN participates in connection and integration processes for consumer and producer facilities which connect the RNT, so as to ensure the safety and quality of service and the effective integration of renewable energy sources.

Decree-Law No 15/2022 of 14 January sets out the rules for access to the PSEN by power production centres, with injection power greater than 1 MW, through three methods for awarding reservation of injection capacity rights:

- The general regime, for existing reservation of reception capacity;
- The competitive procedure, under terms to be defined by the Portuguese State; and
- An agreement between the applicant and the PSEN operator (Agreement), to build new infrastructure not provided for in the respective network development and investment plans, aiming to create reception capacity to enable connection by the power production plant in question (in this case, the investment cost will be taken on by the applicant).

Under the new general regime framework, up to the end of December in 2022, REN issued 15 Capacity Reservation Rights (CRR), corresponding to 1,122 MVA.

In 2021, the Authorities launched two competitive procedures impacting on the RNT: one for the capacity which had been previously intended for the Pego coal-fired power plant (Pego Auction 2021) and another for connecting floating solar plants (Auction 2021 – Floating Solar). The respective Capacity Reservation Rights were issued by REN in 2022, corresponding to 70 MVA under the 2021 Floating Solar Auction (relating to the floating power plant to be connected to the RNT) and 224 MVA under the 2021 Pego Auction. Accordingly, under the new competitive procedures framework, up to the end of December 2022, REN issued 19 CRR, corresponding to 1,899 MVA.

65

processes for connection to the RNT were underway in 2022

In February 2020, total capacity requested through the agreement scheme to connect mainly photovoltaic plants to the RNT stood at around 129 GVA. In the same month, the Directorate General of Energy and Geology (DGEG) published the Terms of Reference (ToR) setting out the criteria to classify and order agreement requests for connection to the RNT and RND, allowing network reinforcements to be studied in power packages, thus maximizing their efficient and sustainable integration into RESP.

The list with the classification and final ordering of the first agreement requests, in accordance with the ToR, corresponding to 78 agreement requests with REN and 17 GVA, was published by DGEG on 06/07/2021. REN is currently processing these requests in accordance with DGEG guidelines. With respect to agreement requests covered by the ToR, a series of requests has already been studied, totalling injection power into PSEN of 3,545 MVA, of which 3,185 MVA corresponds to power plants for connection to the RNT and 360 MVA for connection to the RND. Prior to the publication of the ToR, a block of 14 requests was studied, corresponding to 3,517 MVA, which were finalized in 2021.

REN is also conducting studies, within the scope of its competences, to identify network conditions with a view to meeting national objectives to integrate the production of electricity from sea or sea-based renewable sources, as well as to connect multiple consumption projects, particularly for the production of "green" hydrogen to decarbonize industry, in accordance with the guidelines of the Granting State in matters of energy policy.

Connections underway in 2022

At the end of 2022, 65 processes for connection to the RNT were underway.

In 2022, two hydroelectric power plants with a total of 1,110 MVA and five photovoltaic plants with a total 188.9 MVA connection power concluded the RNT connection process. Two processes to over-equip wind farms were also completed, increasing installed capacity by 33.6 MW.

Processes for connection to the RNT in 2022

48 photovoltaic plants

1 floating photovoltaic plant

3 wind farms

1 hybrid power plant

1 hydroelectric power plant

4 processes to over-equip wind farms

7 consumer facilities:

- Two industrial clients in Sines;
- Two traction sub-stations, one to feed the Western railway line and another for the Sines – Elvas/ Caia freight line;
- Two clients for the production of green hydrogen; and
- One for the production of ammonia.

Our activity

1.3. Gas

REN's mission is to guarantee an uninterrupted supply of gas, a mission that involves ongoing and dedicated work, based on values such as supply security, impartiality and promotion of competition, efficiency and sustainable development.

Gas
Value chain

Underground storage

In the underground storage facilities, high-pressure gas is stored in gaseous form in caverns created inside saline masses, allowing it to be stored for extended periods, guaranteeing adequate security reserves.

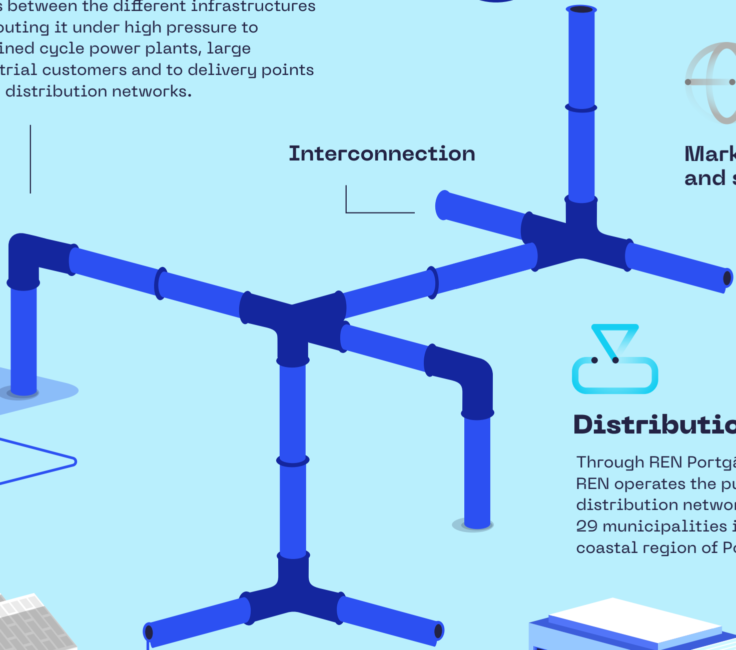
Transmission

REN is responsible for the transmission of gas between the different infrastructures and routing it under high pressure to combined cycle power plants, large industrial customers and to delivery points in the distribution networks.

Provisioning

At the liquefied natural gas terminal, REN receives, stores and regasifies deliveries from third countries, transported by methane tankers.

Interconnection

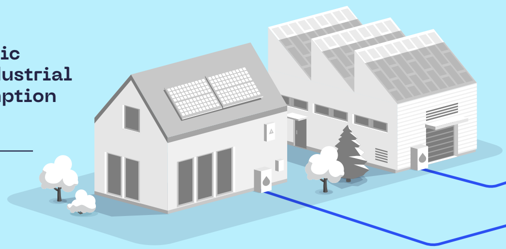


Markets and sales

Distribution

Through REN Portgás Distribuição, REN operates the public gas distribution network in 29 municipalities in the northern coastal region of Portugal.

Domestic and industrial consumption



System management

As global technical manager of the system, REN is responsible for ensuring a balance between supply and demand, as well as for third-party access to infrastructure, promoting efficient management of the high-pressure gas network.

Where REN is present:
Reception | Provisioning | Transmission | Distribution | System management

Main performance indicators

	UN	2022	2021	2020	2019	2018
Transmission						
Consumption	TWh	61.8	63.8	66.9	67.9	64.9
Annual variation in consumption	%	-3.2	-4.6	-1.6	4.8	-6.8
Gas transmitted by the RNTG	TWh	65.6	69.0	68.9	71.1	66.6
Length of gas pipelines	km	1,375	1,375	1,375	1,375	1,375
Underground storage capacity	Mm^3	300	300	300	300	300
Average duration of interruptions	DIPS[9]	0.00	0.00	0.00	0.00	0.02
Distribution						
Consumption supplied	TWh	6.0	7.6	7.3	7.3	7.2
Length of primary and secondary networks	km	6,316	6,118	5,897	5,705	5,486
Average duration of interruptions	min/p[10]	4.26	3.88	3.85	10.55	1.92

Regulated assets

Gas activity

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

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

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

The main changes introduced by the regulator were:

- extension of the regulatory period to four years;
- definition of parameters for the calendar year;
- change of the annual gas period (to 1 October of year n-1 to 30 September of year n), which now coincides with the capacity year;
- extension of the regulation by incentives to the general use of the system, excluding expenditure which cannot be controlled by the company.

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

Regulation of activities

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

9 Average time of interruptions per output point.
10 Minutes per customer.

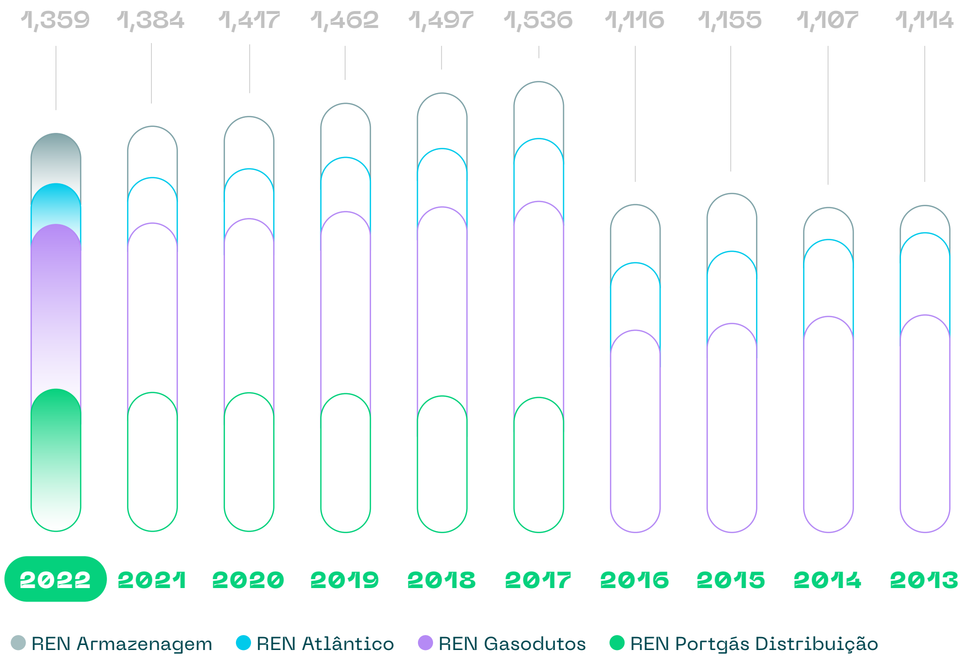
The value approved for Opex in the first year of the current regulation period evolves in following years, in line with the efficiency targets set and published by ERSE for these years and with the variation rate of the Implicit Price Deflator of Gross Domestic Product (GDP). The variable associated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

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

Income relating to invested capital stems from the return on fixed assets in operation, net of amortizations and subsidies (RAB), at a rate set by the Regulator at the start of every regulatory period, plus the corresponding amortizations. In 2022, the remuneration rate applied to the regulated asset base was 5.49% in Gas Distribution business and 5.29% in other business.

Up to the end of 2022, the RAB for the gas companies had the following evolution:

Evolution of the regulated asset base (M€)



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

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

At the end of 2022, the balance of differences was 64.9 million euros to be returned to tariffs.

Technical infrastructures

Transmission and storage

The National Gas Transmission Network (RNTG), the underground gas storage (US) infrastructure at Carriço and the Liquefied Natural Gas Reception, Storage and Regasification Terminal (LNG Terminal) at Sines all form part of the so-called "RNTIAT" (National Transmission Network, Storage Infrastructure and Terminals).

Therefore, at the end of 2022, the RNTG consisted of the following infrastructures:

1,375 km
high-pressure gas pipelines

66
junction stations for pipeline branching

45
block valve stations

5
T-branch interconnection stations

85
gas pressure regulating and metering stations

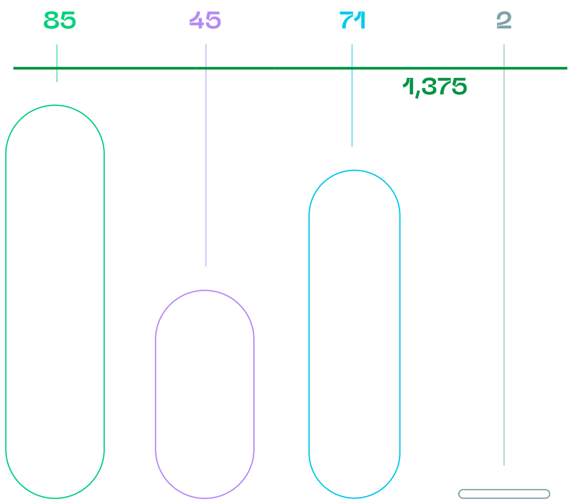
2
Portugal-Spain custody transfer stations

The length of the high-pressure (HP) natural gas transmission network, operation of which began in 1997, has remained unchanged over the last decade:

Length of the HP Gas Transmission Network

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

RNTG characteristics



2013 - 2022
RNTG characteristics have been the same since 2013

- GRMS
- BV
- ICJCT/JCT
- CTS
- Gas pipeline lenght (km)

Available capacity of relevant points for commercial purposes

	GWh per day	Mm³(n) per day
Opening		
Sines	200	17
Carriço (US withdrawal)	85.70	7
Iberian VIP[11]	144	12
Output		
Sines[12]	-	-
Carriço (US injection)	24	2
VIP - Iberian	80	7
Delivery points (total)	**94**	-

In 2022, the maximum values of available capacities for commercial purposes at the relevant points of the RNTG were as follows:

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

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

[12] Daily stated capacity, considering the forecast operating conditions for each day.

Sines LNG Terminal operating capacities

8 bcm
annual natural gas regasification capacity

390 km³
storage capacity

216 km³
mooring adapted for methane tankers (non small scale) capacities

36
truck loading capacity/ day

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

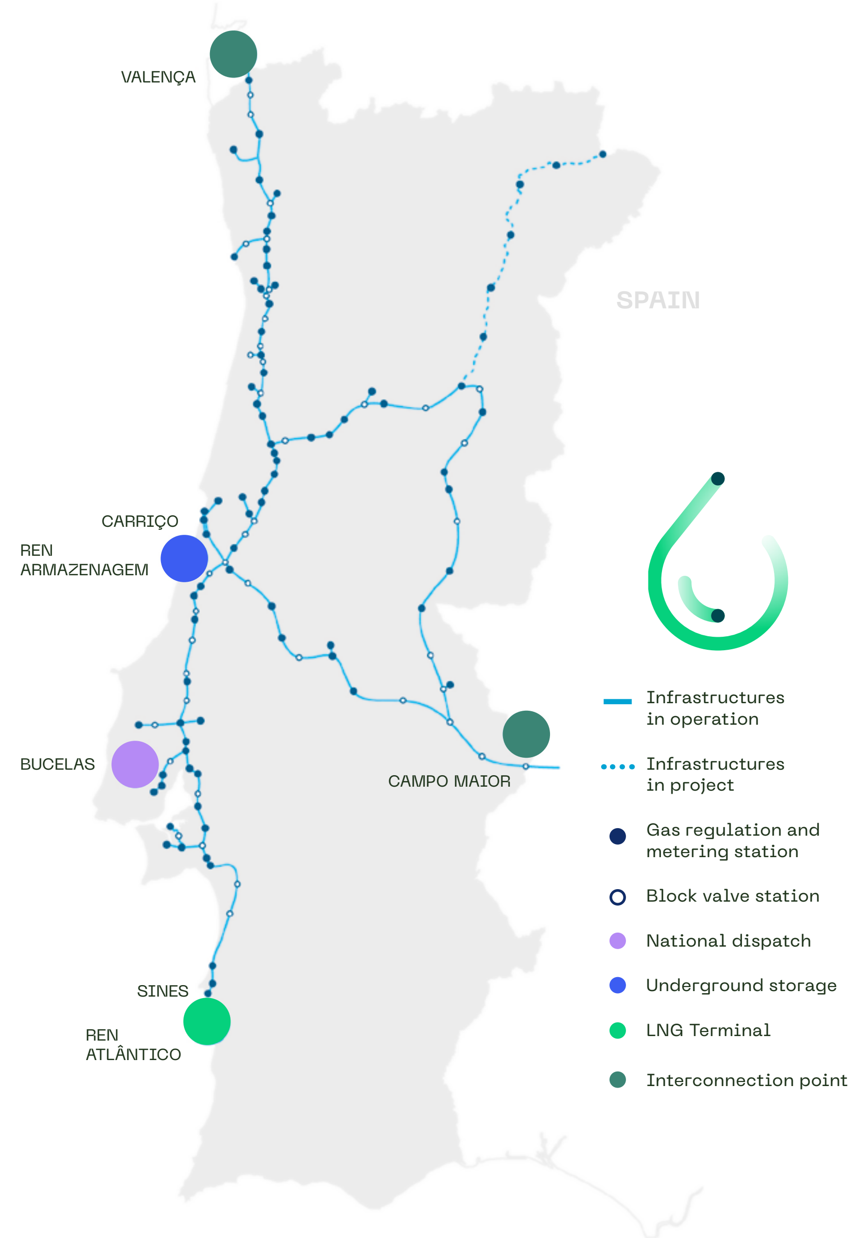
At the end of 2022, underground gas storage facilities had the following characteristics (dimensions expressed for gas):

6
operational caverns

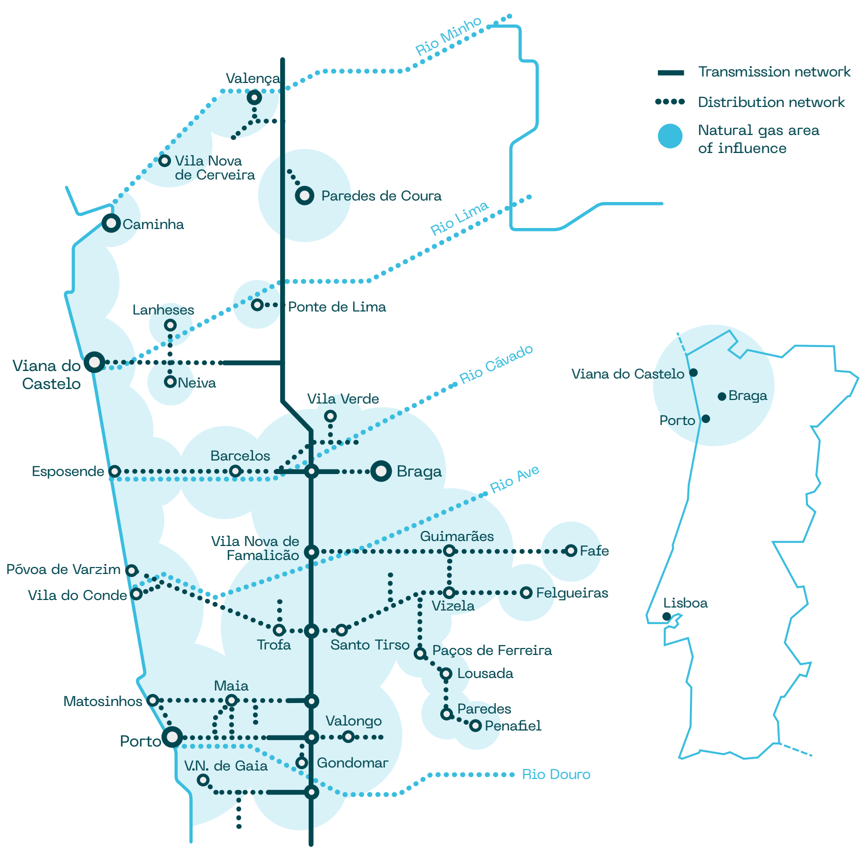
333 Mm³(n)
maximum capacity

REN Armazenagem
is responsible for the operation of the surface station

National Gas Transmission Network



Scope of REN Portgás Network



One of the company's main activities is capturing and connecting new supply points to the distribution network. Ensuring transparent and non-discriminatory treatment of customers, Portgás has a clear investment policy in projects to connect new supply points to the existing network and to develop new areas. The main goal of this policy is to motivate new customers to natural gas and guarantee the return on investment in the National Gas System.

At the end of 2022, the REN Portgás Distribuição natural gas distribution infrastructure included assets consisting of:

12
interconnection points with the transmission network

410 km
medium-pressure gas pipelines

659
block valve stations in the medium-pressure network

91
regulating and metering stations

5,906 km
low-pressure network

51,048
valve stations in the low-pressure network

Distribution

REN Portgás Distribuição is a public service concessionaire company working in pipeline gas distribution, operating in 29 municipalities along the northern coastal region of Portugal, in the districts of Porto, Braga and Viana do Castelo.

In demographic terms, the concession zone corresponds to 4,366 km^2 in area, divided into 29 municipalities with 840 wards, which have a resident population of approximately 2,566,000 people, representing around 1,251,000 dwellings.

Portgás infrastructure is supplied by 12 Gas Regulating and Meeting Stations (GRMS) that inject gas into medium-pressure networks, which, in turn, supply 91 Network Reduction and Metering Stations (RMSs). There are 6 GRMS interconnected by primary network ring systems (medium-pressure) while the other six GRMS are isolated, ensuring the supply of the secondary network sub-systems (low-pressure).

The six interconnected GRMS supply the following systems:

- Metropolitan Porto Area network;
- Vale do Ave network; and
- Vale do Cavado network.

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

With respect to the secondary network, the 91 RMS are distributed throughout the concession area and are concentrated in the large urban areas – Metropolitan Porto and Braga – and in Vale do Ave, where there is a high concentration of industrial clients. A significant number of the PRMs are interconnected, with a total of 41 network sub-systems, 25 of which are isolated and 16 in ring formation.

Up to the end of 2022, the safe and continuous supply of natural gas was provided to the 29 municipalities in the concession area, supported by a distribution network with a total length of 6,316 km and with 403,000 active supply points, corresponding to a penetration rate of 32%. Around 6.0 TWh of natural gas was transmitted during the year.

Considering the segmentation supported by the level of consumption and type of connection to the network, the total number of supply points is concentrated in the "Lower Low-Pressure" segment, with annual consumption of up to 10,000 m^3, with 401,063 supply points, corresponding to 99.6% of total active supply points. The "Higher Low-Pressure" segment, with annual consumption greater than 10,000 m^3, represents 0.38% of the total, with 1,551 active supply points at the end of 2022. The "Medium-Pressure" segment represents only 0.03% of total supply points, with 140 active at the end of 2022.

In 2022, energy provided through the REN Portgás Distribuição network stood at 5,987 GWh of natural gas in the municipal districts currently supplied. Energy supplied by each of these market segments is evenly distributed and the segment referred to as "Lower Low-Pressure" accounted for 1,170 GWh while the "Higher Low-Pressure" segment accounted for 1,202 GWh and the "Medium-Pressure" segment 3,615 GWh.

Operation

Quality of Service

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

Commercially available capacity of the relevant points

	2022	2021	2020
Gas distributed (TWh)	6.0	7.6	7.3
Network length (km)	6,316	6,118	5,897
No of supply branch lines	147,149	141,457	135,115
Active supply points	402,754	395,353	385,969
Active penetration rate (%)	32%	31.7%	31.1%
Supply points/ km secondary of network, accumulated	75.88	77.0	78.1

General quality of service indicators for REN Gasodutos

Average No of interruptions per output point[13]	0
Average interruption time per output point[14]	0 minutes/ point
Average duration of interruption[15]	0 minutes

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

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

The aggregate indicator for the frequency of incident occurrence per year per 1,000 km of high-pressure transmission infrastructure at the end of 2022 stood at 0.00, i.e. maximum performance. The figure for the same indicator published by the European Gas Pipeline Incident Data Group (EGIG) in December 2020 for all member TSOs is 0.155 for the last period from 2015 to 2019.

With respect to the unavailability of the LNG Terminal, in 2022, no stoppages occurred, resulting in availability of 100%.

In 2022, we continued to monitor the quality of technical and commercial service indicators.

General quality of service indicators for the Carriço US facility

Compliance with nominations for natural gas withdrawal[16]	100.00%
Compliance with nominations for natural gas injection[17]	100.00%
Compliance with energy storage[18]	100.00%

General quality of service indicators for the LNG Terminal

Compliance with commercial service (nominations)	100.00%
Injection of natural gas into the network (injected/ requested)	99.85%
Availability of facility	100.00%

General quality of service indicators for REN Portgás Distribuição

	2022	2021	2022
Average No of interruptions per thousand customers, not controllable	7.5[19]	9	8
Average duration of interruptions per customer, not controllable (min)	1.0[19]	1.6	1.5
Average duration of interruptions, not controllable (min.)	140.7[19]	170.2	184.4
Percentage of emergency situations with response time up to 60 min.	98.7%	98.3%	98.7%
Technical assistance – Time limit of 4 hours after notification of the breakdown	100%	100%	100%

[16] Compliance with nominations for natural gas withdrawal: the ratio between the number of nominations complied with and the total number of nominations.
[17] Compliance with nominations for natural gas injection: the ratio between the number of nominations complied with and the total number of nominations.
[18] Compliance with energy storage: determined based on the root mean square error of the energy withdrawn and injected into the underground storage relative to the energy withdrawn and injected.
[19] Only accidental.

Gas intake to the infrastructure operated by the RNTG concessionaire was predominantly from the Sines LNG Terminal (91%)

In 2022, the 65,645 GWh (around 5.52 bcm) transmitted through the RNTG included high-pressure national consumption, with a total of 59,894 GWh (5.03 bcm), the withdrawal of 3,018 GWh (around 0.25 bcm) of natural gas to Spain, the injection of natural gas into the Carriço US facility, which reached 2,229 GWh (0.19 bcm) and the withdrawal of 504 GWh (around 0.04 bcm) from the national system through the Valença do Minho-Tuy interconnection.

With regard to the use of system capacity, in 2022 the maximum daily intake figure for the RNTG through the Badajoz – Campo Maior interconnection was 105.1 GWh recorded on October 21st and 216.04 GWh through Sines on April 27th.

With respect to use of capacity at RNTG entry points, in 2022 a level equivalent to 94% was recorded of the maximum aggregate value made available commercially to the market at the three entry points in the transmission network, the Sines Terminal, the Iberian VIP (Virtual Interconnection Point between Portugal and Spain) and the Carriço US facility. This figure was slightly above the value recorded in 2021 (86%). The following graph shows the growing peak withdrawal seen in the last nine years, which has accompanied overall system use (with regard gas consumption).

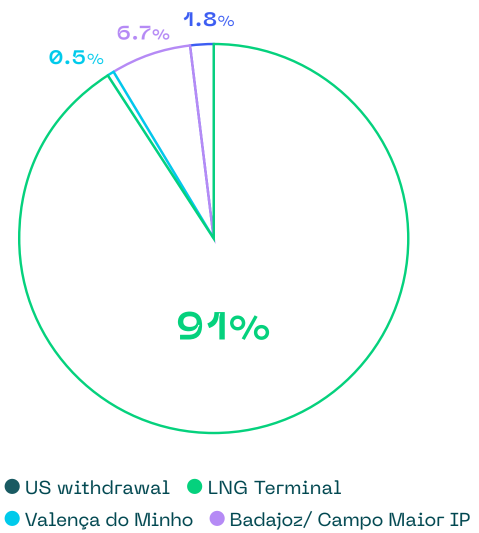
The increase seen in the use of the Sines LNGT with respect to the Iberian VIP was based on a market logic which has been followed since the start of the 2nd semester of 2018. The following graph shows the daily use of each of the abovementioned infrastructures.

System Operation

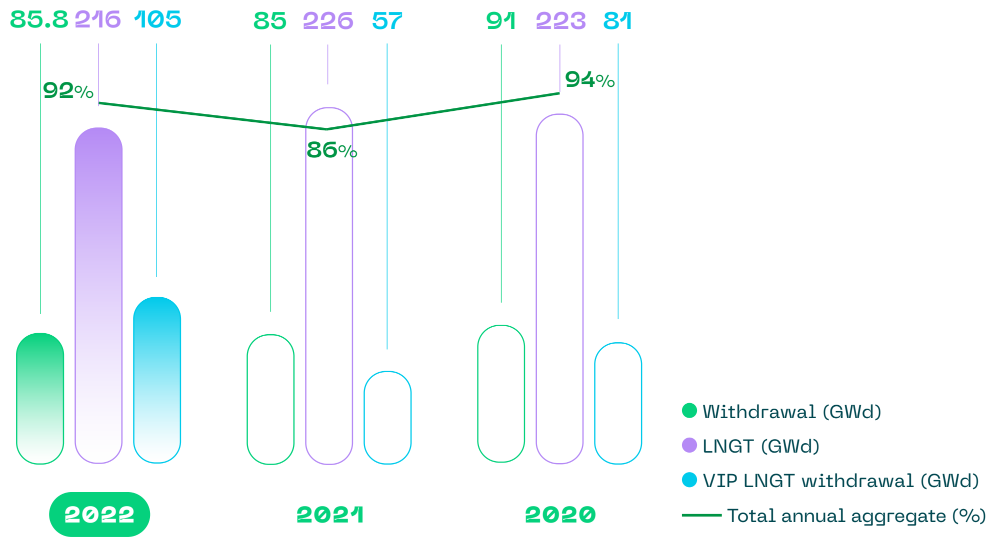
In 2022, gas intake to the infrastructure operated by the RNTG concessionaire was predominantly from the Sines LNG Terminal (91.0%). Intake at Campo Maior, through the interconnection with the Maghreb gas pipeline, which supplies Portugal with gas mainly from Algeria, accounted for 6.7% and the network intake point via the Carriço US corresponded to 1.8%. The Valença do Minho intake also contributed with a residual value of 0.5% of total intake seen in the infrastructure.

The following graph shows the breakdown of intakes into the transmission system:

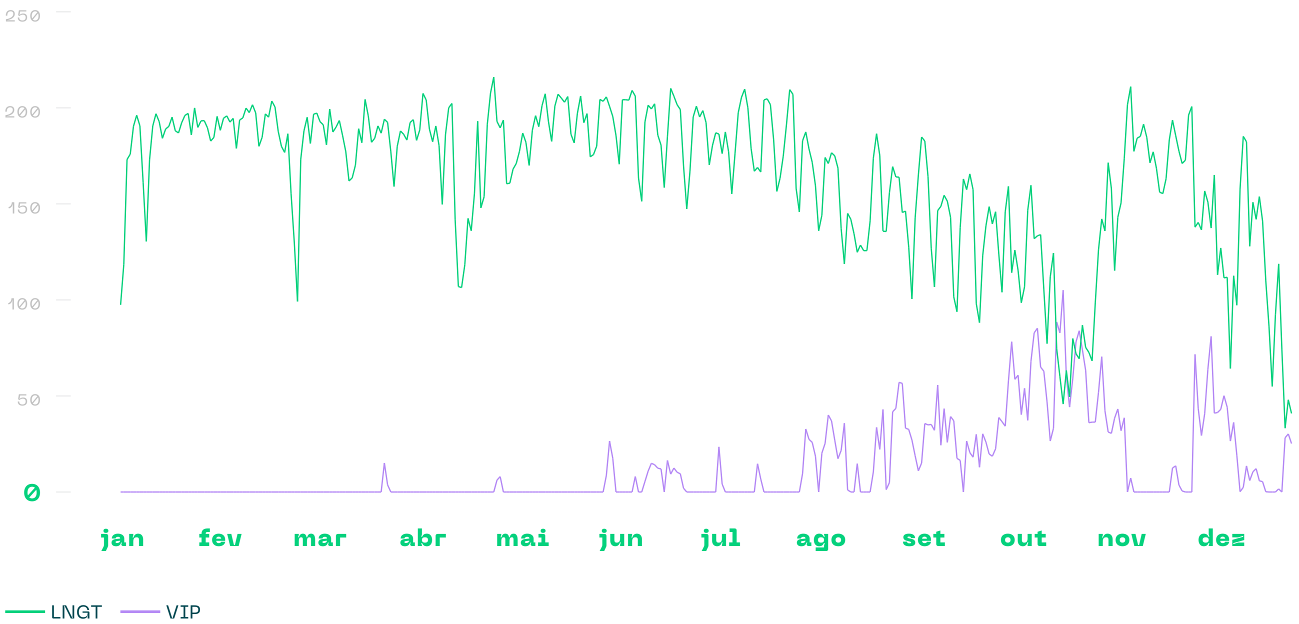
Intakes into the transmission system (%)



Maximum intakes to RNTG VIP + LNGT + US withdrawal (% of Max. commercial cap.)



Supply of the RNTG Sines Terminal vs. Iberian VIP



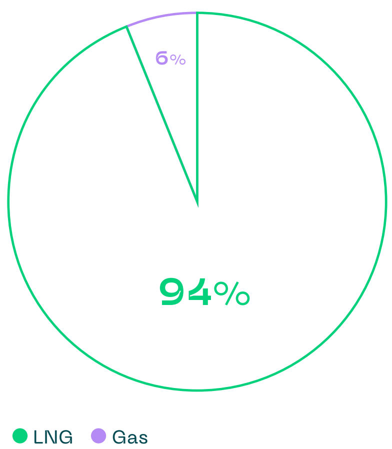
In relation to the interface with underground storage, maximum daily withdrawal reached 85.8 GWh on February 25th while injection reached 29.9 GWh on January 1st.

In 2022, 71 LNG tanker unloading operations took place at the Sines Terminal, all of which were to supply the national gas system. There was an increase in the number of unloading operations with respect to the previous year of +10.94%. Taking into account the amounts actually unloaded, the final variation in energy terms corresponded to +1.12%. At the end of 2022, the total number of tanker reception operations since the infrastructure opened stood at 766.

A breakdown of aggregate annual gas intakes into the transmission network shows that the Sines LNG Terminal accounted for 94% while the figure for the NG Iberian VIP was 6%. The following graph highlights the use of LNG in Portugal:

With regard to system management of the high-pressure infrastructure of the National Gas Network, in 2022, different activities were carried out which required system management intervention in order to coordinate gas flows.

LNG use in Portugal



This had significant impact on several entities with infrastructures in the National Gas System, of note in this regard:

- fitness of the operation with pressure reduction on the Line 5,000 to repair a defect detected in inspections via a smart tool;
- support for the interconnected network operator, with gas transmitted through Valença do Minho due to leakage in the Galicia area; and
- logistics management for the functioning of the commercial vessel programme.

It should be further noted that all this work was undertaken without normal market operations being affected.

Throughout 2022, following the different legal and regulatory changes introduced to reinforce supply security, driven by the disruptions experienced in the European energy market since 2021 and aggravated at the beginning of the year by the conflict in Ukraine, new benchmarks were implemented for the general technical management of the SNG. These benchmarks refer to the setting up of gas reserves and the implementation of the new decisions applicable to the National Gas System, under the monitoring of compliance with filling levels at the Carriço US facility and the Sines LNG Terminal, as well as the evolution of consumption in the national market.

18
gas sales actions by the System Operator

27,350 MWh

Offsetting gas sales actions carried out by the System Operator

No of sales actions	Month	MWh	Average sale price €/ MWh
1	May	1,000	78.00
1	June	1,000	107.82
2	July	1,700	121.49
8	August	15,000	137.91
1	September	900	112.92
5	December	7,750	65.41

Market operation
With the Organized Gas Market operating since 2021, the number of market agents registering with MIBGAS has increased and 2022 ended with a total of 22 agents registered on the platform. The supply of short-term gas products was maintained, with delivery in Portugal, in other words, intraday, daily and weekend products. In 2022, a total of 51,719 MWh of gas was traded on the MIBGAS platform[20].

In relation to the network code on gas balancing, infrastructure users play a more important role in network balancing as they are now responsible for maintaining a permanent balance in their input and output flows to the transmission network. Similarly, the System Operator is also required to carry out network balancing when necessary, through transactions taking place on the organized market platform. The System Operator held 14 actions in MIBGAS to purchase a total of 19,050 MWh of offsetting gas, including:

- One action in January of 250 MWh;
- Four actions in February of 10,000 MWh; and
- Nine actions in March for 8,800 MWh.

With regard to the purchase price, in January the average price was 75.5 €/ MWh, in February 74.80 €/ MWh and in March 118.03 €/ MWh.

In 2022, 18 offsetting gas sales were carried out by the System Operator, with 27,350 MWh having been sold. The sale of this gas took place from May to December:

With regard to the sale price, in May the average price was 78.0 €/ MWh, in June 107.82 €/ MWh, in July 121.49 €/ MWh, in August 137.91 €/ MWh, in September 112.92 €/ MWh and in December 65.41 €/ MWh.

Regarding the market agents qualified to operate in high-pressure infrastructure, 2022 ended with a total of 41 suppliers with signed contracts of which 33 were active in the SNG. Contributing to this number were four new market agents starting up and three which ceased operations in 2022.

With respect to coordination responsibilities regarding information of a commercial nature, the response to information requests and complaints plays an important role in ensuring the ongoing satisfaction of infrastructure users.

In 2022, REN Gasodutos received 588 information requests and 59 complaints, 47 more requests and 14 fewer complaints than in 2021. In 2022, information requests were processed with an average response time of 1.2 days and complaints with an average response time of 0.5 days, figures which are practically identical to the average times seen in 2021 of 1.1 days and 0.5 days, respectively.

REN Atlântico received five information requests and three complaints, one more information request and one fewer complaint than in 2021. In 2022, information requests were processed with an average response time of 8.0 days, a completely different figure to that in 2021 of 1.5 days. Complaints were processed with an average response time of 1.7 days, a figure close to the average time seen in 2021 of 1.5 days.

As was the case in 2021, no requests for information or complaints were made to REN Armazenagem in 2022.

[20] This total value does not include transactions carried out by the System Operator.

63.33 TWh
unloaded energy

6,592
tankers
loaded

61.87 TWh
gas issued in the
Sines LNG Terminal

1.93 TWh

-13%
over 2021

Network operation (REN Gasodutos)
Also with respect to RNTG infrastructure operation, in 2022 work was continued on programmes to update technology in management systems and applications. Highlights include:

1. Work on setting up the Gas Remote Access Centre;
2. Development of the Induction Safety training in a 2nd language (English) in an e-learning environment;
3. Continuation of the digitization of assets through QR codes;
4. Development of a Safety Management System for the Prevention of Serious Accidents; and
5. Consolidation of the work authorization/ consignment of assets process, using digital applications.

Also of note was the execution of the project to change the Figueira da Foz high-pressure branch line to install coalescing filters and allow for inspection using In-Line Inspection tools.

Operation of the Sines LNG Terminal (REN Atlântico)
In 2022 the LNG Terminal maintained a very high level of activity, having completed a total of 71 LNG tanker unloading operations, corresponding to total unloaded energy of 63.33 TWh and issue of 61.87 TWh of natural gas and LNG to the network. The figures represent new historic annual maximums.

In the same period, 6,592 tankers were loaded, corresponding to a total 1.93 TWh. These figures represent a decrease in activity of around 13% over figures for 2021.

The maximum daily issue from the Sines LNG Terminal into the RNTG took place on April 27th, with a total of 216.04 GWh.

In 2022, eight audits were conducted, all with positive results:

- two relating to the so-called Seveso-Directive ("SEVESO"), where one was external, conducted by the Portuguese Environment Agency, and the other internal;
- two relating to the verification of the integrated quality, environment, safety and health management system, one external conducted by the Portuguese Certification Association, and the other internal;
- one was conducted by a third party under the Sines Port Authority (SPA) concession contract;
- one was conducted relating to the quality of design, construction and operation processes;
- one relating to compliance with the Ship and Port Facility Security Protection code ("ISPS"); and
- one of a financial nature.

In 2022, four drills were held:

- one safety drill (within the "SEVESO" scope), with the involvement of external entities;
- one relating to auto-protection measures; and
- two relating to ISPS at the LNG Terminal, one conducted by SPA and another by the operator of the Sines LNG Terminal.

Balance of stocks

	2022	2021	Var. 21-22
Natural gas stocks at REN Armazenagem (GWh)[21]	3,453	2,439	42%
Average daily level of natural gas stocks at REN Armazenagem (GWh)	2,997	1,780	68%

Nominal capacity figures for the six caverns in operation

	2022	2021
Maximum capacity[22]	3,967	3,967
Effective maximum capacity after technical restrictions[23]	3,570	3,570
Commercially available capacity[24]	3,570	3,570
Cushion gas[25]	2,381	2,381

Operation of underground storage (REN Armazenagem)

The Carriço US facility saw a total of gas movement of 3,429 GWh, broken down into 1,200 GWh of withdrawals and 2,229 of injection.

Overall own consumption by the Gas Station in 2022 corresponded to 16 GWh.

At the end of the year, compared with 2021, the following balance of stocks was seen.

The sharp increase in the average level of stocks at the Carriço US facility during 2022, compared to 2021, was due to a lower use of gas by marketing agents, especially from June, when reserves were created which were practically not used until the end of 2022.

Stocks made it possible to maintain the security necessary for any possible needs for the 2022/23 winter period, having surpassed, at the end of the year, the average level of European systems. During 2022, Carriço US stocks rose by +42% in 2022, and the levels of reserves for supply security were never compromised.

At 31 December 2022, the nominal capacity figures for REN Armazenagem's six caverns in operation were as follows:

In addition to the activities underlying the US concession, in 2022 a number of important actions were successfully carried out for the development and conservation of the infrastructure:

- Technological updating of the gas station command and control and emergency systems;
- Technological updating of measurement and chromatography systems;
- General reconditioning of gas compressors;
- Sonar dimensional control of storage cavities; and
- Monitoring by intrusive inspection (diagraphs) of vertical production pipes and cementing of cavity holes.

Distribution operation (REN Portgás)

In order to comply with strategic objectives, Portgás has defined a preventive maintenance plan which details the activities to be carried out, their frequency and the assets involved. As in previous years, Portgás carried out 13,187 preventive maintenance orders in order to achieve these objectives.

Regarding corrective work, which includes all types of intervention including paving, clearing, painting, uncovering of valves, equipment anomalies (e.g. valves, RMS, NGV, Equipment, etc.), 5,962 work orders were executed.

21 The figures indicated do not include cushion gas.
22 Maximum capacity: total capacity minus cushion gas.
23 Maximum effective capacity after technical restrictions: maximum capacity minus technical restrictions on cavity use.
24 Commercially available capacity: maximum effective capacity after technical restrictions minus the capacity allocated to the National Gas System general technical manager for operation gas.
25 Cushion gas: permanent volume of gas maintained in caverns in order to ensure the minimum pressure required to safeguard their structural stability.

This year, as a result of ESG commitments, it was proposed to perform systemic leak detection operation on 22% of the network per year

The main activities in 2022 impacting significantly on Portgás financial and human resources:

- **Systematic leak detection:** stems from a legal obligation that sets out a frequency of every four years for medium-pressure networks and every five years for low-pressure networks.
- This year, due to the internal policy change to reduce methane emissions (as a result of ESG commitments), it was proposed to perform this detection operation on 22% of the network per year. Accordingly, leak detection was updated to every four years for the secondary network. 21.9 leaks/ 100 km were detected, lower than in the previous year when the figure was 28.5 leaks/ 100 km;
- **Insulation failure detection:** aims to locate insulation failures via indirect inspection and assessment of the severity of insulation failure, identifying areas where corrosion may have occurred or is occurring, in order to ensure infrastructure integrity and safety.
In 2022, 73 km of network was surveyed with 99 faults being detected, a ratio of 1.36 failures/ km, lower than the average of the last four years which was 1.99 failures/ km;
- **Preventive maintenance of primary and secondary network valves:** valves are safety devices installed in the network and, as such, it is necessary to ensure they are properly maintained. Secondary network valves are inspected in line with five-year visit plans, where the goal is to maintain the valves fully operational. Similarly, primary network valves are subject to an annual inspection plan.
9,715 planned interventions were carried out, 645 in the medium-pressure network and 9,070 in the low-pressure network. As a result, 1,501 repairs were carried out, 103 on the primary network and 1,604 on the secondary network. The number of covered valves found during periodic visits is high, requiring significant corrective work. This is mainly due to work carried out by third parties on public roads leaving the valves covered. This work involves extensive bureaucracy, as municipal authorities insist on ever greater requirements when issuing authorization for intervention work. There is also a growing need to ensure police support;
- **Network sensing:** this is one of the organization's strategic goals, and in 2022 it was reinforced with the installation of equipment to monitor the variables that guarantee network integrity. Equipment was installed to control pressure in the infrastructure, reinforcing our commitment to supply continuity;
- **Emergency work and technical assistance:** in 2022, there was a reduction in average response times, both for emergencies and for technical assistance, when compared to the previous year. The average emergency response time fell by two minutes (from 29 to 27 minutes) and the response time for technical assistance fell by approximately four minutes (from 42 to 38 minutes). This improvement was achieved as a result of greater effort to raise awareness among partners, combined with improved allocation of resources. It should be noted that better performance is achieved via the efficiency of other operations, enabling active work teams to be deployed. Teams can be mobilized at any time to deal with emergencies and technical assistance.

Portgás improved its success in meeting work orders, having achieved the best result in the last four years, with a success rate of 87%

Portgas work orders resolution

Emergency and breakdown line	2022	2021	2020
No of calls	24,764	27,805	27,979
No of interventions	5,706	5,756	5,253
No of interventions/ 1,000 supply points	14	15	14
No of emergencies	3,538	3,784	3,195
Average emergency response time (min.)	27	22	22
No of technical assistance operations	2,168	1,972	2,058
Average technical assistance response time (min.)	38	27	28

5,706 interventions were carried out at consumption points as a result of emergency requests and breakdowns. Among these interventions, 62% were considered as emergency work. The remainder (38%), was considered as technical assistance.

- **Operations at consumption points:** in 2022, around 72,000 operations were carried out at consumption points, representing a 12% reduction when compared to the previous year. This reduction in the total number of service orders is essentially due to the decrease in the number of technical changes, because further to legal requirements, there was a three-month interruption in the campaign to replace meters. There was also a decrease in the number of technical checks, as in 2021, several campaigns were conducted to check meters and reducers to ensure correct billing.

  – **Supply activations** account for most work, representing 36% of operations at consumption points with a total of 25,700 interventions, a reduction of 13.6% when compared to 2021. Around 12,000 supply disconnections were carried out, which represented 17% of the total, an increase of 2.3% compared to the previous year.

  – In 2022, all legal restrictions were lifted that limited the disconnection of gas supply for commercial reasons. These restrictions were in force in 2020 and 2021, during the most difficult period of the Covid-19 pandemic. As a result, in 2022 there was a sharp increase in the number of supply interruptions, with around 7,000 disconnection orders executed due to non-payment (+218% compared to 2021). Similarly, around 6,000 orders to reactivate supply were carried out, representing an increase of 99.7% compared to the previous year. Supply interruptions and reactivations represent 10% and 8% of total service orders, respectively.

  – In 2022, the **replacement** of approximately 23,000 **volumetric membrane meters** was planned as part of a 20-year metrological control campaign. However, due to successive delays in the delivery of equipment by the supplier as a resulting of disruptions to the logistics chain, Portgás suspended the campaign for three months so as not to jeopardize the connection of new customers. This stoppage had a significant impact on the implementation of the annual replacement plan, with 16,400 orders for technical changes having been carried out (-30% compared to 2021), of which 16,100 related to orders to replace meters due to legal requirements.

  – In 2022, Portgás carried out around 5,000 technical verification orders, representing a 57% reduction compared to the previous year, a year in which several campaigns were carried out to verify reduction and metering equipment (sealing campaign, non-consumption meter campaign and a service pressure verification campaign).

It should also be noted that Portgás improved its success in meeting work orders, having achieved the best result in the last four years, with a success rate of 87% in 2022.

Network ruptures due to damage caused by third parties

	2022	2021	2020
Ruptures	78	79	75
km of network	6,316	6,118	5,897
Ruptures/ 1,000 km	12	13	13

1,596 km systematic leak detection

1,523 km on secondary network

73 km on primary network

2,752 leaks detected

In 2022, 78 network ruptures occurred due to damage caused by third parties, a ratio of around 12 ruptures/ 1,000 km, in line with figures for the previous year.

2022 was also saw the start of supplies to the municipality of Paredes de Coura. This now means that REN Portgás is supplying natural gas to the last of the 29 municipalities in its concession area. During the year, supply to this municipality was through an AGU (Autonomous Gas Unit), in order to bring forward the start-up of the Zendal pharmaceutical company, given its importance for the development of the municipality. Construction work on the Paredes de Coura primary network was also completed, which was gasified at the end of 2022 and brought online on 29 December 2022.

As part of the preventive maintenance plan for REN Portgás infrastructures, in 2022 a number of issues detected in the primary network were resolved. This included the repair of gas leaks in primary network valves in the greater Porto metropolitan area — the municipalities of Maia and Matosinhos, the reconditioning of corroded valves near the Mandim – Maia Metering Station and the replacement of the insulating joint in the Vila do Conde network. All this work required detailed planning, ensuring that interventions were carried out without impacting on the supply of gas to customers. The works was also carried out in order to ensure the enhancement of these assets, as part of work in progress to decarbonize medium-pressure equipment.

Additionally, systematic leak detection in the distribution network was undertaken in 2022 covering a total of 1,596 km, 1,523 km of which involved secondary network and 73 km of primary network, broken down into nine concession municipalities. 2,752 leaks were detected, 336 of which were in the network and 2,416 were in general trip boxes. Systematic leak detection stems from a legal obligation that sets out a frequency of every four years for medium-pressure networks and every five years for low-pressure networks. This year, due to the change in the internal policy to reduce methane emissions, it was proposed to update the leak survey to every four years for the secondary network.

Other work under the preventive maintenance plan for REN Portgás infrastructures involved research into insulation failures on 73 km of network installed in the municipalities of Fafe, Guimarães and Vila Nova de Famalicão. 99 failures requiring repair were detected. The insulation failure ratio was 1.36 insulation failures/ km. This figure is lower than the average for the last four years of 1.99 failures/ km.

From a commercial perspective, another highlight which took place at the end of July 2022 was reaching 400,000 active consumption points in the REN Portgás concession area. A commemorative event was therefore held in September, bringing together a large group of guests, including employees, external partners and institutional stakeholders.

400 k consumption points in the REN Portgás concession area

In November 2021, the final proposed RNTIAT Development and Investment Plan for the 2022–2031 period was sent to DGEG

Investment

RNTIAT Development and Investment Plan

In November 2021, the final proposed RNTIAT Development and Investment Plan for the 2022–2031 period ("PDIRG 2022–31") was sent to DGEG. This final proposed PDIRG 2022–31 took into consideration the reasoned opinions of DGEG and ERSE on the version which was put to the public hearing held by ERSE from 4 February to 16 June 2021. It reflected the comments received from the different entities and stakeholders.

As provided for by legislation, the final proposed PDIRG 2022–31 was discussed in the Portuguese Parliament. In July 2022, REN also attended a hearing at the Environment and Energy Commission.

Common Interest Projects for gas

At the end of 2022, applications were submitted for European Union projects relating to the 1st list of PCI/ PMI (Projects of Common Interest/ Projects of Mutual Interest). REN submitted applications to two projects in the gas area (for 100% hydrogen) seeking to achieve Project of Common Interest (PCI). One of the projects is for interconnection with the Spanish transmission network.

The selection process for projects that will form part of the 1st list of PCI will take place throughout 2023, with this list expected to be made available by the European Commission in November 2023.

REN Gasodutos

Several RNTG investment projects were completed in 2022, with emphasis on the following:

- Aerial inspection to detect methane leaks in the RNTG;
- Completion of phase 3 of the Heating System Efficiency Improvement initiative; and
- Supply and Implementation of an Integrated Safety System in RNTG Pilot Aeas.

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

- Implementation of improvements and respective automation devices in the TPAG system (Third Party Access to the Grid – gas infrastructures), as a result of the publication of the General Technical Management Procedures Manual (GTMPM) and interconnection with the Integrated Guarantee Manager (IGM);
- Implementation of improvements to the process for managing requests for information, complaints and service requests on the @IGN platform, for use by Market Agents and Distribution Network Operators;
- Development and implementation of internal processes for the sharing of data/ information for settlement processes and payment management via the billing and treasury systems, respectively; and
- Introduction of access and information security improvements with respect to technological architectures and processes, including interfaces with third parties.

REN Armazenagem

In 2022, investment was made in the Carriço Underground Storage with a view to ensuring supply security and the availability of natural gas storage capacity. Work involved the dimensional control of cavities.

28.6 M€
REN Portgás investment

15.4 M€
investment in the distribution network

6,316 km
total network length

3.3 km
increase of the primary network

172.8 km
increase in the secondary network

21.7 km
increase in branch lines

REN Atlântico

In 2022, the following projects were completed:

- Anti-corrosion protection of equipment and components at facilities to ensure system integrity;
- Electricity Supply Points – ATEX sockets; and
- Conclusion of the upgrade to the LMS Truck Loading system.

REN Portgás Distribuição

The Portgás investment plan is implemented in compliance with infrastructure growth strategy based on two pillars:

- distribution of required volumes of natural gas, on time and under suitable pressure in the network; and
- capture of new supply points in order to ensure the profitability and sustainability of the natural gas distribution system.

Investment in 2022 resulted in the application of 28.6 million euros in different projects across the 29 municipalities of the concession area. In compliance with established regulations, around 0.8 million euros was obtained via contributions to infrastructure investment, bringing net investment to 27.8 million euros.

Investment in the distribution network was 15.4 million euros, in line with that seen in 2021, resulting in an increase of 3.3 km in the length of the primary network, 172.8 km in the secondary network and 21.7 km in branch lines.

Total network length in 2022 reached 6,316 km, corresponding to growth of 3.2% over the previous year.

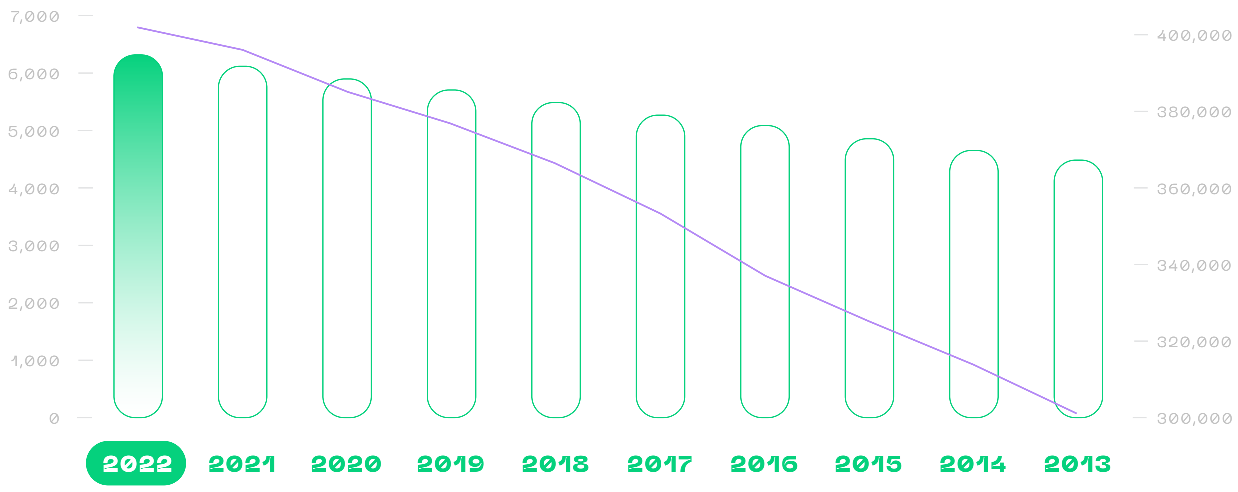
To ensure the interconnection of the natural gas distribution networks to customer premises, 5,692 branch lines were built, corresponding to a ratio of 1.6 supply points per branch line, slightly lower than that recorded in the previous year (1.7 supply points per branch).

In 2022, focus on the densification of the supplied areas continued, with the ongoing aim of maximizing the use of existing infrastructures. However, with the advance made into more peripheral areas and due to the greater dispersion of housing stock, even greater effort is required to achieve this objective. For this reason, careful selection of network layout and deciding on the best investment opportunities become even more critical if our goals are to be achieved.

Efforts to capture new supply points resulted in investment of 6.9 million euros, 0.2 million euros more than in 2021. Interior network for natural gas supply was provided for 5,449 dwellings, while 2,428 facilities were adapted. Additionally, 1,300 new supply points were acquired in the new market, i.e. homes already equipped for natural gas, and 66 new supply points for large-scale consumption, which made it possible to reach a total of 9,243 new supply points in the year.

Investment in supply points required the installation of around 1.8 thousand regulators and the installation of around 35,000 meters. Of these, around

Evolution of the network (km)



Different projects were started with a view to assessing the impact of injecting hydrogen into existing infrastructure

15,800 were renovated in compliance with the legal requirement to replace metering equipment after 20 years in operation.

As part of the decarbonization and digitalization strategy for REN Portgás assets, around 0.9 million euros was invested to leverage the energy transition of gas distribution and provide for the injection of renewable gases into the infrastructure.

Innovation and Sustainability

Recognizing the challenges associated with the decarbonization of the gas sector and recognizing the role of renewable gases in a carbon neutral economy, Portgás has:

- conducted an in-depth study on the technical limits of the infrastructure;
- identified the necessary investment, as well as the potential consequences for the operation and maintenance of the infrastructure;
- identified the impacts for different users arising from the incorporation of green hydrogen into the network.
- participated in technical working groups; and
- implemented a series of projects leading to a reduction in methane emissions.

During 2022, different projects were started with a view to assessing the impact of injecting hydrogen into existing infrastructure. These projects are in addition to others already underway on the same subject. Some of these new projects were already planned, however the new situation the global energy sector finds itself in, especially impacting on Europe, has led to them being brought forward with a view to injecting hydrogen in the near future.

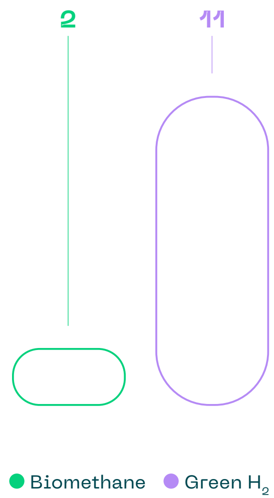
Projects started in 2022:

- Study of the impact of hydrogen injection into low-pressure networks, with the support of the company KIWA NV;
- Review of Technical Specifications, with the support of IDOM;
- 3rd party certification, with the support of Bureau Veritas Certification Portugal;
- Advisory, with the support of Open Grid Europe; and
- Design of hydrogen mixing stations, with support from Penspen.
- In addition to the aforementioned projects, there is also the expansion of the project, which was already underway, to study the impact of injecting hydrogen into

REN is responsible for coordinating injection conditions along the gas routes to maximize the reception capacity of renewable or low-carbon gases

H_2 and biomethane injection connections at RNTG

No of requests for pronouncement in accordance with the Prior Registration process



The processes to connect new renewable gas production centres to the RNTG are subject to Prior Registration with the RNTG

medium-pressure networks, to be carried out by the Institute of Science and Innovation in Mechanical and Industrial Engineering (INEGI).

In 2022, the necessary steps were also taken to guarantee the start-up, in early 2023 of the projects "Gas Quality Control" and "Smart Gas Meter Management Architecture". These projects are based on the three basic pillars of the REN Portgás Research, Development and Innovation Management System (SGIDI): Sustainable Gas, Smart Gas Company and Customer Engagement, and cover different future requirements in the sector.

In 2022, REN Portgás continued as a member of the Eurogas association and as a Gold partner of Innoenergy, having been present at the annual event of the latter "The Business Booster". The company also conducted a business study on the economy related to hydrogen filling stations. During the year, it was also possible to participate in different forums on energy transition, including the "European Clean Hydrogen Alliance", "World Hydrogen Leaders", "World Hydrogen Congress", "Hydrogen & Fuel Cells Energy Summit" and in the working group "Ready4H2", thus continuing the scouting of new trends in the sector and mindful of how it will evolve.

Connections to RNTG

With regard to connecting new green hydrogen and biomethane production centres to the RNTG, as part of our General Technical Management of the National Gas System, REN is responsible for coordinating injection conditions along the gas route. The goal is to maximize the reception capacity of renewable or low-carbon gases by the Public Gas Network, while maintaining quality and safety conditions, contributing to the integration of renewable energy sources and the decarbonization of the said system.

Decree-Law No 62/2020 of August 28th established the organization and functioning of the National Gas System and the respective legal regime. In accordance with Article 70 of this Decree-Law, the processes to connect new renewable gas production centres to the RNTG are subject to Prior Registration with the Directorate-General of Energy and Geology (DGEG). For connection processes to the RNTG, the RNTG operator (TSO) pronounces on the existence of technical conditions for connection to the network and on compliance with applicable regulations. Once the RNTG operator has made a decision, DGEG either accepts or rejects requests for Prior Registration made by the promoters of renewable gas injection projects.

As such, in accordance with the Prior Registration requirement, during 2022 REN received a total of 11 requests for pronouncement by DGEG for connecting green hydrogen production projects to the RNTG and two requests for pronouncement by DGEG for connecting biomethane projects to the RNTG.

Our activity

1.4. Other business

100%

RENTELECOM is held in its entirety by REN

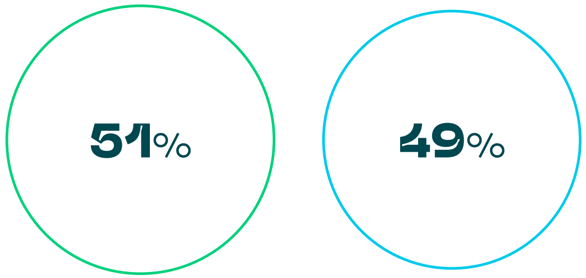
RENTELECOM

RENTELECOM is the Information and Communication Technologies (ICT) company of the REN Group, and has operated public telecommunications networks since 2002, the year it was created. RENTELECOM is 100% owned by REN and is a company certified by APCER in accordance with the NP EN ISO 9001:2015, NP EN ISO 14001:2015 and ISO 450001:2018 standards (for further information see chapter 2.3. Risk management).

RENTELECOM leverages its offer in telecommunications networks, which are vital for the transmission of gas and electricity, providing fibre optic services, connectivity, telecommunications projects as well as datacenter services.

RENTELECOM has a unique know-how based on the experience of operating critical networks and on the knowledge decades on the market

RENTELECOM's operating markets



Telecommunications operators' market
Corporate market

RENTELECOM provides access to the Optical Fibres of the largest and most stable neutral trunk network in Portugal, with the largest number of interconnections between Portugal and Spain. The company is a supplier of reference in this market, in partnership with counterpart companies in the Spanish market. This joint Iberian offer supports a highly significant part of internet and data traffic on the Iberian Peninsula, where RENTELECOM is taking important steps in the digital transformation of the economy.

As part of this digital transformation process, RENTELECOM provides datacenter services through four datacenters, with emphasis on the Ermesinde and Riba de Ave datacenters, which position RENTELECOM as the main neutral provider of datacenter services in Portugal.

In the area of connectivity and other ICT services, RENTELECOM provides connectivity and tailor-made services, such as: design and implementation and operation of telecommunications solutions.

RENTELECOM has unique know-how based on the experience of operating critical networks and the knowledge its teams have acquired through decades of work on the market. This knowledge helps customers and partners create differentiating value with special focus on the segments of utilities, telecommunications operators and IT integrators, working with national and international customers.

In an unusual year in the information and communication technology market, RENTELECOM recorded a slight increase in turnover (+2%). The company maintained its focus on the corporate market (49%), and the telecommunications operators' market (51%). In the area of datacenter services, the company saw growth in income (increase of 5%).

With respect to fibre optic rental, a significant increase was seen in income (+33%) as a result of earnings from new contracts. It should be noted that in 2022, RENTELECOM reinforced its position as a supplier to the COLT Group for the use of dark fibres between Portugal and Spain.

This is an area where RENTELECOM continues to have a relevant portfolio of proposals, and there are strong perspectives of being able to close a number of these business opportunities thus reinforcing RENTELECOM's role as a supplier of reference in this market.

In the area of circuit rental, there was a significant fall (-13%) due to the renegotiation of contracts with current clients.

2%

increase in turnover compared to 2021

In the area of design and management and maintenance services, an expected decrease in turnover was seen (-22%) further to the delay in the implementation of important telecommunications projects in power plants which were already in the company's portfolio.

The Portuguese state awarded Enondas, a concession for wave energy production

ENONDAS

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

In 2020, ENONDAS continued a promotional campaign that included participation among players working in wave energy including attendance at the Global Summit 2022, at the business2sea conference promoted by the Ocean Forum and the WavEC seminar.

With regard to commercial activity, contact has been maintained with potential promoters and sector organizations/ companies with the aim of keeping their interest active in the Portuguese Pilot Zone.

In accordance with the legal framework of ENONDAS and with no amendments to the provisions of Council of Ministers Resolutions No 81-A/2016 and No 12/2018, investment in 2022 was nil.

100%

ENONDAS is held in its entirety by REN

45 years

concession period for production of wave energy

REN Trading acquires all the power and system services from Tapada do Outeiro Power Plant (Turbogás)

The sale of electricity on the market is mainly through:

Iberian Electricity Market (MIBEL)

Placement of daily and intraday sale and repurchase orders on the Iberian Energy Market Operator (OMIE) exchange platform

System Services market

Active participation was continued in the system services market, where despite the significant increase in prices, there was a decrease in the amounts traded, mainly as a result of the increase in fuel prices

REN Trading

REN Trading, a company 100% owned by REN, manages Power Purchase Agreements (PPA) that are not subject to early termination in accordance with Decree-Law No 172/2006 of 23 August. In the management of the respective PPAs, REN Trading acquires all the power and system services from Tapada do Outeiro Power Plant (Turbogás).

100%

REN Trading is held in its entirety by REN

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

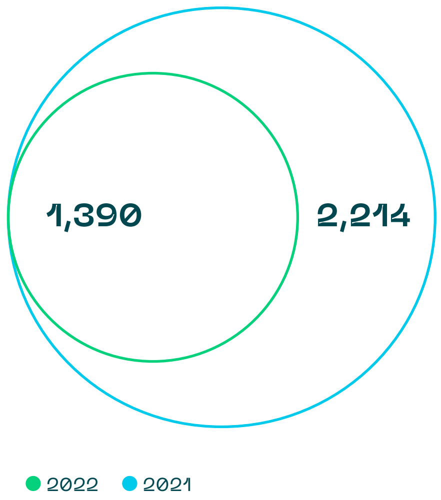
REN Trading places production from the non-terminated Power Purchase Agreement (PPA) from the Turbogás thermal power plant on the market (MIBEL). The difference between the contract cost under the PPA and the income from the market sale of power and system services supplied by the power plant, plus the operating costs, is incorporated into the General System Use tariff (GSU) paid by power consumers.

As part of its regulated activity as a Commercial Agent, REN Trading is a company that plays an active role in the challenges presented by climate change. The management of the plant, which maintains a PPA, is conditioned by the rules of the European Emissions Trading Scheme (EU ETS).

This situation is the result of a multilateral international negotiation process that culminated in 1997 with the signing of the Kyoto Protocol by Portugal as a member of the European Union (EU). The aim is to mitigate climate change by reducing greenhouse gas emissions (GHG).

It is the responsibility of REN Trading to purchase CO_2 emission licenses in line with the environmental requirements of the PPA plant

Number of license acquisitions CO_2 (Mt)



CO_2

-37%

compared to 2021

ETS was the tool implemented in the EU to comply with the Kyoto objectives and continues to be a key-element in policies to limit GHG emissions, after the international consensus achieved in the Paris Agreement of 2015 and the implementation agreed at the Katowice Conference in December 2018. Through the allocation of a price on CO_2 (one of the main greenhouse gases, and the measurement unit for remaining gases, in accordance with the UN Intergovernmental Panel on Climate Change, IPCC), under ETS, the goal is to reduce the emissions of the main industrial facilities and covers sectors such as the production of electricity from fossil fuels, steel making, ceramics and petrol refineries etc., and more recently, aviation.

ETS rules are integrated into national law through Decree-Law No 233/2004 of 14 December 2004, and later legislation, which came about further to the transposition of Community Directive No 2009/29/EC of the European Parliament and of the Council of 23 April transposed by Decree-Law No 38/2013 of 15 March.

With the aim of minimizing annual expenditure on the purchase of emissions licences (on the total amount of emissions made by the PPA plant, given the end of allocations for the national electricity production sector), the total costs incurred by consumers of electricity, in compliance with that stipulated by ERSE, REN Trading worked in 2022 as an order-router member of the ICE Endex, the key market in CO_2 emissions licence futures trading in the EU. It is the responsibility of REN Trading to purchase CO_2 emission licenses in line with the environmental requirements of the PPA plant, which requires buying EUA (European Unit Allowance) licenses.

REN Trading's strategy regarding the market sale of electricity production from this plant has always taken into account the most recent emissions forecast and the associated cost, measured through the EUA market price. In essence, through ETS, impact on the operation of the electricity market is managed and the consequence of this European mechanism can be seen on the emissions of the plant and the electrical power programme.

In general terms, the activity of the Turbogás plant in 2024, the PPA for which will be in force until March 2024, was affected by a highly significant increase in the spot price on the electricity market (OMIE) – 50% with respect to figures for 2021. Also with regard to REN Trading activity in the futures market for CO_2 licences, a series of licence acquisitions was seen of around 1.39 billion tons, in other words, 32% less than in 2021. This difference is also the result of the end of the PPA for the Pego plant in November of that year. The price of gas caused the price of production at the Turbogás Power Plant to rise by 60%.

REN Trading's income comes from the recognition of the entity's costs and remuneration on assets defined by ERSE

Main engineering consulting activities

- Support for the Government and Administrative Authorities of the Electricity Sector of Mozambique, as well as for EDM
- Provision of consultancy services in Portugal
- Active prospecting for the provision of consultancy services

REN Trading is a regulated company and its Allowed Operating Revenue is in line with the incentives achieved each year in accordance with the methodology laid down by the Portuguese Energy Services Regulator (ERSE) in Directive No 2/2021 of 19 January.

The company's operating results in 2022 thus correspond to the sum of REN Trading's operating costs.

As part of ERSE's tariff and price proposal for 2023, the incentive was replaced by the simple recognition of REN Trading's operating costs with effect in 2022.

REN Trading's income comes from the recognition of the entity's costs and remuneration on assets defined by ERSE.

For 2022, the remuneration rate was 4.75%.

In 2022, the balance of the tariff difference account from the purchase and sale of electrical power, under PPA management, was 408.8 million euros to be returned.

4.75%
remuneration rate

Engineering consultancy

In the engineering services area, promoted on a technical and commercial level by the Business Planning and Development Department, with specialized technical assistance from REN's operational areas, the following activities were of note in 2022:

- Support for the Government and Administrative Authorities of the Electricity Sector of Mozambique, as well as for EDM – Eletricidade de Moçambique, in the development of regulations and standards applicable to the sector, in particular in the drawing up of the new Electricity Law No 12/2022 of 11 July and matters arising with regard to the figure of the Manager of the National Electricity System of Mozambique;
- Provision of consultancy services in Portugal for the supervision of construction, establishing of access corridors and environmental monitoring of very high voltage lines connecting power plants to the national grid, and the design and construction of substations at consumption and production facilities; and
- Active prospecting for the provision of consultancy services through meetings with the promoters of renewable power generating and consumption facilities to promote and inform on REN consultancy services and draw up technical-commercial proposals to meet their needs.

Our activity

1.5. International

100%

REN's stake in the share capital of Transemel

92 km

lenght of the electricity transmission

Transemel

In 2019, REN acquired 100% of the capital of Empresa de Transmisión Eléctrica Transemel S.A. ("Transemel"). This acquisition represents REN's second inorganic investment in the Chilean market.

As with the acquisition of Electrogas, the operation fell within REN's strategic directives, more specifically, a conservative growth strategy that favours investment related to the core domestic business in markets that enjoy adequate economic, institutional, regulatory and legal factors.

International

Chile

Electrogas

In February 2017, REN completed the purchase of a 42.5% stake in the share capital of Electrogas S.A., for 169 M€.

42.5%
STAKE IN ELECTROGAS

169 M€
AQUISITION VALUE

165.6 km
REVERSIBLE GAS PIPELINES

Chile

Transemel

On 1 October 2019, REN acquired the entire share capital of Empresa de Transmisión Eléctrica Transemel, S.A., for 155 M€.

155 M€
AQUISITION VALUE

92 km
ELECTRICITY TRANSMISSION

5
SUBSTATIONS

Mozambique

Cahora Bassa

Located in Tete province, central-west Mozambique, the Cahora Bassa dam is operated by Hidroeléctrica de Cahora Bassa, S.A. (HCB). Created in February 1970 and started operations in 1977.

7.5%
FINANCIAL PARTICIPATION SINCE JULY 2012

The company has an asset expansion plan underway representing an investment of around 56 million euros

99.6%
asset availability average rate in 2022

99.8%
asset availability average rate in the last three years

REN is now fully responsible for the management and operation of the company's assets, and a local team has been set up which is responsible for this activity.

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

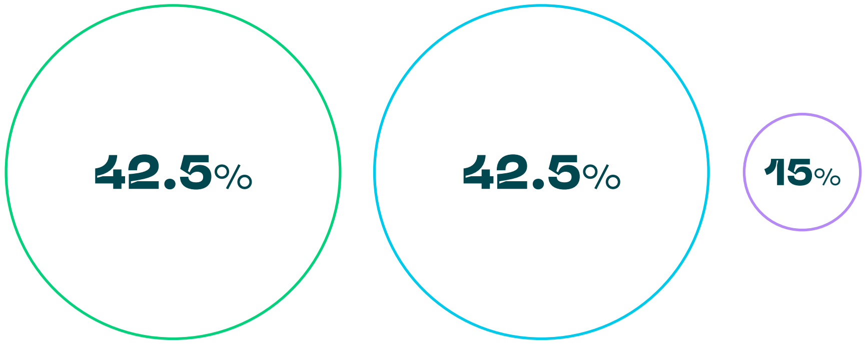
The company has an asset expansion plan underway representing investment of around 56 million euros to be implemented by 2023. In 2022, under the public tender for new electrical transmission concessions carried out by the National Electrical Coordinator of Chile, two new concessions were awarded to Transemel, comprising the construction and operation of two electrical substations (Buenavista and Buli). It is expected that the construction of these assets will be concluded by the end of 2025.

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

Quality of service

The company has shown a good quality of service, with an asset availability rate of 99.6% in 2022 (average rate over the last 3 years was 99.8%). Furthermore, during the execution of the company's expansion and operation projects, there were no accidents involving either internal or subcontracted personnel.

Electrogas, S.A. shareholders



● REN ● Colbún S.A. ● Empresa Nacional del Petróleo (ENAP)

Quality of Service

In the last four years, Electrogas has transmitted an average of 3.1 bcm of gas per year. According to an annual customer satisfaction survey, the company's level of service is characterized as excellent, and in 2022, as in previous years, there were no interruptions in the supply of gas in the Electrogas transmission system.

Electrogas
In 2017, REN acquired a 42.5% stake in the capital of Electrogas, S.A. This acquisition allowed REN to achieve one of the main goals set out in its strategic plan for the period 2015-2018, more specifically that of an international investment project.

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

42.5%
REN's stake in the share capital of Electrogas

166 km
length of the Electrogas gas transmission system

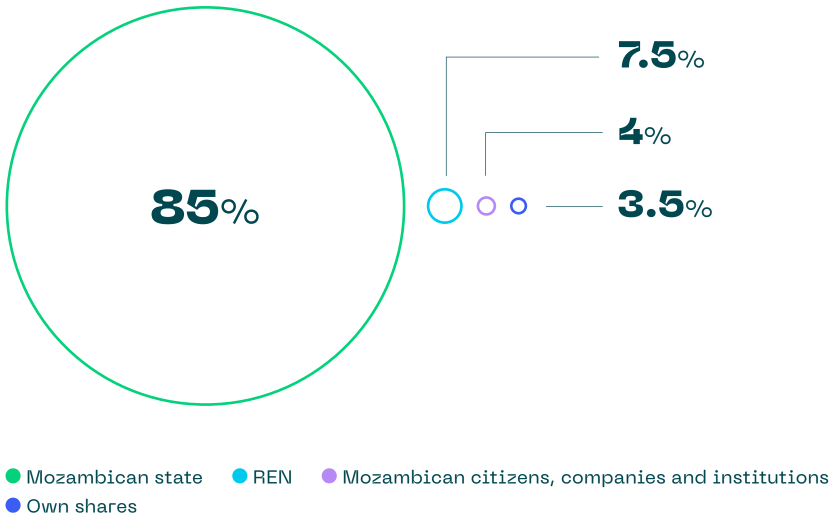
The remaining Electrogas shareholders are Colbún S.A. (42.5%) and Empresa Nacional del Petróleo (ENAP) (15%), a company which is wholly owned by the Chilean State. The relationship between the parties is governed by a shareholders' agreement. As a shareholder of Electrogas, REN actively participates on the company's Board of Directors and at General Meetings, contributing to strategic, financial and operational decision making.

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

The company's main clients include key electrical power generation companies (ENEL and Colbún), industrial organizations (ENAP) and gas distributors (Metrogas and GasValpo). The Electrogas business model is based on solid Take-or-Pay gas transmission contracts, with no volume risk. The tariffs are indexed to the evolution of specific USA and Chilean price indexes and are updated every six months.

REN is present on HCB's Board of Directors, thus playing an active role in the company's management and in its future development

Shareholders of Hidroeléctrica de Cahora Bassa, S.A.



Cahora Bassa Hydro Plant
In 2012, REN acquired 7.5% of the capital of Hidroeléctrica de Cahora Bassa, S.A. (HCB) through a contract between REN, Parpública – Participações Públicas, S.G.P.S., S.A., CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique, E.P.

HCB is a Mozambican company that has held the concession for the operation of the Cahora Bassa hydroelectric dam since June 1975. The company started operations in 1977, supplying electricity to Mozambique, South Africa, Zimbabwe and other member countries of the Southern African Development Community.

7.5%
REN's financial participation in share capital of Hidroeléctrica from Cahora Bassa

1,400 km
extension of high voltage direct current lines and alternating

According to the concession contract, the company's main purpose is the management, operation and maintenance of the project, which consists of a hydroelectric power plant with installed generation capacity of 2,075 MW, two substations, 1,400 km of high voltage direct current (HVDC), and high voltage alternating current (HVAC) lines. Additionally, HCB maintains and operates a 400 kV transmission line in Zimbabwe, owned by EDM.

The company's shareholder structure is made up of the Mozambican State, which holds 85% of the capital, REN, with 7.5% of the capital, and Mozambican citizens, companies and institutions, with 4% of the capital. A further 3.5% of capital held by the company itself through own shares.

As part of the implementation of its 2018-2022 Strategic Plan, HCB has taken all the necessary measures to achieve its investment plan, called Capex Vital 10 years, with the aim of improving its performance in the areas of energy generation, conversion and transmission.

REN is present on HCB's Board of Directors, thus playing an active role in the company's management and in its future development. Since this stake was acquired, REN has also assisted in the training of Mozambican staff and in the development of local skills.

We renew *purpose*

We maximize the identity which defines and guides us as an organization.

Strategy and risk management

2.1. Strategy

REN is fully committed to act as a key enabler of the energy transition, ensuring the development of a socially responsible future and positively impacting the community and our stakeholders.

Strategic Plan 2021-2024

During 2021, REN Group presented a new Strategic Plan for the 2021-2024 period. The Plan was drawn up in a context of an accelerated push to enforce energy transition and defines three strategic pillars:

1 Commitment to high environmental, social and corporate governance standards

2 Growth in investment, driven by the electrification of the economy, the decarbonisation of natural gas networks and the promotion of resilience and innovation, coupled with high service quality criteria

3 Solid financials and sustainable shareholder return, with credit metrics consistent with an Investment Grade credit rating

In 2022, REN was able to deliver according to the strategic guidelines established under the Plan for the 2021–2024 period.

1 High environmental, social and corporate governance standards

Emissions

Calculation of scope 3 emissions completed and submission of emission targets for certification by SBTi (Science Based Targets initiative)

Safety

Assessment of REN's safety culture to develop a new approach to safety and new monitoring indicators

CSRD

Analysis and alignment of sustainability disclosure with the requirements of the new Corporate Sustainability Reporting Directive (CSRD)

European Taxonomy

Eligibility analysis and alignment of REN's activities and KPI reporting based on the requirements of the Delegated Act for disclosing infor-mation under the European Taxonomy Regulation

Suppliers

Update of the Supplier Code of Conduct to address sustainability topics more comprehensively and Scope 3 emissions reporting requirements in new tender bids

Anti-corruption

Update of the Regulatory Compliance Programme, more specifically, the REN Code of Conduct and Integrity Policy, in line with the National Anti-Corruption Strategy

Human capital management

Implementation of the flexibility programme based on flexible working times, guidelines for remote work and other work-life balance initiatives

2 Growth in investment, with excellence in quality of service

Energy security

Ongoing support to the competent authorities in the analysis of solutions aimed at ensuring Portugal's energy security in the current international environment

Quality of Service

Maintenance of high service quality levels, with an average of 0.08 min of interruption in electricity supply and 100% combined availability rate in the gas infrastructure

Investment

Increase in REN's Capex by 27% vs. the annual average of the 2018-2020 strategic cycle (from 156 M€ to 198 M€), mainly driven by investments in the domestic electricity transmission segment

Hydrogen

Under the Recovery and Resilience Plan (RRP), REN's led "H_2 Green Valley" Agenda, was selected as a grantee project. This agenda comprises an estimated total investment of around 28.5 M€, of which 21.5 M€ are REN's

Innovation

REN's patented Speed-E solution that allows the charging of electric vehicles through the electricity transmission network, won the "Best practice of the year" award from the Renewables Grid Initiative in the category of Technological Innovation and Systems Integration

3 Solid financial indicators and sustainable shareholder return

Credit metrics

Maintenance of credit metrics consistent with an Investment Grade credit rating from the three major ratings agencies — Moody's, Fitch and S&P

Business indicators

Delivery on all financial targets communicated

Dividends

Implementation of the new biannual dividend distribution policy announced under the new strategic plan

The Portuguese Association of Business Ethics awarded REN for its Corporate Social Responsibility and Sustainability Strategy

Capex

47M€

Transemel

New electricity transmission concessions

In line with the objectives defined in the Strategic Plan, REN will continue to reinforce its **sustainability** strategy, more specifically by implementing measures that will allow for the monitoring and reduction of emissions, the strengthening of the company's role with local communities, the valorization of human and natural capital, and alignment with the best corporate governance practices. During 2022, this commitment was recognized by the Portuguese Association of Business Ethics (APEE), which awarded REN for its Corporate Social Responsibility and Sustainability Strategy.

In relation to **investment**, REN will continue to address the investment needs to meet the established energy system decarbonisation goals, both in Portugal and in Chile, amid the growing trends of economic activities' electrification and the push for gas networks' decarbonisation. In Portugal, aware of its responsibility as a provider of a public service critical to society and the national economy, REN will maintain an active cooperation with the different public and private bodies responsible for analysing, defining and implementing solutions that promote energy security, under a context of a significant reduction in the supply of gas from Russia. With respect to the Chilean market, and in line with the objectives set out in our Strategic Plan, Transemel was awarded two new electricity transmission concessions comprising the construction and operation of two new substations, with an estimated Capex of approximately 47 million euros.

With regard to **financial** indicators, under the current challenging economic environment of rising interest rates and inflation, REN maintains an active and prudent financial management. Although REN's core business model provides partial protection against increases in interest rates and inflation, the company will maintain a policy of promoting efficiency in operating and financial costs, with the aim of protecting results.

Sustainability strategy

In 2021, after a process of extending REN's responsibilities and aims with regard to environmental, social and corporate governance issues, Sustainability was highlighted as one of the company's three fundamental strategic areas in coming years (see the point in the Strategic Plan 2021-2024). Sustainability has thus been consolidated as a recognizably relevant aspect of our business, along with permanent focus on improving the performance and quality of service, as well as creating value for all stakeholders, more specifically, shareholders, employees, customers, local communities, partners and suppliers.

REN's Sustainability Strategy, vital to implementing the commitments established under the Strategic Plan, reflects a three-way approach that includes current trends in ESG topics as well as the main topics identified by stakeholders as relevant and impacting on REN (see chapter 4.1. Stakeholder engagement and satisfaction). Furthermore, our Sustainability Strategy is directly linked to the 17 Sustainable Development Goals (SDGs), created in 2015 by the United Nations.

As part of our sustainability strategy, REN has defined the following strategic priorities:

Promoting well-being
To be recognized as a good company to work for, ensuring the implementation of best management practices for employees, promoting diversity and equal opportunities, as well as health and safety at work.

Stakeholder engagement
To promote stakeholder engagement, seeking satisfaction for all parties while also ensuring safety, reliability, quality and supply of electricity and gas.

Environmental protection
To be recognized as an environmentally responsible company, acting in accordance with the best environmental management practices and playing an active role in preventing climate change.

Governance and ethics
To guide our work to reflect the best practices in international governance ethics, involving stakeholders and promoting a culture of fighting corruption and ensuring the control of risk.

In addition to the initiatives mentioned under the "**High environmental, social and corporate governance sustainability standards**" pillar of the 2021-2024 Strategic Plan, complementary initiatives have also been implemented which support the achieving of the Sustainability Strategy, more specifically:

- **Circular economy:** Start of development of the circular economy strategy;
- **Volunteer work:** Updating of the Volunteer Policy, with a doubling of the number of available hours (from eight to 16);
- **Stakeholders:** Definition and approval of the stakeholder relationship policy.

To complement our work in terms of sustainability, promoting positive impacts and mitigating negative impacts, at the end of 2021 REN also launched a series of ESG initiatives, which are presented in greater detail throughout this Report. In 2023, a new set of ESG initiatives will be launched in line with REN's ambition to consolidate its sustainability performance.

Size	Areas	No of initiatives	No of initiatives concluded	No of initiatives being implemented
Environ-mental	• Emissions • Forest and biodiversity • Eco-efficiency and waste management	28	14	14
Social	• Relations with the community • Social causes • Diversity and inclusion • Development of human capital • Health and safety	31	20	11
Governance	• Governance codes • Internal standards and policies	13	12	1

The emphasis placed on sustainability, under the Strategic Plan, also represents a greater responsibility of the company with regard to fulfilling its ESG goals (see chapter 2.2. Commitments) and means that the organization requires strengthening and adapting with a view to implementing the initiatives and projects that will allow stated targets and performance to be achieved.

Strategy and risk management

2.2. Commitments

The definition of objective and concrete commitments and goals promotes greater transparency with respect to our planned path. REN has established ambitious goals and progress is described in this Report with the aim of disclosing our strategic actions as well as the current situation in relation to the targets set.

+40%

of the average annual Capex of domestic businesses

1 High environmental, social and corporate governance standards

Commitments	2022*
Reduce scope 1 and 2 emissions by 50% by 2030 (in comparison to 2019)	-37%
Achieve carbon neutrality by 2040	on track
More than 1/3 of women in 1st line management positions by 2030	30%
Increase the weighting of ESG in manager performance metrics as of 2022	+5 p.p.
Ensure that 100% of new bonds issued will be green bonds	√

2 Growth in investment, with excellence in quality of service

Commitments	2022*
Up to 40% increase in average annual Capex of domestic businesses Vs. last strategic cycle (from 156 M€/ year to 190-220 M€/ year)[26]	40%
Capex Electricity 150-175 M€/ year (vs. 118 M€)	154
Capex Gas Transmission 15-20 M€/ year (vs. 13 M€)	14
Capex Gas Distribution 25 M€/ year (vs. 25 M€)	29
Up to +2x growth in Transemel average annual Capex vs. last strategic cycle (from 8 M€/ year to 10-15 M€/ year)[26]	-21%

3 Solid financial indicators and sustainable shareholder return

Commitments	2022*
EBITDA between 450 M€ and 470 M€	487
Net profits between 90 M€ and 105 M€	112
Net debt between 2.7 B€ and 2.5 B€	2.0

[26] Average 2021-2022.

* Performance in 2022.

Strategy and risk management

2.3. Risk management

Due to the nature of our work, REN is exposed to a number of risks that are regularly monitored and managed, which is why the risk management process is considered to be a vital tool for the continuity of the business.

Contribution to SDG

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Main initiatives

- Monitoring of the Risk Management Committee
- Implementation of the NP EN ISO 31000 standard
- Identification of climate risks and opportunities impacting REN's activity
- Information Security e-learning

Main indicators

- **Zero** severe information security incidents
- **7** main climate risks and opportunities identified
- **98%** companies certified in Quality, Environment and Security

About the future

- In-depth analysis of financial risks relating to climate change (TCFD)

Governance

Risk management is an essential tool for the effective operation of REN. As such, the company has suitable mechanisms and structures that guarantee correct monitoring of the main risks to which we are exposed on a regular basis. There are three levels of action with regard to internal control and their respective management:

1 **Operational**
Provided by those in charge (Risk Owners) of the different areas of Group companies

2 **Tactical**
Provided by the Executive Committee assisted by the Risk Management Committee

3 **Strategic**
Includes the Board of Directors as the management body of the company's business wjich is assisted by the Audit Committee as an independent body for the supervision and control of the company's activity

The Audit Committee plays a vital role as an independent oversight body

The definition of the strategy, the risk management policy, the objectives and the degree of risk acceptance (risk appetite) are established by the Board of Directors and implemented by the Executive Committee, after collecting the different contributions from Risk Owners, relevant commissions and committees.

The Audit Committee plays a vital role as an independent oversight body as it:

- advises the Executive Committee via an analysis of the integrity and efficiency of the internal control and risk management systems. Proposals are then presented to improve operations and adjustments are made to meet requirements;
- provides an opinion on the effective implementation of the internal control and risk management model;
- conducts periodic audits (executed by the internal audit department);
- verifies compliance with legal provisions and other obligations relating to group companies, particularly with regard to compliance with concession contracts; and
- is the recipient of the reports produced by the different departments, more specifically with regard to matters relating to accountability, the identification or resolution of conflicts of interest, and the detection of potential irregularities, in order to ensure that the risks actually incurred are consistent with the strategy and objectives set by the Board of Directors.

REN has adopted the NP EN ISO 31000

REN defines a risk profile and the criteria for specifying its type and magnitude

Risk management process
In order to ensure effective risk management, REN has adopted the NP EN ISO 31000 standard for the implementation of the risk management system as a support process for the integrated management system[27], a system that applies to all Group companies[28]. Through our risk management process, REN seeks to:

- ensure compliance with the strategy and objectives set by the Board of Directors;
- identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- align admissible risk with REN Group strategy;
- ensure that information is reliable and complete;
- produce, report and disclose in a comprehensive, reliable and timely manner, all information, including financial and accounting information, and operate an appropriate system for management information;
- guarantee the safeguarding of assets;
- ensure prudent, appropriate valuation of assets and liabilities;
- improve the quality of decisions; and
- promote the rational and efficient use of resources.

Based on an assessment of the context and criteria in which it operates, REN characterizes the risks to which it is exposed, defining a risk profile and criteria to specify the magnitude and type of risks it may or may not take on (level of acceptance of risk or risk appetite) and suitable treatment thereof.

Risks are characterized in three stages, which make it possible to identify them, analyse their probability and impact, and determine the priority risks for treatment along with the respective strategies to control and mitigate such risks.

The risks are first characterized by the heads of the different areas of business (Risk Owners)

More severe risks are communicated and monitored by REN's Corporate Risk Management Committee

REN's Corporate Risk Management Committee reports to the Executive Committee and the Audit Committee

[27] Integrated quality, environment and safety system (ISO 9001, 45001 and 14001).
[28] With the exception of the companies REN owns in Chile.

The Risk Management Committee identifies suitable measures to eliminate, mitigate or control such risks

The Risk Management Committee then assesses (severity and probability of occurrence of potential risks) and classifies them in order of importance and by categories and subcategories and potential impact for business continuity. This process determines REN's risk profile and the risks that will be monitored and followed up, based on the following principles, including those associated with ESG:

- alignment with defined strategy and aims;
- strengthening and improvement of effectiveness and efficiency in the use of resources;
- safeguarding of assets;
- preventing and detecting irregularities, fraud and others connected offences;
- analysis of the system for producing, handling and processing support of information;
- checking of the reliability and accuracy of financial, accounting and other kinds of information;
- 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; and
- promoting of operational effectiveness and efficiency.

After identifying and assessing the risks, the Risk Management Committee identifies suitable measures to eliminate, mitigate or control such risks and communicates the result of its analysis to the Executive Committee, the Audit Committee and the Board of Directors.

The Risk Management Committee also seeks to apply preventive, control and mitigation measures, by drawing up an action plan with priorities established in accordance with the degree of risk and internally disseminates the best practices with regard to risk management.

Risk characterization is reassessed regularly by the Risk Owners to ensure that remains up to date and is communicated to the Risk Management Committee, where REN's risk profile is reviewed and updated.

REN's overall risk profile is centred on the characterization (category, subcategory and nature) of identified and/or emerging risks, carried out by the Risk Owners, based on the assessment and establishing of the external and internal contexts in which REN operates, among other factors. As a result of this characterization and association with the levels of competences assigned, risks are managed and monitored directly by the specific areas.

REN's overall risk profile is centred on the characterization of identified and/ or emerging risks

Risk categories at REN

Category of Risk 1

Surrounding environment

1.1. External context

Nature of the risk:

- Sovereign/ political
- Legal
- Regulatory
- Industry
- Energy markets (electricity and gas)
- Financial markets
- Availability of capital
- Investor relations
- Technological innovation
- Stakeholder needs and expectations

Category of Risk 2

Processes

2.1. Operational

Nature of the risk:

- Interruption of service/ business
- Quality of service
- Investment projects
- Sourcing (purchases)
- Partners
- Efficiency of operations
- Technology and information security
- Asset security
- Health and safety
- Environment
- Client satisfaction

2.2. Human resources

Nature of the risk:

- Leadership/ authority/ delegation of powers
- Knowledge/ competence
- Communication
- Labour climate

2.3. Compliance

Nature of the risk:

- Laws and regulations
- Concession contracts
- Financial contracts
- International agreements and standards
- Fraud and connected offences

2.4. Financial

Nature of the risk:

- Quality of credit
- Liquidity
- Base interest rate (market index)
- Credit spread
- Exchange rate
- Capital
- Financial instruments
- Price of commodities
- Collateral risk

Category of Risk 3

Quality of information for decision making

3.1. Processes

Nature of the risk:

- Performance indicators
- Cost/ price of products/ services
- Contract management
- Alignment

3.2. Reporting

Nature of the risk:

- Accounting/ tax
- Employee benefits
- Reporting to regulatory bodies
- Evaluation of investments

3.3. Surrounding environment/ strategy

Nature of the risk:

- Analysis of surrounding environment
- Business model and portfolio
- Valuation
- Organizational structure
- Allocation of resources

REN maintaining a prudent approach to its "risk appetite"

Main risks and opportunities

REN adopts a conservative stance with regard to the mitigation and control of risk, maintaining a prudent approach to its "risk appetite", which is reflected by the low level of risk that we are willing to take on or retain in pursuit of our objectives.

In 2022, the Risk Management Committee, with the support of the Risk Owners and in line with the current external regulatory situation and other factors associated with our operations, started to reassess the different risks to which REN is exposed, leading to the updating of the risk profile and, naturally, to the redefinition of indicators (and monitoring metrics) that are essentially prospective in nature, so as to provide quality information for decision-making.

More severe risks and their evolution are continuously monitored using specific indicators. The main risks to which REN is exposed, according to their category, subcategory and nature, are as follows:

Category of Risk 1

Surrounding environment

External context

Nature of the risk:	Risk event:
Regulatory	1. Changes to the regulatory model and parameters
Energy markets	2. Financial non-compliance by market agents
Financial markets	3. Evolution of REN's rating 4. Evolution of interest rates

Category of Risk 2

Processes

Operational

Nature of the risk:	Risk event:
Interruption of business	5. Occurrence of a generalized incident
Investment projects	6. Delay in the execution of investment plans 7. Non-entry into operation of assets within planned deadlines
Health and safety	8. Occurrence of serious work accidents
Information technology	9. Unavailability of information systems 10. Occurrence of events in information security – Cybersecurity

GRI 2-25

Description and management of risks with greater severity — risk category 1

1 Changes to the regulatory model and parameters

Description: The risk associated with the impact arising from changes to the regulatory model and/ or regulator decisions may affect the company's ability to run its business efficiently and is due to the fact that REN's operations are regulated.

Management: Note that, following the change to the regulatory model for the electricity sector and its impact on REN's activity, the indicators associated with this risk are currently being review to reconcile our strategic objectives with the model in force. Note that, following the change to the regulatory model for the electricity sector and its impact on REN's activity, the indicators associated with this risk are currently being review to reconcile our strategic objectives with the model in force.

2 Financial non-compliance by market agents

Description: Network infrastructure is used through the agents of the respective gas and electricity markets, more specifically, the suppliers. Non-compliance with the corresponding financial obligations by market agents constitutes a risk, the importance of which has grown after the entry into the REN Group of the distributor Portgás.

Management: The fact that the management of guarantees has been legislated and they are now controlled by an independent manager, is today reflected in the reduced level of associated risk. Mechanisms are now in place that, until recently, did not exist or were ineffective.

3 Evolution of REN's rating

Description: Changes to REN's rating could be affected by the evolution in the rating of the Portuguese Republic and could impact on access to financing as well as the cost of such financing.

Management: REN manages this risk by building a position of sound liquidity and through the efficient management of our financing needs, based on the evolution of a number of indicators and sound knowledge, combined with effective initiatives for communicating with both the market and the different financial agents.

4 Evolution of interest rates

Description: The fluctuation of interest rates can 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 REN Group.

Management: 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 rates and to minimize medium and long-term financial burdens.

Description and management of risks with greater severity — risk category 2

5 Occurrence of a generalized incident

Description: The company's performance could be influenced by the occurrence of events causing an interruption in electricity and/ or gas supply and by any difficulty in restoring the service in a timely manner. The infrastructures supporting REN's operations are exposed to a series of conditions (pollution, atmospheric conditions, natural events, fires, birds, etc.), which could cause interruptions to the service.

Management: Some of the actions taken to minimize the potential impact of this risk are the development of the business continuity plan (in an integrated manner with other European operators), the implementation of the service restoration plan after a generalized incident and the carrying out of drills to verify our ability to respond to emergency and crisis situations leading to the subsequent restoration of normal services in the event of an incident.

6 Delay in the execution of investment plans

Description: Delays in the approval of either our investment plans or of execution plans by the respective authority or other responsible entities could cause significant hold ups in the entry into operation of new infrastructures, impacting on the level of the quality of service provided and on meeting the goals of decarbonization and combating climate change.

Management: REN has adopted preventive management procedures with regard to this risk that involve ongoing monitoring actions in relation to the competent authorities, as well as for other entities involved in the process of authorizing and approving the investment to be made.

7 Non-entry into operation of assets within planned deadlines

Description: Economic and financial conditions together with the difficulty in obtaining financing by providers of services and suppliers, and also other factors of an operational nature including processes for environmental licensing/ authorization and/ or precautionary measures lodged by third parties, may compromise the entry into operation of assets within the planned deadlines of different projects.

Management: Based on forward-looking indicators and trend analysis, REN carries out a series of actions, which allow the ongoing monitoring and mitigation of factors, which could enhance this risk.

8 Occurrence of serious work accidents

Description: Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents involving injury and damage to property during work organized by REN.

Management: This risk is managed through awareness-raising actions, supervision and the effective implementation of our safety management system, which includes specific training for operations involving associated risks and is directed at all REN employees and service providers. Of special note is the investigation and detailed analysis of incidents that have occurred and the development of corrective and preventive actions for all agents involved, in order to avoid recurrence.

9 Unavailability of information systems

Description: REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the availability of information systems and their capacity to meet company needs is crucial to the work carried out by REN.

Management: This risk is managed through the continuous updating of systems, communication networks and the respective support services via the review and periodic updating of network and safety configurations. At the same time, performance testing and measures are in place, which ensure the availability of systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic/ access.

10 Occurrence of events in information security – cybersecurity

Description: The current environment of far-reaching disruption in technology, particular with respect to REN as an operator of critical infrastructure in the energy sector, requires the reinforcement of information security capability. This is the result of not only the increased complexity of system architectures and the areas in which they operate, but also the speed at which such changes can occur.

Management: REN has built capacity to manage these risks, investing in good cybersecurity practices both in terms of resilience as well as prevention, using specific systems, processes and controls to identify vulnerabilities and by implementing solutions that ensure that systems are resilient and information is protected.

The commitment to decarbonizing electricity production by 2040 will eliminate the role of fossil gas

CO_2

–55%

until 2030

EU's ambition to reduce net greenhouse gas emissions

Management of climate risks

Public policies, particularly in the European Union (EU), a world leader in the process of adapting to climate change, are increasingly demanding with respect to decarbonisation.

On a European level, the implementation of the European Climate Law reinforced the EU's ambition to reduce net greenhouse gas emissions (by at least 55% by 2030, compared to 1990 levels) and the Fit for 55, a transversal and complementary legislative framework package aims to make a positive contribution to the demands of European climate policies, including energy, transport and buildings. REPowerEU, a plan aiming to achieve European independence from Russian fossil fuels before 2030, further reinforces these goals. However, there are uncertainties in the energy sector. In Portugal, the Roadmap for Carbon Neutrality, the National Energy and Climate Plan (PNEC), the basic law of the National Electric System, the publication of the National Strategy for the Renovation of Buildings (ELPRE), the launch of the notice to support projects in the hydrogen and biomethane field, and the increase in demand for electric cars are important milestones in the Portuguese path towards the decarbonisation of the economy.

Law 98/2021 of 31 December, the so-called Basic Climate Law, as a legal instrument for framing options to meet the challenges arising from climate change, both in terms of mitigation and adaptation, must be implemented in all sectors of the economy and coordinated with the different sector policies.

The commitment to decarbonizing electricity production by 2040 will eliminate the role of fossil gas in the electricity generation system, provided that security of supply is guaranteed. Furthermore, cooperation with Spain in the implementation of the interconnections required for the proper functioning of energy markets is a further important topic.

> The development of electricity and gas transmission and distribution networks must be based on a smart and efficient network, with the capacity to integrate RES electricity production and storage as well as demand management solutions. Further goals include the rationalization of network access costs and the availability of injection capacity of RES production into the grid and in the gas infrastructure for renewable gases.

All these factors are affected by and related to climate risks and opportunities. Accordingly, REN works with the aim of being able to face both the physical changes associated with climate parameters (physical risks) and other changes associated with the fight against climate change (transition risks). The latter, due to REN's role as an operator of essential electricity and gas assets for the country, are particularly relevant for the organization, since the regulatory and technological changes necessary for energy transition (e.g. to achieve the goals of the Paris Agreement) represent a series of challenges and uncertainties with potential impact on REN's activity (more details on the correspondence of REN's approach with the TCFD recommendations are available in the Annex – Recommendations of the TCFD).

Climate risks and opportunities that affect REN's activity

Climate risks and opportunities
Given the current context and relevance of the issue, REN identified, characterized, prioritized and quantified the most relevant climate risks and opportunities.

Set out below are the climate risks and opportunities that affect REN's activity, based on the current environment (further details on risks and opportunities and the main measures for adapting and mitigating such risks and managing and materializing opportunities are available in the Annex – Recommendations of the TCFD). The study presented will be complemented in future reports with a greater level of detail together with a financial quantification of the impacts associated with climate risks and opportunities.

	Category of risk	Agent of risk	Potential impact	Stage of value chain
Transition Risks	**Policy/ legal:** Current/ emerging regulations **Activity:** Electricity	Regulating of existing products and services	Increase in operating costs/ increase in Capex	Direct operations
Transition Risks	**Policy/ legal:** Emerging regulations **Activity:** Gas	Mandates and regulating of existing products and services	Reduction in the value/ useful life of assets leading to their depreciation or early withdrawal	Direct operations
Physical Risks	**Severe:** Extreme climate events **Activity:** Electricity and gas	Extreme climate events (wind, storms, frost, etc.)	Increase in operating costs	Direct operations
Physical Risks	**Severe:** Extreme climate events **Activity:** Electricity and gas	Extreme climate events (fires)	Increase in operating costs	Direct operations
Climate Opportunities	**Products and services** **Activity:** Electricity	Development and/ or expansion of low-carbon products and services	Increase in income from increase in demand for products and services	Direct operations
Climate Opportunities	**Products and services** **Activity:** Gas	Development and/ or expansion of low-carbon products and services	Increase in income from increase in demand for products and services	Direct operations
Climate Opportunities	**Markets:** Access to new markets **Activity:** Electricity	Access to new markets (non-regulated business)	Increase in income from increase in demand for products and services	Direct operations

REN did not have any severe information security incidents during 2022 that impacted on business processes or systems

Information security

The subject of information security has gained increasing importance, not only because of the risk factor it represents for organizations, but also because of growing regulatory and legislative requirements.

REN is classified as an operator of essential services in accordance with Law No 46/2018 and other regulations. This law establishes the legal framework for cyberspace security regarding measures to ensure a high common level of network and information security. Accordingly, REN is covered by a series of rules that set out the conduct to be adopted so as to comply with the security requirements laid down in the Cyberspace Legal Framework.

Zero

incidents

of severe information security

Cybersecurity rating platforms

REN is classified on the following cybersecurity rating platforms:

Bitsight
Score: Redes Energéticas Nacionais – Corporate

760 /900

SecurityScoreCard
Score: REN – Redes Energéticas Nacionais SGPS, S.A.

96 /100

Information Security E-learning

Our compulsory e-learning training course on information security seeks to present the ISO 27001 Standard and inform on REN's Information Security Management System and Information Security Policies.

The main purposes of the e-learning course are to raise awareness and stimulate the analysis of information security issues and to disseminate good practices. Employees take this course every two years, and in 2022, 94% of employees attended.

Furthermore, with the aim of raising awareness among employees, two global webinars were held last year and good practices in security are regularly shared through quizzes. Knowledge is then tested through phishing campaigns.

In order to guarantee the effective management of information security, REN has implemented several control measures:

Training and raising awareness

Information security training and awareness-raising actions with the aim of bringing our employees and partners up-to-date with good security practices.

Knowledge

Participation in national and international associations, as well as in crisis management exercises, allowing knowledge to be shared in national and European forums with focus on critical infrastructures; and

Cooperation with the national cybersecurity authority, allowing knowledge to be shared and enhancement of the cybersecurity capabilities of critical infrastructure operators.

Control measures

ISO

Information Security Management System based on ISO 27001, with the aim of protecting the most critical information assets in a setting of risk management;

Focus on the management of access and the vulnerabilities of information assets with the aim of reducing the risk of threats which could lead to exploitation;

Continuous improvement in the security-by-design approach, ensuring the implementation of security requirements in the design, development and operation of systems, including supply chain security;

24/7 monitoring of information asset security for effective and early incident detection and management, including Intel Threat[29] and Threat hunting[30] capabilities; and

Security operations based on an in-depth and multilayer approach in order to increase the probability of interrupting the attack chain.

[29] Threat Intel: a process to identify and analyse potential threats in cyberspace, based on information gathered from various sources, such as DarkWeb forums.
[30] Threat hunting: a process based on attempts to proactively identify any compromised systems or internal threats that may not have been detected during regular monitoring processes.

ISO

REN Portgás certified in accordance with ISO 22301– Societal Security– Business Continuity Management System

REN Portgás, a REN Group company, has been certified in accordance with ISO 22301 since 2021. This standard sets out the requirements for planning, establishing, implementing, operating, monitoring, reviewing, maintaining and continuously improving a management system, with the aim of responding effectively to occurrences that may interrupt the normal functioning of an organization.

This certification provides a relevant risk management mechanism for REN Portgás

Certifications
REN is committed to developing the way we work, striving to achieve the principle of excellence and seeking to go beyond legal requirements, which is why our commitment to certification has been a hallmark of REN activities for nearly 20 years. We currently have four Management System standards: Quality; Environment; Health and Safety at Work and Research, Development and Innovation.

A hallmark of REN activities for nearly 20 years

With the exception of REN Trading and Transemel, all the Group companies are certified in the various standards

Companies	NP 4457	ISO 9001	ISO 14001	OHSAS 18001	ISO 45001	ISO 22301
REN Rede Eléctrica Nacional	2021	2020	2003	2005-2020	2020	
REN Serviços	2021	2008	2008	2008-2020	2020	
REN Gasodutos	2021	2009	2009	2009-2020	2020	
REN Atlântico	2021	2009	2009	2009-2020	2020	
REN Armazenagem	2021	2010	2010	2010-2020	2020	
REN TELECOM		2010	2010	2010-2020	2020	
R&D Nester	2015	2014	2014	2014-2020	2020	
ENONDAS		2014	2014	2014-2020	2020	
REN PRO		2019	2019	2019-2020	2020	
REN Portgás	2019	2012	2006	2013-2020	2019	2021

The legal verification ensures regular monitoring of the main requirements

The certification process provides companies with a perspective of ongoing improvement, which has proved to be of exceptional importance in the development of activities.

Furthermore, the legal verification required by some certification processes ensures regular monitoring of the main requirements, an exercise that proves to be essential in areas where the legal framework is diverse and complex, as is the case with areas such as the environment and health and safety. Of note are the regular audits, both internal and external, which provide constant monitoring of practices and ensure greater involvement by employees, who are now fully aware of the principles of the management system.

We renew commit*ments*

We understand the value of our human capital as a driving force for the success of everyone.

Governance and ethics

3.1. Governance structure

REN's governance structure is a key element in our performance. It provides the strength to our strategic decision-making processes and promotes the transparency of these processes, driving conscious and responsible growth. This in turn transmits confidence to investors and shareholders and helps ensure the sustainability of the company and our long-term operations.

Contribution to SDG

Main initiatives

Sustainability governance structure

Remuneration policy

Main indicators

15%

ESG KPI have a weight in the variable component of the Executive Directors remuneration

About the future

Ongoing reinforcement of the role of sustainability

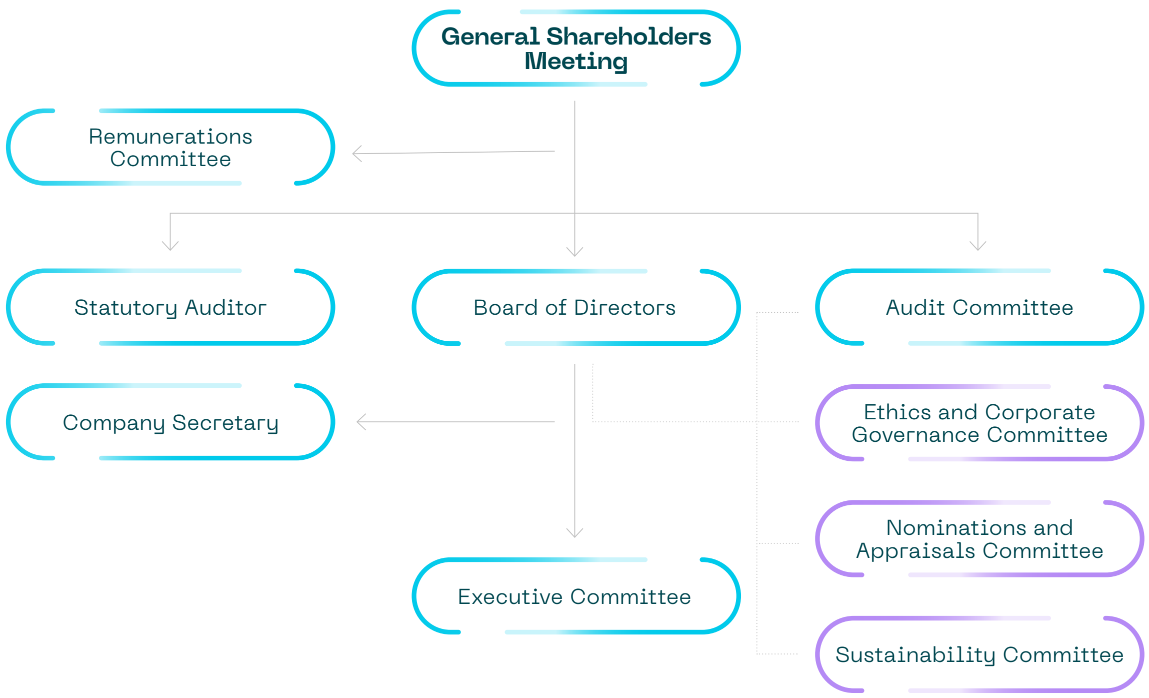
The new challenges to be faced by the energy sector represent highly significant impacts on REN's activities. As such, and in order to ensure the Group's resilience, REN has responded through its organizational structure to changes in the sector and to the challenges of its Strategic Plan, more specifically, with respect to sustainability. There is now greater liaison and integration between areas and greater emphasis on succession and rejuvenation in different functions and teams.

REN's governance structure follows the Anglo-Saxon model and consists of the following governing bodies elected by the General Meeting:

- **Management Body**
  the Board of Directors, which delegates the day-to-day management of the company to the Executive Committee and is supported by three specialized internal committees (as detailed below); and

- **Supervisory Bodies**
  the Audit Committee (composed exclusively of non-executive directors) and the Statutory Auditor, external to the company.

The General Meeting also elects a Remuneration Committee, to which it delegates part of its powers relating to the remuneration of the governing bodies.



For a detailed description of the powers of each of REN's governing bodies and committees (see chapter 7. Corporate governance report).

Composition of Governing Bodies

The composition of REN's governing bodies is required to be diverse in order to encompass different perspectives and take into account the specificities of the company and Group. The diversity of members in governing bodies allows greater discussion and better decisions, with a view to furthering the objectives of efficiency, excellence, innovation and dynamism within the REN Group.

The members of governing bodies must have recognized integrity and ethical credibility and conditions must be ensured that allow decisions to be made devoid of any external influences or conflicts of interest. To this end, REN is governed by the Code of Corporate Governance of the Portuguese Institute of Corporate Governance (IPCG).

GRI 2-9 GRI 2-11

As at 31 December 2022, REN's organizational structure was as follows:

14
Members of the Board of Directors

Attendance by gender

35.7%
Women on the Board of Directors

64.3%
Men on the Board of Directors

Independent members

42.9%
Independent members on the Board of Directors

100% Independent members

66% Independent members

33% Independent members

40% Independent members

Members of the Board of Directors

REN

Rodrigo Costa
Chairman and CEO

João Faria Conceição
Executive Director (COO)

Manuel Sebastião
Independent board member

Gonçalo Morais Soares
Executive Director (CFO)

Gonçalo Gil Mata
Independent board member

Guangchao Zhu
Vice-Chairman

Rosa Freitas Soares
Independent board member

Mengrong Cheng[31]
Board member

Maria Estela Barbot
Independent board member

Lequan Li[31]
Board member

Ana Pinho
Independent board member

Jorge Magalhães Correia
Board member

Ana da Cunha Barros
Independent board member

José Luís Arnaut
Board member

Executive Committee | Audit Committee | Corporate Governance and Ethics Committee | Nominations and Appraisals Committee | Sustainability Committee

[31] The Board of Directors resolved on 7 march 2023 to co-opt as board members of REN for the current mandate (i) Shi Houyun, replacing Mengrong Cheng and (ii) Qu Yang, replacing Lequan Li; both co-options to be submitted for ratification by the shareholders at the next Annual General Meeting.

In 2021, the Board of Directors created the Sustainability Committee

Sustainability Governance

Sustainability has taken on an increasingly important role in REN's operations, which is why ensuring effective management with respect to the board and key decisions in these matters is essential to having a sustainability strategy aligned and integrated into our business plan. Accordingly, REN ensures that the necessary structures exist to meet this aim, which include the following:

- Board of Directors
- Sustainability Committee
- Sustainability and Communication Department
- Operational Sustainability Department

The Board of Directors defines the company's strategic guidelines and the business plan that incorporate sustainability issues.

In 2021, the Board of Directors created the **Sustainability Committee**, with the mission of supporting and advising the Board of Directors on the integration of sustainability principles into the decision-making and management processes of the REN Group, complying with strict and measurable criteria. It is also part of its mission to fully respect standards of excellence and create a positive impact on employees, the communities and ecosystems in which the REN Group works and on other stakeholders.

Consisting of members of the Executive Committee and two independent non-executive directors, the Sustainability Committee is an informative and advisory committee, governed by regulations, which detail its powers and standards of operation.

The Sustainability Committee meets at least three times a year, and extraordinarily, whenever convened by its Chairman, at his own initiative or at the request of the Board of Directors or any member of the Sustainability Committee.

In order to fulfil its mission of informing, supporting and advising the Board of Directors on the integration of sustainability principles into the REN Group decision-making and management process — where it is the final decision-maker – the Sustainability Committee has the following powers:

- Collaborate in defining, updating and reviewing REN Group sustainability strategy
- Provide an opinion on the necessary resources and monitor the implementation of the sustainability strategy
- Monitor and report to the BD the implementation of policies and the company performance in economic, social and environmental indicators
- Perform other duties or tasks in sustainability matters delegated to the Sustainability Committee by the BD
- Issue opinions on any sustainability related topic, at the request of the BD or at its own initiative
- Collaborate in the preparation of the annual sustainability report

GRI 2-12 | GRI 2-13 | GRI 2-14 | GRI 2-17

In 2022, the Sustainability Committee met three times to further analyse topics such as the definition and calculation of scope 3 emissions, alignment of reporting with international guidelines for non-financial reporting (such as the GRI Standards and TCFD) and with the European Union Taxonomy Regulation, and REN's performance in ESG ratings.

In order to ensure the existence of an adequate structure, the team was strengthened by (i) increasing the number of employees assigned to the Sustainability and Communication Department, (ii) strengthening its powers, and (iii) creating an Operational Sustainability Department.

Additionally, reporting by the Executive Committee to REN's **Board of Directors** – monthly, quarterly, half-yearly and annually – covers information on sustainability issues, both with respect to this body's meetings and through periodic management reports.

Following these reports and based on the information provided by the different areas, the Board of Directors approves the sustainability report and the financial and non-financial information to be disclosed by the company to stakeholders and the market in general.

Remuneration policy

The definition of adjusted remuneration policies that reflect the strategic priorities of companies is an essential tool in the management of these priorities, which is why REN seeks to align the remuneration policy with the strategic objectives.

With regard to the components of the remuneration of the executive members of the Board of Directors, including the CEO, REN's Remuneration Policy is based on several principles:

- Alignment of the executive directors' interests of the with the Company's;
- **Sustainability and creation of long-term wealth**, including by indexing the medium/ long-term remuneration to the evolution of REN's share price;
- Competitiveness, taking into consideration the practices of the Portuguese market;
- Uniform, consistent, fair and balanced criteria, that award performance;
- Assessment of performance, in accordance with duties and responsibilities, as well as real performance, the assumption of suitable levels of risk and compliance with the rules applicable to REN activity;

GRI 2-18 GRI 2-19 GRI 2-20

Approval of the governing bodies' remuneration policy

REN General Meeting is responsible for appointing the members of the Remuneration Committee, which is then tasked with setting remuneration and for submitting the proposal to the General Meeting on the remuneration policy for members of the managing and supervisory bodies.

The Remuneration Committee (2021-2023) consists of the following members, all independent and with relevant knowledge in this regard:

João Duque
(independent) Chairman

José Galamba de Oliveira
(independent) Member

Fernando Neves de Almeida
(independent) Member

In the interest of transparency and legitimacy of the Remuneration Policy (according to the principle of say-on-pay, internationally recognized with regard to good corporate governance) and for purposes of compliance with applicable legal provisions and recommendations, the Remuneration Committee submitted for the approval of the annual General Meeting, the remuneration policy for governing bodies for the 2021-2023 term of office, which was approved by a majority of 99.98%.

- Incorporation of a variable remuneration component that is globally reasonable in relation to the fixed remuneration component, without encouraging the assumption of excessive risks; and
- Variable remuneration indexed to REN's actual performance, measured against specific, unambiguous and measurable objectives in line with the interests of REN's stakeholders.

The remuneration of the executive directors, including the CEO, contains a **fixed component** and a variable component. The variable component consists of a parcel, which seeks to remunerate short-term performance, and another with the same objective based on medium/ long-term performance. The amount of variable remuneration is determined based on meeting predefined objectives, compliance with KPIs, including ESG indicators, with the purpose of guiding management towards the best environmental, social and good governance practices.

With regard to the consideration of sustainability in remuneration, there are also other factors considered, which are indirectly related to this aspect:

- Sustainability is integrated into REN's strategy, so compliance with the strategic plan is also a sustainability KPI;
- The fact that remuneration has a medium/ long-term component and disincentives from taking on excessive risk contributes to the company's long-term sustainability; and
- The Remuneration Committee consists exclusively of independent members who are external to the company.

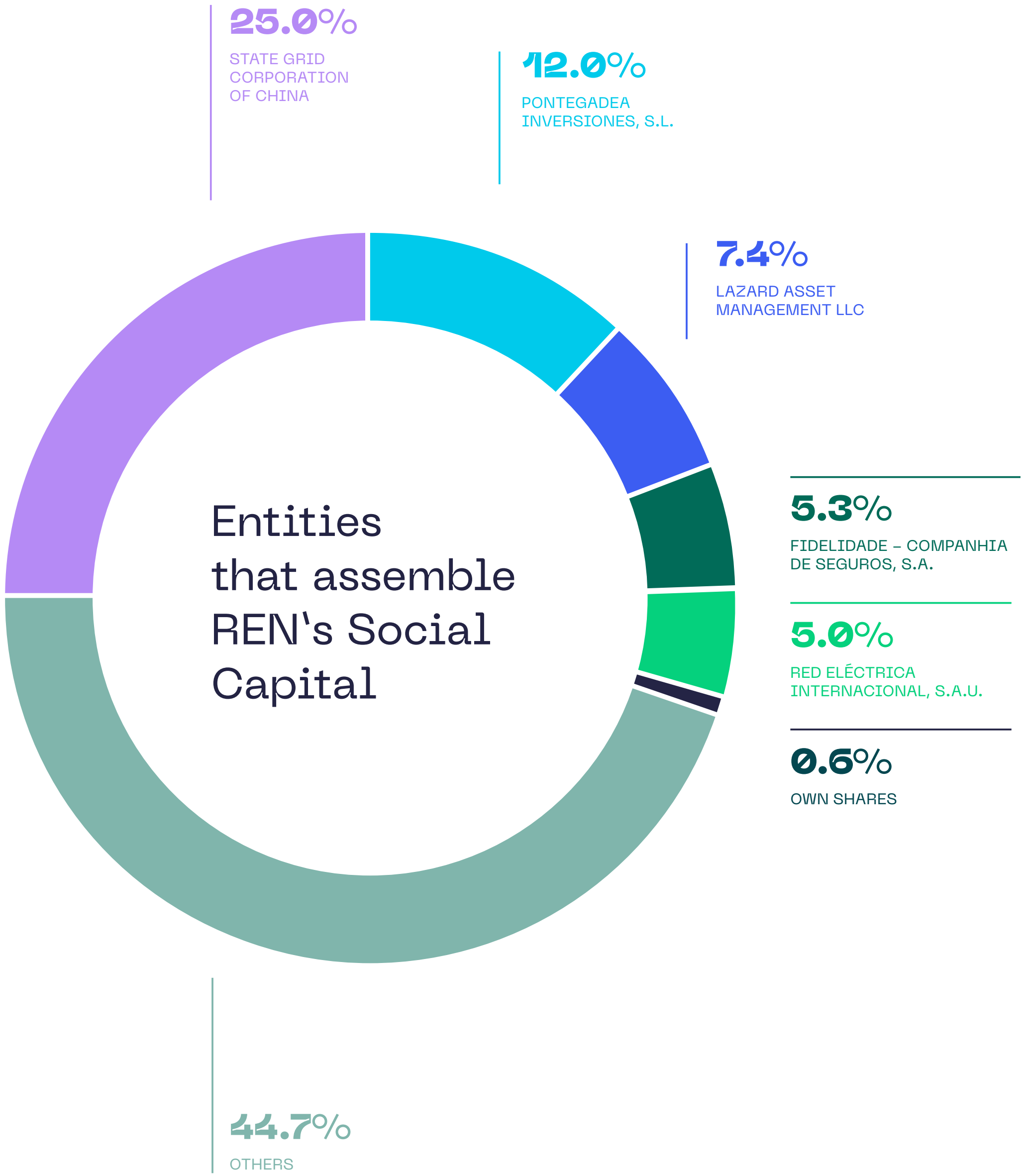
For a more detailed description of the assessment process and the remuneration policy (see chapter 7. Corporate governance report, and the respective Annex 1).

ESG KPI have a weight of 15% in the variable component of the Executive Directors remuneration

Governance and ethics

3.2. Shareholder structure

on December 31, 2022



Governance and ethics

3.3. Ethical culture and fight against corruption

The adoption of principles and values based on the promotion of ethics, integrity, anti-corruption, prevention of corruption and conflicts of interest and antitrust management, lead to solid relationships, characterized by high levels of trust and transparency, between REN and its stakeholders.

Contribution to SDG

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Main initiatives

- Review of the Regulatory Compliance Plan
- Approval of amendments to the internal regulations of the Ethics and Corporate Governance Committee
- Review of the main ethics and anti-corruption policies
- Preparation, approval and disclosure of the Plan to Prevent Risks of Corruption and Related Infractions

Main indicators

1 Reported irregularity registered, analyzed and dealt with

About the future

- Pre-audit of the Corruption Prevention Model with a view to a future ISO 37001 certification
- Up-to-date training in all areas covered by the Regulatory Compliance Plan
- Implementation and follow-up of the Plan to Prevent Risks of Corruption and Related Infractions
- Implementation of internal procedures related to revised and/ or approved Policies

REN is committed to ensuring compliance with the best practices and standards of ethics and integrit

As a Group consisting of public service concessionaires that manage public utility infrastructures, REN is especially responsible for implementing an ethical and responsible management model.
To this end, REN, using a wide range of mechanisms, is committed to ensuring compliance with the best practices and standards of ethics and integrity, which include the following management instruments:

Ethical management

Policies and Regulations[32]

- Code of Conduct of REN Group
- REN Group Integrity Policy
- Applicable procedures for reporting and investigating irregularities
- Plan to Prevent Risks of Corruption and Related Infractions (New!)
- Regulations on Assessing and Monitoring Transactions with Related Parties and Preventing Situations of Conflict of Interest
- Regulation on Procedures for the Performance of Duties Under the Market Abuse Regulation
- Regulations on the Transactions of Financial Instruments by Persons Discharging Managerial Responsibilities
- Functional Codes of Conduct
- Supplier Code of Conduct

Actions and initiatives

- Communication and awareness
- Training programme
- Implementation of the Regulatory Compliance Programme
- Appointment of Regulatory Compliance Officer

Mechanism for communicating irregularities

Any irregular practices can be communicated to the Audit Committee through the specific irregularities channels:

Email: comissao.auditoria@ren.pt
Telephone: +351 210 013 511

32 The Policies and Regulations are available at www.ren.pt.

Approval, disclosure and implementation of the Plan to Prevent Risks of Corruption and Related Infractions

During 2022, REN promoted the preparation, approval, disclosure and implementation of its Plan to Prevent Risks of Corruption and Related Infractions. This Plan sets out the action taken by external entities, members of governing bodies and persons hired by REN.

Ethics and Corporate Governance Committee

The Ethics and Corporate Governance Committee – formerly known as the "Corporate Governance Committee" – saw its powers and scope of activities extended in 2021 by the Board of Directors, with a new version of its regulations approved at the beginning of 2022. The purpose of updating the regulations was to formalize the abovementioned extension of its powers and the activities undertaken by the Committee to matters concerning ethics, and, in particular, to consolidate the monitoring of the implementation of the Code of Conduct and related internal rules.

Furthermore, this Committee actively participated in and approved the review of the policies and procedures mentioned above for submission to the REN Board of Directors.

During 2022, REN continued to reinforce the governance mechanisms and model with regard to ethical management, seeking to strengthen and improve existing mechanisms, as described in the list of main initiatives, and to develop new procedures for governance, exemplified by the Plan to Prevent Risks of Corruption and Related Infractions.

Governance

From a management and governance perspective of the culture described in the previous section, it should be noted that REN has several bodies responsible for ensuring compliance with the provisions of different regulations, codes and policies and for following-up and monitoring the results of the respective implementation. These bodies include the Ethics and Corporate Governance Committee, the Audit Committee, the Regulatory Compliance Officer and the Risk Management Committee Corporate governance report.

Prevention of situations of conflicts of interests

The Regulations on Assessing and Monitoring Transactions with Related Parties and Prevention Situations of Conflicts of Interest form part of the mechanisms implemented at REN with a view to preventing and identifying situations of conflicts of interest and, consequently, a greater degree of transparency in the market.

Among other aspects, the Regulations provide that whenever there is a significant transaction with related parties, this transaction must be submitted by the Board of Directors to the Audit Committee for appraisal.

In the event of a conflict of interest, where those concerned are **directors or members of governing bodies and committees**, they must not interfere in the respective decision-making process, more specifically they:

As part of compliance with the independence rules established in relation to the **external auditor/ statutory auditor**, the Audit Committee monitors the provision of non-audit services in order to ensure that they do not give rise to situations of conflicts of interest.

Information regarding conflicts of interest is disclosed to stakeholders in the Audit Committee's Activity Reports and, in the case of specific information on transactions with relevant related parties that occurred during the year, in the accountability documents and in the w, without prejudice to other communications required by legislation and regulations in force.

Receive information related to such matters (namely preparatory information that is sent in anticipation of a meeting where this point will be discussed and voted on)

Must refrain from discussing the matter with other members of management

Participate in or be present at the discussion and voting on the matter in question

GRI 2-15

Communication of irregularities

REN provides a channel for communicating irregularities, through which all irregularities can be reported. This channel enables the communication of irregular practices by shareholders, members of governing bodies, any manager, director, employee, service provider, partner, consultant, client, supplier or collaborator of the REN Group, as a result of or within the scope of the performance of the respective functions. This channel may be used by shareholders, members of governing bodies, managers, directors, senior officials, employees, service providers, suppliers, contractors, subcontractors, volunteers, interns, clients or other stakeholders of REN or REN Group companies or third parties, regardless of whether the reports are based on information obtained in a professional relationship that has since ended, during the recruitment process or during another phase of pre-contractual negotiation of an established or not constituted professional relationship.

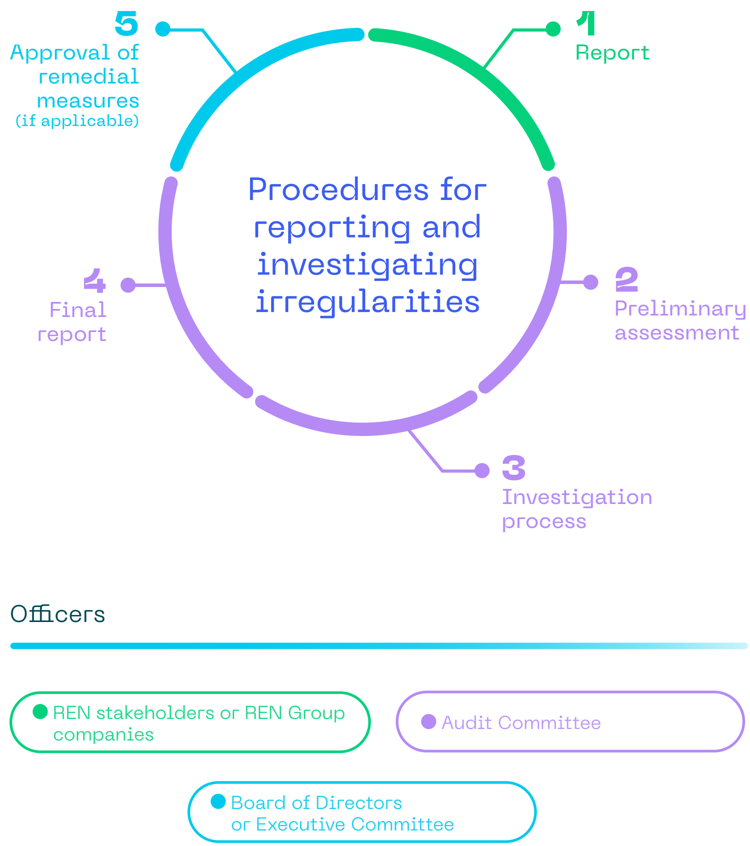
The procedures applicable to the Communication of Irregularities are intended to ensure (i) the existence of conditions for the timely detection of irregular situations which could potentially cause adverse effects to the REN Group, with a view to remedying such situations, (2) the protection of whistleblowers, who, in good faith and having good grounds for believing that the information is, at the time of the report or public disclosure, true, report or publicly disclose an irregularity.

The procedures for reporting and investigating irregularities consist of five main phases, with the intervention of different officers, as shown below:

Concept of "irregularity"

The concept of "irregularity" includes all situations that are detected, of which there is knowledge or consubstantiate well-founded suspicions and are related to possible illegal acts, offences or irregularities relating to breaches of the law, statutory, deontological or professional ethics standards. Namely, those set out in the Code of Conduct and Integrity Policy or the rules set out in any internal documents or regulations, recommendations, directives or guidelines applicable to REN, or to any company within the REN Group.

The procedures for reporting and investigating irregularities consist of five main phases



Reports must be made voluntarily by complainants, orally or in writing, and they may be anonymous

1 complaint registered

1 complaint duly analysed and dealt with

0 complaint under analysis

The Audit Committee acknowledges the receipt of the report and informs the whistleblower of the measures envisaged or adopted to follow up on the report and the respective grounds, unless the disclosure of such information could conflict with compliance with legal obligations or legitimate orders from the authorities.

Reports must be made voluntarily by complainants, orally or in writing, may be anonymous, and contain the elements and information required to assess the irregularity in question. Reports will be dealt with confidentially.

REN and the remaining companies of the REN Group may not dismiss, threaten, suspend, intimidate, harass, persecute, withhold or suspend payment of salaries and/ or benefits, demote, transfer or, in any other way, engage in any discriminatory, retaliatory or threatening behaviour concerning (i) a whistleblower, based, even if not overtly, on a report of irregularity made in good faith, accurately and in compliance with the terms of the applicable procedures or (ii) any person who provides any information or collaborates in an investigation process or participates in any investigation steps.

Course on "Ethics and the REN Code of Conduct"

Further updated version of the course to launch in 2023, called "Ethics, Code of Conduct and Prevention of Risks of Corruption". This course is compulsory for all REN employees and will be renewed every two years. It is also permanently available online and can be taken by all employees who wish to complete it more than once and whenever they need to analyse any of the topics covered by the course in more detail.

This course is compulsory for all REN employees and will be renewed every two years

Training and awareness

Aware of the importance of employee involvement in the management of these matters, during 2022, REN strengthened communication and instruments for learning and raising awareness among employees in such matters, more specifically with regard to the prevention of corruption and related infractions and reporting irregularities (whistleblowing), including notices sent through the intranet.

From the point of hiring, regardless of the employment relationship, employees are trained in the REN Group's Code of Conduct, the applicable procedures for reporting and investigating irregularities and the REN Group Integrity Policy. The content of these regulations and policies is provided to all employees and is permanently available in REN buildings, on websites (internet and intranet) and form part of regular training and testing.

With the same aim, in a similar manner to the e-learning course on the Code of Conduct already implemented at REN, an updated course has been developed, now called "Ethics, Code of Conduct and Prevention of Risks of Corruption", which seeks to cover all areas of REN's Regulatory Compliance Plan. The goal was to update the previously implemented course after completing the review of the internal regulations on such matters, bringing it into line with the most recent legislation and practices, especially with regard to the policies and regulations approved in 2022. This new course has been in effect since January 2023.

The course, with theoretical and practical components, seeks to inform on the most relevant concepts concerning ethics, code of conduct and REN's integrity policy, as well as to explain how course members should act in the performance of their duties. The course also focuses on the applicable procedures for reporting and investigating irregularities.

GRI 2-23 GRI 205-2

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We renew our approach to sustaina*bility*

We are committed to complying with the highest environmental and social standards.

Our contribution

4.1. Stakeholder engagement and satisfaction

REN seeks to establish solid and constructive relationships that meet the needs and expectations of our stakeholders and that promote their satisfaction through a series of specific mechanisms.

Contribution to SDG

Main initiatives

- Definition and publication of the Stakeholder Relationship Policy
- Provision of a new mechanism for contacts, opinions and complaints
- Client satisfaction questionnaires

Main indicators

- **5** stakeholder consultation
- **APCC Best Awards** REN Contact Center (Portgás) distinguished

About the future

Stakeholder consultation planned for 2023

Stakeholder relationship policy

With the aim of reinforcing our commitment to carrying out relationship activities with stakeholders, REN has launched a Stakeholder Relationship Policy. This Policy defines a series of commitments with the goal of maintaining a mutually positive, honest, and ethical relationship with all stakeholders.

This Policy applies to all REN employees, in conjunction with the REN Group Code of Conduct, and forms an important support instrument for each worker in the performance of their duties and, as a result, helps ensure that REN sets an example of excellence and success.

The Policy is in line with the best national and international practices and reinforces REN's commitment to sustainability.

Main stakeholder groups

- Employees
- Shareholders
- Clients
- Official entities
- Suppliers
- Local communities

REN has defined a series of mechanisms to better identify the needs and expectations of the stakeholders

Due to the nature of our work, permanent contacts are established between REN and stakeholders, which are essential for guaranteeing the continuity and sustainability of the business. For this reason, the company seeks to ensure close relationships and establish trust, which then promote respect and satisfaction for all stakeholders and the building of a more sustainable future.

In order to adapt our relationship with each group of stakeholders who are most relevant from a perspective of impacts, REN has defined a series of mechanisms to better identify their needs and expectations, while also implementing specific approaches and communication processes. Furthermore, REN has defined relationship processes with the main stakeholder groups, as well as the areas responsible for managing these groups.

In 2022, a new mechanism for contacts, opinions, and complaints was implemented, and is available to all stakeholders on the REN website.

This form has three categories of contact:

- General/ information
- Opinion/ suggestion
- Complaints

The webform also has a number of contact subcategories such as Communities, Environment and Investors, thus allowing contacts made by stakeholders to be forwarded directly to the specific areas of REN.

REN Contact Center (Portgás) winner at the APCC Best Awards

The REN Contact Center was once again a winner at the APCC Best Awards (Portuguese Association of Contact Centers (APCC), and was awarded the Bronze Prize in the category of Best Contact Center in Portugal in the energy sector.

Ranking of companies with the best reputation in Portugal

REN went up 59 places in the ranking of companies with the best reputation in Portugal: from 94th to 35th. This represents recognition by Merco Empresas e Líderes 2022, a monitoring organization of reference, which assesses the reputation of companies.

This is the third edition of the Merco Empresas e Líderes study in Portugal, which assesses Portuguese companies and their leaders. This study lists 100 companies and 100 leaders with best reputation on a national level.

REN went up
59 places
in the ranking of companies with the best reputation in Portugal

New stakeholder consultation and materiality review planned for 2023

The stakeholder engagement and satisfaction assessment procedures carried out by REN make it possible to consolidate our relationships with stakeholders, resulting in wide-ranging recognition and confidence in the work performed by the company.

Stakeholder consultation process

With the aim of adapting our sustainability strategy to the needs and expectations of stakeholders, in 2021, REN carried out a consultation process in accordance with the principles of the **AA1000AP – AccountAbility Principles – 2018**, which resulted in the identification of relevant sustainability topics for REN and the respective impacts (see chapter About the Report).

The sustainability topics submitted for the consideration of stakeholders were identified based on a benchmarking analysis of national and international companies of reference and the main trends in the sector. The results of previous stakeholder consultations were also considered (carried out in 2011, 2013, 2016 and 2018).

This consultation confirmed the topics identified as materially relevant, with a review of these results scheduled for 2023, in accordance with the best sustainability practices and the concept of double materiality.

Engagement with shareholders

The engagement of shareholders in corporate governance constitutes a factor for responsible governance and is an instrument for the efficient operation of the company. Accordingly, REN promotes the personal participation of shareholders in General Meetings – the corporate body formed by all shareholders – as a space for communication between these stakeholders and corporate bodies and committees, and an opportunity for discussion about the company.

GRI 2-29 GRI 3-1

REN has an area providing Support for Local Communities, exclusively dedicated to official entities

In this regard, REN has a series of mechanisms to encourage shareholders to participate and vote in general meetings, either in person or remotely.

There is also a department dedicated to supporting investors – the Investor Relations Department – that seeks to facilitate the investment decision process and the sustained creation of shareholder value, providing information and clarification on public information disclosed by REN. This service, created in 2007, provides solid and structured communication, which conveys a current, coherent and comprehensive vision of the company. To achieve this aim, it specializes exclusively in the preparation, management and coordination of all activities necessary to meet REN's objectives with respect to shareholders, investors and analysts.

With the aim of providing up-to-date financial information and the sharing of continuous and up-to-date information with our investors, since 2021 REN has provided a mobile application (for Android and IOS) aimed at these groups.

Engagement with official entities

The relationships established with official entities are an integral part of REN's daily activity. We therefore have an area providing **Support for Local Communities**, exclusively dedicated to official entities, whose main mission is to represent REN institutionally in local communities, particularly with respect to municipal authorities.

Committed to close, clear and transparent communication, REN holds meetings and clarification sessions with local authorities and other stakeholders, in close coordination with the company's operational areas.

Procedure for managing and supervising the environmental impact assessment process and administrative technical approval of electrical infrastructure projects
Implemented in 2022, this procedure sets out, simplifies and improves a series of rules and processes for the management and supervision of the procedure to assess the environmental impact of REN projects necessary for obtaining an environmental impact statement, or a declaration of environmental compliance and subsequent licensing of electrical infrastructure projects. In addition to other aspects such as public consultations, this procedure also addresses the manner in which REN works with local authorities during the various stages of infrastructure investment projects.

Engagement with the community

Besides relationships with official entities, REN's projects also require extensive engagement and alignment with the community – academic and scientific institutions; business associations; NGOs; the media; access corridor land owners; neighbours of the facilities and the general public.

As part of our Corporate Social Responsibility programme, the company promotes the development of local communities through programmes and initiatives to involve and support them, adapted to each specific situation (see chapter 4.5. Communitie).

Relationships with owners are highly relevant with respect to our operational activities. It is the responsibility of the **Sustainable Networks and Access Corridors Departments** to manage these relationships at all stages of implementation of the electricity and gas networks, as well as during the subsequent maintenance of the infrastructure.

This department maintains permanent and ongoing dialogue with affected landowners, as well as with other stakeholders in the management of access corridors and establishes formal mechanisms of compensation for the use of their property.

The main aim during management of access corridors is to control impacts, minimizing any negative impacts by creating added value. In order to achieve this aim, an analysis of applicable

GRI 2-29 GRI 2-25

Go Contact

With the goal of meeting the needs and expectations of owners of access corridors with respect to communication, since 2021 REN has provided a direct telephone line called Go Contact – which operates on weekdays from 09:00 to 19:00 – as well an online form available on our website. Both of these channels can be used for clarifying queries and requesting information.

This has enabled contacts from owners of access corridors to be received and registered centrally, thus ensuring more effective routing and tracking and all communications with REN can now be monitored and analysed. The platform also makes it possible to identify the status of requests sent by the owners and to measure response times, thus facilitating the management of processes.

In addition to this channel, contacts can also be made through the website and by email proprietarios@ren.pt

2,295
Telephone contacts received

926
Emails and letters received

21,272
Owners of access corridors contacted

legal requirements is conducted as well as possible improvements to be implemented on site, so as to enhance clearance of vegetation and drive profitability. The effectiveness of these actions is monitored when the processes are finalized.

Engagement with clients

REN regularly assesses clients satisfaction, as part of the company's continuous improvement procedures. To this end, clients satisfaction questionnaires are carried out independently by different areas of REN.

	Frequency	Purpose
Rede Eléctrica Nacional	Bianual	Assess the degree of satisfaction of the experience in contact and interaction with the Market Operation of the Global Technical Management of the National Electricity System
REN Gasodutos	Anual	Assess the quality of the services of the Global Technical Management of the National Gas System and determine possible improvements regarding procedures and activities within the scope of the relations with sellers
REN Portgás	Anual	Assess client satisfaction in relation to the services provided in order to implement measures leading to the improvement of services so as to satisfy, whenever possible, the explicit or implicit needs of customers
Guarantees of Origin issuing Body (EEGO)	Bianual	Identify needs and expectations of EEGO members, contributing to the continuous improvement of the services provided

GRI 2-29

REN has implemented a series of mechanisms that allows them to capture, retain and develop talent

Engagement with other stakeholders

REN also ensures that relationships with other stakeholders are established and maintained.

Aware of the importance of employee satisfaction and involvement for the success of any business – as factors for enhancing innovation, improving operational efficiency and effectiveness, the quality of services provided, reputation and recognition and, consequently, our economic performance, REN has implemented a series of standards, mechanisms, actions and initiatives that allow us to capture talent, then retain and develop such talent and, as a result, provide a sense of belonging (see chapter 4.6. Human capital).

Observing the company's value chain from a more transversal perspective, the Group also seeks to ensure that best practices are implemented in supplier management. The goal is to establish solid cooperation and partnerships in line with our sustainability policies and medium and long-term strategic targets (see chapter 4.3. Supply chain management).

Our contribution

4.2. Financial performance

REN's financial performance is crucial for our resilience and to maintain our approach to investment and innovation enabling us to act as an agent in energy transition. These aspects are recognized as strategic by REN and make up two of the three pillars of the 2021-2024 Strategic Plan.

Contribution to SDG

Main initiatives

Start of the new regulatory period in the electricity sector

Green financing for new RNT assets

Main indicators

111.8 M€
net income

201.5 M€
investment (Capex)

3,609.8 M€
average RAB

About the future

Investment growth

Solid financial indicators

487.3 M€
EBITDA

26.5 M€

increase compared to 2021

+5.7%

Main indicators (M€)

	2022	2021	2020	Var. 21/22
EBITDA	487.3	460.8	470.2	5.7%.
Financial profits[33]	-44.0	-42.6	-46.8	-3.2%
Net income	111.8	97.2	109.2	15.0%
Recurrent net income	136.7	121.8	131.7	12.2%
Investment (Capex)	201.5	247.1	173.3	-18.4%
Transfers to RAB[34] (at historic costs)	163.3	309.1	79.6	-47.2%
Average RAB (at reference costs)	3,609.8	3,602.8	3,635.0	0.2%
Net debt	2,043.7	2,362.0	2,741.9	-13.5%
Net debt (without tariff deviations)	2,543.1	2,628.5	2,593.0	-3.3%
Average cost of debt	1.8%	1.6%	1.8%	0.2 p.p.

Results in 2022

In 2022, the Group net income was 111.8 million euros, an increase of 14.6 million euros (+15.0%) over the previous financial year. This increase is mostly explained by the increase of 26.5 million euros in EBITDA (+19.1 million euros in EBIT), partially offset by (i) an increase of 2.2 million euros in income tax (+4.2%), (ii) by the reduction of 1.4 million euros (-3.2%) in financial profits and by (iii) an increase of 1.0 million euros in the Extraordinary Levy on the Energy Sector (+3.6%).

It is important to note that:

- The Extraordinary Levy on the Energy Sector continues to be reflected in results for 2022, as has been the case in previous years (28.0 million euros in 2022 and 27.0 million euros in 2021); and
- For the new electricity sector regulatory period, which will be in force from 2022 to 2025, the regulator has introduced in the Electricity Transmission activity a revenue cap mechanism applied to the total controllable costs (hereinafter referred to as "Totex"), replacing the i the reference cost incentive model in Capex and revenue cap in Opex that had been in force since 2009. In accordance with this new Totex-based model, REN is remunerated via a fixed annual amount defined by the regulator for the 2022-2025 regulatory period, which aims to remunerate operating expenditure (Opex) and the company's capital expenditure (Capex). This amount is reviewed every year in accordance with defined cost drivers and an annual efficiency factor.

Group investment was 201.5 million euros in 2022, a fall of 18.4% over figures for 2021 (-45.6 million euros), while transfers to RAB stood at 163.3 million euros, a drop of 145.8 million euros in relation to the previous year. Average RAB grew by 7.0 million euros (+0.2%) to stand at 3,609.8 million euros at the end of 2022.

The average cost of debt was 1.8%, an increase of 0.2 p.p. when compared to the previous year, and net debt stood at 2,043.7 million euros, a reduction of 13.5% (-318.3 million euros) in relation to the previous year.

Of note is the amount invested in environmental preservation measures, which was 8.9 million euros in 2022, reinforcing the Group's key role in environmental protection, one of REN's strategic sustainability priorities.

33 Financial income of 0.1 million euros in 2020 and 0.3 million euros in 2021 and the cost of 1.7 million euros in 2022 from electricity interconnection capacity auctions between Spain and Portugal – referred to as FTR (Financial Transaction Rights), and the Replacement Reserve Exchange were reclassified from Financial Profits to Income.

34 Includes direct acquisitions (RAB related).

467.1 M€

domestic EBITDA

20.3 M€

increase compared to 2021

+4.6%

Operational results

Domestic power transmission and distribution business

EBITDA in domestic business was 467.1 million euros, an increase of 4.6% (20.3 million euros) over the previous year.

Contributing to the favourable evolution in EBITDA were:

- The increase in Electricity Transmission Activity regulated revenues (+20.5 million euros), with the introduction of a Totex remuneration model. The rate of return was 4.7% in 2022 while the figure for the previous year was 4.5%. The regulated revenues recognized with the new Totex model correspond to an annual fixed rent defined by the regulator, which results from an equivalent annual rent over the estimated revenues for the 2022-2025 regulatory period, which accounts for part of the increase recorded, with the remainder accounted for by the increase in the rate of return due to the increase in interest rates on 10-year Portuguese Republic Treasury Bonds;
- Increased recovery of amortizations[35] of 2.5 million euros (+2.7%), reflecting the evolution in the gross asset base;

EBITDA — Domestic (M€)

	2022	2021	Var. 21/22
1) Income from Assets	**209.4**	**203.8**	**2.8%**
RAB remuneration[36]	75.8	65.3	16.1%
Lease revenues from hydro protection zone	0.7	0.7	-1.3%
Incentive for improvement of the TSO's technical performance[37]	20.0	26.9	-25.6%
Recovery of amortizations (net of investment subsidies)[36]	94.7	92.2	2.7%
Amortization of investment subsidies	18.3	18.7	-2.4%
2) Revenues from Totex	**271.0**	**250.5**	**8.2%**
3) Revenues from Opex[36]	**103.2**	**111.3**	**-7.3%**
4) Other Revenues	**16.7**	**17.1**	**-2.0%**
5) Own works (capitalized in investment)	**22.3**	**22.4**	**-0.5%**
6) Earnings on construction (excl. own work capitalized in investment) - Concession Assets	**175.1**	**215.3**	**-18.7%**
7) Opex	**152.5**	**157.1**	**-3.0%**
Personnel costs[38]	58.8	56.6	3.9%
External costs	93.6	100.5	-6.8%
8) Construction costs — Concession Assets	**175.1**	**215.3**	**-18.7%**
9) Provisions/ (reversal)	**1.7**	**-0.2**	**n.m.**
10) Impairments / (reversal)	**1.4**	**1.3**	**3.3%**
11) EBITDA (1+2+3+4+5+6-7-8-9-10)	**467.1**	**446.8**	**4.6%**

[35] Excludes Transmission of Electrical Power (TEP) business. Includes TEP assets, accepted as extra Totex.

[36] In 2022, a new regulatory period started in the electricity sector, and the Transmission of Electrical Power business is now remunerated via a Totex-based model. As such, for accounting purposes and management analysis, 2021 amounts were reclassified from headings for regulated income for "RAB Remuneration", "Amortization Recovery (net of investment subsidies)" and "Opex Income" from the Transmission of Electrical Power business, to the heading for "Totex Income".

[37] The figures presented in 2021 correspond to the Incentive for the Economic Rationalization of Investment — an incentive which was in force until 31 December 2021. This was replaced in 2022 by the Incentive for the Technical Improvement of the TSO, with the introduction of the new 2022-2025 regulatory period for the electricity sector.

[38] Includes costs for training and seminars.

The natural gas distribution business contributed with EBITDA of 50.2 million euros

- The increase in RAB remuneration[39] of 10.5 million euros (+16.1%), which is mainly explained by:

  – An increase of 5.1 million euros in remuneration from natural gas transmission regulated assets, due to the increase in the rate of return (RoR) from 4.5% in 2021 to 5.3% in 2022, reflecting the increase seen in the rate of 10-year Portuguese Republic Treasury Bonds, partially offset by the reduction of 36.1 million euros (-4.0%) in average RAB; and

  – An increase of 4.2 million euros in remuneration from natural gas distribution regulated assets, reflecting (i) the increase in the rate of return (RoR) from 4.7% in 2021 to 5.5% in 2022, due to the increase seen in the interest rate of 10-year Portuguese Republic Treasury Bonds; and (ii) an increase of 10.6 million euros in average RAB (+2.2%).

- The reduction of 4.6 million euros in Opex (-3.0%) essentially due to the reduction of 10.0 million euros in pass-through costs (non-core costs accepted in the tariff), -4.2 million euros of which were in ERSE costs and -5.8 million euros in costs for acquiring operating gas for Mibgás, partially offset (i) by an increase of 3.1 million euros in core external costs (+5.2%) mainly explained by an increase of 6.0 million euros in electricity costs at the Sines LNG Terminal and (ii) by an increase of 2.2 million euros in personnel costs (+3.9%), reflecting the increase in the number of employees.

These effects were partially offset by:

- A reduction of 6.9 million euros in the Incentive for improvement of the TSO's technical performance, reflecting the introduction of this new incentive in the new 2022-2025 regulatory period for the electricity sector, replacing the previous Incentive for the Economic Rationalization of Investment; and
- A reduction in revenues from Opex of 8.1 million euros (-7.3%), essentially reflecting the reduction of 10.0 million euros in pass-through costs, as mentioned earlier.

With respect to domestic business, it is also important to note that the natural gas distribution business contributed with EBITDA of 50.2 million euros, an increase of 6.0 million euros (+13.5%) over figures for 2021.

[39] Excludes Transmission of Electrical Power (TEP) business. Includes TEP assets, accepted as extra Totex.

20.2 M€ international EBITDA

6.1 M€
increase compared to 2021

+43.6%

EBITDA — International (M€)

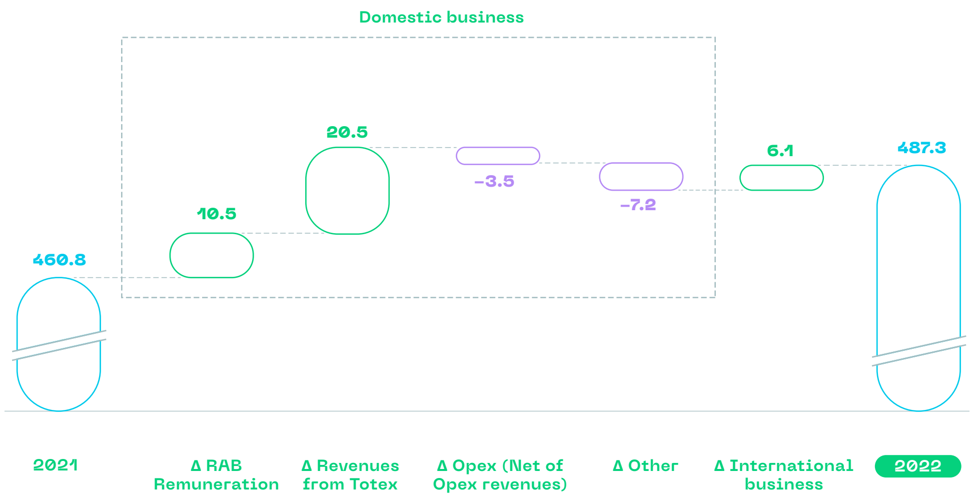
	2022	2021	Var. 21/22
1) Revenues from the Transmission of Electrical Power	13.3	12.0	10.8%
2) Other revenues	11.6	5.9	94.2%
3) Own works (capitalized in investment)	0.4	0.2	n.m.
4) Opex	5.0	4.0	23.3%
Personnel Costs[40]	0.7	0.5	n.m.
External Costs	4.2	3.5	21.7%
5) Impairments / (reversal)	0.1	0.0	n.m.
6) EBITDA (1+2+3-4-5)	20.2	14.1	43.6%

International business

International business contributed with 20.2 million euros to the Group EBITDA, an increase of 6.1 million euros (+43.6%) over the previous year, reflecting:

- Growth of 0.5 million euros (+6.5%) in EBITDA of Transemel – electrical power transmission company in Chile – which reached 8.7 million euros; and
- An increase of 5.6 million euros in recognized income from the 42.5% stake held by REN in the Chilean company Electrogas, which stood at 11.6 million euros in 2022.

Evolution in REN Group EBITDA 2021-2022 (M€)



40 Includes costs for training and seminars and provisions for staff costs.

111.8 M€
Net income

14.6 M€

increase compared to 2021

+15%

Net income (M€)

	2022	2021	Var. 21/22
EBITDA	**487.3**	**460.8**	**5.7%**
Depreciation and amortization	249.3	241.9	3.0%
Financial profits	-44.0	-42.6	-3.2%
Income tax expenses	54.3	52.1	4.2%
Extraordinary Levy on the Energy Sector	28.0	27.0	3.6%
Net income	**111.8**	**97.2**	**15.0%**
Non-recurring items	24.9	24.7	1.0%
Recurrent net income	**136.7**	**121.8**	**12.2%**

Net Income

In 2022, net income stood at 111.8 million euros, an increase of 14.6 million euros (15.0%) over the previous year.

This increase was mainly due to the following effects:

- an increase of 19.1 million euros in Group EBIT (+26.5 million euros in EBITDA), +13.5 million euros of which in domestic business (+20.3 million euros in EBITDA) and +5.6 million euros in international business (+6.1 million euros in EBITDA);
- partially offset by (a) an increase of 2.2 million euros in income tax (+4.5%); (b) a reduction in financial profits of 1.4 million euros (-3.2%) reflecting the increase in the average cost of debt from 1.6% to 1.8% (+0.2 p.p.), and the recognition in financial income of interest from tariff deviations of 7.1 million euros, partially offset by a reduction in net debt to 2,043.7 million euros (-318.3 million euros), and by the increase in dividends from associate companies (+1.3 million euros), and by (c) an increase of 1.0 million euros in the Extraordinary Levy on the Energy Sector (+3.6%), reflecting the increase in the regulated asset base on which the tax is calculated.

Excluding non-recurring items, the Recurrent Net Income for 2022 rose by 14.9 million euros (+12.2%). Non-recurring items considered in 2022 and 2021 are as follows:

In 2022: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2022 (28.0 million euros); and ii) gains from the recovery of taxes from previous years (3.1 million euros);

In 2021: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2021 (27.0 million euros); and ii) gains from the recovery of taxes from previous years (2.4 million euros).

28 M€

extraordinary levy on the energy sector

9.8 M€

dividends from associate companies

201.5 M€
Investment (Capex)

–45.6 M€
reduction compared to 2021

–18.4%

Group investment in 2022

154.3 M€
Investment in the electricity sector

14.5 M€
Investment in gas transmission

3.9 M€
Investment in Transemel

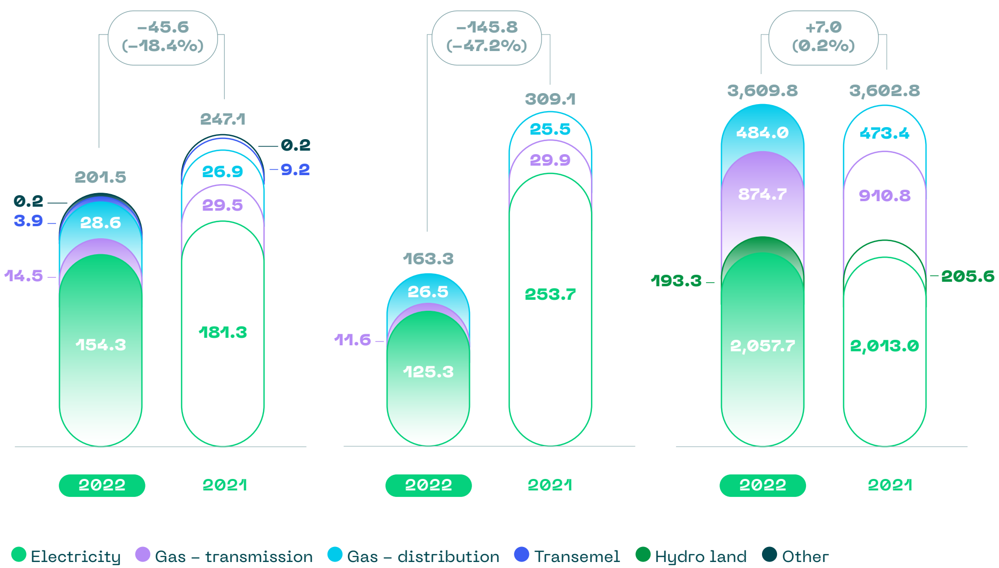
28.6 M€
Investment in gas distribution

0.2 M€
Investment in other activities

Investment and average RAB

In 2022, the Group investment reached 201.5 million euros, a reduction of 18.4% (–45.6 million euros) over the previous year, and transfers to RAB were 163.3 million euros, a reduction of 145.8 million euros over figures for 2021.

Investment (M€) | Transfers to RAB (M€) | Average RAB (M€)



Investment

In the electricity sector, investment in 2022 stood at 154.3 million euros, a reduction of 27 million euros with respect to the previous year (–14.9%). Of note in investment made in 2022 was the remodelling of power lines (43.5 million euros), the construction of new power lines (34.4 million euros), new and expanded substations (21.1 million euros), and in the remodelling of equipment and systems for protection, automation and control at several substations (31.4 million euros).

In the natural gas transmission segment, investment reached 14.5 million euros, a reduction of 15 million euros over figures for 2021. Of the total invested in 2022, REN Gasodutos contributed with 10 million euros, REN Armazenagem with 1.6 million euros and REN Atlântico with 2.8 million euros.

In the natural gas distribution sector, investment in 2022 totalled 28.6 million euros, of which around 58% was in the expansion of distribution networks and around 27% to capture new supply points. As part of the decarbonization and digitalization strategy, REN Portgás invested around 1.0 million euros to leverage the energy transition of gas distribution.

Transemel investment was 3.9 million euros, a decrease of 5.3 million euros when compared to 2021, where investment in the expansion of the Condores and Parinacota substations was of note.

Main projects undertaken in 2022

Electricity

43.5 M€	Remodelling of overhead lines
34.4 M€	New lines
31.4 M€	Remodelling of equipment and systems for protection, automation and control at several substations
21.1 M€	New and expanded substations
8.4 M€	I.T. system projects
15.4 M€	Other projects

Gas transmission

8.3 M€	Remodelling/ conservation (REN Gasodutos)
2.7 M€	Investments in Sines LNG Terminal
1.6 M€	Investments in REN Armazenagem
1.9 M€	Other projects

Gas distribution

16.5 M€	Network expansion
7.7 M€	Supply points
2.4 M€	I.T. system projects
1.9 M€	Other projects

ELECTRICITY: **154.3 M€** | GAS TRANSMISSION: **14.5 M€** | GAS DISTRIBUTION: **28.6 M€** | TRANSEMEL: **3.9 M€** | OTHER BUSINESS: **0.2 M€**

GROUP INVESTMENT IN 2022: **201.5 M€**

3,609.8 M€
Average RAB

7 M€ increase compared to 2021

+0.2%

REN's cost of debt

2022	2021
1.8%	1.6%

Transfers to RAB

In the electricity sector, transfers to RAB reached 125.3 million euros in 2022, a fall of 128.4 million euros when compared to the previous year. Of note was the conclusion of the second 150 kV connection between the Fernão Ferro and Trafaria substations on the Setúbal Peninsula (45 million euros), the uprating of the Alcochete – Fanhões line to 400 kV (13.8 million euros), transformation reinforcing at the Falagueira and Estremoz substations (4.3 million euros), as well as the conclusion of the remodelling of protection, automation and control equipment and systems at the Alto da Mira, Estoi, Pereiros and Valdigem substations and the Ribatejo switching station (11 million euros).

In the natural gas transmission sector, transfers to RAB were 11.6 million euros in 2022, a fall of 18.3 million euros in relation to the previous year.

In the natural gas distribution sector, transfers to RAB were 26.5 million euros, a rise of 1.0 million euros in relation to 2021.

Average RAB

At the end of 2022, average RAB was 3,609.8 million euros, an increase of 7.0 million euros over the end of 2021, influenced by the increase in transfers to RAB, greater than the effect of amortizations. In the electricity sector, average RAB (excluding hydro land) was 2,057.7 million euros (+44.7 million euros, +2.2%), while hydro land stood at 193.3 million euros (–12.3 million euros, –6.0%). In the natural gas transmission sector, average RAB was 874.7 million euros (–36.1 million euros, –4.0%), while in the natural gas distribution sector, average RAB was 484 million euros (+10.6 million euros; +2.2%).

Financing and debt

2022 saw a significant worsening in macroeconomic conditions. The uncertain environment, geopolitical risks and high inflation resulted in a sharp increase in risk premiums and market rates and, as a result, the cost of debt at REN rose from 1.6% to 1.8% (an increase of 0.2 p.p. over figures for 2021).

Despite the less favourable economic conditions, REN carried out a series of financing operations, a number of which took place before the conditions worsened in financing markets, pursuing the company strategy of financing and maximizing market opportunities leading to a strengthening of our liquidity at competitive prices.

During 2022, the following financing operations were undertaken:

- Three commercial paper programmes were renegotiated, with a total amount of 550 million, with guaranteed subscription;
- In May, we renegotiated our facility agreement with the Industrial and Commercial Bank of China of 120 million euros;
- In June and July, the company signed two new commercial paper contracts with guaranteed subscription in a sum of 200 million euros;

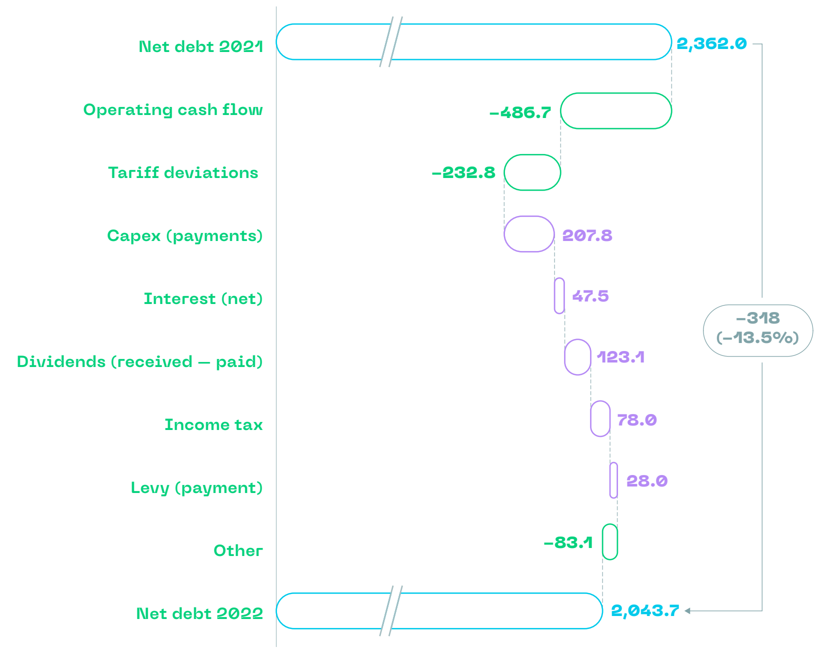
1,320 M€
financing negotiated

2,044 M€
net debt

–318 M€
reduction compared to 2021

–13.5%

Net debt (M€)



- In July, a revolving credit facility agreement was signed with Mediobanca for 50 million euros, with a maturity of four years;
- In December, the company signed a new commercial paper contract with guaranteed subscription in a sum of 100 million euros; and
- In December, REN concluded the first tranche, in a sum of 300 million euros, of a long-term loan (12 years) with the European Investment Bank. In January 2023, the second tranche, in a sum of 150 million euros, was signed. This is a "green financing" agreement to acquire new assets in in the National Electricity Transmission Network.

Financing operations negotiated in 2022 were approximately 1,320 million euros.

At the end of 2022, REN Group consolidated net debt stood at 2,044 million euros, a fall of 318 million euros over the previous year.

The favourable tariff deviations generated in 2022, together with the high availability in deposits (essentially motivated by favourable tariff deviations generated in 2021), determined a net debt substantially lower than REN's structural net debt. The return of these deviations to the system will determine the correction of net debt levels.

Financial debt (M€)

			Variation	
IFRS	**2022**	**2021**	**ABSOL**	**%**
Gross Debt	2,334.3	2,766.1	-431.8	-15.6
Less hedging swaps	-74.7	5.3	-80.0	-1,497.3
Less cash and cash equivalents	365.3	398.8	-33.5	-8.4
Net debt	**2,043.7**	**2,362.0**	**-318.3**	**-13.5**

Sources of financing (M€)

			Variation		Relative weighting	
Outstanding debt	**2022**	**2021**	**ABSOL**	**%**	**2022**	**2021**
Bonds	1,722.9	1,722.9	0.0	0.0	72.0	62.6
Bank loans	416.6	574.9	-158.3	-27.5	17.4	20.9
Commercial paper	250.0	450.0	-200.0	-44.4	10.4	16.4
Other	3.8	4.2	-0.4	-9.4	0.2	0.2
Total	**2,393.3**	**2,752.0**	**-358,7**	**-13.0**	**100.0**	**100.0**

Bond issues were the primary source of financing during 2022, representing 72% of total gross debt, followed by bank loans with a weighting of around 17%.

During 2022, gross debt fell by around 358.7 million euros with respect to 2021. Net financing costs also fell by 2.5 million euros from 50.6 million euros to 48.1 million euros. This fall is largely explained by the re-financing of outstanding debt before the deterioration in financial market conditions.

The average cost of gross debt in 2022 was 1.8%, 0.2 p.p. higher than in 2021.

Interest rate risk management policy focused on reducing the volatility of earnings. REN's fixed rate debt represented 70% of total debt.

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

With regard to the company's risk rating, REN improved its rating from Baa3 to Baa2 at Moody's. This now means that REN's risk rating is BBB at Fitch (outlook stable), Baa2 at Moody's (outlook stable) and BBB at S&P (outlook stable), thus meeting our commitment to maintain an investment grade rating.

Our contribution

4.3. Supply chain management

The correct management of the supply chain enables REN to identify and manage the respective risks and opportunities and create long-term shared value with impact beyond the organization's direct activities.

Contribution to SDG

8 DECENT WORK AND ECONOMIC GROWTH
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Main initiatives

- Supplier Code of Conduct update
- SOURCE 360º platform update
- Promotion of dissemination meetings and commitment to Suppliers with regard to REN's ESG aims
- Quantification and monitoring of Greenhouse Gas (GHG) emissions associated with supply chain

Main indicators

287 M€ total volume of purchases

96.8% of purchases from local suppliers in Portugal and 97.8% in Chile

About the future

- New content in SOURCE 360º in 2023
- Heightened ESG requirements in relation to purchase proposals and contracts

REN's aim is to establish a relationship of cooperation and partnership with suppliers and partners

In order to fulfill our public service mission in the national energy sector, REN is committed to defending and promoting principles of sustainability and ethics throughout the value chain, seeking to create value, on an ongoing basis for stakeholders.

REN's aim is to establish a relationship of cooperation and partnership with suppliers and partners, governed by demanding professional and ethical standards as well as strict compliance with legislation and in line with our medium and long-term sustainability policies.

Responsible management of the supply chain

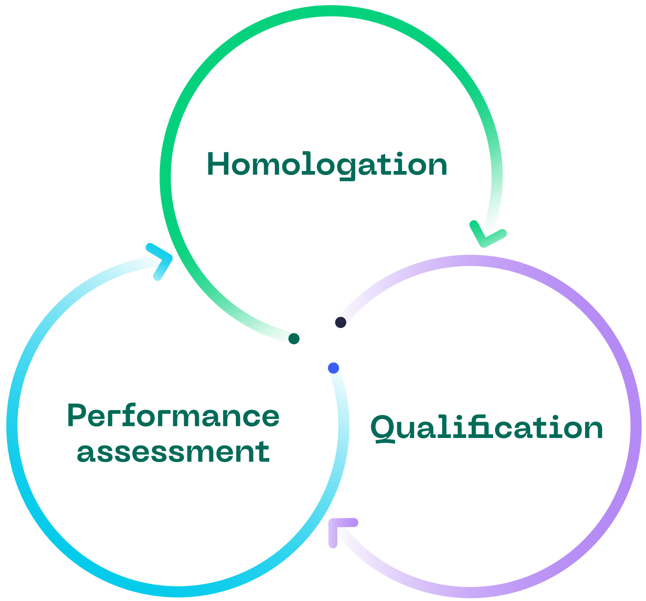
The supply chain management model basic principles are those of **competition, equal treatment and opportunities** for all potential REN suppliers, based on clear and objective rules and criteria with the aim of gauging the real capacity of each potential supplier.

The supplier management model has a simple structure and well-defined responsibilities, which ensure the proper separation of functions, from economic and financial analysis to technical analysis, with a view to assessing full compliance with defined requirements, and where the approval model is based on risk management.

The REN Group has a centralized Purchasing Department, which deals with corporate purchases, while the remaining purchases are carried out directly by the operational areas of the Group, based on procedures and requirements defined by the Purchasing Department.

The Purchasing Department also ensures that values of accuracy and transparency are fully integrated into supplier management processes.

The REN supplier management model is based on three main pillars:



The supplier management model has a simple structure and well-defined responsibilities

There are three levels of qualification

Supplier qualification and assessment

Whenever possible, the supplier selection process is complemented by the **supplier assessment process.** This process is vital to the improvement of quality and risk management of partners. The assessment process seeks, among other aspects, to maintain a pool of quality suppliers, promote the proactive identification of potential risks in the supply of goods and services to REN, and develop partners through the identification of improvement areas and the definition of corrective actions.

To ensure the capacity and suitability of suppliers for our needs, **three levels of qualification** have been created based on the complexity, criticality and representation in expenditure, in accordance with the approach set out in the figure:

Level 1 – Base

Series of purchase subcategories with:
- lesser impact on the security and operability of the infrastructure;
- lesser technical complexity; and/ or
- limited representation in annual expenditure.

An analysis of a series of questions is included to evaluate the capacity to comply with minimum requirements with regard to financial, legal and compliance aspects. For approval purposes, customer/ project references are required.

Level 2 – Relevant

Series of purchase subcategories that:
- may impact on the security and operability of the infrastructure;
- may be of high technical complexity; and/ or
- represent high annual expenditure.

In addition to the level 1 questions, an analysis of a broader series of questions is included to evaluate the technical capacity of the supplier.

Level 3 – Strategic

Series of purchase subcategories that:
- have a significant impact on the security and operability of the infrastructure;
- are of high technical complexity; and/ or
- represent high annual expenditure.

This includes the analysis of a broader series of issues in order to evaluate the technical capacity of a supplier in greater detail, which can be complemented by audits and/or technical certifications.

GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2

Maturity study of suppliers with regard to sustainability

REN conducted a survey of qualified suppliers in order to assess the degree of applicability with respect to ESG. The aim of this analysis, which came about through the work carried out jointly by the Purchasing Department and the Operational Sustainability Department, was to assess the maturity of REN suppliers, while also seeking to raise awareness and align strategies relating to sustainable practices among all the players in the supply chain.

The questionnaire involved 21 questions and addressed three main areas:

- Commitment to and disclosure of sustainability policies/ indicators
- Specific actions and initiatives with regard to the environment, energy and emissions
- Implementation of sustainable purchasing strategies

Using the results obtained, the companies were classified into three groups: basic, average and good. The response rate was 87%, which demonstrates the commitment to transparency by the market in the sharing of information with REN.

From the consolidated analysis of results, it is possible to see that around 90% of suppliers only have a basic level of maturity, which means that the path ahead is long and that REN is committed to supporting suppliers on their journey to improvement.

The aim of the supplier qualification process is to provide a pool of suppliers to meet the Group's needs with a view to facilitating and accelerating the supplier selection process, in response to purchasing procedures governed by the Public Procurement Code (PPC) and those outside this code. This process seeks to mitigate economic-financial, compliance and governance risks. By applying this process, REN consolidates basic information which provides a selection of suppliers that, while not being entirely risk-free, is based on objective criteria.

In terms of supplier qualification from a social standpoint, legal compliance is validated during the supervision of subcontracted work and via audits. REN complies with Portuguese law and human rights are clearly defined in the Supplier Code of Conduct.

In 2022, a macro plan was developed with regard to supply chain management involving ESG and cybersecurity initiatives and a diagnostic process was also designed in this regard to strengthen risk management in the value chain.

The Purchasing Department is currently studying existing market solutions with a view to strengthening the decision-making process for selecting suppliers, as well as for monitoring the performance of current partners in respect of ESG.

Supplier Code of Conduct update

In line with our commitment to engage and effectively manage the supply chain, the Code was updated in 2022 to reinforce commitment by suppliers to the new ESG policies and commitments undertaken by REN.

The new version came about further to the work carried out jointly by the Operational Sustainability Department and the Legal Department. Among other changes, the Code now includes the "Procedures applicable to the handling of communications of irregularities and the investigation of irregularities".

It also reinforces ESG policies as suppliers are required to state that they are aware of the targets set by the REN Group to reduce emissions and commit, in partnership with REN, to developing their sustainable performance,

through "practices to mitigate and adapt to climate change", "comply with applicable legislation and follow internationally recognized environmental, social and corporate governance criteria" and respect "diversity, equality, inclusion, human rights and the community".

Supplier Code of Conduct

The success of REN operations depends on everyone who works with our company, so the conduct of our partners is decisive in the pursuit of objectives. Accordingly, in order to ensure alignment with the principles and values that guide the conduct of our suppliers and partners, REN has updated the Supplier Code of Conduct (hereinafter referred to as Code). This is a structural document for the comprehensive management of the supply chain, to which all suppliers are required to commit, thus forming a contractual obligation.

Moreover, by subscribing to the Code, they accept REN's right to conduct audits and inspections in order to ensure compliance with the provisions of the Code.

As REN is a subscriber to the United Nations Global Compact, our Code is based on the 10 fundamental principles advocated by this initiative, which focus on human rights, labour practices, environmental protection and anti-corruption and are based on universally accepted declarations.

The Principles of REN Group Supplier Conduct are based on:

i. Supporting and respecting fundamental human rights in the workplace;

ii. Respecting applicable standards and principles in terms of the Environment and Safety and Health in the workplace; and

iii. Ensuring that high standards of ethics and business integrity are maintained.

The new Code has extended the topic of ESG to encourage the efficient and sustainable use of resources, increased circularity of products and/ or services, the implementing of more efficient and environmentally friendly technologies, as well as the minimization of potential negative impacts on biodiversity. This instrument promotes the involvement and commitment of suppliers, particularly with regard to the process to gradually decarbonize the value chain, as they form an integral part of REN's effort to achieve **carbon neutrality by 2040**.

Additionally, in recent years, REN has included technical specifications in tender offers setting out criteria that reinforce the pillars of ESG, more specifically in terms of the environment, quality and safety. These specifications also address the General Data Protection Regulation (GDPR), cybersecurity, and the reporting of irregularities in matters of anti-corruption.

Monitoring of GHG emissions associated with the supply chain

The involvement of the supply chain in the decarbonization of operations is essential for REN to achieve the goal of carbon neutrality by 2040. This involvement will require the ongoing monitoring of suppliers and the implementation of initiatives (some of which have already been mentioned in this sub-chapter) leading to the reduction of emissions.

Currently, around 34% of REN's total emissions are scope 3. Further information can be found in chapter 4.7. Natural capital.

CO_2

34% of emissions are scope 3

Management of risks and associated opportunities, allowing us to anticipate them and implement the appropriate mitigation and elimination measures

ESG risks and impacts relating to the supply chain

The main purpose of the work carried out with our supply chain is to support the management of risks and associated opportunities, allowing us to anticipate them and implement the appropriate mitigation and elimination measures, whenever necessary.

With regard to risks in the supply chain, some of the main risks and respective mitigation measures have been identified:

Main risks	Mitigation measures
Risks relating to basic Human Rights in the workplace	Supplier qualification and assessment
Risks relating to the environment	Supplier Code of Conduct
Risks relating to health and safety in the workplace	Process to communicate and deal with irregularities
Risks relating to legal compliance	Audits/ inspections
Risks relating to ethics and corporate integrity	Corrective actions
	Integrity policy

SOURCE 360°

During 2022, the company launched the new REN supplier management platform: **SOURCE 360°**, which seeks to meet the growing need to consolidate knowledge on partners and provide support for decision-making and risk management.

Source 360° is a single platform containing all the useful information on REN's partners, including economic-financial and compliance data, as well as relevant technical information, depending on the criticality of the category in the current supplier risk management model.

This platform guarantees that Group practices are standardized with all suppliers, ensuring the traceability of processes, as well as greater efficiency in information management, enabling:

- Each supplier's portfolio to be linked and preferred contacts to be defined in line with REN requirements, by purchase category, through Approval;
- Qualification applications to be created and submitted, allowing suppliers to be invited to submit bids for tenders covered by public procurement, under the Qualification System; and
- Reply to tenders not covered by public procurement, further to an invitation sent via "Source Market Consultation".

For 2023, the development of new platform functions is planned, with a view to promoting ongoing improvement, vital to the evolution of supplier management.

Digitization of purchasing activities

The digitization of purchasing and supplier management activities has remained one of the pillars of the Purchasing Department, and 2022 was no exception. Of note was the entry into operation of the new integrated supplier management support platform.

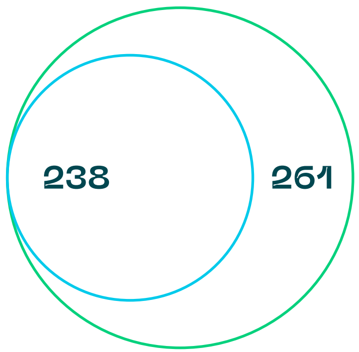
A further example of an ongoing improvement project underway in 2022 was the integration of the purchasing platform, Fluxo, with SAP ERP, with a view to the gradual automation of orders and completion of the P2P (Purchase to Payment) cycle.

Characterization of purchases

In 2022, total REN Group purchase stood at 287 million euros (an increase of 9% over 2021 figures) which corresponded to 1,306 purchase processes awarded. The Purchasing Department recorded a total purchase of 265 million euros (an increase of 8% over 2021 figures) which corresponded to 335 purchase processes awarded.

Evolution in purchase volume	2022	2021	Change 21-22
Total Group purchases (M€)	287	264	9%
Total volume of purchases by the Purchasing Department (M€)	265	245	8%
No of purchasing processes awarded	1,306	1,519	-14%
No of purchasing processes awarded by the Purchasing Department	335	347	-3%

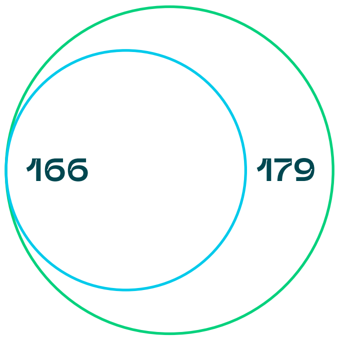
No of qualifications 2021 and 2022



2022 2021

+10%
qualifications

No of qualified suppliers 2021 e 2022



2022 2021

+8%
qualified suppliers

REN Group purchasing requirements are mainly for equipment and products related to the specificities of the business, directly involved in the development of conditioned infrastructures. It is therefore possible to break down our main needs into two large groups, as can be seen below:

Specific goods and services of the business

- Construction, remodelling and maintenance contract work on Very High Voltage (VHV) electricity lines
- Establishing and maintenance of access corridors
- Construction and remodelling contract work on buildings and infrastructure
- Integrated supervision services for Quality, Environment and Safety
- Bare cables for VHV lines and sub-Stations
- General electrical installation
- Control and protection systems
- Among others

Corporate goods and services

- Industrial sound systems
- Software
- Application management and project implementation
- Automobile fleet management, conservation and maintenance
- Micro IT and IT consumables
- Among others

REN ranks suppliers on different levels

REN recognizes that knowledge of our suppliers and partners can be decisive in the adaptation of our supply chain management model, in the correct monitoring of suppliers and partners, and in the effective management of associated risks. As such, REN ranks suppliers on different levels, breaking them down into type, size and geographical location.

	Goods suppliers	Service providers	Contractors
Level 1	Small, national companies supplying standardized, low-value goods	Small, national companies providing standardized, low-value services	Small, national building companies with a single specialty, low value
Level 2	Medium and large European companies supplying standardized goods or goods with customer specific requirements of medium or high value	Small and medium-sized national companies providing specific, medium or high value services	Medium and large national construction companies with multiple medium or high value specialties
Level 3	Multinationals supplying complex goods of very high value	Medium and large European companies providing complex high value services	Large Iberian construction companies with projects, multiple specialties of very high value and complexity ('turnkey')

In order to characterize suppliers, based on the Group's payment volume, REN analyses the percentage of expenditure and the percentage of suppliers in order to determine the breakdown of payments by area. In 2022, 96.8% of expenditure with suppliers for our companies registered in Portugal involved Portuguese suppliers (compared to 91.2% in 2021) and 97.8% of expenditure for the company based in Chile involved Chilean suppliers (compared to 100% in 2021).

With a view to consolidating REN Group expenditure and simplifying recurrent purchases, the incentive to create electronic catalogues was maintained through the catalogue platform for previously negotiated contracts with ERP SAP. At the end of 2022, there were more than 140 active catalogues.

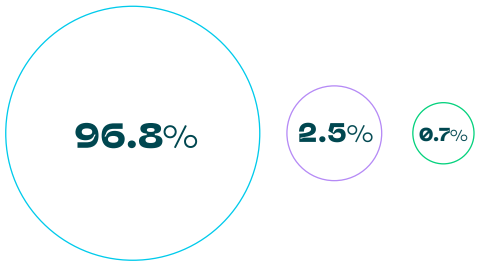
96.8%

of expenditure with local Portuguese suppliers and **97.8%** for Chile

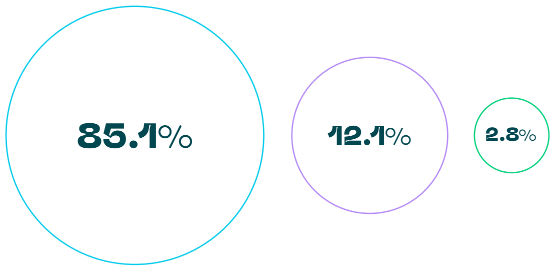
Description of Group suppliers based on payment volume in 2022

Companies registered in Portugal[41]

% volume of expenditure

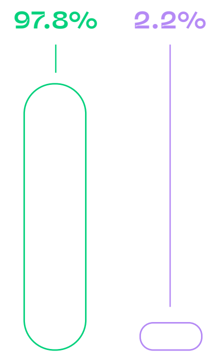


% of suppliers

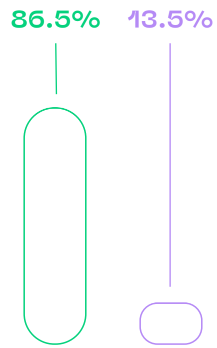


Companies registered in Chile

% volume of expenditure



% of suppliers



GRI 204-1

41 The volume of expenditure corresponds to all payments made by REN, in euros, excluding the main payments derived from national regulations and European laws.

Our contribution

4.4. Innovation and development

REN believes that the quality and continuity excellence of the service we provide is also the result of a technological, innovative and sustainable vision, centred on a culture of innovation that challenges and values its teams. It is for this reason that investment in innovation and development is considered to be key for the development of the Group.

Contribution to SDG

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

Main initiatives

Three applications submitted to the Recovery and Resilience Plan

Renewal of official recognition as an entity to carry out Research and Development activities for solutions in the field of energy networks

Main indicators

44 RDI projects in portfolio

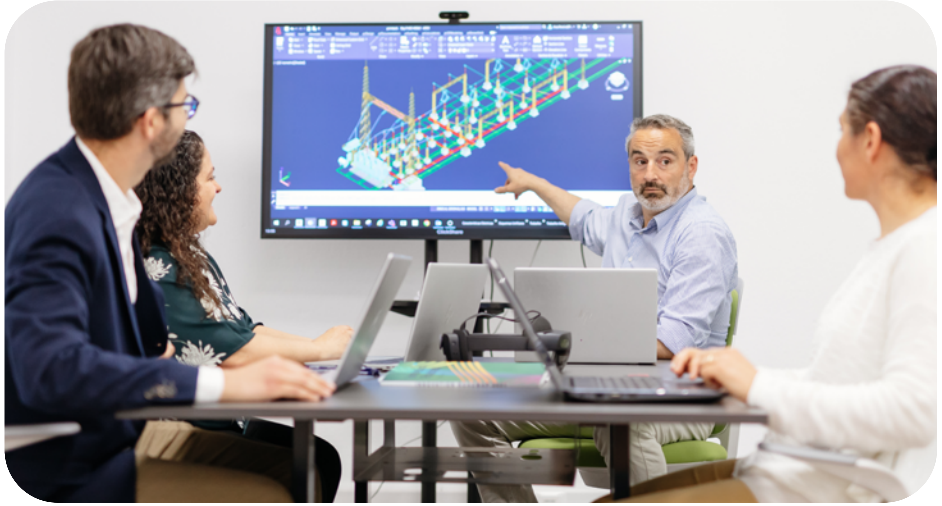
32 projects with applications submitted to SIFIDE (fiscal year 2021)

About the future

Monitoring of emerging topics such as sustainability and the circular economy, hydrogen & renewable gases, digitization & cybersecurity

Promotion of open innovation

Research, Development and Innovation (RDI) activities are conducted internally by the Operational Innovation area in close collaboration with the operational areas



The culture of innovation at REN is distinct and transversal and can be found in all the different areas of the company in response to new challenges. Through this culture, the goal is to contribute to the development and implementation of innovative solutions, which can be incorporated into the Group's companies and which help to position REN as a facilitator of the energy transition. This ensures both the sound management of the infrastructure and that value is gained from the solutions found. All this while maintaining the quality and efficiency of service at excellence levels.

The approach to Research, Development and Innovation (RDI) activities and the respective main projects outlined throughout this chapter are conducted internally in close collaboration with the operational areas, with the national and international innovation ecosystem and with counterpart entities, such as the Energy Research Centre, REN-State Grid, S.A. (R&D NESTER). This organization is owned by the REN Group with the aim of conducting research, development and innovation to encounter solutions for energy systems.

Operational innovation

The main aim of managing innovation and promoting development at REN is to drive the development of RDI projects, promoting a culture of innovation that values scientific and technological knowledge, with a focus on creating value, anticipating trends and influencing market and industry stakeholders.

Main initiatives

COTEC 2022 INNOVATIVE Company

2 applications submitted to the Recovery and Resilience Plan

Main indicators

0.95 M€ investment in 2022

20 RDI projects in portfolio

9 projects with applications submitted to SIFIDE[42]

[42] Fiscal year 2021.

RDI Policy and Strategy

The RDI policy and strategy is a key aspect of REN's overall strategy and is based on the following principles:

Foster a culture of innovation focused on creating value for the REN Group, namely in terms of the Concessions, but also contributing to the generation of potential new businesses, without neglecting the energy transition process and the decarbonization of the economy.

Manage RDI projects in an integrated manner during the various stages and relevant processes of the value chain, including suppliers and external entities.

Develop an innovation ecosystem that meets the needs of operational areas in the development of innovation projects.

Help identify and implement sustainable competitive advantages that can add value to the REN Group, anticipating trends.

Help strengthen strategic RDI pillars, focusing on the REN Group's mission and values.

The RDI strategy is part of REN's overall strategy, a commitment to create and develop solutions that allow energy objectives to be achieved more quickly, but sustainably, while helping fight climate change. It also contributes to REN's excellent performance in terms of security and quality of energy supply. This strategy is based on four pillars:

The integrated management of RDI projects allows the development of innovative solutions that meet the needs of the organization, but also those of stakeholders, including suppliers and external entities. This ongoing search for new technological and operational solutions makes REN a benchmark in terms of operational performance and innovation, contributing to sustainable energy and digital transition.

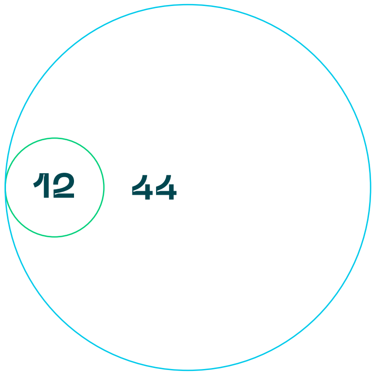
RDI strategy pillars

Sustainable development	Contribution to the development of initiatives that promote the search for and encouragement of innovative and sustainable practices throughout the value chain, as well as with respect to needs arising from paradigm shifts in the energy sector.
Smart and digital operations and networks	Modernization of assets and implementation of a smart vision of infrastructure and operation management, as well as in process efficiency. This is the most technological component applied to operational areas.
Quality and business continuity	Contribution to operational improvement by identifying new methodologies, processes and technologies, focusing on maximizing the guarantee of supply, continuity and quality of service, as well as infrastructure robustness and resilience.
New business models	Development of initiatives that may apply to other settings outside the REN Group, contributing to the generation of new businesses.

COTEC 2022 INNOVATIVE Status

REN Elétrica and REN Portgás obtained the status of COTEC 2022 INNOVATIVE company, thus seeing their work in investment in innovation, financial solidity and economic performance recognized.

No of employees that participated in the Innovation Leaders Programme



9

sessions held in 2022

● 2022 ● 2020 to 2022

REN Innovation Programme

The **REN Innovation Programme**, more than just a series of initiatives, this programme has its own identity – "RENenergy for tomorrow", aligned with the organization's values and innovation strategy, focusing on the culture of innovation, value creation and connection with the ecosystem. Included in these initiatives are:

Innovation workshops

REN regularly conducts innovation workshops where, by experimenting technologies and sharing experiences, it encourages the identification and generation of innovative ideas that support operational needs. These workshops enhance connection with the ecosystem, aligning concepts and presenting emerging technologies, promoting their use in the real context of the organization. In 2022, three themed workshops were held:

Topic of the workshop	Participation	Date held
Use of augmented and assisted reality in electricity operations	REN employees	May 2022
Foreseeing and building trend radars through the Horizon Scanning methodology	REN employees Partnership: ISEG	July 2022
Technologies for viewing and monitoring linear assets and access corridors	REN employees Partnership: 6 technological companies	December 2022

Innovation Leaders

An annual internal programme that aims to bring employees together in a highly challenging environment, which is focused on the innovation strategy. These groups aim to promote creativity and identify opportunities and ideas that can enhance new RDI projects so as to ensure they are carried through while also inducing a culture of innovation within the organization.

In 2022, the 3rd edition of this programme took place, with the main goal of implementing ten previously selected initiatives. The 12 members that made up this group were chosen based on their knowledge and ability to implement these schemes, whose main guidelines were:

- Execute successful projects in response to identified needs;
- Digitization, robotization, automation and increased "smartness" of activities and processes; and
- Dynamic operation of the network.

In total, nine sessions were held in 2022 focused on developing these initiatives and sharing experiences and knowledge.

The three editions of the Innovation Leaders Programme have been actively attended by 44 REN employees.

Innovation programme for trainees

Programme designed for trainees, which aims above all to encourage and reinforce REN's culture of innovation among younger people, leading them to think "outside the box" and actively involving them in this process.

In 2022, the 3rd edition of this programme took place, with the topics of innovation and sustainability being undertaken in close liaison, as two essential pillars in REN.

REN team wins Innovation Award at Microsoft and Unipartner event

The IT Project Management and Consultancy Department team won the Innovation Award in the "Digital Innovation Challenge 2022", organized by Microsoft and Unipartner.

Debuting in this competition, which brought together several national companies and public and private bodies, REN team was challenged to create a new and innovative product and/ or service impacting on the organization.

REN promotes a strong innovation culture and the dissemination of knowledge through its Innovation Programme

Operational innovation portfolio
Current projects under development by the Operational Innovation area have different scopes and impact, both in gas and electricity activities. Although a greater number of projects relate to electricity transmission, it is expected that the number of projects in the field of gas will increase due to the extensive transformation that this sector is expected to undergo with the introduction of hydrogen and renewable gases into the infrastructure.

At an early phase of operational innovation management, the projects related essentially to "quality and business continuity", highly focused on the safety of people and assets. After a considerable commitment by the innovation area to disseminate knowledge throughout the company, fostering new technologies that could be potentially applied at REN, there has been an increase in the number of projects included under the "Smart and digital networks and operations" pillar.

The aim was to create greater awareness of infrastructures and consequently improve the "smartness" and the optimization of the operations.

There has been a growing trend in the amounts invested in innovation projects with a total of around 0.95 million euros in 2022. Substantial growth in investment is also expected, driven by projects approved further to the applications submitted to the Recovery and Resilience Plan (PRR) and taking into consideration the projects currently in progress, some of which are presented in this chapter.

Currently, REN has 20 RDI projects in portfolio, at different stages of development, with a total investment of around 9 million euros.

Due to their relevance and alignment with our sustainability strategy, the projects on the following page are worth mentioning:

Projects in portfolio

Strategic pillar: sustainable development

DFOS — Distributed Fibre Optic Sensing to detect collisions on VHV lines

- SIFIDE 2021

Development of a bird collision detection system against Very High Voltage (VHV) lines, using sensors distributed along the optical fibres within guard cables. The project consists of testing the application of distributed detection technology in optical fibre, based on optical microphones which are able to detect anomalous movements in VHV lines.

SLIP — Safety Light Interactive Protection

The main objective of this initiative is to have install interactive sensor barriers in substations that reduce the risk of electrocution by creating delimited work zones, further to the consignment process.

Permanent sensing of CH_4 and H_2 in closed spaces

A pilot project to implement a network of CH_4 and H_2 sensors and a remote monitoring system of concentration levels in battery and process rooms.

Strategic pillar: quality and business continuity

OHL Stork Disturbance Online Mitigation System

- SIFIDE 2021

Development of a laser detection, registration and deterrence system for storks, on critical power lines with great impact on the quality of RNT service with permanent online access.

rePLANt – Collaborative strategies for the integrated management of forests and fires

- PT2020 COMPETE
- SIFIDE 2021

Seeks to ensure greater protection of the forest through integrated forest and fire management. As part of the activities coordinated by REN and the University of Coimbra, forest monitoring systems were installed on VHV line supports and a fire identification and warning system will be developed. The goal of this project is to optimize fire risk management, both to protect RNT infrastructure installed in forests, but also to protect the forest itself.

Strategic pillar: smart and digital networks and operations

DPS – Digital Protection of Substations

- SIFIDE 2021

Development of a solution to virtually delimit work areas in substations, monitoring and cross-referencing the location of workers in the work areas and send an alarm when a security zone is breached.

Pilot project for internal capacity building to use fixed-wing drones

Pilot project with fixed wing drones to test its use and assess impact on REN's activities. Train a team to handle the drones, process images and gain knowledge with respect to flight authorizations and image capture.

LINK4S – Link for Sustainability

- PT2020 COMPETE
- SIFIDE 2021

This project seeks to develop a new generation of connectivity devices (5G) to monitor the conditions, status and safety of underground cable connections under VHV, of VHV line supports and also of network valves in the natural gas distribution infrastructure.

Virtual presentation of projects and environmental constraints

Aims to increase the quality of information regarding field visits to assess the impact of infrastructure on the territory. This pilot project will make it possible to view the project information and the environmental constraints on the ground, through the use of augmented reality or a mobile phone/ tablet application in online and offline environments.

● Financing and/ or tax incentive programme

No of projects with applications to SIFIDE

9

7

2022 2021

In 2022, nine projects that form part of the Operational Innovation portfolio were submitted to SIFIDE, two more than in 2021, and two applications were made to the Recovery and Resilience Plan (PRR).

RDI Management System certification under NP 4457:2007 was also renewed in 2022. (see chapter 2.3. Risk management).

2

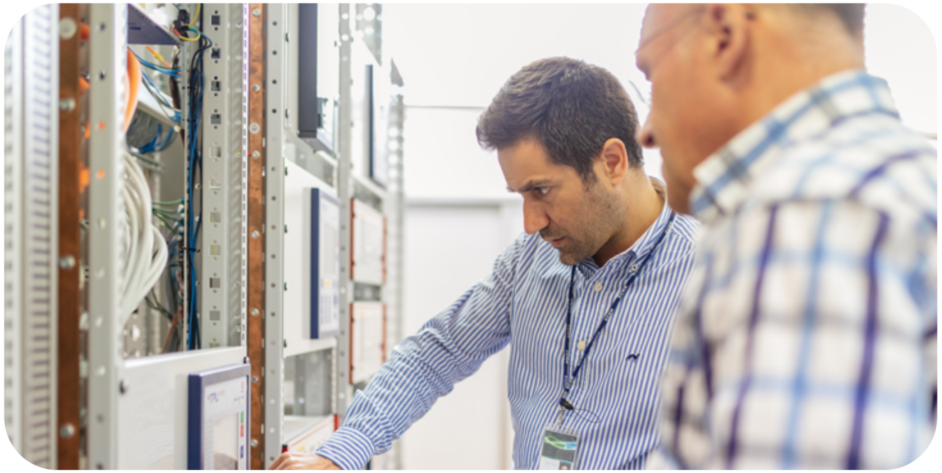
applications to the PRR in 2022

renewal of RDI management system certification

Recovery and Resilience Plan

TransForm — Agenda for the digital transformation of forest value chains	The agenda consists of an integrated approach based on 28 interrelated collaborative projects that will create 11 products, processes and services of greater added value in the priority areas of intervention identified by sector agents in the different pillars making up the base forest supply chains. REN is responsible for developing a decision support centre with multi-sensory data for forest protection and for developing a sustainable optimization system for vegetation management operations.
H_2 Green Valley	Development of a Green H_2 ecosystem in Sines through the setting up of a physical backbone along with hydrogen services that bring together and manage production, industrial and domestic consumption and storage.

R&D Nester focus its work on the Research, Development and Innovation of solutions in the area of energy systems



Energy Research Centre
Created in 2013, the Centro de Investigação em Energia (Energy Research Centre) REN-State Grid, S.A. (R&D Nester), an R&D centre where the REN Group has a 50% stake, has focused its work on the research, development, demonstration and innovation of new solutions in the area of energy systems, while also taking into account the creation of sustained value for its shareholders.

R&D Nester maintains a vast portfolio of Research, Development and Innovation projects of different types, sizes and objectives, which cover sector requirements and are in line with the European strategic priorities of decarbonizing the economy and energy transition.

Moreover, it maintains an active network of contacts with national, European and international organizations in the area of Innovation, Research and Development, with which it cooperates on a regular basis.

Projects underway cover several areas of research such as: Grid planning, flexibility, storage, renewable production forecast, cooperation between TSO/ DSO grid operators, digitization, markets, integration of electricity with other sectors such as gas, hydrogen and mobility and data analytics.

In terms of infrastructure, of note is the laboratory, Real Time Power Systems Simulation (RTPSS), which allows real-time co-simulation of electricity and communications networks, as well as real-time tests and simulations via the "hardware-in-the-loop" technique.

Main initiatives

Renewal of the status of good-standing entity in terms of R&D for solutions in the field of energy networks

Approval of one application submitted to the Recovery and Resilience Plan

Start-up of the first project approved under the new Horizon Europe funding program – the ENERSHARE Project

Main indicators

1.37 M€ average investment (2019 to 2021)

24 RDI projects in portfolio

17 projects with applications submitted to SIFIDE[43]

[43] Fiscal year 2021.

The company regularly uses external sources of investment of funding for Innovation and R&D

1.37 M€
average investment
(2019 to 2021)

R&D Nester maintained its annual average investment trend of 1.37 million euros, based on the previous three years (period between 2019 and 2021). This sum relates essentially to expenditure on a series of R&D and Innovation projects conducted internally and/or in cooperation with national and international organizations, including academic institutions recognized by the national scientific and technological system.

In addition to internal investment, the company regularly uses external sources of funding for Innovation and R&D. This is achieved through applications to European programmes (e.g.: Horizon 2020, European Space Agency, Interreg Programme, and more recently, Horizon Europe) and national programmes (e.g.: Portugal 2020), or as tax Incentives, through applications to SIFIDE (National System of Tax Incentives for Corporate R&D), where an approval rate of 100% has been repeatedly achieved as a result of the effective nature of R&D in projects submitted in applications.

Strategy for the Energy Research Centre

Objectives	Strategy
Knowledge	Build a knowledge platform, developing innovative solutions applied to energy systems. Establish a strategic "triangle", including universities, R&D Centres and industrial partners.
Technological development	Develop new tools and strategies in tune with shareholder requirements. The results of R&D projects should promote the creation of more efficient energy systems.
Specialized services	Catalyze specialized services (e.g. consultancy and training) to be provided to shareholders and external entities, guiding R&D projects to business needs.
Global R&D network	Establish partnerships with international R&D institutions in order to set up a global technological network. This strategy should explore opportunities in Europe, Brazil, Angola, Mozambique and China.

100%
approval rate for external funding destined to Innovation and R&D

In 2022, the R&D Nester project portfolio consisted of more than 20 projects

Portfolio for the Energy Research Centre
In 2022, the R&D Nester project portfolio consisted of more than 20 projects, developed internally and/ or in close collaboration with the Scientific System (universities), other R&D Centres, industrial partners and other sector entities, both nationally as well as internationally.

As part of R&D Nester participation in collaborative R&D Projects with external financing (under national and international programmes), of note in 2022 were:

Projects started in 2022 with external financing

Enershare ● Horizon Europe Programme	European commoN EneRgy dataSpace framework enabling data sHaring-driven Across- and beyond- eneRgy sErvices, financed by the Horizon Europe Programme.
Ngs ● National Recovery and Resilience Programme (RRP)	New generation storage.

Projects concluded in 2022 with external financing

Osmose ● Horizon 2020 European Programme	Optimal system-mix of flexibility solutions for european electricity.
Interrface ● Horizon 2020 European Programme	TSO-DSO-consumer interface architecture to provide innovative grid services for an efficient power system.
Flexitranstore ● Horizon 2020 European Programme	An integrated platform for increased flexibility in smart transmission grids with storage entities and large penetration of renewable energy sources.
Interpreter ● Horizon 2020 European Programme	Interoperable tools for an efficient management and effective planning of the electricity grid.
Flexunity ● Horizon 2020 European Programme	Scaling-up power flexible communities business models empowered by blockchain and AI.
Optigrid ● National Programme Portugal 2020	Analysis methodology of the dynamic capacity of lines and optimized management of electrical networks.
ResuciDemo ● European Space Agency (ESA) Programme	Resilient and sustainable critical infrastructures - demonstration project.

● Financing programme

R&D Nester participates in European Commission task–forces to define Innovation and Research Roadmaps on a European level for Energy Transition

As part of R&D Nester activity, the following initiatives stand out:

- **Renewal of the status of good-standing entity in terms of R&D, in technical and scientific areas of design and development of solutions in the field of energy networks:** This recognition goes back to 2014, awarded to R&D NESTER by the Portuguese government (Official order No 4058/2014;
- **Approval of application submitted to National Recovery and Resilience Programme (RRP):** R&D Nester saw approval of its application to the Mobilizing Agendas under the National Recovery and Resilience Programme (RRP) — NGS Project – New Generation Storage;
- **Participation on European Commission Task-forces:** R&D Nester participates in European Commission task-forces to define Innovation and Research Roadmaps on a European level for Energy Transition;
- Renewal of RDI certification in accordance with the NP 4457:2007 standard, as well as certification in Quality, Environment and Safety in accordance with the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards (see chapter 2.3. Risk management);
- **Recognition on the Smart Grid Laboratories Inventory:** The R&D NESTER laboratory was once again recognized at the 2022 edition of the Smart Grid Laboratories Inventory, a document prepared by the Joint Research Centre, belonging to the European Commission, which aims to promote research within Europe;
- **ENERSHARE Project:** Start-up of the first project approved under the new Horizon Europe funding program — the ENERSHARE Project – European commoN EneRgy dataSpace framework enabling data sHaring-driven Across – and beyond – eneRgy sErvices;
- Resumption of participation by R&D Nester in numerous external, face-to-face events, as part of ongoing international projects and scientific publications after the pandemic period;
- **Scientific publications:** Submission and publication of 25 scientific papers at events and conferences of international reference; and
- **International patents:** Renewal of three international patents, in Europe, the USA and China.

Collaboration and partnerships

Collaboration and partnership activities with national and international associations and bodies have allowed the most relevant developments in the sector worldwide to be monitored with respect to energy transition, ensuring preparation for ongoing and future challenges. This work has provided a relevant contribution to national, European and international development and has positioned the group as a relevant entity in terms of technological competence and business knowledge.

Because we believe that building knowledge has greater and better results when accomplished through shared efforts and is based on principles of collaboration and partnership, REN has established several partnerships and collaboration initiatives, including several working towards sustainability. Of note are the following:

Main initiatives International

- ***Oil and Gas Methane Partnership (OGMP 2.0):*** REN is a member of the Oil and Gas Methane Partnership, which forms parts of the United Nations Environmental Programme. OGMP 2.0 aims to reduce methane emissions and supports the implementation of a well-structured and suitable monitoring, reporting and verification system to more accurately detect and quantify emissions by sector operators;
- ***European Hydrogen Backbone:*** REN is part of the European Hydrogen Backbone (EHB), an initiative bringing together 29 European energy infrastructure operators in the common goal of accelerating the decarbonization of Europe through a thriving market for renewable and low-carbon hydrogen. Since its creation in 2020, EHB has contributed to the development of a European hydrogen market, publishing maps and vision studies for a pan-European hydrogen transmission infrastructure that demonstrate that this project is technically viable and economically accessible;
- ***Renewables Grid Initiative:*** In 2022, REN joined the RGI – Renewables Grid Initiative, an entity that seeks the collaboration of NGOs and Energy Transmission System Operators from across Europe and that promotes the development of transparent and environmentally sustainable networks in line with the Paris Agreement. Since 2014, RGI has run the Good Practices of the Year award, which is aimed at initiatives that demonstrate good practices in the areas of Communication, Technological Innovation and Environmental Protection. In 2022, the "speed-E" project won the best practice of the year in the "Technological innovation and systems integration" category, a solution that makes it possible to charge electric vehicles directly from VHV lines;
- ***Hydrogen Europe:*** REN recently joined Hydrogen Europe, an institution representing the hydrogen sector on an European level and Fuel Cell with more than 150 member companies, including the main TSOs, more than 100 RD&I organizations and national associations. Hydrogen Europe is committed to supporting and facilitating its members in the transition to a carbon-neutral circular economy while also creating sustainable jobs;
- ***European Clean Hydrogen Alliance:*** Through REN Portgás, REN Gas and REN Gasodutos, REN also joined the European Clean Hydrogen Alliance, a European Commission initiative seeking to accelerate the development of the hydrogen value chain by 2030;
- ***ENTSO-E Research, Development and Innovation Committee:*** REN sits on various ENTSO-E committees, including the Research, Development and Innovation Committee (RDIC) dedicated to RD&I issues, where R&D Nester also participates;
- ***Conseil International des Grands Réseaux Électriques (CIGRÉ):*** Currently, R&D Nester forms part of the Study Committees C5 – Electricity Markets and Regulation, B5 – Protection and Automation, as well as the Working Group B5.73 – Experiences and Trends related to Protection Automation and Control Systems Functional Integration;
- ***European Technology & Innovation Platforms* (ETIP-SNET):** R&D Nester actively participates in the following Working Groups: WG1 – Reliable, economic and efficient smart grid system, WG2 – Storage technologies and sector interfaces, and WG5 – Innovation implementation in the business environment;
- ***European Energy Research Alliance* (EERA):** R&D Nester as an associated entity, continuously monitors the various activities and initiatives carried out by this organization, contributing with scientific publications;
- ***Horizon 2020 Task Force for R&I Priorities* (BRIDGE):** in 2022, R&D Nester participated in the working group in the field of regulation;
- ***International Electrotechnical Comission* (IEC):** Participation by R&D Nester in working group WG6 – Operational Behaviour and Coordinated Control between Renewable Energy and HVDC System (External Organization), as part of the Study Committee – SC8 TC8A; and
- ***Institute of Electrical and Electronics Engineers* (IEEE):** R&D Nester has participated in several international conferences held by this organization of excellence in the sector, with the publication and presentation of scientific articles.

Main initiatives Domestic

- **ForestWISE Collaborative Laboratory:** REN participates in this laboratory as an associate, thus forming part of ForestWISE's share capital and with responsibilities relating to participation in management bodies and in the definition, implementation and supervision of the CoLAB innovation agenda. Members are also the main drivers of the innovation agenda and, in the case of companies, the main customers for technological solutions and products to be developed at ForestWISE;
- **CIBIO/*BIOPOLIS*:** As a founding member of Biopolis, REN maintains its Chair in Biodiversity, promoting a line of work and research on biodiversity management and conservation, including technological development as applied to Biodiversity. Through this area of intervention, projects have been developed such as the automatic detection of collisions (together with INESC-TEC) and the evaluation of the effectiveness of anti-nesting devices, with the aim of mitigating the impacts of birds and increasing the reliability of the system;
- **Business Association for Innovation (COTEC:** As an associate company of COTEC Portugal - Business Association for Innovation, REN and R&D Nester regularly participate in events promoted by this association;
- **Portuguese Association of Renewable Energy (APREN):** In addition to participating as an associate in various events organized by this association in the renewable energy sector, R&D Nester also has a partnership with this entity in a Portuguese TV feature entitled 'Renewable Energy Bulletin', which presents a weekly forecast of renewable energy production in Portugal; and
- **Luso-Chinese Trade and Industry Chamber (CCILC):** REN and R&D Nester are members of CCILC. One of the main goals of this association is to promote commercial and work opportunities between entities in both countries.

Main initiatives Universities

- **University of Coimbra:** REN and the University of Coimbra have collaborated on different innovation projects. As part of the rePLANT project, REN and the University of Coimbra are co-responsible for one of the main activities for the monitoring and managing fire risks;
- **University of Évora:** REN signed a protocol with the University of Évora to study and protect animal communities in habitats located below power transmission lines. This partnership came about under the LIFE LINES project - "Linear Infrastructure Networks with Ecological Solutions" and has enabled the creation of true "islands of biodiversity" under pylons. LIFE LINES is a partnership between the University of Évora, Infraestruturas de Portugal, the Municipalities of Évora and Montemor-o-Novo, Marca (a Local Development Association) and the Universities of Aveiro and Porto (Faculty of Sciences);
- **Instituto Superior Técnico:** REN supports Técnico Fuel Cell, a multidisciplinary team of students from the Higher Technical Institute, who are developing an urban vehicle powered purely by hydrogen. The first major objective of this project is to take part in the Shell Eco-marathon, one of the world's largest student engineering competitions which focuses on energy optimization and efficiency;
- **Lisbon Higher School of Engineering (ISEL):** R&D Nester occasionally receive ISEL students working on Master's and PhD theses, the topics of which are aligned with research underway; and
- **Porto Business School:** Within the protocol established with the Porto Business School under the rePLANT, a project was developed with the aim of studying new uses and applications of data obtained by the monitoring systems to be installed in REN's assets for observing surrounding areas as a way of identifying ignition points and forecasting the spread of forest fires. rePLANT, which brings together more than twenty entities — companies, universities and research centres — is a project of national interest that will create new technologies for the development of the Portuguese forest and make it safer.

Our contribution

4.5. Communities

Relations with the community form an integral part of REN's work. With this in mind, we promote engagement with the communities where we operate with a view to helping the people who interact most with our infrastructures.

Main initiatives

- Support and management of stakeholders in the energy infrastructure projects
- Environmental and social awareness raising actions
- Clarification sessions and presentations of projects to stakeholders
- Relations with the media

Main indicators

- **16** vehicles donated
- **18** entities supported through REN Participatory Budget
- **881** hours of volunteering

Contribution to SDG

- 4 Quality Education
- 9 Industry, Innovation and Infrastructure
- 11 Sustainable Cities and Communities
- 15 Life on Land
- 17 Partnerships for the Goals

About the future

- 2023 AGIR Award will be dedicated to the promotion of sustainable development
- 2023 REN Award will distinguish the best master and doctoral thesis

We promote active corporate citizenship, contributing to the development of the country, communities and people

Support for local communities

At REN, we promote active corporate citizenship, contributing to the development of the country, communities and people, designing, building and managing infrastructure, addressing specific social problems while also developing joint solutions for a more sustainable future.

To meet the different needs demonstrated by stakeholders who are external to the company, particularly municipalities and ward offices, we hold sessions to inform on institutional aspects of REN during the different stages of project life cycles. We ensure liaison, whenever necessary, between municipal technical departments and REN operational services.

Whenever justified, REN holds clarification sessions to answer all stakeholder queries and concerns (for additional information on the different engagement mechanisms provided by REN see chapter 4.1. Stakeholder engagement and satisfaction).

Actions in local communities

- Engagement with the communities where we operate with a view to helping the people who interact most with our infrastructures
- Work in close conjunction with local stakeholders
- Promoting of transparency through close dialogue and clarification sessions whenever justified
- Collection of relevant information to improve projects with the goal of minimizing impacts on populations
- Engagement with the regional press
- Work in partnership with municipal authorities, ward offices and other stakeholders for greater proximity

GRI 203-1 GRI 413-1

Actions guided by a logic of effective impact on local communities

73
entities supported financially
through the REN Participatory Budget, since the start of the project

18 entities supported in 2022

9 councils covered

16 vehicles donated

30 k masks donated

90 k gloves donated

Social responsibility and sustainable communities

REN's action in the field of corporate social responsibility and the development of sustainable communities has been guided by a logic of effective impact on local communities and on causes aligned with the Group's principles of sustainable action. Numerous actions have been undertaken in communities, some of which are ongoing while others are individual in nature.

Main actions undertaken regarding the response to social issues

REN donated 16 vehicles in 2022 to fire brigades, local government civil protection teams and other entities. Seven of these vehicles (4x4) were delivered to various humanitarian associations including Volunteer Firefighters (Benavente, Miranda do Douro, Armamar, Estarreja, Famalicão, Arouca and Macedo de Cavaleiros), with a view to defending the forest against fires. The remaining vehicles were provided to other entities under our social responsibility policy. Since 2009, REN has provided 89 vehicles to outside entities.

To ensure the involvement of all employees in social responsibility decisions, at the end of 2018 we created the REN Participatory Budget (OPR – Orçamento Participativo REN). Through OPR, all employees can vote for the projects, causes and initiatives that they consider worthy of the company's financial support. Projects submitted to OPR should fit within the scope of REN's Sustainability Strategy, namely those related to the support of local communities and environmental protection. The projects to be supported by REN are chosen by employees, through voting on the intranet. In 2022, REN financially supported 18 entities, from north to south of the country. In 2022, there was a 16% increase in the number of votes in the OPR, which demonstrates the growing commitment of employees in decisions on these matters.

At the beginning of the year, still impacted by the Covid-19 pandemic, REN distributed masks and gloves to different charitable institutions to support the fight against this virus. Around 30,000 masks and more than 90,000 gloves were donated.

Through these donations, the company has helped ensure that these institutions, which carry out vital work in the region where they operate, can safely continue to provide daily support to users.

In solidarity with Ukraine, REN has conducted a series of campaigns to collect food and clothes and other items at our main facilities and has sought to keep employees informed of different outside initiatives taking place with this same purpose.

350 applications received until 2022 for REN Award

136 individuals awarded

9 higher education institutions

The REN Scientific Merit Medals – Ciência LP were created in 2021

Main actions undertaken regarding education and development

Created in 1995, the REN Award, one of the oldest scientific prizes in Portugal, has evolved to incorporate the developments and transformations seen in the energy sector over the years. Up to 2022, the REN Award has received more than 350 applications and has awarded 136 individuals, from nine higher education institutions.

In 2022, the winner of the REN Award was Rute Rodrigues dos Santos, from the University of Coimbra, for her Master's thesis "Development of instrumentation for measuring Geomagnetically Induced Currents (GICs) and the effect of shield wires on GIC simulations".

The social impact of the REN Award was also assessed with the support of an external entity. The goal was to identify the effects and impacts of the award, understand the extent and scope of these effects and impacts, and analyse the different processes that make up the award, with a view to identifying opportunities for improvement. By applying the logical model of the "Theory of Change", the main areas of impact were identified:

1. personal and professional aspect and
2. scientific research in the field of energy.

83% of REN employees surveyed believe that the Award brings recognition and prestige to REN

100% of winners surveyed agreed with the fact that they feel proud of having won the REN Award

Inspired by the REN Award, the REN Scientific Merit Medals – Ciência LP were created in 2021, an initiative that aims to recognize and promote research work carried out by young people from Portuguese-speaking African Countries (PALOP), in the areas of energy and energy transition.

These medals, an initiative in partnership with Centro Ciência LP and the Foundation for Science and Technology, are for women up to the age of 35, from Portuguese-speaking African countries, who have carried out research projects as part of their advanced training (master's or doctorate) in areas of energy transition. They are also awarded to students from PALOP countries who similarly have carried out research projects as part of their advanced training (master's or doctorate), where the object of study is energy transition in Africa.

In 2022, in the category of Women Researchers, the winner was the Angolan Ariel Neves with her thesis "Optimisation of an Anaerobic Digestion Plant – Project in Renewable Engineering". In the category for students, Valdemar Abril Armindo was the winner with his thesis on "Diagnosis and Analysis of Malfunctions in the Stator Windings of a Six-phase PMSM with Predictive Control, for application in Electric Vehicles and Wind Generators".

In 2022 the Portuguese Association for Corporate Ethics (APEE) recognized this initiative with an honourable mention

REN once again held the MEDEA programme, which is aimed at students from the 10th to the 12th year of secondary and professional education

Together with the Portuguese Physics Society, REN once again held the MEDEA programme, which is aimed at students from the 10th to the 12th year of secondary and professional education. This programme allows the practical application of the training provided in educational institutions, combining scientific knowledge with the students' daily lives through experiments conducted by the students themselves, both inside and outside the classroom. The work of the winning team in 2022, Electroteam, was based on measurements taken next to Very High Voltage pylons and using data from the International Commission on Non-Ionizing Radiation Protection, the team concluded that there are no harmful effects on public health near support infrastructure for energy transportation networks.

Main actions undertaken regarding environmental promotion

At a time when we are witnessing ever more extreme weather events, also caused by insufficient environmental protection, it is urgent to find solutions to reverse the current state of the planet. This was the reason why REN employees chose the topic "Promoting the environment, biodiversity and fighting climate change" for the 2022 edition of the AGIR Award. The AGIR award forms part of REN's community engagement and social innovation policy and aims to support projects developed by associations, companies, and non-profit organisations.

In 2022, 17 applications were submitted to the AGIR Award, now in its 9th year. "Lousada + VERDE" from the Associação VERDE (GREEN Association) was the winning project this time. The goal of this initiative is to create a pilot project to restore habitats and preserve biodiversity, as well as create instruments that allow profitability and sustainability of the land used while also generating and maintaining the long-term health of ecosystems. Second place went to the "Centro de Interpretação da Abelha e do Mel" (The Bee and Honey Interpretation Centre), with a project submitted by the Associação Vertigem. The goal is for this centre to gradually take on the role of bringing together agents from the world of beekeeping and driving nature tourism. The "Rizoma Cooperativa Integral – Mercearia Comunitária Sustentável" (Rizoma Cooperative – Sustainable Community Grocery) which works in the field of sustainable consumption, came in third place.

The 2023 AGIR Award will be dedicated to the promotion of sustainable development

The 2023 AGIR Award will be dedicated to the "Promotion of Sustainable Development", in line with the 2030 Agenda, created in 2015 by the United Nations and which forms part of our sustainability strategy.

REN's partner in this project, the Stone Soup, has been tasked with receiving and validating applications, as well as following up and monitoring the use of funds donated to each project supported. They will also assess the effective social impact of REN's support for each project, ensuring the proper implementation of the funds allocated. As in 2021, the 2022 edition also involved a partnership with the Cofina Group to provide greater visibility and media impact for the project.

11 thousand m² land provided by REN for the Organic Garden of Palmilheira

172	total plots for gardening
15	plots for people with reduced mobility
6	agricultural shelters

The "Heróis de Toda a Espécie" (Heroes of Every Kind) initiative, an educational project that aims to raise awareness of the importance of conserving biodiversity, preserving the forest and protecting animals and plants which are endangered or threatened with extinction, was once again promoted, now in a digital format. The digital version of this project now contains new content, several songs and a video with an updated version of the show that REN holds every year[44].

With the aim of promoting environmental sustainability, strengthening social inclusion, and supporting local communities, REN, in partnership with the Municipality of Valongo, inaugurated the Organic Garden of Palmilheira, in Ermesinde. This is a partnership that has provided more than 170 plots so that families, schools, and local associations can grow and eat organic vegetables. The plots, 15 of which are elevated for people with reduced mobility, cover 11,000 m² of land provided by REN and reclassified by the Municipality of Valongo.

In 2022, "Heróis de Toda a Espécie" received the bronze medal in the category of 'Social Responsibility Events' by the Lusophone Creativity Awards

[44] The video is publicly available here.

Protocol with Vieira do Minho communities

As part of the Ribeira de Pena – Vieira do Minho Line, REN, the Vieira do Minho Municipal Authority, the Cabreira Mountains Land Management Association (APOSC) and the Garrano Breed Equine Association, have drawn up a protocol with the aim of helping prevent fires in the Cabreira Mountains while also creating conditions to defend the Garrano horse breed.

Around 263 mares and 28 stallions will be involved in preventing forest fires in this mountainous region.

As each Garrano eats an average of 20 to 25 kg of food a day, these horses will clean around seven thousand kilos of vegetation daily, substantially reducing the risk of forest fire.

This action also includes the setting up of a system of improved pasture, water troughs for the animals and fitting of GPS locators in stallions and dominant mares. This work also includes the help of APOSC, which through its teams of forest sappers, complement the work of the Garranos in the corridors of REN's Power Transmission Lines.

7,000 kg of vegetation cleaning daily

7,206 ha management and cleaning of access corridors in 2022

3,922 ha converting of access corridors (from 2010 to 2022)

With the aim of promoting the plan to defend the forest against fires, REN held a meeting that brought together councillors from the Albergaria-a-Velha municipality, Civil Protection authorities, the GNR Police Force, Firefighters, and other local forestry entities. All these entities were able to see the vegetation clearing work and the planting of native trees on the land where the Group's power transmission lines pass.

In addition to protecting REN's infrastructure, the cleaning of access corridors increases the resilience of the surrounding areas by cutting down vegetation, thus altering the behaviour of fires. Cleaning these corridors increases the opportunities for fighting fires, while reforestation increases the resilience of the forest.

Combining our infrastructures with sports, REN set the stage, for the second time for the REN Pedome/ Oliveira Santa Maria Race, an initiative that is now in its 6th edition. This initiative encourages healthy sport while forming a partnership with local authorities to assist in the social and cultural development of local communities.

210,866
sessions in REN's Intranet
in 2022

484,534 page views in 2022

+6% compared to 2021

300 active users per day

Main actions undertaken regarding communication
Permanent dialogue with stakeholders entails the constant disclosure of information to employees.

Main internal communication channels:

- Intranet
- Newsletter
- Corporate television

In general, based on annual communication surveys, more than 90% of employees consider the information published in REN's media (internal and external) to be highly relevant. Of these channels, the intranet is the most valued and most used. Based on a logic of providing information, the intranet encourages a collaborative work environment, while also providing easier and immediate access to work tools. In 2022, we published more than 770 news and 82 videos.

From a content point of view, the most valued topics are those on the organization's initiatives, ongoing and completed operational projects, social responsibility initiatives and topics, news on employees, and R&D initiatives.

In terms of special editorial projects, in 2022 Energia REN – Histórias para Partilhar was of special note. Through 16 videos shared on the intranet and via social media, we learnt a little bit about the lives and the energy of the avid sports men and women from the north to the south of the country. We learnt about inspiring figures who seek a new philosophy for life, about nature lovers and what the sea and the river have to offer, about tireless volunteers, master chefs, artists who have already set their own pace in life, about lovers of four wheels and those who "fly" with their feet on the ground. They all have one thing in common: they all work at REN.

Considered as one of the Company's strategic values, REN's "made in" Innovation was also portrayed in a series of videos (shared both on the intranet and social media), showing innovative solutions, born from employees' ideas for fulfilling the company's mission today and in the future.

In 2022, both on the intranet and on social media, REN continued to mark various themed dates on the national and international calendar, from World Oceans Day, Energy, Environment Day, Women in Engineering Day, Social Media Day, and the most varied themes that make up part of everyday life at REN.

From a communication perspective, also of note were the videos on Speed-E, the innovative solution developed by REN for electric charging using the electricity transmission network and on EEGO (Entidade Emissora de Garantias de Origem), where REN is the entity responsible, describing what Guarantees of Origin are and how everyone can contribute to a greener Planet.

177 followers on Youtube

+55% compared to 2021

826 followers on Twitter

+22% compared to 2021

874 followers on Instagram

+35% compared to 2021

46,642 followers on LinkedIn

+17% compared to 2021

+30,000 views in 2022

413 users reached per month

+8,000 interactions per month

66 interactions per month

253 mentions

48,187 views in 2022

Youtube · Instagram · Twitter · LinkedIn

To promote awareness and literacy and to test knowledge on the topics that mark the ESG agenda, a new feature was launched in 2022 involving quizzes and curiosities. With the same idea in mind, a feature on the GDPR – General Data Protection Regulation was also created. With the slogan of "simplifying the complicated", every month since November 2022, different quizzes and curiosities on these topics have been sent out.

Externally, social media play an important role in facilitating communication with a wide-ranging audience, going far beyond the institutional relations of the REN Group. They provide greater proximity to citizens, reinforcing the values that define REN's mission and strategy, in the disclosure of the company's initiatives and news and in generating trust and a positive reputation with the public and our partners, suppliers, and other stakeholders.

REN is on Youtube, Twitter, Instagram and LinkedIn. This digital presence has been reinforced and has seen growth in our number of followers, views, and engagement.

Besides, we have the REN DATA HUB, owhich provides the relevant quantitative data on the national energy sector in an updated, interactive and selective way, and the REN Energia (Android | IOS) and REN Investidores (Android | IOS) applications, where we publish our main initiatives and performance achieved.

Corporate volunteer hours doubled, following the update to the Volunteer Policy

Giving Tuesday

For the third year in a row, REN joined the global "Giving Tuesday" movement, a day that reminds us of the importance of "Giving to make a difference". In addition to participating in voluntary actions by the Life and Peace Community and the Food Bank Against Hunger, REN also held a solidarity campaign to collect clothes. Everything collected was delivered to the Life and Peace Community Association, which forwarded the clothes to homeless people.

Volunteer work

Corporate volunteer work is one of the pillars of REN's social responsibility programme. In 2022, to reinforce our commitment, corporate volunteer hours available doubled, following the update to the Volunteer Policy (having risen from eight to sixteen hours per year). This review reflects the importance of corporate volunteer actions in the involvement of the company and its employees with the community.

The Share Programme – REN's corporate volunteer programme, aims to put employees' skills and time at the service of the community. Actions under this initiative fall into three distinct areas:

- **Skills volunteering**
- **Orientation and coaching**
- **Team volunteering**

In addition to the actions organized or promoted by REN, under the Share Programme, employees can also propose initiatives under the three areas of action (education, the environment and solidarity) within their own communities.

During 2022, 24 volunteer actions were carried out with the participation of 86 volunteers, which resulted in a total of 881 volunteer hours (+41%).

The following corporate volunteer initiatives in 2022 can be highlighted:

- **Comfort calls from AREP** – REN/ EDP Retirees Association (which, since 2018, have led REN volunteers to "lend their ear" to former colleagues in retirement. The aim is to encourage interaction between employees and retirees by encouraging the sharing of experiences, emotions and feelings);
- **Junior Achievement Portugal** – 2022 saw the 9th edition in which REN has participated in the JAP programmes, having already involved more than 70 employees in raising awareness and the teaching of subjects ranging from citizenship to entrepreneurship to students from the 1st grade to secondary level education. In total, since the start of the partnership, REN has already worked with more than 3,200 students;
- **EPIS** – maths tutoring initiative in partnership with EPIS, with a view to helping students with difficulties in this area. Since its implementation at the company, REN Potential has already reached more than 60 students from different parts of the country, contributing not only to the improvement of their school results, but also to better confidence and autonomy and the acquiring of a taste for mathematics;
- **Comunidade Vida e Paz (Life and Peace Community)** – REN employees participate in the preparation of suppers for delivery to homeless people by CVP street teams; and
- **Food Bank Against Hunger** – actions take place throughout the year in Lisbon, Porto and Vila Nova de Santo André, and in Santiago do Cacém (Sines). The tasks carried out by REN volunteers consist of organizing food products and preparing boxes with donations for delivery to beneficiary institutions.

A number of REN employees participated as specialists in the 8th edition of the educational and technological programme "Apps for Good – Pitch Accelerator 2022". This is a technological educational programme that challenges students and teachers to develop applications for smartphones or tablets, showing them the potential of technology to transform the world and the communities where they operate.

Our contribution

4.6. Human capital

Our main asset is our people. Their performance, comprehensively based on their satisfaction, diversity, capabilities and skills, is the company's true driver in the creation of value.

Main initiatives

- Better value proposition to attract and retain talent
- New workforce planning model
- Reinforcement of the equality, inclusion, and diversity plan
- Flexibility and integrated well-being programme

Main indicators

- **719** employees
- **73%** employees with flexible working hours
- **52** hours of training per employee, on average

About the future

- Cultural evolution
- Organizational flexibility
- Succession and knowledge management
- Digital transformation

Contribution to SDG

- 5 Gender equality
- 8 Decent work and economic growth
- 10 Reduced inequalities

People are at the core of REN's strategic challenges. The medium-term human resources development plan takes into consideration the different aspects of development and cultural transformation that enhance the satisfaction, safety and well-being of our employees in a sustainable manner.

This cultural and management transformation of diverse talent allows the organization to evolve into a collective which is aligned with and committed to our goals. It makes us more agile, more collaborative, more innovative and more resilient so as to overcome the challenges of the coming years set against a highly uncertain background.

In light of such a scenario, of note in 2022, was the work to monitor the change to a new organizational model — more capable of facing the challenges posed by the race to energy transition – and workforce planning for the medium-term. Worthwhile to mention also the review of the high-value offer to attract and retain talent, and the implementation of a hybrid working model.

These challenges continued to be accompanied by a strong commitment to integrated wellness and a sustainable strategy for diversity and equality in the talent we hire.

In addition to monitoring different initiatives, the launch of POP — Personal Opinion Program in 2022 continued the strategy of listening to and involving employees in our cultural evolution and transformation.

Of note with regard to the main aspects of the human resource development plan:

Organizational model

Implementation of a new organizational model aligned with REN's value chain, involving leaders in order to align responsibilities and promote teamwork.

Workforce planning and attracting talent

Analysis of needs in terms of the workforce, considering the challenges facing the industry in the future and review of the offer for attracting talent.

Future work organization

Implementation of a flexibility program which provides for hybrid work, involving flexibility and reduction of working hours and the implementation of a range of initiatives to reconcile professional and personal life.

Development and training

Transformation of the training model using flexible models and on-demand learning, with the evolution and creation of new e-learning courses and identification of new training programmes (e.g. the hydrogen school), allowing us to meet the needs arising from the new challenges facing our industry.

Well-being programme

Implementation of the integrated well-being programme, which focuses on a holistic approach to physical, financial, social and mental well-being, including actions to promote mental health, awareness of diseases beyond Covid-19, promoting of free screenings and the implementation of a discount benefit programme, along with our social support fund and the provision of financial mentoring.

Equality, inclusion and diversity

Promotion of equality, inclusion and diversity as strategic REN priorities, maintaining our commitment to achieve more than 1/3 of women in 1st line management positions by 2030.

719 employees

+3% compared to the previous year

Description of human resources

REN provides stable and secure contractual relationships. At the end of 2022, the company had 719 employees (an increase of 3% compared to the previous year), most of whom are permanent staff.

Breakdown of employees by hiring policy and gender

	2022	2021	2020
Full time employees	**716**	**697**	**693**
Men	534	524	524
Women	182	173	169
Fixed term contracts/ internships	**3**	**4**	**4**
Men	3	4	4
Women	0	0	0
Total No of employees	**719**	**701**	**697**

Breakdown of employees by employment type and gender

	2022	2021	2020
Exemption from working hours	**198**	**200**	**199**
Men	141	144	144
Women	57	56	55
Flexible working hours	**326**	**307**	**310**
Men	217	203	208
Women	109	104	102
Set working hours	**112**	**115**	**113**
Men	111	115	113
Women	1	0	0
Shift work	**83**	**79**	**75**
Men	68	66	63
Women	15	13	12
Total No of employees	**719**	**701**	**697**

Approximately 72% of employees had flexible working hours in 2022, as a result of REN's continued commitment to ensuring a balance between professional and personal life.

Average age and length of service

	2022	2021	2020
Average age	**45.8**	**45.8**	**45.4**
Men	46.4	46.4	46.0
Women	43.9	44.2	43.6
Average length of service	**17.0**	**17.2**	**16.9**
Men	17.7	17.8	17.6
Women	14.9	15.3	14.9

In 2022, the average age and average length of service remained at 45.8 and 17 years, respectively, as a result of a hiring policy based on diversity and rejuvenation of structure.

GRI 2-7

Hiring rate

	2022	2021	2020
Men (%)	6.8	2.8	5.7
Women (%)	12.5	5.8	6.0
Overall new hiring rate (%)	**8.2**	**3.6**	**5.8**
Internal recruitment rate (%)	**37.5**	**28.6**	**23.3**

Business challenges and the expansion of the company's workforce made it possible to increase the rate of new hires and promote internal recognition and recruitment.

Turnover rate

	2022	2021	2020
Men (%)	5.9	2.8	4.7
Women (%)	9.9	4.7	5.1
Overall turnover rate (%)	**6.9**	**3.3**	**4.8**
Voluntary turnover rate (%)	**3.5**	**1.3**	**1.2**

Taking into account this plan for growth, but also the greater dynamism of the labour market, there was a turnover rate of 6.9% (of which only 3.5% involved voluntary departures).

Talent management

Talent management is key to attracting, retaining and developing the full potential of the company's employees.

The weighting of degree holders at REN (68.7%) demonstrates the company's sustained focus on the academic qualifications and empowerment of employees.

Breakdown of workers by academic qualifications and gender

	2022	2021	2020
Advanced training	188	168	162
Men	124	112	108
Women	64	56	54
Higher education	306	308	307
Men	217	220	221
Women	89	88	86
Secondary education	186	185	185
Men	163	163	163
Women	23	22	22
Primary education	39	40	43
Men	33	33	36
Women	6	7	7
Higher education (overall)	**68.7**	**67.9**	**67.3**
Men (%)	**63.5**	**62.9**	**62.3**
Women (%)	**84.1**	**83.2**	**83.8**

The focus on young and qualified talent and closeness to universities is also evident in our investment in different internships that provide a first work experience and in the participation at different events promoted in this area.

	2022	2021	2020
Professional internships	16	16	17
Academic internships	16	11	9
Summer internships	13	12	0
Total	**45**	**39**	**26**

GRI 401-1

Sharing practices with other organizations in the industry is also an important tool for professional development at the beginning of a career.

Exchange programme between TSO (transmission system operators)

An employee of TransnetBW – electricity transmission operator in the state of Baden-Württemberg, Germany, debuted the Erasmus TSO Short Time Exchange programme at REN, which opened the door to a three-month experience at the company. This initiative encourages the acquisition of specific knowledge and skills resulting from international experience, as well as the development of professional, intercultural and linguistic skills. Sharing experiences, good practices and innovative procedures between TSO is a process that is expected to result in considerable mutual benefits.

Attracting talent
REN has reinforced commitment to attracting young talent, through our presence and participation at different events aimed at this target public.

Participation at events

In 2022, REN was present at the ISCTE and FCT-NOVA Job Fairs, as well as at the IST Chemistry, Electrotechnical and Mechanics Workshops and at the FEUP Engineering Day. We also took part in the Talent Bootcamps of FCT-NOVA/ NOVA-SBE and ISCTE-IBS/ AEFEUP and once again entered the biggest strategy and management competition, the Global Management Challenge.

At these events, REN is represented by employees from the company's various business units, ensuring the company's positioning among potential new talent and leading teaching institutions.

Events/ Job Fairs

2022	2021	2020
12	19	7

Aware of the importance of the role of young people in changing mentalities and eliminating stereotypes related to professions, we maintained our connection with the 3rd cycle of primary and secondary education in national schools. With this in mind, we held the 5th edition of the REN Open Day – "Talent has no gender" and joined the initiative promoted by the project "Engineers for 1 day", attending the event "Hands on ITC – Engineering and Technology Laboratories".

Also in this regard, in our Gender Equality Plan, REN's goal is to ensure, whenever possible, representativity of the under-represented gender in recruitment and selection processes. Although 62% of job applications received are from male applicants, in 46% of recruitment processes held in 2022, the final stage target of at least 1/3 of candidates belonging to the under-represented gender was achieved.

VIVA Programme

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

This programme represents just one of many initiatives promoted with the aim of contributing to employee development from day one. It is a programme promoted in collaboration with in-house trainers from different business areas, which contributes to the transfer of knowledge while also engendering closer relationships between old and new employees from different areas. It provides helpful tools and knowledge for a positive onboarding experience and speedy development.

90% satisfaction with VIVA Programme

93% satisfaction with VIVA e-learning

Welcoming and integration
The welcoming and successful integration of new employees is enhanced by our welcoming and integration programme.

Retaining talent
REN performance management (STAR) and training (Campus REN) programmes, with a view to developing and empowering human capital in line with our strategy and values.

Every year, the talent mapping process is reviewed so as to incorporate input arising from the performance management process.

Furthermore, REN Campus is a particularly important mechanism with regard to questions of talent management as it provides employees with training and development opportunities in key skills that can positively contribute to their performance and development within the organization.

The Interests and Expectations Questionnaire (IEQ) and the Talent Retention Interviews, together with in-house Intranet dissemination of opportunities available, have all proved to be vital for increasing the number of employees involved in internal mobility processes, which take into account the most suitable profile and meritocracy.

135 talent retention interviews conducted from 2020 to 2022

STAR Programme

The STAR Programme, REN's performance management programme, applies to all REN employees who work under contract at one of the Group companies (employed on the date the assessment is carried out) and who have worked for a minimum of six months in the assessment year.

Objective: Provide information enabling the company to get to know and manage the performance and potential of our employees, and support their personal and professional development.

STAR consists of assessment and informative components which support the performance process:

Assessment Components

Subdivided into Objectives and Skills, and contribute to management decisions, more specifically, variable compensation, salary/ career progression, internal mobility, training and development or talent and succession management.

Informative Components:

Ensure that information of a qualitative nature is compiled which complements the assessment and contributes especially to self-knowledge for the employee/ managers, talent mapping and personal development/ training. These components include the following processes:

- Self-assessment of skills;
- Assessment of skills by peers and/ or subordinates; and
- Questionnaire on interests and expectations.

This strategy seeks to meet the expectations shared by employees and the needs of their future profiles. This process is therefore an important tool for identifying and developing potential successors and for retaining and developing existing talent at REN, as reflected in career, succession, training, and mobility plans.

Identifying talent

- Talent Matrix – Performance vs. Potential
- 360º assessment of skills (Peer, Subordinate and Direct Manager Assessment)
- Questionnaire on interests and expectations

Retention and Expectations Interviews

Internal Mobility

Career Development

Succession

Developing talent

REN Campus – training and development opportunities in key skills

Performance management

REN sees performance management as an organizational and individual requirement for every manager and employee, as Group results depend on the individual and collective performance of our teams and people.

	STAR 2021[45]
Number of employees covered	678
% of assessments concluded	100
Average – final assessments skills	2.56
Average – final assessments goals	4.18
% of bonuses calculated as compared to the number of assessments	99.6

GRI 404-3

[45] Assessment regarding performance in 2021, completed in 2022.

All 360º assessment processes are subject to detailed analysis, with a view to identifying which skills are less well assessed in each functional group and how they can be enhanced. The proposing of training development courses, and individual coaching or mentoring sessions are just some of the tools used.

The Interests and Expectations Questionnaire (IEQ), the main aim of which is to allow information to be compiled and systematized on the interests and expectations with respect to the professional development (functional and/ or geographical mobility, etc.) of every employee, enables us to better know our staff.

Main performance assessment indicators[46]

	No of participants	No of replies	% of participation	Overall averages[47]
Self-assessment	705	430	61	2.66
Peer assessment	705	402	57	2.69
Assessment by subordinates	666	418	63	2.71
Interests and Expectations Questionnaire	705	137	19	n.a.

REN sees performance management as an ongoing process of feedback and sharing. Such monitoring is vital for helping each employee achieve their targets and improve individual performance.

As such, a final assessment meeting must be held on Objectives and Skills, between the assessor and the assessee. This assessment/ feedback meeting aims to close the respective assessment with the person being assessed and encourage a dialogue of alignment with regard to perceptions about the assessments provided, clarification of results achieved, the employee's involvement in the definition of the individual development plan to be implemented (making the person co-responsible for the results agreed) and their individual motivation.

The impacts of STAR – the REN performance management programme for variable compensation, depend on the obligatory feedback meeting being held for both assessor and assessee.

Regular feedback is encouraged throughout the assessment process. In addition to the final assessment meeting, an interim feedback meeting must also be held, the aim of which is to check on the degree of achievement of individual aims/ compliance with activities plan to date, and then to decide on maintaining or changing that previously defined. During this meeting, feedback will also be provided on behaviour adopted based on the established skills model.

All negative assessments are identified in each assessment cycle, both in the Skills assessment as well as in the Objectives assessment, and an individual action plan is defined. This plan involves the direct manager of the employees, the employees themselves and a member of the Human Resources Department, and the aim is to foster a dialogue of alignment with the assessments made and clarify objectives/ future results.

REN sees performance management as an ongoing process of feedback and sharing, helping each employee achieve their targets and improve individual performance

[46] Assessment regarding 2021, completed in 2022.
[47] Scale of 1 to 3.

REN Campus

REN Campus programmes aim to promote the growth and development of the business through the development of our people, with differentiated supply directed at the correct management of intellectual capital and the ongoing transfer of knowledge.

Initiatives cover the development of knowledge and skills in technical, management and behavioural areas and allow employees to remain aligned with the Skills Model and with REN's Strategic Pillars. REN Campus also provides employees with the opportunity to attend specific training so as to be able to perform each function, promoting professional development and helping achieve a performance of excellence. In addition to the above, REN also allows its employees to attend higher co-funded academic training, based on their interests and relevance to the role that the employee performs or will perform at REN and in line with individual development plans.

Across-the-board training	Specific training
• **Management:** provide employees with a strategic vision of the business landscape and encourage the creation of value within the company • **Leadership:** commitment to the development of talent and the personal development of employees • **Communication:** promote effective communication and messages with impact and influence; and • **Technical:** consolidate knowledge and technical expertise in the energy sector.	Equip employees with the skills and knowledge considered essential for the performance of their function and/ or taking on new responsibilities/ tasks/ roles in the company.

Training and development

The REN Campus is REN's training model dedicated to the full development of knowledge and human capital. Its mission is to provide differentiating and added value in the management of knowledge by creating different programmes.

Of note in the behavioural area are the Coaching and Mentoring courses, with high rates of satisfaction and a growing rate of participation, which promote not only the development of employees but also provide a complementary mechanism for managing talent, as they allow the development of leadership skills which are important for the future of REN.

Mentoring programme	Coaching programme
In-house programme allowing employees to be monitored throughout the year by a more senior employee, assisting in their development and in the transfer of knowledge. This programme is for all REN employees, including new admissions. The pool of mentors consists of employees from the different Business Units, Departments, and Functional Groups. In 2022, the pool of mentors was strengthened through the integration of new members with the aim of contributing to the diversity of the programme and its representativity with respect to both female and male mentors.	Personal and professional development programme, conducted in partnership with a certified outside training entity, allowing personal and professional transformation and improvement, enabling employees to develop skills, permitting them to achieve better results and drive their own growth and performance.

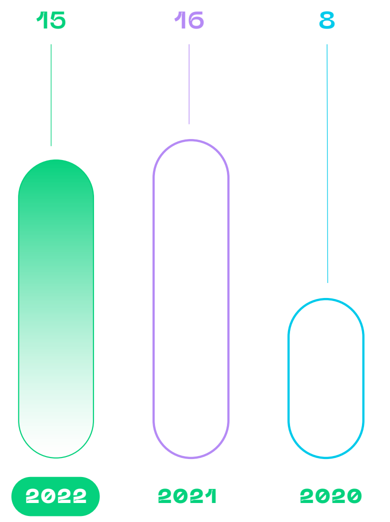
	2022	2021	2020
% of employees attending Mentoring and/ or Coaching Programmes	12	8	5
% of satisfaction with Mentoring and/ or Coaching Programmes	94	99	84
% of effectiveness of Coaching Programme[48]	85	100	100

GRI 404-1 GRI 404-2

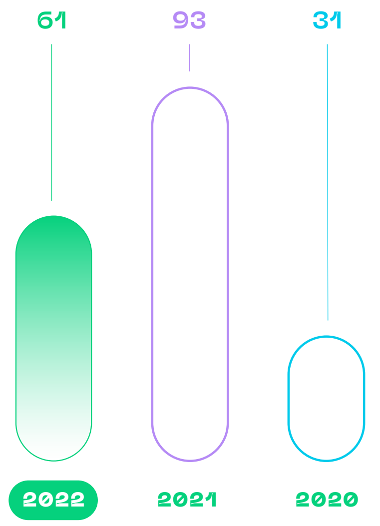
[48] The Mentoring Programme is not included in the training effectiveness assessment process.

REN works with external partners to implement the different training programmes

No of training courses in partnership with Institutions of Higher Education



No of participants in training courses in partnership with Institutions of Higher Education



To carry out these programmes, REN works with external partners and internal trainers. The latter allow internal knowledge to be disseminated and the transfer of business-specific technical skills to highly specialized teams.

The ongoing training of employees is also complemented through participation in seminars, congresses and external conferences, as well as through monthly webinars on key topics for REN, such as: Sustainability, Innovation, Mental Health, Cybersecurity, Regulatory Models, and so on.

The REN Campus also involves programmes in partnership with higher education institutions such as, the Institute of Science and Innovation in Mechanical and Industrial Engineering (INEGI), the Institute for Systems and Computer Engineering, Technology and Science (INESC TEC), the International Institute for Management Development (IMD), the Kellogg School of Management, the Porto Business School (PBS), the Nova School of Business and Economics (Nova SBE) and the Portuguese Catholic University (UCP). These programmes allow knowledge and skills to be acquired in technical, management and behavioural fields, and are essential for employee development.

The programmes take place intra and inter-company, allowing also both networking as well as employee development to be extended through contact with specialists/ experts and middle managers from other companies. Training is also subsidized in advanced and specialized programmes; post-graduate and master's degrees; MBAs and PhDs, in accordance with the interest and relevance they have for the employee's current or future duties at REN and in alignment with their individual development plansREN Campus is also a tool for developing employee potential, where specific development plans are defined for the company's new leaders, both in the taking on of new responsibilities and in their development process. These plans include specific actions using REN's resource management tools, as well as broader plans aimed at the development of leadership skills in the fields of behaviour and management.

In the case of female talent, and as part of the Gender Equality Plan, REN also encourages its female employees to participate in development programmes and other initiatives in partnership with associations promoting equal opportunities, such as the Professional Women's Network (PWN) as a way of accelerating their development.

In recent years, efforts have also been made to implement digital transformation in REN's training model, using flexible models and on-demand learning, where new digital courses are continuously developed and where topics covered are transversal, specific and vital for the organization. An example of this is the e-learning course on "Ethics, Code of Conduct and Prevention of Risks of Corruption", which is directed at all company employees and is mandatory. In addition to established employees, new workers and interns are also required to attend this course when they join the company. Due to the importance of the subject, and in order to ensure the recycling of knowledge in this regard, this course is required to be held every two years.

All staff are notified of the annual REN training plan via a range of internal channels:

Intranet	Provides all employees with information on training and the REN training plan
Requirements analysis platform	Managers can consult the training available at REN before identifying the training needs of employees
Monthly newsletter	Published monthly, includes news on programmes underway or about to start
REN Online Campus	On-demand training platform that provides digital e-learning content
Talentia	Training management platform allowing all employees to consult their individual training and development. The respective managers can also consult the training plans for their teams

100%
of employees
participation in training sessions in 2022

Lastly, it should be noted that 100% of REN employees took part in one or more training sessions and that all training courses/ training programmes are assessed by employees and their respective managers. The following results were obtained in 2022:

Training indicators

	2022	2021	2020
No of training hours by gender			
Total	**36,738**	**24,416**	**25,325**
Men	26,722	18,476	19,433
Women	10,016	5,940	5,893
No of participants by gender			
Total	**6,765**	**4,460**	**3,432**
Men	4,785	2,959	2,470
Women	1,980	1,501	962
Average number of training hours by professional category and gender			
Senior management	38	26	27
Men	39	30	28
Women	37	18	27
Middle management	41	32	36
Men	39	27	34
Women	47	47	42
Specialists/ experts	58	44	43
Men	53	45	44
Women	73	41	42
Technicians/ administrative staff	45	22	27
Men	51	23	29
Women	20	16	17
Average No of hours training	52	35	36
Men	50	35	37
Women	57	35	35
Annual percentage of employees undergoing training	**100%**	**100%**	**100%**

NÓS Programme

1,217 participations

43 NÓS initiatives

Well-being, Equality and Inclusion – NÓS Programme

The NÓS Programme is based on three axes: Balance, Equality and Inclusion, influencing the improvement in the quality of life, experience and satisfaction of employees. The programme includes measures to address the topics of Health, Conciliation, Family and Citizenship.

Now in its 8th year, the NÓS Programme has continuously adapted to the requirements of current circumstances. 2022 was marked by the launch of the Flexibility Programme that came about against a background of change in ways of working, but also of achieving the balance between professional and personal life.

Health, well-being and balance

Health, well-being and balance continued as key themes in 2022 under the NÓS Programme.

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

GRI 2-21 | GRI 403-1 | GRI 403-3 | GRI 404-1

Awareness Break

An initiative developed as part of the NÓS Programme, open to all employees, guided by specialized technicians, based on a range of relaxation techniques and breathing and posture exercises. The aim is to provide employees working from home with an opportunity to stop, breathe and reflect. Participation in this initiative does not require any specific equipment, the only recommendation is to leave the computer camera connected throughout the session, so that any corrections can be made during posture and mobility exercises when seated.

Pink October and Blue November at REN

A women's and men's health campaign where pink represents a symbol of breast cancer awareness, and blue is for prostate cancer: these colours were used for the two pens provided at workplaces for every employee.

The idea was to highlight the relevant associated dates as well as the causes they symbolize, making both men and women aware of the importance of prevention and the early diagnosis of these cancers.

In addition to the distribution of these two symbolic items, free screening was also provided. This initiative forms part of the ongoing campaign under the NÓS – Health Programme and the 2022 Gender Equality Plan, which focuses on the prevention and early diagnosis of cancer.

REN focuses on three basic and interconnected pillars in the field of health: Occupational Health, Curative Medicine and numerous mental and physical health and well-being initiatives. This approach seeks to integrate occupational medicine, which is mandatory and is the centre of all health activity at REN, Curative Medicine, which provides added value for employees, and a series of annually defined well-being initiatives. This holistic overview has the following aims:

- Diagnose situations through a multidisciplinary team of doctors and technicians so as to promote healthy habits and lifestyles;
- Provide safe and healthy workplaces with suitable conditions and diversified experiences; and
- Furnish employees and their families with the knowledge and skills to enable healthy lifestyles to be adopted.

Further to the successful strategy implemented during the pandemic, individual monitoring of health situations was maintained through specific consultations for risk groups and employees with differentiated needs, assistance for managers to report and monitor cases, adjustment of complementary measures on return to in-person working; specialized communication on the topic of general health, promotion of mental health of employees through screening during occupational health consultations, group initiatives, webinars and reinforcing of coordinated individual monitoring, among other actions.

In order to develop a quality offer based on internal occupational medicine services, REN provides all employees with complementary clinical examinations and analyses to reflect their duties, more specifically the screening of employees who are more exposed to electromagnetic fields, in accordance with the law, with the aim of applying measures to restrict exposure to such fields.

REN provides medical posts at our larger facilities covering the areas of Ermesinde, Pombal, Lisbon, Sacavém, Bucelas and Sines, where occupational medicine is provided, as well as the yearly flu vaccination campaign.

All existing initiatives were maintained or reinforced, including: yoga and functional training classes along with psychology, nutrition and curative medicine consultations at our main facilities, as well as social support. After previous years where the focus was on preventing Covid-19, in 2022 a campaign was launched to raise awareness with respect to screening for other diseases, more specifically different types of cancer, with free screening for breast and prostate cancer.

REN solidarity support fund

The REN Solidarity Support Fund, which has existed since 2013, aims to help employees deal with situations of financial and social vulnerability, and now includes fertility treatments.

Integrated into the NÓS Programme, under the area of "Balance", this fund can be accessed in certain situations, both for specific health expenses, as well as for other expenses of an exceptional nature which are recognized as serious. This was also the case in 2020 during the outbreak of the Covid-19 pandemic, where the NÓS Closer Programme, allowed risk situations to be prevented and support to be provided during situations of financial vulnerability. The result was that the use of credit from external entities was avoided.

Flexibility Programme

A programme that provides measures in three areas of action: workplaces, working hours and other conciliation measures, including:

- **More Flexible working hours** – with the possibility of leaving earlier on Fridays, depending on the work carried out by the employee and timetable of 38 hours a week;
- **Hybrid model** — balances the face-to-face format with the flexibility of remote work, allowing up to a maximum of two days a week for working from home, depending on the work carried out by the employee. It also allows for the possibility of half a day off work for extraordinary situations; and
- **6.5 additional days of rest per year and 2 days of volunteer work** — besides the additional rest days, REN also grants leave of absence for consultations and treatments (12 hours/ semester) and urgent and indispensable assistance to the family unit (6 days/ year).

We develop initiatives that promote a better balance between professional, personal and family life

In addition to numerous internal initiatives, all REN employees are also covered by individual health care plans, reinforced with specific coverage for mental health and which can also be extended to include family members.

In 2022, taking into account the current economic situation, special focus on financial well-being was started via a benefits platform providing discounts for day-to-day purchases, along with the social support fund and the provision of financial mentoring.

Conciliation and protection

The synergy between family and work also forms an integral part of Balance in the NÓS Programme. Since this programme was set up, various initiatives have been promoted and information has been provided on the different factors that impact on the lives of employees, with the aim of promoting a better balance between professional, personal, and family life. This is an essential condition for effective equality between men and women, and for lower levels of absenteeism, greater productivity, and retaining talent.

The topic of conciliation was highlighted in 2022 with the launch of the Flexibility Programme.

These measures also include the provision of support equipment for home working, and the allocation of a voucher to acquire other items necessary for working under a hybrid model with the necessary safety and well-being conditions.

Diversity, equality & inclusion

Over the years, REN has been a pioneer in the promotion of Diversity and Gender Equality in the Portuguese market. In this regard, we have promoted policies and practices which ensure equal opportunities, equal rights and freedoms, and which recognize and value the role of women and men in society and in organizational success.

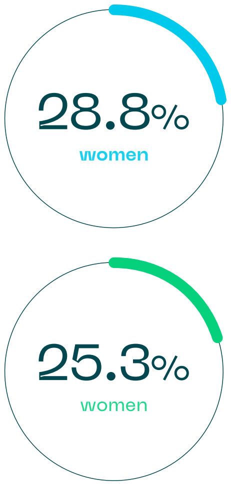
This strategy has been reflected in the evolution of gender equality indicators, where there has been growth in the under represented gender both with regard to the company as a whole and in management positions.

Since 2014, REN has been a member of Forum IGEN, meeting a commitment to reinforce its policies and strategies for Gender Equality, both in-house as well as externally. For REN, Gender Equality is also a question of fundamental rights and, for this reason, non-discrimination based on gender is expressly provided in the Code of Conduct.

With respect to the evolution of the topic of gender equality at REN, it became important to progress to a model which, more than simply recognizing the issue of inequality between men and women generally, took on a transformational perspective seeking to change behaviours and attitudes within the company. Therefore, in April 2018, REN created the status of Gender Equality consisting of:

Breakdown of employees by functional group, gender and age group

	2022		
	< 29 years	30-49 years	≥ 50 years
Senior management	0	8	19
Men	0	3	16
Women	0	5	3
Middle management	0	33	20
Men	0	22	16
Women	0	11	4
Specialists/ experts	46	239	120
Men	27	161	100
Women	19	78	20
Technicians/ administrative staff	11	101	122
Men	10	89	93
Women	1	12	29
Total	57	381	281
Men	37	275	225
Women	20	106	56



Gender diversity in management positions

Gender diversity

Sponsor
Chairman of the Executive Committee
Ensure that gender equality forms part of REN's strategic agenda

Adviser for Gender Equality
Director of Human Resources
Ensure and respect the principles of non-discrimination and promotion of equality between women and men

Task Force for Gender Equality
10 members (5 women and 5 men)
Plan and promote gender equality initiatives at REN

Objective

More than 1/3 of women in 1st line management positions by 2030

Many initiatives have been developed since that date, and which have contributed to the internal and external recognition of REN as a company committed to the issue of gender equality in the labour market. An example of this was the public formalizing in 2021 of a strategic objective for the REN Group, with a view to promoting equality between men and women, aligned with the ESG policy: for women in management to hold at least 1/3 of first line management positions by 2030.

In 2022, the company maintained and reinforced initiatives in this area, where the following are of note:

- Webinar on Unconscious Bias, drawing attention to the importance of the topic in organizations and as a slogan for launching a course with the same name;
- Launch of the Unconscious Bias Course, mandatory for all REN employees;
- Commemoration of the International Women in Engineering Day, the International Day of Girls in ICT and the National Day of Equal Pay, raising internal and external awareness on the relevance of these issues;
- The review of the Supplier Code of Conduct in order to incorporate the commitment to Gender Equality;
- Participation for the second year running in the Target Gender Equality Programme with a view to assessing the degree of evolution of practices and policies in terms of Gender Equality, given that, since July 2020, REN has subscribed to the WEPs – Women's Empowerment Principles, reinforcing our public commitment to gender equality;
- Participation for the third year running in the Bloomberg Gender-Equality Index;

5th edition of the REN Open Day "Talent has no gender"

- Approval of the Flexibility Programme, meeting the goal of promoting the conciliation of professional life with family and personal life for employees;
- Continuation of the partnership with PWN Lisbon, through the sponsorship of their annual event, the enrolment of REN employees as PWN members and the participation of young REN workers in the Youth Programme;
- Participation, for the second year running, in the Exchange Programme LAB 2021, promoted by the Girl Move Academy, contributing to the personal and career development of a young Mozambican girl (this year in full in-person format);
- The 5th edition of the REN Open Day "Talent has no gender", with the goal of demystifying gender stereotypes in the choice of engineering professions; and
- Publication of the 2023 Annual Gender Equality Plan, which maintains the focus by REN on our commitment to evaluate initiatives and to think about new measures every year which can provide real impact and to draw up an annual report with relevant indicators on this topic in order to measure improvement.

REN also remains attentive to issues relating to the monitoring of salary information, with a view to identifying any unjustified differences, maintaining the good practice initiated in 2021 of public disclosure of the salary gap.

Salary indicators

	2022	2021
Gender pay gap — average (%)[49]	-1.7	- 2.0
Ratio of total annual compensation[50]	3.8	3.8
Ratio of increase of total annual compensation[51]	1.7	1.3

GRI 2-21 GRI 405-2

[49] Gender pay gap - (average compensation [men] - average compensation [women]) / average compensation [men].

[50] Ratio of total annual compensation - proportion between total annual compensation for the organization's highest-paid individual and the total average annual compensation for all employees (excluding the highest-paid individual).

[51] Ratio of the increase in total annual compensation - proportion between the percentage increase in total compensation for the organization's highest-paid individual and the total average annual percentage increase in compensation for all employees (excluding the highest-paid individual).

As part of initiatives aimed at the area of Inclusion, of note was our work with partner institutions under our Social Responsibility and in compliance with Law No 4/2019, which sets out a system of employment quotas for the disabled, with a degree of disability equal to or greater than 60%. 2022 also saw REN join the Portuguese Charter for Diversity and the company also became a member of APPDI (Portuguese Association for Diversity and Inclusion).

Social dialogue and benefits

In the area of social dialogue with employee representation structures, numerous online meetings were held which sought sustainable solutions and debate on matters of interest for both parties. The topics of working conditions, improvements for remaining in shift work, study subsidy, salaries and careers as well as working hours dominated the respective agendas. As a result of this dialogue and based on the Collective Work Agreement (CWA) established between the parties, the following measures were negotiated, which took into account not only a salary review, but also saw other specific problems resolved:

Measures	CWA REN	CWA REN Portgás
General increase of 1.3% in compensation	√	√
38 hours working week	√	√
A day off on work on their birthday for all employees	√	√
New scale in the shift subsidy that rewards employees who have worked for 10 or more years in shifts	√	
Increase in the top value for eligibility to the study subsidy	√	

In 2022, REN's union membership rate remained in line with the previous year, standing at 35%. This slight decrease in the number of workers with Collective Work Agreement(s) is specifically due to the growth of the company outside Portugal (operations in Chile with the company Transemel).

Percentage of employees (active) covered by the REN CWA and percentage of unionized employees

	2022	2021	2020
Men (%)	98.3	98.1	98.7
Women (%)	98.9	99.4	100.0
Total percentage of employees covered by CWA	**98.5**	**98.4**	**99.0**
Men (%)	40.0	40.3	41.3
Women (%)	20.3	21.4	23.1
Total percentage of unionized employees	**35.1**	**35.7**	**36.9**

GRI 2-29 GRI 2-30 GRI 401-2 GRI 405-2

The REN benefits policy, centred on supporting our employees in important areas of family and personal life, includes a series of additional supports and benefits focusing on health, education and culture, and so on.

REN has sought to reinforce and find new forms of compensation that are perceived by employees in a positive manner and are adjusted to the workers' different life stages. REN FLEX forms part of this strategy and represents an investment by the company in benefits for employees. This programme provides a choice of benefits adapted to the life cycle of every employee.

Benefits	Employees with Transitional Scheme from previous CWA[52]	Employees with Flex Plan[53]	Employees with Flex-REN Portgás plan[54]
Life insurance/ mortgage life insurance		x	x
Personal accident insurance	x	x	x
Health Insurance		x	x
Sick leave insurance		x	x
Complementary health scheme	x		
Pensions plan – defined Benefit	x		
Pensions plan – defined Contribution		x	x
Electricity at reduced prices	x		x
Study subsidy	x		
Education and child care vouchers		x	x
Social pass		x	x
Fuel and parking		x	
Technology		x	
Training voucher		x	x
Holiday camps	x	x	x
Social support voucher/ health plan		x	x
Veterinary expenses		x	

GRI 401-2

52 Series of benefits set out in CWA 2000, which passed to the new CWA signed in 2015.
53 Employees covered by this flexible benefits programme can choose from the benefits available up to the limit of their annual credits.
54 Employees covered by this flexible benefits programme have fixed and flexible components and can choose from the benefits available up to the limit of their annual credits.

POP

Personal Opinion Programme

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

In 2022, the POP questionnaire was once again conducted in full. Participation reached a historic level of 91%, which demonstrates the confidence of employees in the process and in the practical results of the action plan for opportunities identified for improvement. In terms of results, the levels of positive replies to the item "I am satisfied with working at REN" (Top of Mind Question) are in line with the results of 2019, the last year in which the same questionnaire was completed. More generally, the Satisfaction Index, which corresponds to the global average of replies to all items in the questionnaire, saw a significant increase over 2019. With regard to replies per gender, women show the best levels of satisfaction (74% compared to 67% of men). In order to assess levels of satisfaction with Diversity and Inclusion policies, employees were asked about their degree of satisfaction regarding issues such as: reconciling personal/ professional life (74%), the existence of equal opportunities between women and men (76%) or discrimination based on factors such as age, physical or other abilities (68%).

Engagement with employees

Listening to employees' concerns, as well as considering their needs and expectations in the decision-making process, is essential to ensuring their sense of belonging and satisfaction with REN and, consequently, enhancing our ability to attract and retain talent.

In a similar manner, every two years REN conducts an organizational climate study – POP (Personal Opinion Programme) – which allows the company to hear about the opinion of REN employees and their level of general satisfaction with topics such as Working Conditions, Commitment, Communication, etc.

91%

of employees participated in POP in 2022

	2022	2019	Var. 19/22
Participation rate (%)	**91**	**85**	**6 p.p.**
Men (%)	75	75	0 p.p.
Women (%)	25	25	0 p.p.
'I'm satisfied working at REN' (Top of Mind Question) (%)	**83**	**82**	**1 p.p.**
Men (%)	76	n.a.	–
Women (%)	85	n.a.	–
Satisfaction index (%)	**69**	**64**	**5 p.p.**
Men (%)	67	63	4 p.p.
Women (%)	74	67	7 p.p.

GRI 2-29 GRI 403-4

Regular dialogue is maintained with workers' representatives on health and safety issues

Accordingly, the Executive Committee maintains regular dialogue with Workers' Committees, holding around five meetings a year, where various topics relating to working conditions, work environment and workers' complaints are discussed. Subjects are dealt with together with a view to reaching understanding.

Regular dialogue is also maintained with workers' representatives on health and safety issues through the Occupational Health and Safety Committees.

The Code of Conduct ensures that irregularities can be communicated through available channels, via email or telephone to the REN Audit Committee, which guarantees the confidentiality of the entire process. The Audit Committee is responsible for the analysis, investigation and possible application of remedial measures, informing the complainant of the results of the process.

Safety Culture

A study was conducted with the aim of Strengthening the Safety Culture, focusing on sustainable risk reduction and performance improvement. This study covers several stages including a survey on the perception of Safety Culture, individual and group interviews, field visits and a workshop with leadership, and a Plan for changing culture and the defining of leading indicators. REN has a clear and solid commitment to the safety of people and partners, facilities and operations.

The results showed that there is potential for improvement which is hoped will lead to a reduction in accidents in operations and to a higher level of work and operational safety while also ensuring the sustainability of results in the medium and long-term.

Results showed that there is potential for improvement

Clear and solid commitment to the safety of people and partners, facilities and operations

Risk management

As part of the Group's risk management process, every year the Human Resources Department reviews the risk matrix which falls within their area of responsibility. The aim is to check the risks identified with respect to the company's situation and surrounding environment, along with control and mitigation measures and checking their respective effectiveness.

Work safety

Commitment to workplace safety and business success go hand in hand, which is why adopting a strong safety culture is essential to drive risk reduction and sustain long-term improvements. As such, in 2022, the REN Group made efforts to develop an integrated approach to prevention management through the implementation of a Safety Culture Programme, involving our main business partners in the value chain.

GRI 403-1 GRI 403-2 GRI 403-5 GRI 403-7 GRI 403-9

Periodic meetings with contractors

In November, the first of several monthly sessions was held with the main entities carrying out REN investment work. These meetings stem from the work started in 2021 with these partners, and constitute one of the different ways of implementing our ongoing Safety Culture Programme. The aim was to discuss and share information on work safety.

The topic of this first session focused on "protection of gullies, foundations and ditches", addressing a set of issues raised on the ground following the document review associated with these activities.

In November, the first of several monthly sessions was held with the main entities carrying out REN investment work

13 drills held in last semester

12 technical Fire Safety in Buildings (SCIE[55]) visits held

10 SCIE awareness and training actions

REN has implemented an occupational health and safety management system as an integral part of the company's management[56]. The main purpose of this system is to prevent the occurrence of accidents and occupational illnesses involving employees, contractors and service providers. Implementation includes systematic risk analysis in the preparation of work, the analysis of incidents and the ongoing improvement of safety conditions through operational control mechanisms during the different activities and stages of the asset value chain. This is achieved by verifying the requirements through an annual programme of audits and technical safety visits, for the thorough and multidisciplinary assessment of incidents and for the involvement of the supply chain in different annual initiatives.

The absenteeism rate at REN stayed at 2% in 2022.

Absenteeism Rate

	2022	2021	2020
Men (%)	2.3	2.2	2.1
Women (%)	1.4	1.6	2.1
Total (%)	**2.1**	**2.1**	**2.1**

55 Fire Safety in Buildings (SCIE).
56 The occupational health and safety management system covers all REN Group companies, with the exception of Transemel and Portgás, which have their own system (see 2.3. Risk management).

There was an overall reduction in work accidents, a trend that was also registered in the number of days lost.

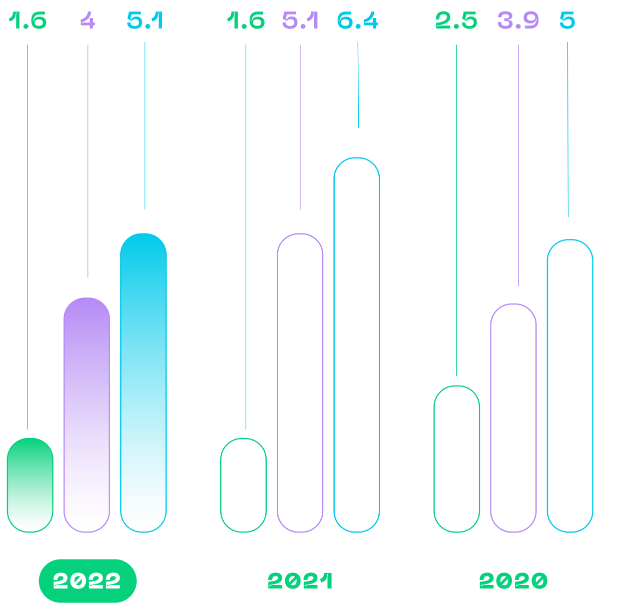
The severity index associated with REN employees evolved favourably compared to 2021, with a reduction of around 36%. The same favourable evolution was also registered in the frequency index. The frequency and severity rates associated with the employees of contractors and service providers (CSP) working for REN also evolved favourably.

REN's global safety indicators improved, the frequency index by about 22% and the severity index by about 28%.

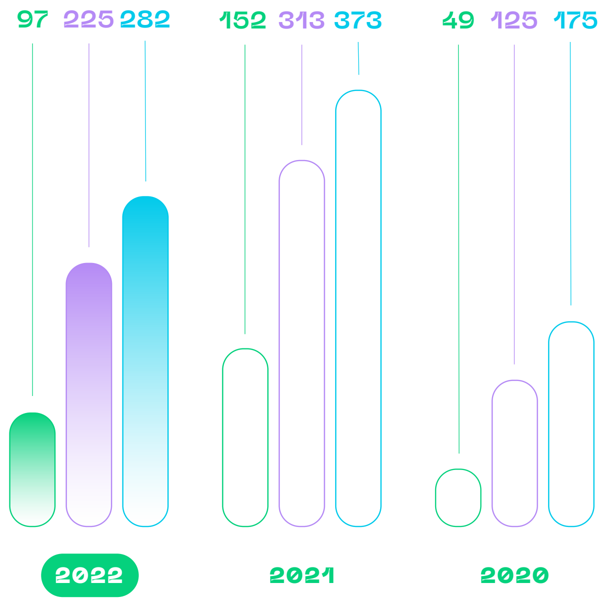
Work accident indicators

	Number of employees		No of hours worked		No of fatal accidents		No of non-fatal accidents[58]		No of days lost	
	M	F	M	F	M	F	M	F	M	F
Employees[57]	537	182	931,935	291,310	0	0	2	0	118	0
CSP	1,154	174	2,401,036	361,516	0	0	13	1	772	8

Frequency index



Severity index



Employees Global REN CSP

57 Employees at 31/12/2022. Includes R&D Nester employees.
58 Number of non-fatal accidents that occurred during work and with sick days.

Analysis and Performance

In February 2022, a multidisciplinary work team was set up with the aim of ensuring the systematic assessment of incidents that occur at REN, implementing the respective improvement plans, assessing the performance of the RNT and RNTIAT and, above all, seeking to reduce occurrences of incidents and improve operational performance. This team, referred to Analysis and Performance (A&P), focuses on organizational learning and operational improvement.

Relevant REN incidents are now investigated in accordance with the uniform methodology set out in the IEC 62740:2015 standard "Root Cause Analysis" (RCA) by teams composed of REN technicians. Having chosen to follow this standard, the depth of the investigation currently carried out at REN is heightened, seeking to not only identify the technical and human failures associated with the incidents, but also their root causes.

In addition to this approach, a series of innovative measures and projects have been developed and implemented, with the aim of contributing to the continued safety of REN's workforce through prevention.

During 2022, nine incidents were investigated, including two serious work accidents, which resulted in a series of recommendations in various areas.

Follow up from investigations is carried out on a monthly basis at dedicated A&D meetings.

Extension of the GEDOC project

Following the success achieved in the execution of the pilot project for on-site document management and control using the GEDOC IT solution (GEDOC – eGestiona Application), in 2022, this system was extended to include all work and services provided by REN.

This solution arose as part of the digitization of processes, allowing the management and control of all company documentation, machines, work equipment and workers in REN contract work and provision of services, covering the entire circuit of validation, approval and disclosure.

Main indicators of the GEDOC project

	2022
Active work centres	72
Companies	176
Equipment	2,172
Active registered workers	1,217
Training to use platform	
Trained REN workers	50
Trained external workers	71
Trained Supervision Team Members	54

The SLIP Innovation Project – Safety Light Interactive Protection came about in the first edition of the REN Innovation Leaders programme in 2019

SLIP

The SLIP Innovation Project – Safety Light Interactive Protection came about in the first edition of the REN Innovation Leaders programme in 2019, and aims to detect improper entrance into hazardous zones during work on high-voltage areas in electrical installations. This innovative solution reinforces safety conditions for personnel carrying out work which does not involve voltage, but which is close to voltage zones in electrical installations of the National Electric Network.

By creating interactive sensor barriers, this system allows delimited work zones to be set up both vertically as well as horizontally, thus reducing the risk of electrical accidents.

During the course of the project, training was given to workers in the area of electrical operation and to REN's safety technicians, which makes it possible for REN to install and configure equipment autonomously at any other installation.

The final stage of the pilot project was successfully tested at the Palmela substation in February 2022 and in the near future it is expected that more equipment will be acquired and more workers will be trained so that it can be extended to cover the entire country.

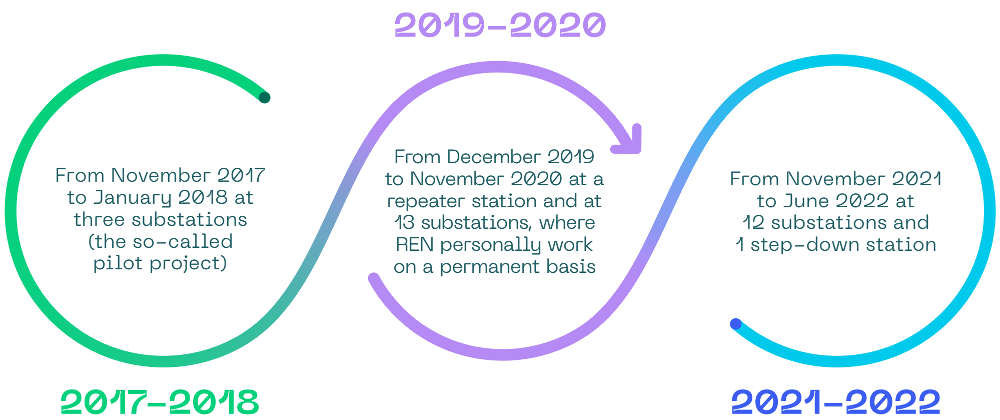
Seeking to implement the legislation that sets out the minimum requirements for the protection of workers against the safety and health risks to which they are or may be subject due to exposure to electromagnetic fields during work, Law No 64/2017 of 07 of August, which transposes Directive 2013/35/EU of the European Parliament and of the Council of 26 June, has been implemented through a series of actions underway which were decided on at the end of 2019.

Among these actions, three monitoring campaigns stand out which aim to identify and assess the levels of electromagnetic fields at 30 electrical installations, based on measurements taken:

Based on these measurements and other legal requirements, the preparation/implementation of a series of technical and organizational prevention and protection measures is in progress.

Although not scheduled, measurements of electromagnetic fields will also be carried out at the Divor and Pegões substations, as required by the Portuguese Environmental Authority (PEA), following a measure in the Environmental Impact Statement (EIS) which is to be carried out during the operation phase.

Actions to identify workers with a specific risk factor under the Health Surveillance programme have already been implemented, and these actions form part of an ongoing process.



Our contribution

4.7. Natural capital

Defending the environment and implementing practices that conserve and restore ecosystems and biodiversity are clear priorities in a culture of sustainability. REN recognizes its role and responsibility as an entity driving energy transition and the decarbonization of the sector in which we operate.

Contribution to SDG

3 GOOD HEALTH AND WELL-BEING
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

Main initiatives

- Calculation of scope 3 emissions and integration of Transemel
- Development of a Biodiversity Strategy
- Submission of SBTs (Science Based Targets)
- Implementation of nature-based solutions and reforestation with native species

Main indicators

- 3,579,369 energy consumed
- 248,938 tCO_2eq emissions
- 34% fleet electrified

About the future

- Roadmap and circular economy strategy
- Reinforcing the involvement of the supply chain to reduce scope 3 emissions
- Roadmap to manage natural capital
- Reinforcing of initiatives to decarbonize electricity and gas assets

Under our sustainability strategy, REN establishes environmental protection, conservation and restoration as one of its strategic priorities

REN is an active agent in energy transition and environmental protection, developing electricity and gas infrastructure with the aim of ensuring the gradual decarbonization of both sectors. Under our sustainability strategy (more information in chapter 2.1. Strategy), REN establishes environmental protection, conservation and restoration as one of its strategic priorities, acting in accordance with the best practices in terms of our contribution as an environmentally responsible company.

In addition to promoting and restoring biodiversity and ecosystems, REN also actively seeks to monitor and minimize the environmental impacts of activities through the rational use of natural resources and helping prevent rural fires. Equally important is the promotion of environmental education and awareness among the public, support for increased integration of renewable energy sources (RES) in the gas and electricity systems through the construction and adaptation of infrastructure, and the promotion of projects and initiatives that are in line with sustainability objectives and the decarbonization of REN's assets.

In the last three years, from 2020 to 2022, installed RES capacity in the mainland Portugal Electricity System, compared to total power, grew by 9 p.p. (from 69% to 78%), corresponding to an increase of 2,122 MW (see chapter 1.2. Electricity). From the point of view of the National Gas System and recognizing the relevant role of renewable gases in a carbon neutral economy, we continue to carry out studies and determine investments with a view to the gradual decarbonization of this infrastructure (see chapter 1.3. Gas).

Climate as Common Heritage of Humankind

REN, together with other Portuguese companies and organizations, joined the national campaign to recognize the climate as a Common Heritage of Humankind.

The goals of this initiative, which is set out in the Climate Base Law, are to encourage participating companies and organizations to promote and support the actions of this campaign and to participate in the recruitment of new members. Joining this initiative forms part of our sustainability strategy and reinforces the Group's commitment to:

- sustainable development
- environmental protection

Public policies aimed at energy transition and decarbonization are increasingly demanding, making the development of gas and electricity infrastructure operated by REN essential. However, there are risks and opportunities arising from climate change, which led to REN carrying out the exercise to identify, characterize, prioritize and quantify the most relevant climate risks and opportunities, using the TCFD framework[59] (see details in chapter 2.3. Risk management and Recommendations of the TCFD annex).

Commitments to reduce emissions

-50% reduction of scope 1 and 2 emissions by 2030[60]

-25% reduction of scope 3 emissions by 2030[61]

neutral carbon neutrality by 2040

Decarbonization and energy transition

REN plays a central role in facilitating and enabling the decarbonization of the economy, with the design, construction and/ or suitability of infrastructure, operation, quality and security of supply and management of gas and electricity systems, essential aspects to achieve energy transition.

Our commitments to reduce emissions reflect this situation:

- Reduction of scope 1 and 2 emissions by 50% by 2030[60];
- Reduction of scope 3 emissions by 25% by 2030[61]; and
- Carbon neutrality by 2040.

At REN, we have been **decarbonizing our own operations** through a range of initiatives:

- the implementation of initiatives to reduce CH_4 (methane) and SF_6 (sulphur hexafluoride) emissions;
- the ongoing electrification of the fleet (1/3 is electrified, an increase of 6 p.p. compared to 2021);
- the development of projects for self-consumption from RES in administrative buildings and technical installations;
- designing more sustainable solutions for future assets;
- the implementation of energy efficiency measures; and
- the involvement of suppliers in reducing emissions throughout the value chain.

59 Task Force on Climate-related Financial Disclosures (TCFD).
60 Base year 2019.
61 Base year 2021.

Submission of targets to the Science Based Target Initiative

In 2022, with the inclusion of the calculation of scope 3 emissions (which represent around 34% of the total emissions), REN concluded the assessment of its carbon footprint, having submitted a targets proposal to the Science Based Target Initiative (SBTi).

Submission of Transemel to the National Carbon Management Programme HuellaChile

The HuellaChile programme is run by the Chilean Ministry of the Environment and aims to support and encourage the voluntary carbon quantification of companies. Transemel participates in the HuellaChile – Carbon Management Programme and, in line with the decarbonization goals taken on by REN, will develop initiatives to reduce its carbon footprint.

Main actions undertaken with regard to decarbonization

As an Entity Issuing Guarantees of Origin (EEGO), in 2022 REN joined the Association of Issuing Bodies (AIB) gas group as an observer member. This was a relevant step for the beginning of the certification of renewable and low-carbon content gases in Portugal. The first periodic audit of the AIB was also carried out, which validated EEGO processes.

With regard to the National Electricity System, eight Guarantees of Origin (GO) auctions were held, resulting in a contribution of 62 million euros.

REN participated in the study conducted by the European Hydrogen Backbone (EHB), for 2030 and 2040, contributing with our vision for the development of a green hydrogen transmission infrastructure and respective interconnection with Spain, involving both the construction of new infrastructure and converting the existing gas network.

The European Hydrogen Backbone (EHB) initiative is made up of 31 European Grid Operators, including REN, and its main mission is to develop a medium and long-term vision for a pan-European hydrogen transmission infrastructure, including potential connections with third countries. A further role is to enable a competitive hydrogen market that contributes to the goal of decarbonizing the economy.

REN was also present at the Hannover Fair with Speed-E, an innovative mobility solution that makes it possible to charge electric vehicles directly from the electricity transmission network, i.e., from Very High Voltage lines.

This solution positions the Transport System Operator (TSO) as a facilitator of the transition to sustainable mobility, complementing existing solutions and supporting the decarbonization of the mobility sector in an economically advantageous manner.

Winner of the Innovation Award at eMove 360°, Mobility 4.0 Fair, and of the Best Practice of the year by the Renewables Grid Initiative

REN developed a model that allows the analysis of scenarios, an essential tool to evaluate the accomplishment of the emission reduction goals in the defined deadlines

As part of REN's ambition to decarbonize, possible ways to reduce CO_2 emissions in the medium and long-term are analysed, based on the evolution of Public Policy, namely the scenarios set out in the National Energy and Climate Plan (NECP) 2030, Electricity and Gas Security of Supply Monitoring Reports and REN initiatives.

Decarbonization of the NGS

Decarbonization of the NES

"Systemic" decarbonization aligned with Public Policy

Decarbonization of administrative buildings, technical facilities and infrastructures

Decarbonization of the fleet

Decarbonization of the supply chain

REN developed a model based on a series of assumptions and aligned with the five decarbonization areas in the figure above, and as it is associated with different levels of ambition (Go Green and BAU — Business As Usual), allows different scenarios to be analysed. This is an essential tool for assessing compliance with emissions reduction targets within defined deadlines.

The BAU scenario considers compliance with national energy policy within the scope of the study, more specifically with regard to the share of RES in electricity production, the decarbonization of the gas sector and internal initiatives promoted. The GO Green scenario starts from the same base in terms of the energy sector, but procures greater ambition in the decarbonization of the gas sector and the implementation of additional initiatives, the results of which depend on REN.

REN participates in European projects for the cross-border exchange of energy

REN continues the developments with a view to the national implementation of MARI and PICASSO (European projects to facilitate cross-border exchanges of energy associated with frequency restoration reserves with manual and automatic activation, respectively) in the Electricity System.

These projects will make a decisive contribution to furthering internal electricity market through greater integration of national system services markets, achieved through the exchange of reserves between the different European TSOs, which bring together a multitude of offers from different national electricity providers, which will be deployed on a trans-European scale.

Scope 2
135,105 tCO_2eq
Electricity (administrative buildings)
Electricity (technical and process facilities)
Electricity (losses)
Electricity (fleet)

Scope 3
74,771 tCO_2eq
C1. Purchased goods and services
C2. Capital goods
C3. Fuel and energy related activities (not included in scope 1 or scope 2)
C4. Upstream transportation and distribution
C5. Waste generated in operations
C6. Business travel
C7. Employee commuting

Scope 1
30,389 tCO_2eq
Gas (administrative buildings)
Gas (technical and process facilities)
Gas (fleet)
Gas (losses)
Propane Gas (technical and process facilities)
Diesel (technical and process facilities)
Diesel and petrol (fleet)
SF_6 (technical and process facilities)

Scope 3
8,672 tCO_2eq
C15. Investments

Upstream | REN | Downstream

Energy and Emissions

In 2022, REN took key steps to calculate both energy and emissions. Moreover, we calculated all scope 3 emissions[62] for 2021 and 2022, considering all applicable categories – eight of the 15 categories, and included fluorinated gases and the Transemel operation, thus closing the perimeter of all REN operations. The methodologies to calculate the Emission Factors (EF) were further improved so as to calculate the emissions resulting from losses in the National Electricity Transmission Network, which now also include imports of energy through the interconnections with Spain, and emissions resulting from energy consumed in other REN operations, by applying the different EF of the different suppliers providing electricity to REN.

In order to ensure the comparability of Energy and Emissions values between 2021 and 2022, these new methodologies and parcels were introduced and, consequently, the figures for 2021 were recalculated.

[62] Applicable categories C1. Purchased goods and services; C2. Capital goods; C3. Fuel and energy related activities (not included in scope 1 or scope 2); C4. Upstream transportation and distribution; C5. Waste generated in operations; C6. Business travel; C7. Employee commuting and C15. Investments.

95% of energy consumption, corresponds to:

- **80%** losses in electricity transmission networks
- **8%** gas consumption in technical and process facilities
- **7%** electrical power in technical and process facilities

Energy

In 2022, there was a decrease in energy consumption of around 6% (-231,896 GJ), despite the integration of Transemel (+52,269 GJ). The most significant contribution to this decrease corresponds to losses in the National Electric Transmission Network (RNT) (-138.823 GJ), as a result of the lower percentage of losses (1.82% in 2022 vs. 1.98% in 2021) despite the growing electrification of the economy seen in the 43.6 TWh power transmitted on the RNT in 2022, when compared to the 42.3 TWh in 2021.

In Portugal, the operating profile of power plants, which are highly dependent on hydro and wind, has a pronounced effect on RNT losses, as the large thermal power plants are mostly located along the coast and close to the areas of greatest consumption, while hydro and wind are essentially to the north and inland, positioned in a more granular distributed and away from large consumption centres. As such, a year with a high Hydroelectric Productivity Index (HPI) or a year with strong wind production, both lead to higher losses in the transmission network. Furthermore, the far-reaching transformation of electricity generation, resulting especially from the steep increase in new solar capacity, mostly located to the south and in areas of low/ medium consumption, will lead to significant changes in RNT flow patterns, as high south-north flows are expected during periods of high solar production.

As can be seen in the energy consumption table below, in 2022, the three most significant categories, which represent 95% of the energy consumed, correspond to losses in electricity transmission networks[63] (80%), gas consumption in technical and process facilities (8%) and electrical power in technical and process facilities (7%). As a result of the implementation of specific programmes to reduce methane losses, a 10% reduction was seen in comparison to figures for 2021, in the "Losses in the gas transmission and distribution network, underground storage and LNG Terminal".

Energy consumption (GJ)

	2022	2021	2020	Var. 21/22
Electrical power (administrative buildings)	62,468	73,367	72,653	-15%
Electrical power (technical and process facilities)	252,515	314,556	296,418	-20%
Gas (administrative buildings)	4,837	4,777	2,821	1%
Gas (technical and process facilities)	289,007	334,861	321,852	-14%
Propane gas and diesel (technical and process facilities)	1,704	893	1,030	91%
Electrical power (fleet)	300	174	-	73%
Gas (fleet)	1,122	1,051	-	7%
Other fuels: diesel and petrol (fleet)	21,867	21,139	21,006	3%
Losses in the electricity transmission network	2,861,129	3,010,092	2,842,778	-5%
Electrical power (technical and process facilities) (self-consumption of the electricity transmission grid)	59,913	23,026	-	160%
Losses in the gas transmission and distribution network, underground storage and LNG Terminal	24,507	27,328	2,457	-10%
Total	**3,579,369**	**3,811,265**	**3,561,015**	**-6%**
Energy intensity[64]	**30.5**	**34.3**	**31.9**	**-11%**

In 2022, REN developed a series of projects, which are currently being implemented, for the production of RES for self-consumption. These projects include the installation of solar thermal panels at GRMS, and photovoltaic panels at the LNGT and other technical installations.

A further 3.5 MW of installed power is planned by the end of 2023. A pilot project for a sustainable substation/ switching station is also under way which aims to test self-consumption and storage systems, reducing the self--consumption of auxiliary services and the carbon footprint of these facilities.

GRI 302-1 GRI 302-3

[63] NTS network losses in Portugal and Transemel.
[64] Direct consumption of energy/ energy transmitted) (GJ/ GWh).

Emissions

In 2022, there was a decrease in emissions (scope 1, 2 and 3) of 1% (–3,590 tCO_2eq), when compared to 2021, despite the inclusion of Transemel (+5,797 tCO_2eq). With regard to scope 1 emissions, there was a 11% reduction in 2022, essentially due to lower methane losses and the use of gas in technical and process installations, while scope 2 emissions recorded an increase of 7% (+8,503 tCO_2eq), largely as a result of the greater EF of the National Electric System. Scope 3 emissions fell by 9% (–8,268 tCO_2eq) essentially due to the reduction of category C2. Capital goods.

GHG emissions (tCO_2eq)

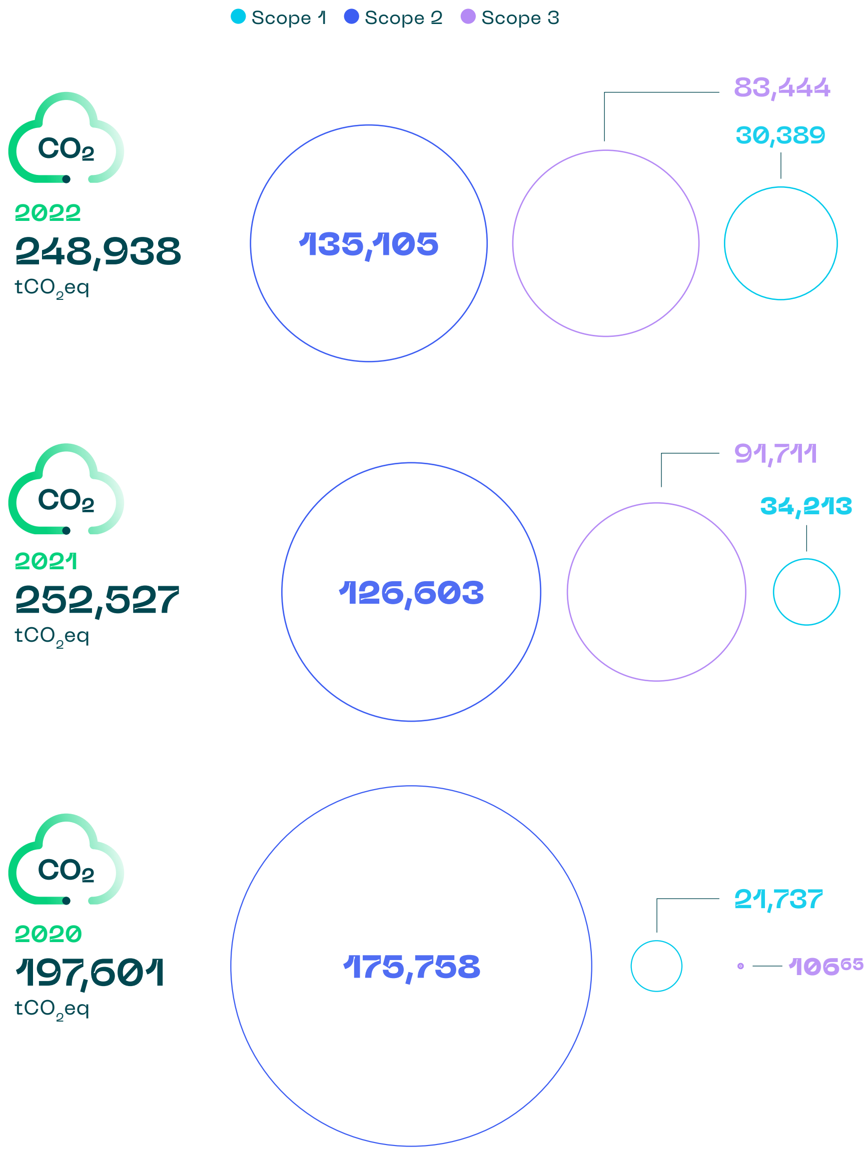
	2022	2021	2020	Var. 21/22
Scope 1	30,389	34,213	21,737	–11%
Scope 2	135,105	126,603	175,758	7%
Scope 3	83,444	91,711	106[65]	-9%
Total (scope 1 + 2 + 3)	248,938	252,527	197,601	–1%

–1% of GHG emissions over 2021 figures

–11% scope 1

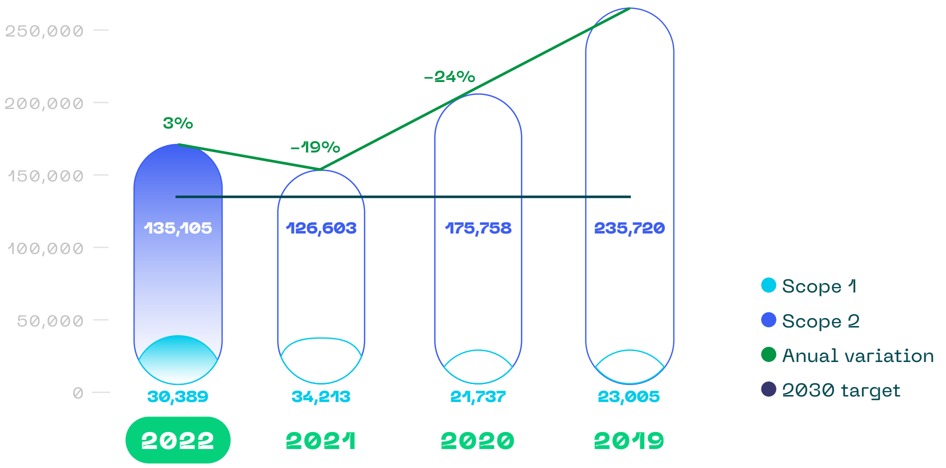
+7% scope 2

–9% scope 3



65 In 2020, the only category reported was C6. Business Travel.

Scope 1 and scope 2 emissions (tCO_2eq)



Scope 1 and scope 2 GHG emissions (tCO_2eq)

	2022	2021	2020	Var. 21/22
Scope 1				
Gas (administrative buildings)	273	268	158	2%
Gas (technical and process facilities)	16,309	18,786	18,056	-13%
Gas (fleet)	68	59	-	15%
Gas (losses)	10,556	12,893	1,159	-18%
Propane gas (technical and process facilities)	3	4	6	-21%
Diesel (technical and process facilities)	137	63	69	116%
Diesel and petrol (fleet)	1,751	1,552	1,151	13%
SF_6 (technical and process facilities)	1,268	566	738	124%
Fluorinated greenhouse gases (F-gases)	23	23	-	0%
Total (scope 1)	**30,389**	**34,213**	**21,737**	**-11%**
Scope 2				
Electricity (administrative buildings)	3,719	4,367	3,976	-15%
Electricity (technical and process facilities)	15,031	15,070	16,211	0%
Electricity (technical and process facilities) (self consumption)	2,439	2,369	2,617	3%
Electricity (losses)	113,898	104,786	155,571	9%
Electricity (fleet)	18	10	-	73%
Total (scope 2)	**135,105**	**126,603**	**175,758**	**7%**
Total (scope 1 and 2)	**165,494**	**160,816**	**197,495**	**3%**

Scope 1 and scope 2 emissions

The focus on reducing greenhouse gas (GHG) emissions is seen as strategic for REN (see chapter 2.1. Strategy and chapter 2.2. Commitments). The evolution of these emissions is monitored regularly with the aim of defining initiatives to enable established targets to be achieved.

In 2022, **scope 1 emissions** fell by 11% over figures for 2021, despite the inclusion of Transemel in the consolidation perimeter (+322 tCO_2eq). The most relevant contributions to this result were the reduction of gas emissions from technical and process facilities and the reduction of methane losses in infrastructures.

There was a 7% increase in scope 2 emissions as a result of the higher EF in the National Electricity System (139 gCO_2/ kWh in 2022 vs 129 gCO_2/ kWh in 2021[66]) which, despite the continuous integration of RES into the SEN, a low HPI (0.63 in 2022 compared to 0.93 in 2021) resulted in a lower percentage of RES in the NES (49% in 2022 compared to 60% in 2021). Added to this is the integration of Transemel into the consolidation perimeter, which increased emissions by 5,476 tCO_2eq.

Despite the slight increase (+3%) in scope 1 and 2 emissions (+4,678 tCO_2eq), if the same assumptions for 2021 were considered for comparative purposes (excluding Transemel), the figure would show a 0.8% reduction in emissions.

The inclusion of Transemel into the consolidated perimeter (+5,797 tCO_2eq) and the increase in emissions resulting from RNT losses, due to the lower contribution of RES, explain the increase in emissions. The trend to reduction is real due to the decarbonization of the electricity and gas systems and the multiple initiatives underway at the company.

GRI 305-1 GRI 305-2

66 The emission factor for 2021 was recalculated to take into account the new methodology applied.

In 2022, REN implemented a number of energy efficiency measure and installed RES to generate power for self-consumption

Emissions from administrative buildings and technical and process facilities

In order to meet established targets, it is extremely important to reduce emissions associated with buildings and technical installations, which is why, among other initiatives, in 2022, REN implemented a number of energy efficiency measure and installed RES to generate power for self-consumption. This is a programme that will be continued in the coming years, thus reinforcing the percentage of green energy used in REN operations for this type of asset.

REN reduces the carbon footprint at GRMS

With a view to the efficient management of assets, in particular the GRMS, REN implemented a series of improvements in gas control and heating systems at five of the most significant GRMS in terms of consumption, with the result allowing for an estimated reduction of 700 tCO_2eq/ year. This programme will include two more GRMS in 2023 with an estimated reduction of 70 tCO_2eq/ year.

In a complementary manner and also contributing to the reduction of gas consumption at GRMS, a study was conducted with a view to reducing the energy required for heating the gas at GRMS output, which has already been partially implemented and will be completed at all stations in early 2023, allowing for an estimated reduction in gas consumption of 8%, or around 1,000 tCO_2eq/ year.

CH_4 emissions

REN is committed to reducing methane (CH_4) emissions, having developed a programme for all gas infrastructures managed by REN, which will lead to the gradual and sustained reduction of emissions at these infrastructures.

To meet targets, we have implemented programmes to reduce CH_4 emissions in RNTG, US and LNGT operations, developed in accordance with the Oil and Gas Methane Partnership standard. Moreover, the ongoing improvement of procedures and the increase in frequency of systematic investigation of leaks in the Portgás distribution network in 2022 from five to four years and, from 2024, to three years, will contribute to the gradual reduction of CH_4 leaks from this infrastructure.

5 GRMS improvements in the gas systems in 2022

−700 tCO_2eq/ year

2 GRMS improvements in the gas systems estimation for 2023

−70 tCO_2eq/ year

"Gold Standard" distinction by the Oil and Gas Methane Partnership (OGMP 2.0)

In 2022, REN was awarded the "Gold Standard" by the Oil and Gas Methane Partnership (OGMP 2.0), reinforcing our commitment and action to reduce methane emissions. The reinforcement of our commitment in 2022 involved the aim to reduce methane emissions by at least 30% in comparison to 2018 figures, thus increasing the 2021 target of a 20% reduction compared to 2018.

REN is a leading company in the area of "Methane Emissions & Leak Detection and Repair"

REN participated in the benchmarking study on "Decarbonization to Net Zero", the main objective of which was to identify and analyse the practices adopted by operators belonging to the GTBI (Gas Transmission Benchmarking Initiative), with a view to implementing solutions for decarbonization. REN was classified as a leading company in the "Methane Emissions & Leak Detection and Repair" area.

REN has a specific programme underway for Transemel to reduce SF_6 emissions over the next few years

SF_6 emissions

With regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in a range of high and very-high voltage equipment, an increase in the leakage rate was seen due to the inclusion of Transemel (0.99% of the leakage rate) in the reporting perimeter. Even so, the results obtained are considered very positive on an international level. REN has a specific programme underway for Transemel to reduce SF6 emissions over the next few years, and already has a target set for 2023 of at least 4%.

Furthermore, REN has sought to adopt measures to reduce the use of SF_6 in assets to be replaced or acquired for new infrastructures, by gradually introducing SF_6-free equipment.

	2022[67]	2021	2020
Installed mass of SF_6 (ton)	72.8	70.9	74.1
Leak rate (%)	0.077	0.035	0.044

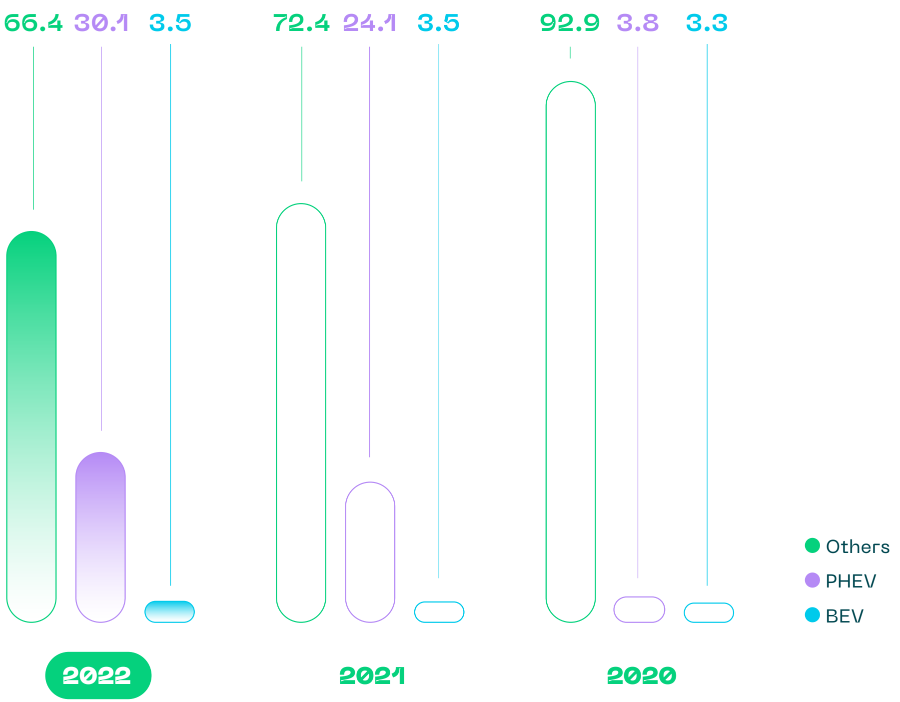
[67] For 2021, the 2022 figures include Transemel operations.

Fleet emissions

The fleet renewal and electrification policy, with an increase of 6 p.p. over figures for 2021 (34% in 2022 compared to 28% in 2021) has allowed CO_2 emissions per km travelled to be reduced (reduction of 21% compared to 2021).

Our electrification policy is based on the acquisition/ replacement of current vehicles with Battery Electric Vehicles (BEV) or Plug in Hybrid Electric Vehicles (PHEV) and on changing specifications supporting the purchase processes for these type of assets. Most types of new vehicles acquired are now electric, with only a small number of segments which, for operational reasons, still do not have a suitable solution in terms of market supply.

Fleet electrification (%)



REN is committed to reducing scope 3 emissions by 25%, by 2030[68]

GHG emissions (tCO_2eq)

	2022	2021	2020	Var. 21/22
C1. Purchased goods and services	18,735	16,469	n.a.	14%
C2. Capital goods	45,820	56,245	n.a.	-19%
C3. Fuel and energy related activities (not included in scope 1 or scope 2)	8,653	9,263	n.a.	-7%
C4. Upstream transportation and distribution	414	534	n.a.	-23%
C5. Waste generated in operations	271	204	n.a.	33%
C6. Business travel	314	66	106	379%
C7. Employee commuting	563	556	n.a.	1%
C15. Investments	8,672	8,374	n.a.	4%
Total	**83,444**	**91,711**	**106**	**-9%**

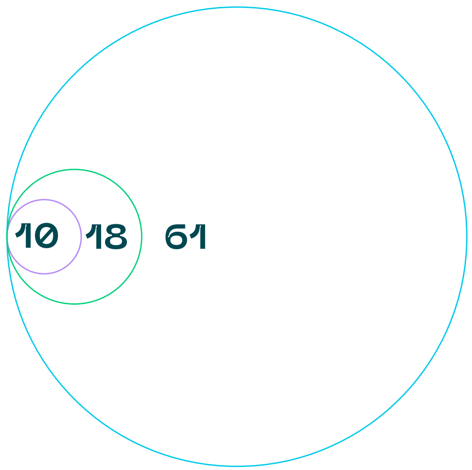
Scope 3 emissions

As part of our carbon footprint monitoring, REN carried out an in-depth and complete study to calculate scope 3 emissions, which previously only included category C.6 Business Travel (travel by plane and train). This allowed us to gain knowledge on the impacts of the supply chain and to be able to design initiatives aimed at reducing such impacts.

Scope 3 emissions were calculated in accordance with the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) standards, which provide the GHG calculation methodology most commonly used internationally, including the GreenhouseGas Protocol and specific references for scope 3 activities.

REN's scope 3 emission reduction objective[68] is aligned with the Well--below 2°C Scenario, corresponding to a 25% reduction in GHG emissions by 2030, compared to 2021 (reference scenario). Included in this commitment are the following categories:

- **C1. Purchased goods and services;**
- **C2. Capital goods; and**
- **C3. Fuel and energy related activities (not included in scope 1 or scope 2).**



CO_2 89%

of scope 3 emissions corresponds to categories C1, C2 and C3

● C1 (%) ● C2 (%) ● C3 (%)

GRI 305-3

[68] Based on figures for 2021, categories C1, C2 and C3 are included.

REN has also promoted a series of alignment and awareness meetings on the need to reduce the carbon footprint

Carbon neutrality

Corporate events
REN has set itself the goal of offsetting the footprint of its events and making them carbon neutral. The aim is to offset the carbon emissions produced at each event, calculated through the individual replies of participants to a questionnaire. At the end of every year, neutrality will be ensured via reforestation promoted by the company or in collaboration with the local community.

Involvement of the value chain
In addition to a supplier's maturity study in terms of ESG and the new Supplier Code of Conduct where ESG topics were extended, REN has also promoted a series of alignment and awareness meetings on the need to reduce the carbon footprint of the supply chain (see chapter 4.3. Supply chain management). Studies have also been carried out with higher education institutions and with the involvement of suppliers, with the aim of obtaining primary data for calculating emissions. These data will gradually replace the secondary data from the different bibliographical sources mentioned above.

REN has established a roadmap for scope 3 emissions to support the definition of targets and their achievement:

Supply chain assessment

Supplier Code

Indirect calculation of scope 3 emissions

Integrate and involve suppliers by directly calculating scope 3 emissions

Gradual integration of ESG criteria in tender processes

Gradual request of ESG information in relation to purchasing proposals and contracts through the development of documentation

Implementation of monitoring/ audit systems

REN promoted a campaign "Transforming is simple!" with the aim of giving new life to technical clothing that was no longer used

22 tons

electrical and electronic waste recycled

the total amount gained was channelled to the Dignitude Association

Main actions undertaken regarding the involvement of the value chain

In partnership with the Faculty of Engineering of the University of Porto and/ or with Service Providers, REN has calculated the emissions resulting from selected activities for certain types of services. This initiative, in addition to allowing the involvement of the supply chain, also ensures the ongoing improvement of data collection procedures and increased accuracy in the checking of primary data.

After an in-depth analysis in 2022, during the first half of 2023 REN will install measuring transformers with ester insulating liquid for the first time at a substation, instead of the traditional mineral oil. These liquids represent one of the most promising alternatives to mineral oils as used in large power transformers, which is a small step towards a more ambitious goal.

Esters are plant-derived insulating liquids that reduce the ecological footprint throughout the life of the transformer, with no risk of pollution, and have reduced decommissioning costs and a higher ignition point. This latter characteristic is relevant with regard to the operating safety of the facilities.

In order to help drive circular economy principles, REN promoted a campaign entitled "Transforming is simple!", with the aim of giving new life to technical clothing that was no longer used by operational teams, helping to ensure that this equipment is not just sent to landfills and incinerated.

This campaign, which formed part of our sustainability objectives with regard to reuse and recycling, helped the circularity of REN operations by transforming this equipment into new products, making it possible to help in the fight against textile waste and reducing emissions by 577 $kgCO_2$.

In an action of solidarity, REN channelled the amount gained from the recycling of 22 tons of electrical and electronic equipment to the Dignitude Association, which also benefited from a similar initiative in 2021. This initiative forms part of the sales contract established with Electrão for the recycling of REN's electrical and electronic waste (computers, printers, monitors and all types of electronic waste), signed in 2019, and which has already enabled more than 70 tons of this type of waste to be recycled in the last two years.

+70 tons

electronic waste recycled since 2019

-25% of non GHG emissions by 2030

Zero single-use plastics by 2025

Zero textile waste in landfill by 2024

Non GHG emissions

REN reports Non GHG emissions data for the first time. Performance data can be found in the GRI Table. As part of these emissions management, the following commitments were also defined:

- **25% reduction in 2030**[69]

Water and waste

REN reports Water and Waste data for the first time. Performance data can be found in the GRI Table. As part of waste management, the following commitments were also defined:

- **Elimination of single-use plastics by 2025**
- **0% of textile waste in landfill by 2024**

Strategic Environmental Assessment of plans and projects

The Strategic Environmental Assessment (SEA) is an environmental policy instrument, which aims to ensure the assessment of the environmental consequences of specific plans and programmes and their prior adoption. The main goals of this instrument are to:

- **Support decision making;**
- **Include environmental considerations into Plans and Programmes; and**
- **Involve the public and environmental authorities.**

In accordance with legislation in force, REN is required to prepare and deliver to the Directorate-General for Energy and Geology (DGEG) and the Energy Services Regulatory Authority (ERSE) the new proposals for the Development and Investment Plan for the National Transmission Network, Storage Infrastructures and Gas Terminals (PDIRG) and for the Development and Investment Plan for the Electricity Transmission Network (PDIRT), for the 2024-2033 period. The drawing up of these plans requires Environmental Assessments (EA) to be carried out in parallel for each.

Environmental Assessment and Control Reports

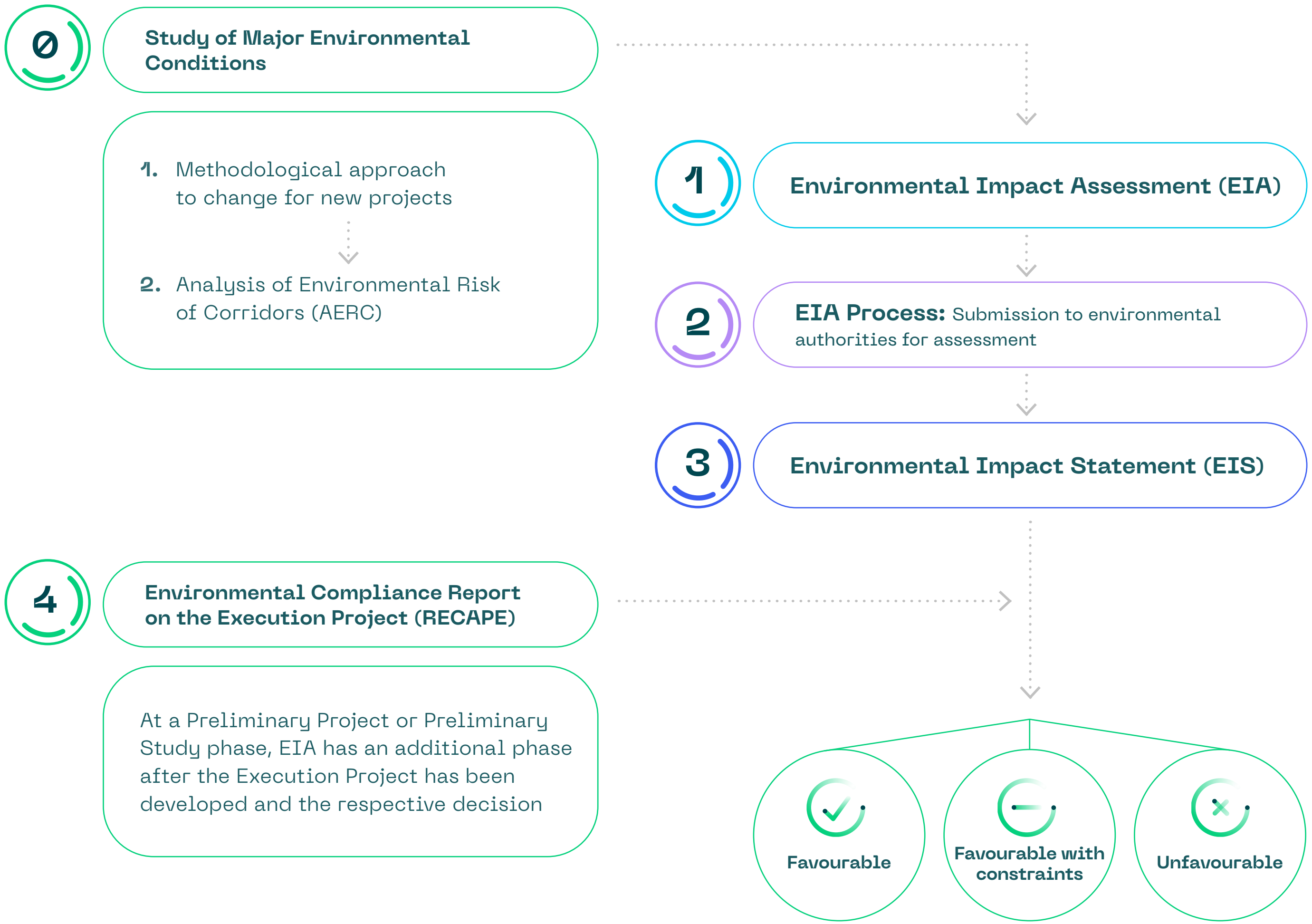
The Environmental Assessment and Control Reports summarize the follow-up and monitoring of the PDIRT and PDIRG. These reports are intended not only to address legally requirements, but also to provide information for each new planning cycle of the results of the previous cycle and the measures that may be required to identify unforeseen negative effects in a timely manner and redirect action so as to fully implement defined strategies.

During 2022, REN drew up the Environmental Assessment and Control Reports for PDIRT and PDIRG for 2019/ 2020. These reports will be made available on the REN website and sent to the Portuguese Environment Agency.

69 Base year 2021.

EIA is a tool that can be used on certain public utility infrastructure projects

Environmental Impact Assessment (EIA) process



Environmental Impact Assessment

The Environmental Impact Assessment (EIA) is a tool that can be used on certain public utility infrastructure projects where REN is the promoter. The EIA is a preventive instrument by nature and is based on conducting studies and consultations, with effective public participation and analysis of possible alternatives, identification and forecasting of the environmental effects of certain projects and the proposing of measures to avoid, minimize or compensate such effects. The aims are to reach a decision on the feasibility of implementing such projects along with a respective post-assessment. The EIA process consists of different stages[70].

[70] According to the Legal Regime for Environmental Impact Assessment (RJAIA), RNT infrastructure that is in the following situations is subject to EIA: Electricity – lines ≥ 110 kV e ≥ 10 km; and Substations ≥ 110 kV and ≥ 1 ha; Gas – Stations ≥ 5 ha; Surface storage (≥ 300 t) and underground (≥ 100.000 t); and gas pipelines ≥ 5 km and Φ ≥ 0,5 m.

Video production with drones improves the viewing and impact of infrastructure in projects on the National Electricity Transmission Network

Given the complexity of the "Modification of the National Transmission Network (RNT) project between Ferreira do Alentejo, Ourique and Tavira", referred to in short as the "Lower Alentejo and Algarve Axis", due to the high number of infrastructures included, REN prepared a video for his presentation based on drone footage and information provided by Google Earth.

With this innovative approach, we sought to provide the entities on the Assessment Committee with better information on the area covered by the project

As part of our activities to expand and improve energy transmission networks, REN has developed a significant series of environmental assessment processes, which are at the planning phase:

	2022	2021	2020
Environmental Impact Assessment Processes	1	4	4
Environmental Impact Statements Issued	2	3	0
Environmental Project Studies	2	1	1
Environmental Impact Studies (EIA)	1	1	0
Environmental Compliance Reports on the Execution Project (RECAPE)	0	0	0

The fast pace of energy transition will mean that in just one and a half years, 14 EISs are expected to be delivered, compared to the 16 EISs submitted between 2015 and 2022.

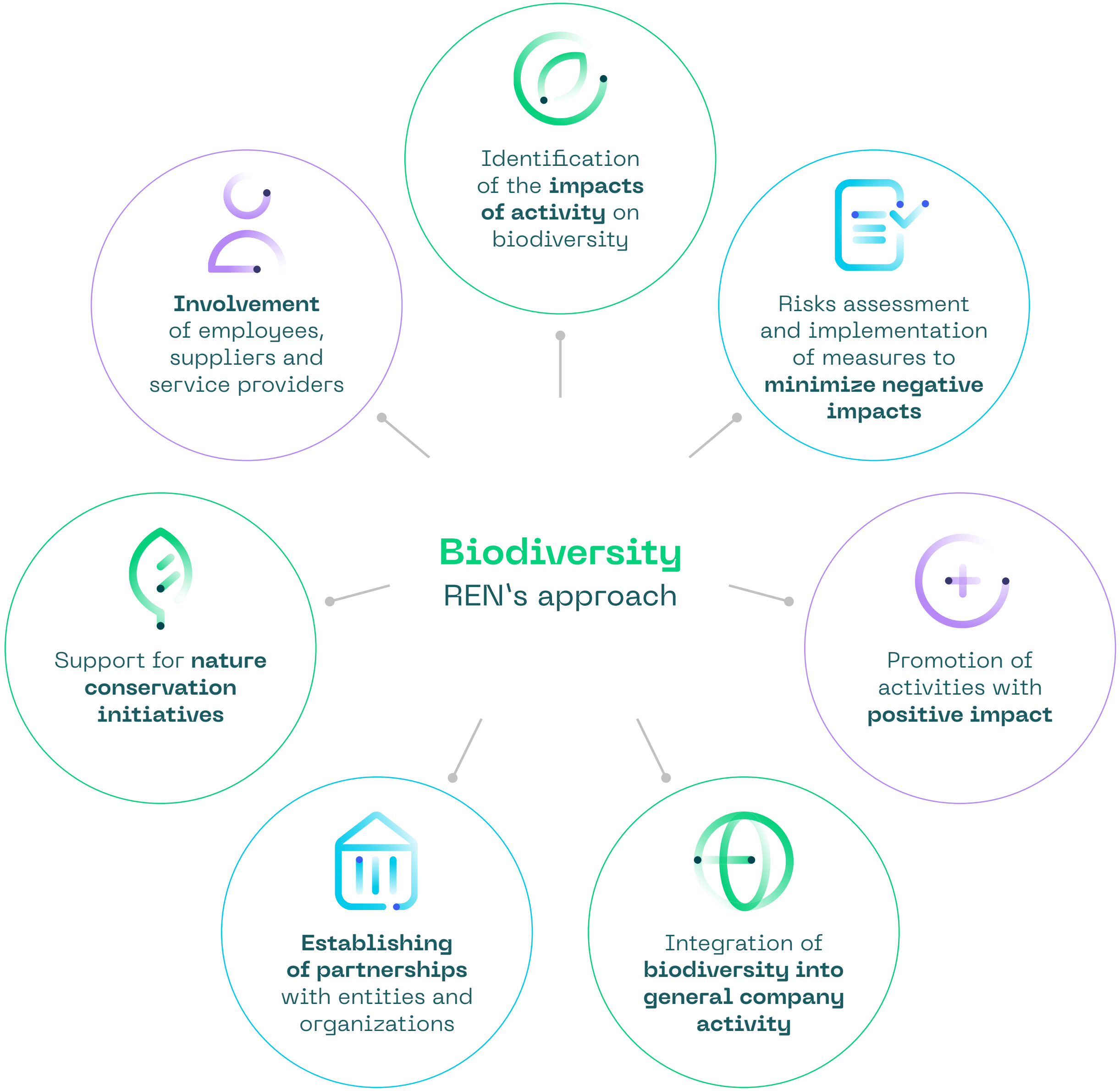
During network operation and maintenance, monitoring and supervision actions are carried out to ensure compliance with goals and targets defined both by REN and the outputs of the environmental impact statements or decisions on the environmental compliance of the execution project. In 2022, monitoring actions were also undertaken at different infrastructures, covering the following descriptors:

No of infrastructures monitored by descriptor	2022	2021	2020
Birdlife	8	3	5
Soundscape	2	5	4
Water resources	1	0	0
Flora	1	1	1
Iberian wolf	0	0	0
Electromagnetic fields	2	5	3

REN has a structured approach that allows an effective action in preventing and mitigating negative impacts

Biodiversity protection
For REN, biodiversity is one of the most relevant environmental descriptors considered in the systematic assessment of the possible impacts of our activities on the different stages of the infrastructure life cycle. For this reason, we have structured an approach that allows us to take effective action to prevent and mitigate negative impacts.

Based on REN's ongoing commitment to protect Biodiversity, the goal of the Quality, Environment, Safety and Performance Department, with the support of the REN Chair in Biodiversity (developed by CIBIO-BIOPOLIS – University of Porto), is to contribute to the structuring of a company strategy for biodiversity.



GRI 304-1 | GRI 304-2 | GRI 304-3 | GRI 304-4

REN's biodiversity strategy

REN has created a series of workshops as part of our ongoing commitment to protect and manage biodiversity and to define a Biodiversity Strategy, with the support of the REN Chair in Biodiversity coordinated by CIBIO-BIOPOLIS (University of Porto).

These various sessions involved our own staff and around 30 participants from entities such as the APA (Portuguese Environment Agency), ICNF (Nature Conservation Institute), service providers, academia and non-governmental organizations, thus ensuring a participative and collaborative process.

30 participants from external entities

The knowledge resulting from accumulated experience in project management, environmental assessment, construction and operations already carried out, combined with the vision of the Chair, which has been active since 2015 and has closely monitored REN's approach and prioritization of Biodiversity, has allowed significant evolution in this area to be achieved. We have listened to different stakeholders (both internal and external), in a collaborative and comprehensive spirit.

Despite the significance of aspects relating to biodiversity, only a low percentage of infrastructure can be found in sensitive areas of the country.

Infrastructure	Occupation in sensitive areas	% of total occupation
Stations/ substations (km²)	0.375	9
Length of gas pipelines/ lines (km)	1,568.61	15

The occupation of these areas by REN infrastructure is essentially due to historical reasons (the infrastructure was installed prior to the classification of these areas as protected) as well as the need to enable or reinforce the flow of renewable energy from production plants located in these sensitive areas. Whenever these facilities are modified, such changes are optimized so as to reduce the impact on biodiversity.

The sites where the infrastructure of the National Transmission Network (RNT) is located are potentially the habitat for classified species on the Red List of the International Union for the Conservation of Nature (IUCN), in the following categories:

	2022	2021	2020
Critically threatened	2	2	2
Threatened	14	13	9
Vulnerable	35	33	69
Almost threatened	78	76	31
Of little concern	769	758	739

Membership of the transnational strategy to fight the exotic invasive species *Cortaderia selloana*

REN became a member of the transnational strategic alliance to fight Cortaderia selloana, an initiative which came about under the international LIFE + STOP CORTADERIA project, whose mission is to control the expansion of this invasive exotic species, also known as pampas grass, crest or feathers.

Work focuses on the common goal of more than one hundred national and international organizations that make up this alliance to stop the expansion of this plant while also preserving the wild life and native vegetation of the Portuguese, Spanish and French Atlantic coasts (the so-called Atlantic Arc).

In addition to environmental issues, this species also raises public health concerns, such as the occurrence of allergies.

The priorities of this transnational Alliance in the fight against Cortaderia Selloana are centred on preventive control and rapid detection of isolated or dispersed plants, through control and eradication at sites of high ecological value (Protected Natural Areas).

Membership of the Rural Natural Network

REN became a member of the Rural Natural Network, a platform for disclosing and sharing information, experience and knowledge, based on a philosophy of sharing and cooperation in the work carried out.

The aims of this network are to improve the application of rural programmes and development policy measures and to structure intervention work by rural agents.

Reforesting with native species
Improved biodiversity performance continues to be our focus. In 2022, the strawberry tree was the species most used in land use conversion processes (240 hectares, corresponding to 86%), as it is a native species which is perfectly compatible with the presence of electricity transmission lines and offers economic interest.

Birdlife
The impact of infrastructures on birdlife has deserved constant attention from REN, not only through scientific work conducted by the Chair in Biodiversity, but also through the implementation of compensatory measures and by making infrastructure compatible with the white stork population as well as through innovative ongoing projects (see chapter 4.4. Innovation and development). With respect to this latter topic, for more than twenty years, REN has monitored and controlled the nesting patterns of the white stork population in our infrastructure, creating conditions for this bird in favourable habitats and installing devices that minimize the risk of electrical accidents.

240 ha
of planted strawberry tree

86%
of land use conversion area with strawberry tree

LIFE Safelines4Birds – Reducing bird mortality caused by power lines

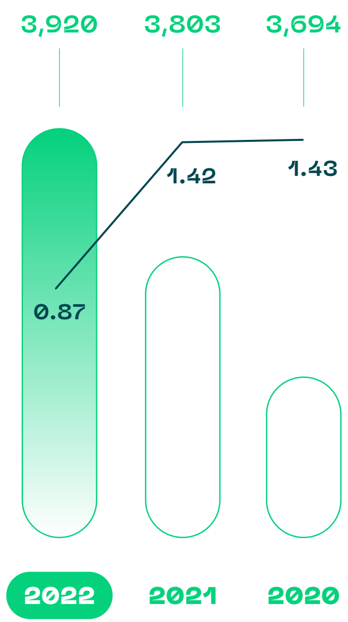
In 2022, financing was approved for the project LIFE Safelines4Birds – Reducing bird mortality caused by power lines, which includes participation by the REN Chair in Biodiversity. Funding is provided by the LIFE programme "Nature and Biodiversity", which aims to drive the application of the Birds and Habitats Directives and the EU 2020 Biodiversity Strategy.

Coordinated by the "Ligue pour la Protection des Oiseaux", the project involves 15 participants from four European countries (France, Belgium, Portugal, Germany) and the USA. The REN Chair in Biodiversity is directly involved and will focus on the scientific monitoring of the techniques to be tested and evaluation of their effectiveness, in particular the Airborne Collision Avoidance (ACAS) System and assessment of the effectiveness of anti-collision devices using a video system. The objective of LIFE Safelines4Birds is to reduce the impact of interaction with transmission lines where 13 species of birds are considered priority[71] by introducing innovative techniques enabling the safety of birds to be reinforced.

For REN, all the advances and results of this project can be seen in the improvement of the effectiveness of actions to mitigate the impact of the electricity network infrastructures on birdlife, falling under the work of one of the pillars of the REN Chair – monitoring, minimization and compensation of impacts.

Work performed	2022	2021	2020
Number of platforms installed	58	26	559
Number of anti-perching devices installed	163	120	253
Number of nests transferred	191	211	170

No of nests



% incident rate

REN has taken measures to mitigate the impact of activities of the infrastructures of the electrical network in birdlife

[71] The 13 species in question are: Great Bustard, Bearded Vulture, Bonelli's Eagle, Black Vulture, Egyptian Vulture, Lesser Kestrel, Crane, Osprey, White Stork, Black Stork, Woodcock, Eurasian Curlew and Lapwing.

REN became a founding member of the BIOPOLIS Association, in 2021

REN Chair in Biodiversity
Further to the "REN Chair in Biodiversity" (2015-2020) initiative, in 2020 a new protocol was established between REN and the Research Centre in Biodiversity and Genetic Resources (CIBIO-InBIO) for the 2020-2023 period. The aims of the protocol are to guarantee lines of action to ensure an increase knowledge, disclosure and applied research into the environment and with regard to the biodiversity associated with electricity transmission structures, and to mitigate their impacts on such biodiversity.

Of note among the benefits are the scope of research on matters relevant to REN, the consolidation of biodiversity management methodologies during the different stages of project development and the strengthening of human resource skills. These aspects, combined with the different challenges resulting from the expansion of the transmission network due to the planned increase in renewable energy sources, reinforced the need to maintain and leverage all the work completed and knowledge acquired for another three years.

As such, REN became a founding member of the BIOPOLIS Association, an entity that replaced CIBIO in the REN Chair in Biodiversity in 2021. The BIOPOLIS Association is an international benchmark in the management and conservation of biodiversity, enhancing REN's ability to develop new Biodiversity related topics, with the involvement of CIBIO, the University of Montpellier and Porto Business School.

The proposed work programme is divided into four main axes.

Axis No 1: Biodiversity in REN infrastructures: opportunities and risks

- Characterization and enhancement of biodiversity in infraestructures managed by REN, as well as in the assessment and mitigation of biodiversity related risks caused by the maintenance of these infrastructures.
- Direct contribution to REN's commitments through initiatives related to the BCSD (Business for Biodiversity) working group, as well as the act4nature initiative.

Axis No 2: Technological development applied to biodiversity

- Enhances the technological development applied to the mitigating of impacts and increased reliability of the system.

Axis No 3: Impact and mitigation

- Improves scientific knowledge in the areas of impact assessment and mitigation, by integrating information compiled in the first five years of the Chair.

Axis No 4: Transfer of knowledge and interaction with REN and other stakeholders

- Scientific advice and transfer of knowledge to REN and other stakeholders.
- Scientific support for REN under specific programmes for assessing, minimizing, monitoring and offsetting the impacts of power transmission infrastructure.
- Participation in the activities of international associations: CIGRE (International Council on Large Electric Systems) and RGI (Renewable Grid Initiative) and the promotion of interaction between REN and TSOs; and
- Disclose research activities.

Scientific study by the REN Chair in Biodiversity on how Bonelli's eagle uses the space around power transmission lines

The new study on how Bonelli's eagle (*Aquila fasciata*) uses the space around power transmission lines provided understanding of the impact of power lines on the habitat of this species, in order to mitigate the risks for this bird.

The results show the variability of each type of infrastructure when assessing and mitigating the impacts of these installations.

Scientific study by the REN Chair

Biodiversity reinforces the perception of the impacts of power lines on birdlife

The study published in the journal Environmental Impact Assessment Review, an international publication dedicated to the Assessment of Environmental Impacts, is based on the results of 36 birdlife monitoring studies on REN lines. The study took place between 2004 and 2016, under Environmental Impact Post-Assessment processes, and was carried out using human observers and dogs trained to look for bird corpses on the ground along power lines.

36

monitoring studies of birdlife on REN lines

that took place between 2004 and 2016

This research reinforces the guidelines of the most recent "Manual for Monitoring the Impacts of Very High Voltage Lines on Avifauna and Assessing the Effectiveness of Mitigation Measures", drawn up in 2021 by CIBIO, in collaboration with REN and ICNF (Institute for the Conservation of Nature and Forests) and confirms new variables for a better understanding of bird mortality resulting from collision with very high voltage lines. The bird corpse detectability and removal rates (by scavengers or not being detected by observers, due to the presence of vegetation, among other factors), are influenced by different environmental aspects such as the time of year, the habitats themselves and the size of the bird corpses, but also by methodological factors, such as the searches carried out by human observers or using dogs.

3,922 ha
planted area
between 2010 and 2022

39%
forest areas occupied

22,000
land owners envolved

77,342
planted trees
in 2022

5,000 ha
planted area
target 2025

50%
forest areas occupied

7,206 ha
managed vegetation
in 2022

Flora and Soil Use

Knowledge on land occupation and use in access corridors is an essential task for planning vegetation management actions. The production of land use/ occupation mapping through the identification of homogeneous land use/ occupation units throughout the RNT and RNTG access corridors is a vital task.

Access Corridor Management and Land Use Conversion

A priority at REN is the correct management and conversion of land use and we fully recognize the importance of reducing direct impact on flora and land use caused by our activities, more specifically, when creating or maintaining the protection corridors for power lines and gas pipelines. In order to offset this impact, since 2007, we have carried out numerous tree planting projects when building new installations, and since 2013, this methodology has been extended to lines already in operation.

Through our access corridor reforestation programme, REN has already planted more than 3,922 ha of trees in recent years (2010- 2022), and involved more than 22,000 land owners. In 2022, a total of 77,342 trees were planted in an area of approximately 278 hectares.

Continuing the work that has been carried out, a further example in 2022 was the reforesting we conducted at the Carriço Underground Storage, among other initiatives.

Protection against rural fires

REN is responsible for the management and cleaning of an area of around 22 thousand ha. In 2022, a total area of 7,206 ha of vegetation was managed, 6,324 ha of which are corridors and 882 ha in concession properties.

REN is one of the companies contributing most to the protection and recovery of native forest where 66% of our access corridors can be found within forests and as such, the installation and maintenance of electricity lines integrated into these areas is of particular importance. Permanent care is required in relation to compliance with safety distances between vegetation and REN facilities.

The accumulation of inflammable material, the non-adaptation of species to the location, climate change and monoculture are factors that increase the risk of fire. For this reason, work undertaken by REN seeks to mitigate such occurrences while also promoting the defence of the forest against fires.

With the entry into force of Decree-Law No 82/2021 of 13 October, repealing Decree-Law No 124/2006 of 28 June, the System for the Integrated Management of Rural Fires was established (SGIFR) and Defense Networks were created, with REN's infrastructures integrated into the Secondary Network of Fuel Management Lanes. The aforementioned law requires the entity responsible for operating electricity transmission lines and gas pipelines to manage fuel in rural areas. To comply with these legal provisions, we clean the protection corridor for our infrastructure. This corridor is a minimum of 45 metres wide for electricity lines and 10 metres for gas pipelines. Within this area, we manage the inflammable material, in other words,

By maintaining the corridors clean, we increase the resilience of territories and we create better access for Civil Protection Agents

we clean undergrowth and fell the trees necessary to ensure the operation of our infrastructure. Landowners are also made aware so as not to plant species that endanger the safety of our infrastructure. By maintaining the corridors clean, we help prevent the occurrence of fires and we create better access for Civil Protection Agents to these areas thus facilitating firefighting operations.

REN complies with all obligations in the defence of the forest against fires. This is long-term strategic work which has been praised by the competent authorities and by the communities where we work. In 2022, our service providers worked more than 348 thousand hours, which is the equivalent of 174 people per working day assigned to the forest.

Also in this regard, REN implements a Prevention, Warning and Action plan during the so-called fire season, which applies to all REN operations and locations. This plan is based on the level of preparedness of the National Emergency and Civil Protection Authority (ANEPC) resources defined every year in the Special Programme for Combating Rural Fires.

A Rural Fire Monitoring Group was formed for this plan and involves those responsible for operational areas who meet periodically during the rural fire season. Other extraordinary meetings are also held, whenever justified, which are also attended by the Executive Committee.

In 2022, from June to 30 September, we maintained six prevention and surveillance teams in operation. These teams consist of three members and one vehicle with forest firefighting equipment. These teams were operational 24 hours a day, seven days a week and also provided support in the operation and dispatch rooms of REN's electricity and gas networks.

All this work was carried out in close coordination with civil protection authorities (ANEPC, GNR and Fire Departments). REN took part in more than 500 meetings, including regional, sub-regional and municipal rural fire integrated management committees, thus fostering closer ties with all civil protection agents.

Also in this regard, REN promotes a series of initiatives, such as the protocol with the municipality of Vieira do Minho, Association of Garrano Horse Breeders (ACERG) and the Serra da Cabreira Planning Association (APOSC) which aims to use Garrano horses to help prevent fires while also creating conditions to defend this endangered species (more information on this initiative can be found in chapter 4.5. Communities).

rePLANt at 29 minutes webinars

The rePLANt project is run in collaboration with Forestwise — a collaborative laboratory for integrated forest and fire management – that aims to implement strategies that provide improved protection, forecasting and warning of the impact of rural fires, whether in forestry assets or infrastructure (see 4.4. Innovation and development). In 2002, several webinars were held with the aim of publicizing the results achieved as a result of the project's different activities, including one hosted by REN on risk management and the monitoring of forest fires.

University of Coimbra researches propagation of major fires with support from REN

REN supported the Centre for Forest Fire Studies (CEIF) at the University of Coimbra (UC) in the construction of a heat tunnel, designed to research the spread of large fires. This tunnel, innovative on an international level, is capable of generating an atmospheric boundary layer flow, with vertical temperature and speed gradients allowing the interaction between fire and the atmosphere to be studied and characterized under very different conditions. These phenomena can be found in some large fires, and this project will help better understand how they develop.

European Environmental Taxonomy

The EU's taxonomy of environmentally sustainable activities (Regulation 852/2020) is one of the most significant developments under this commitment in terms of sustainable financing.

Mitigating the impact of climate change is a challenge for companies and the financial sector in particular, so the continued transition to a low-carbon, resilient and resource-efficient economy is a core challenge that the EU seeks to address via Taxonomy. The goal is to direct investment flows towards activities considered sustainable, providing objective classification criteria and thus reducing the possibility of greenwashing.

With the approval of Regulation 852/2020 on 22 June 2020, companies now have to communicate their **level of alignment of their activities** with the six EU sustainability objectives[72].

Climate change mitigation

Climate change adaptation

The sustainable use and protection of water and marine resources

Pollution prevention and control

The transition to a circular economy

The protection and restoration of biodiversity and ecosystems

72 Currently, the first two objectives (climate) are governed through the Climate Delegated Act.

In our Annual Report of 2021, REN published the results of eligibility with respect to the Taxonomy Regulation. In 2022, a new assessment of the eligibility of economic activities was carried out and compliance with the criteria for alignment with the taxonomy was analysed[73], which include:

- analysis of substantial contribution to climate change mitigation;
- analysis of Do No Significant Harm (DNSH) criteria; and
- minimum safeguards.

Shown in the table below is a summary of the eligibility and alignment results.

During 2023, REN will continue to closely monitor regulatory developments in the European Environmental Taxonomy.

Summary of the eligibility and alignment results

FY 2022	Total (M€)	Eligible proportion (aligned) (%)	Eligible proportion (non-aligned) (%)	Non-eligible proportion (%)
Turnover	588.2	64	0	36
Capex	201.5	78	1	21
Opex	17.8	75	0	25

[73] The detailed analysis of the application of the technical alignment criteria is described in the Annex Recommendations of the TCFD as well as in the KPI tables and qualitative information required by the Delegated Act Article 8.

Proposed allocation of net income

5. Proposed allocation of net income

In accordance with the annual financial statements from REN – Redes Energéticas Nacionais, S.G.P.S, S.A (hereinafter 'REN'), in the financial year ended on 31 December 2022, the amount of 111,771,161.27 euros (one hundred and eleven million, seven hundred and seventy-one thousand, one hundred and sixty-one euros and twenty-seven cents) has been established as net income in the IFRS consolidated accounts, and the amount of 113,525,016.24 euros (one hundred and thirteen million, five hundred and twenty-five thousand, and sixteen euros and twenty-four cents) has been established in the individuals accounts, in accordance with the National Accounting System rules (SNC).

In light of the above, in accordance with Article 28 of the REN S.G.P.S., S.A. Articles of Association and Articles 31 to 33, Article 66(5)(f), Articles 294 and 295 and Article 376(1)(b) and (2), all of the Commercial Company Code, the Board of Directors hereby proposes that the net profit for the financial year of 2022, as seen in the individual financial statements in accordance with the SNC, amounting to 113,525,016.24 euros (one hundred and thirteen million, five hundred and twenty-five thousand, and sixteen euros and twenty-four cents), be transferred as follows:

- For Legal Reserves: 5,676,250.81 euros (five million, six hundred and seventy-six thousand, two hundred and fifty euros and eighty-one cents); and

- For Retained Earnings: 107,848,765.43 euros (one hundred and seven million, eight hundred and forty-eight thousand, seven hundred and sixty-five euros and forty-three cents).

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

- As dividends to shareholders from available accumulated reserves 102,747,454.35 euros (one hundred and two million, seven hundred and forty-seven thousand, four hundred and fifty-four euros and thirty-five cents), corresponding to a distribution of 91.9% of REN, S.G.P.S., S.A. consolidated profit for the financial year of 2022, standing at 111,771,161.27 euros (one hundred and eleven million, seven hundred and seventy-one thousand, one hundred and sixty-one euros and twenty-seven cents), equivalent to a gross dividend per share of 0.154 euros. Given that REN made an early distribution of dividends, as an advance on profits, of 42,700,240.77 euros (forty-two million, seven hundred thousand, two hundred and forty euros and seventy-seven cents), corresponding to 0.064 euros per share, as approved by the Board of Directors on 30 November 2022, the remaining 60,047,213.58 euros (sixty million, forty seven thousand, two hundred and thirteen euros and fifty-eight cents) will now be distributed, equivalent to a gross dividend per share of 0.09 euros; and

- For distribution to the employees of REN and its subsidiaries: 3,800,000 euros (three million, eight hundred thousand euros). Due to the accounting rules in force, this amount is already reflected in the net profit for the financial year ended on 31 December 2022 of REN, S.G.P.S., S.A., (300,000 euros (three hundred thousand euros)) and its subsidiaries (3,500,000 euros (three million five hundred thousand euros)).

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Consolidated financial statements

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1. Consolidated financial statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros) (Translation of statements of financial position originally issued in Portuguese – Note 38)

		31 December	
Asset	Notes	2022	2021
Non-current assets			
Property, plant and equipment	8	127,816	119,551
Intangible assets	8	4,077,471	4,123,069
Goodwill	9	4,515	4,757
Investments in associates and joint ventures	10	180,770	169,283
Investments in equity instruments at fair value through other comprehensive income	12 and 13	145,715	162,724
Derivative financial instruments	12 and 16	80,564	19,347
Other financial assets	12	179	137
Trade and other receivables	12 and 14	55,666	37,026
Deferred tax assets	11	69,803	96,673
		4,742,499	**4,732,567**
Current assets			
Inventories	15	5,134	8,545
Trade and other receivables	12 and 14	327,764	448,171
Current income tax recoverable	11 and 12	10,671	–
Derivative financial instruments	12 and 16	236	474
Asset related to the transitional gas price stabilization regime – Decree-Law 84-D/2022	36	1,000,000	–
Cash and cash equivalents	12 and 17	365,292	398,759
		1,709,097	**855,949**
Total assets	7	**6,451,596**	**5,588,516**
Equity			
Shareholders' equity			
Share capital	18	667,191	667,191
Own shares	18	(10,728)	(10,728)
Share premium	18	116,809	116,809
Reserves	19	396,065	311,988
Retained earnings		241,987	232,978
Other changes in equity	18	(5,561)	(5,561)
Net profit for the period		111,771	97,153
Total equity		**1,517,534**	**1,409,830**
Liabilities			
Non-current liabilities			
Borrowings	12 and 20	1,695,362	2,390,852
Liability for retirement benefits and others	21	64,939	94,109
Derivative financial instruments	12 and 16	73,464	23,112
Provisions	22	10,576	8,872
Trade and other payables	12 and 23	450,297	507,606
Deferred tax liabilities	11	115,064	107,569
		2,409,702	**3,132,120**
Current liabilities			
Borrowings	12 and 20	638,944	375,221
Trade and other payables	12 and 23	885,416	644,701
Income tax payable	11 and 12	–	26,644
Liability related to the transitional gas price stabilization regime – Decree-Law 84-D/2022	36	1,000,000	–
		2,524,360	**1,046,566**
Total liabilities	7	**4,934,062**	**4,178,686**
Total equity and liabilities		**6,451,596**	**5,588,516**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2022.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros) (Translation of statements of financial position originally issued in Portuguese - Note 38)

		Year ended	
	Notes	31.12.2022	31.12.2021
Sales	7 and 24	96	734
Services rendered	7 and 24	588,130	565,103
Revenue from construction of concession assets	7 and 25	197,420	237,696
Gains/ (losses) from associates and joint ventures	10	11,812	6,431
Other operating income	26	27,225	28,389
Operating income		**824,683**	**838,353**
Cost of goods sold	15	(901)	(1,212)
Costs with construction of concession assets	25	(175,095)	(215,253)
External supplies and services	27	(82,516)	(84,695)
Personnel costs	28	(58,519)	(56,108)
Depreciation and amortizations	8	(249,276)	(241,940)
Provisions	22	(2,230)	(365)
Impairments	8, 9 and 14	(1,437)	(1,313)
Other expenses	29	(14,988)	(18,604)
Operating costs		**(584,962)**	**(619,490)**
Operating results		**239,721**	**218,863**
Financial costs	30	(67,394)	(54,356)
Financial income	30	11,911	3,272
Investment income - dividends	13	9,815	8,496
Financial results		**(45,668)**	**(42,588)**
Profit before income tax and ESEC		**194,053**	**176,275**
Income tax expense	11	(54,263)	(52,081)
Energy sector extraordinary contribution (ESEC)	35	(28,019)	(27,041)
Consolidated profit for the period		**111,771**	**97,153**
Attributable to			
Equity holders of the Company		111,771	97,153
Non-controlled interest		-	-
Consolidated profit for the period		**111,771**	**97,153**
Earnings per share (expressed in euro per share)	31	0,17	0,15

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros) (Translation of statements of financial position originally issued in Portuguese - Note 38)

		Year ended	
	Notes	31.12.2022	31.12.2021
Consolidated Profit for the period		**111,771**	**97,153**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/ (losses) - gross of tax	21	27,254	2,436
Tax effect on actuarial gains/ (losses)	11	(8,175)	(731)
Other changes in equity		-	184
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		20,090	(5,917)
Increase/ (decrease) in hedging reserves - cash flow derivatives	16	92,660	18,097
Tax effect on hedging reserves	11 and 16	(21,016)	(4,678)
Gain/ (loss) in fair value reserve - Investments in equity instruments at fair value through other comprehensive income	13	(17,009)	11,860
Tax effect on items recorded directly in equity	11 and 13	4,368	(3,007)
Other changes in equity	10	(89)	159
Comprehensive income for the period		**209,853**	**115,556**
Attributable to			
Equity holders of the company		209,853	115,556
Non-controlled interest		-	-
		209,853	**115,556**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros) (Translation of statements of financial position originally issued in Portuguese – Note 38)

Attributable to shareholders

Changes in the year	Notes	Share capital	Own shares	Share premium	Legal Reserve	Fair Value reserve (Note 13)	Hedging reserve (Note 16)	Other reserves	Other changes in equity	Retained earnings	Profit for the year	**Total**
At 1 January 2021		**667,191**	**(10,728)**	**116,809**	**125,075**	**48,905**	**(25,545)**	**141,452**	**(5,561)**	**240,853**	**109,249**	**1,407,700**
Net profit of the period and other comprehensive income		–	–	–	–	8,853	13,419	(5,758)	–	1,889	97,153	**115,556**
Transfer to other reserves		–	–	–	5,587	–	–	–	–	103,662	(109,249)	–
Distribution of dividends	32	–	–	–	–	–	–	–	–	(113,426)	–	(113,426)
At 31 December 2021		**667,191**	**(10,728)**	**116,809**	**130,662**	**57,758**	**(12,126)**	**135,694**	**(5,561)**	**232,978**	**97,153**	**1,409,830**
At 1 January 2022		**667,191**	**(10,728)**	**116,809**	**130,662**	**57,758**	**(12,126)**	**135,694**	**(5,561)**	**232,978**	**97,153**	**1,409,830**
Net profit of the period and other comprehensive income		–	–	–	–	(12,641)	71,644	20,035	–	19,046	111,771	**209,853**
Transfer to other reserves		–	–	–	5,040	–	–	–	–	92,113	(97,153)	–
Distribution of dividends	32	–	–	–	–	–	–	–	–	(102,150)	–	**(102,150)**
At 31 December 2022		**667,191**	**(10,728)**	**116,809**	**135,702**	**45,117**	**59,518**	**155,729**	**(5,561)**	**241,987**	**111,771**	**1,517,534**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros) (Translation of statements of financial position originally issued in Portuguese - Note 38)

	Notes	Year ended 31.12.2022		31.12.2021	
Cash flow from operating activities					
Cash receipts from customers		3,214,161	a)	2,784,889	a)
Cash paid to suppliers		(2,394,772)	a)	(1,873,431)	a)
Cash paid to employees		(76,220)		(75,741)	
Income tax received/ paid		(77,970)		(74,253)	
Other receipts/ (payments) relating to operating activities		(51,733)		(61,427)	
Net cash flows from operating activities (1)		**613,466**		**700,037**	
Cash flow from investing activities					
Receipts related to					
Investments in associates	10	391		199	
Investment grants		83,890		28,533	
Dividends	10 and 13	21,551		13,218	
Payments related to:					
Equity instruments through other comprehensive income	13	-		(15)	
Property, plant and equipment		(6,266)		(4,840)	
Intangible assets		(201,572)		(196,762)	
Net cash flow used in investing activities (2)		**(102,006)**		**(159,667)**	
Cash flow from financing activities					
Receipts related to:					
Borrowings	20	1,165,000		2,035,000	
Payments related to					
Borrowings	20	(1,523,313)		(2,081,311)	
Interests and other similar expense		(40,545)		(39,725)	
Leasings	20	(2,157)		(2,065)	
Interests of Leasings		**(26)**		**(29)**	
Dividends	32	(144,602)		(113,426)	
Net cash from/ (used in) financing activities (3)		**(545,643)**		**(201,556)**	
Net (decrease)/ increase in cash and cash equivalents (1)+(2)+(3)		(34,183)		338,814	
Effect of exchange rates		716		(1,224)	
Cash and cash equivalents at the beginning of the year	17	398,759		61,169	
Cash and cash equivalents at the end of the period	17	**365,292**		**398,759**	
Detail of cash and cash equivalents					
Cash	17	1		-	
Bank overdrafts	17	-		-	
Bank deposits	17	365,291		398,759	
The transitional gas price stabilization regime - Decree-Law 84-D/2022	17	-		-	
		365,292		**398,759**	

a) These amounts include payments and receipts relating to activities in which the Group acts as agent, income and costs being reversed in the consolidated statement of profit and loss.

The accompanying notes form an integral part of the consolidated statement of cash flow for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

2. Notes to the consolidated financial statements as of 31 December 2022

(Translation of notes originally issued in Portuguese – Note 38)

1. General information

REN — Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Company" together with its subsidiaries, referred to as "the Group" or "the REN Group"), with head office in Avenida Estados Unidos da América, 55 — Lisbon, Portugal, resulted from the spin-off of the EDP Group, in accordance with Decree-Laws 7/91 of 8 January and 131/94 of 19 May, approved by the Shareholders' General Meeting held on 18 August 1994, with the objective of ensuring the overall management of the Public Electric Supply System (PES).

Up to 26 September 2006 the REN Group's operations were concentrated on the electricity business through REN — Rede Eléctrica Nacional, S.A. On 26 September 2006, as a result of the unbundling transaction of the gas business, the Group went through a significant change with the purchase of assets and financial participations relating to the transport, storage and re-gasification of gas activities, comprising a new business.

In the beginning of 2007, the Company was transformed into a holding company and, after the transfer of the electricity business to a new company incorporated on 26 September 2006, renamed REN — Serviços de Rede, S.A., changed its name to REN — Rede Eléctrica Nacional, S.A.

The Group presently has two main business segments, Electricity and Gas, and a secondary business of Telecommunications.

The Electricity business includes the following companies:

a) REN — Rede Eléctrica Nacional, S.A., incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007 which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements ("PPA") from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual — CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., with the main activity being management of the concession to operate a pilot area for the production of electric energy from sea waves; and

d) Empresa de Transmisión Eléctrica Transemel, S.A. ("Transemel"), was incorporated on 1 October 2019, following the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate purpose of promoting, developing and carrying out projects and developments in the gas sector, as well as defining the overall strategy and coordination of the companies in which it has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression);

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL — Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company comprise the supply, reception, storage and re-gasification of liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures; and

e) REN Portgás Distribuição, S.A. ("REN Portgás"), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in e) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM — Comunicações, S.A. ("RENTELECOM") whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

Additionally, on 24 May 2013, together with China Electric Power Research Institute, a State Grid Group company, Centro de Investigação em Energia REN — State Grid, S.A. ("Centro de Investigação") was incorporated under a Joint Venture Agreement on which REN holds 1,500,000 shares representing 50% of the total share capital.

The purpose of this company is to implement a Research and Development centre in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

On 14 December 2016, Aério Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations.

In addition, on November 21, 2018, REN PRO, S.A. was incorporated, a company fully owned by REN, headquartered in Lisbon, whose purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and IT consulting.

On 17 July 2019, Apolo Chile SPA was incorporated, a company fully owned by REN Serviços, S.A., headquartered in Santiago, Chile, whose purpose is to realize investments in assets, shares and rights of companies and associations of entities essentially related to the electric transmission sector.

As of 31 December 2022, REN also holds:

a) 42.5% interest in the share capital of Electrogas, S.A., a provider of gas and other fuels transportation. The participation was acquired on 7 February 2017;

b) 40% interest in the share capital of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), being its purpose the management of participations in other companies as an indirect way of exercising economic activities;

c) 10% interest in the share capital of OMEL – Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;

d) 1% interest in the share capital of Red Eléctrica Corporación, S.A. ("REE"), entity in charge of the electricity network management in Spain;

e) 7.9% interest in the share capital of Coreso, S.A. ("Coreso"), entity that assists the European transmission system operators ("TSO"), in coordination and safety activities to ensure the reliability of Europe's electricity supply;

f) Participations in the share capital of: (i) Hidroeléctrica de Cahora Bassa, S.A. ("HCB"), participation of 7.5%; (ii) MIBGÁS, S.A., participation of 6.67%; and (iii) MIBGÁS Derivatives, S.A., participation of 9.7%.

2. Information on the concession contracts awarded to REN

2.1. Electricity concession contract

The concession for the National Transmission Network operator ("NTN") was granted to REN – Rede Eléctrica Nacional, S.A. in accordance with Decree-Law 182/95 of 27 July 1995 (art. 64) to manage the PES system, using the National Transmission Network as well as development of the necessary infrastructures.

The objective of this concession contract consists of the following activities:

i) Purchase and sale of electricity
In this activity REN, S.A. operated up to 30 June 2007 as an agent between electricity producers and distributors. The electricity was acquired based on purchase and sale contracts entered into with producers and sold in accordance with tariffs defined by the regulator, ERSE (Entidade Reguladora de Serviços Energéticos). REN was agent in the sale of the available excess production.

As from 1 July 2007, in accordance with Decree-Law 15/2022 of 14 January, upon termination of the majority of power purchase agreements ("PPA"), REN has managed the two remaining PPA`s not terminated, with Tejo Energia (Pego power plant) and Turbogás (Tapada do Outeiro CCGT power plant), through REN Trading, selling the energy of these producers into the market. The PPA of Tejo Energia has ended as of 30 November 2021.

ii) Electricity transmission
This activity, the object being to transmission of electricity through the National Transmission Network to distributors in HT (high tension) and MT (medium tension), to consumers connected to the National Transmission Network and VHT networks (very high tension), networks to which REN is connected. This activity also includes the planning and development of the National Transmission Network, the construction of new infrastructures and the operation and maintenance of the National Transmission Network.

iii) Global Management of the System
The objective of this activity is global management of the electricity system, REN being responsible for the technical management through systematic coordination, of the National Transmission System installations, in order to ensure its integrated functionality and harmonization and continuity and security of the electricity delivery.

REN can carry out other activities directly, or through subsidiary companies, when authorized by the Government, if this is in the best interests of the concession or its clients.

The concession of the electric transmission activity which includes the global management of the system is performed in an exclusive concession regime through the exploration of the National Transmission Network. The concession was granted for a period of 50 years as from 15 June 2007.

The model of the concession contract ensures the contractual equilibrium, in the conditions of an efficient management, through the recognition of investment costs, operation and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to the operator.

Assets considered concession assets are the very high tension lines, connections and locations of the system manager, which includes:

- the lines, substations, sectioning points and related installations;
- the installations related to the central dispatch and overall management of SEP, including all the equipment essential for its operations;
- the installation of electro producing centres owned by REN; and
- the telecommunications, telemetry and remote control installations relating to the transmission and coordination of the electricity producer system.

In addition, the following are also considered as concession assets:

- the real estate belonging to REN on which the assets referred to above are installed, as well as the related land rights;
- other moveable or immovable assets necessary for the operation of the activities under concession; and
- the legal relationships directly related with the concession, such as labour, works, lease, the rendering of services, the reception and delivery of electricity, as well as the rights to use hydric resources and transport through networks located outside the concession area.

REN has an obligation to, during the concession period, maintain the assets and related means a good operating performance, maintenance and security of the assets and related means, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical conditions.

REN has the right to explore the concession's assets up to termination of the concession. The assets can only be used for the purposes of the concession. On the maturity date of the concession, concession assets will revert to the State in accordance with the terms of the contract, which include the receipt of an indemnity corresponding to the net book value of the concession assets.

The concession can be terminated by agreement between the parties, by early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the concession assets.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: non-compliance with the principles of the concession; opposition to supervision and disobedience of the decisions of the conceding entity; refusal to carry out the repairs and maintenance of the concession's assets, as well as their development; application of higher tariffs than those defined by the regulator; and the unauthorized transmission or sub-concession of the transmission concession.

The conceding entity can cancel the concession whenever motives of public interest justify this, 10 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert as well as to possible profit losses.

If, upon termination of the concession, it is not renewed or the new form or entity responsible for the concession has not been decided, this concession contract can be extended for the maximum period of one year, as a lease contract, rendering of services or any other contractual legal form.

2.2. Gas Transport and Global Management of the System

The concession for the use of the National Gas Transport Network was granted to REN – Gasodutos, S.A., for a period of 40 years, under the legal regime applicable to the organization, operation of the National Gas System and the activities of reception, storage and regasification of liquefied gas, underground gas storage, transport and gas distribution approved by Decree-Law 62/2020 of 28 August 2020, which replaced the Decree-Law 140/2006 of 26 July 2006 and the Decree-Law 30/2006 of 15 February 2006.

The purpose of the REN Gasodutos, S.A. concession is to manage the National Gas System, operate the high pressure gas transport network and develop the necessary infrastructure, under the public service provision regime, it also became part of the management activity of the interconnection of installations for the production of gases of renewable origin, as well as the design and construction of the monitoring and control facilities.

The concession contract of REN Gasodutos, S.A. consists in the following activities:

i) Global management of the gas system
The objective of this activity is to manage the National Gas Supply System (Sistema Nacional de Abastecimento de Gás – SNGN) through coordination of the national and international connections to the National Gas Transport Network, planning and preparation of the expansion necessary of the high pressure gas transport network, and control of the gas safety reserves. The operators which perform any activity integrated in the SNG, as well as the users are subject to this activity.

ii) Gas Transport
The concession of this activity has the objective to ensure gas transport through the infrastructures that make up the high pressure national network, as well as the construction, maintenance, operation and exploration of all the infrastructures of the National Gas Transport Network and the connections to the network and infrastructures that might be connected, as well, of the installations necessary for its operations.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the assets, to be reflected in the tariffs applicable to the operator.

The concession assets considered include:

- the high pressure gas pipelines used to transport gas, and related pipes and equipment's;
- the infrastructures related to the compression, transport and gas pressure reduction for delivery to medium pressure gas pipelines;
- equipment related to the overall technical management of the National Gas Supply System;
- telecommunications, telemetry and remote control infrastructures used to manage the reception, transport and delivery networks, including telemetry equipment's on the users installations; and

- set of infrastructures from the production facilities of renewable source gases to the injection point, including all the control, monitoring and measurement equipment essential to the operation of the system.

In addition, the concession assets also include:

- the real estate assets owned by REN Gasodutos, S.A., on which the above mentioned equipment is installed, as well as the related land way rights;
- other assets necessary for carrying out the activities of the concession;
- any intellectual or industrial rights owned by REN Gasodutos, S.A.; and
- all the legal relationships related to the concession, such as labour contracts, subcontracts, leasing and external services.

REN Gasodutos, S.A. must, during the concession period, maintain the assets and related means in good operational performance, maintenance and security, carrying out all the repairs, renewals and adaptations necessary to maintain the assets in the required technical condition.

REN Gasodutos, S.A. is entitled to operate the concession's assets until the concession maturity. The assets can only be used for the purposes of the concession. On the concession date termination, the concession assets will revert to the State in accordance with the terms of the contract, which include an indemnity corresponding to the net book value of the concession.

The concession can be terminated by agreement between the parties, early termination, by redemption and by maturity date term. Termination of the concession involves transmission to the State of the assets related to the concession.

The concession contract can be terminated by the conceding entity if any of the following situations with a significant impact on the operations of the concession occurs: imminent failure or interruption of the activity; deficiencies in the management and operation of the concession operations; or deficiencies in the maintenance and repair of the infrastructures that compromise the quality of the services, application of higher tariffs than those authorised by the regulator, and the unauthorized transmission of the concession.

The conceding entity can cancel the concession whenever for public interest reasons, 15 years having elapsed since the date of the beginning of its term. By cancelling the concession, the operator has the right to an indemnity in accordance with the net book value of the assets as of the date they revert as well as to possible loss of future profits.

2.3. Reception, Storage and Regasification of Liquid Natural Gas (LNG)

The concession of the LNG reception, storage and regasification activity, in a LNG terminal, was attributed to REN Atlântico, Terminal de GNL, S.A. for a period of 40 years, under the legal regime applicable to the organization, operation of the national gas system and the activities of reception, storage and regasification of liquefied natural gas, underground gas storage, transport and gas distribution approved by Decree-Law 62/2020 of 28 August 2020, which replaced the Decree-Law 140/2006 of 26 July 2006 and the Decree-Law 30/2006 of 15 February 2006.

The object of the concession contract of REN Atlântico, Terminal de GNL, S.A. comprises the following activities, under the public service provision regime:

(i) reception, storage, treatment and regasification of liquid natural gas unloaded;

(ii) the injection of high pressure gas into the National Gas Transport Network (Rede Nacional de Transporte de Gãs – RNTG);

(iii) dispatch of gas by specialised trucks; and

(iv) the construction, utilization, maintenance and expansion of the LNG Terminal infrastructures.

The model of the concession contract ensures contractual equilibrium in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered are as follows:

- the LNG terminal and related infrastructures installed in the port of Sines;
- the infrastructures related to liquefied natural gas reception, storage, treatment and regasification, including all the equipment necessary to control, regulate and measure all the infrastructures and LNG terminal operations;
- the infrastructures used to inject natural gas into the National Natural Gas Transport Network or the loading and dispatch of LNG through trucks or methane vessels; and

- the infrastructures related to telecommunications, telemetry and remote control, used to manage all the infrastructures and the LNG terminal.

In addition, the following are also considered as concession assets:

- the real estate owned by REN Atlântico Terminal de GNL, SA, where the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico Terminal de GNL, S.A.; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico Terminal de GNL, S.A. must, during the concession period maintain the assets in good operating condition, ensure the maintenance and security of the assets and related means, carrying out the necessary repairs, renewals and adaptations needed to keep the assets in the required technical conditions.

REN Atlântico Terminal de GNL, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets and related means to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, eminent failure or interruption of the concession operations; deficiencies in the management and of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can cancel the concession, whenever the public interest justifies, but only after a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible future profit losses.

2.4. Natural underground gas storage

The concession of underground storage activity was attributed to REN Armazenagem, S.A. for a period of 40 years, under the legal regime applicable to the organization, operation of the national gas system and to the reception, storage and regasification activities of liquefied natural gas, underground gas storage, transport and gas distribution approved by Decree-Law 62/2020 of 28 August 2020, which replaced the Decree-Law 140/2006 of 26 July 2006 and the Decree-Law 30/2006 of 15 February 2006.

The object of the concession contract of REN Armazenagem, S.A. comprises the following activities, under the public service provision regime:

- reception, injection, underground storage, extraction, treatment and delivery of natural gas, so as to create or maintain a natural gas security reserve or for delivery to the National Natural Gas Transport Network; and
- construction, utilization, maintenance and expansion of the underground storage tanks.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- the underground natural gas tanks acquired or constructed during the period of the concession contract;

- the infrastructures used for gas injection, extraction, compression, drying, and pressure reduction used for distribution to the National Natural Gas Transport Network, including the equipment necessary to control, regulate and measure the remaining infrastructures;
- infrastructures and equipment for leaching operations; and
- the infrastructures necessary for telecommunications, telemetry and remote control, used to manage all the infrastructures and underground caves.

In addition, the following are also considered as concession assets:

- the property owned by REN – Armazenagem, S.A., in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- construction rights or increase in the underground caves;
- the cushion gas relating to each underground cave;
- any intellectual or industrial rights owned by REN Armazenagem, S.A.; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Armazenagem, S.A. must, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN – Armazenagem, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

2.5. Distribution of Natural Gas

The concession of the natural gas distribution activity in low and medium pressure, in the concession area defined in the concession contract, was attributed to REN Portgás for a period of 40 years, beginning in 2008.

Under Decree-Law 62/2020, of 28 August 2020, which replaced the Decree-Law 140/2006 of 26 July 2006 and the Decree-Law 30/2006 of 15 February 2006, to carry out the following activities, under a rendering of public service regime:

- reception, transportation and delivery of natural gas through the medium and low pressure network;
- construction, maintenance, operation and exploration of all the infrastructures that integrate the RNDGN, in the area corresponding to the present concession, and of the installations necessary to the operation;

- promotion of the construction, conversion or adequacy and eventual reimbursement of facilities for the use of natural gas owned by final customers, in order to guarantee the supply of natural gas;
- planning, development, expansion and technical management of the RNDGN, in the concession area; and
- management of RNDGN interconnection with RNTGN.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- natural gas distribution pipelines, and equipment necessary for the development of the natural gas distribution activity;
- infrastructures used in the operation of delivery of natural gas to final customers, as well as all the control, regulation and measurement equipment necessary to ensure the proper functioning of the natural gas distribution system; and
- telecommunications and infrastructures and equipment, telemetry and remote control, used in the management of all infrastructures and in the delivery of natural gas to consumers.

In addition, the following are also considered as concession assets:

- the property owned by REN Portgás, in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- any intellectual or industrial rights owned by REN Portgás;
- any funds or reserves assigned to guarantee the fulfillment of the obligations of REN Portgás;
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services; and
- intangible assets acquired by Portgás, related with the processes for connecting final consumers to the natural gas distribution network.

REN Portgás has an obligation to, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN Portgás has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity if any of the following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

2.6. Operation of a pilot site for the energy of ocean waves

The Portuguese State has granted a concession to Enondas, Energia das Ondas, S.A. ("Enondas" or "the Operator"), a wholly owned subsidiary of REN, under the terms of item 3, article 5 of Decree-Laws 5/2008 of 8 January and 238/2008 of 15 December, to operate a pilot area to produce electricity from ocean waves.

In accordance with Decree-Law 238/2008 of 15 December the concession has a period of 45 years and includes authorization to install the infrastructures to connect to the public electricity network and utilization of the public hydro resources, and monitoring of the use by third parties of the water resources necessary to produce electricity from waves, as well as competency to grant licences for the establishment and operation of the production of electric energy and related monitoring.

In accordance with the concession contract and applicable legislation, REN will have the right to an adequate remuneration from the concession through recognition of the costs of the investment, operation and maintenance, provided that they are approved in advance by the Government member responsible for the energy area, after the binding opinion of ERSE.

Amendments to concession contracts

On February 21, 2012, the following amendments to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National Network of Transport of Electricity signed with REN — Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; and iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A.

These concession contracts were amended with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. No. 77/2011 and n. No. 78/2011, both of 20 June.

On April 23, 2018, a second amendment to the concession contract was signed between the Portuguese State and REN - Rede Eléctrica Nacional, S.A., through which the Portuguese State determined REN, as a concessionaire, in particular, the execution of the installation work of an underwater cable off Viana do Castelo to the Public Service Electricity Network on land, including the development of studies and projects that prove necessary, the operation, maintenance and exploration of the cable, as well as the execution of interconnection work both at sea and on land.

3. Main accounting policies

The main accounting policies used by the Group in the preparation of the consolidated financial statements are described below. The policies have been applied consistently in the periods presented.

3.1. Basis of presentation

The consolidated financial statements were prepared on a going concern basis, as from the books and accounting records of the companies included in the consolidation (Note 6), maintained in accordance with generally accepted accounting principles in Portugal, adjusted in the consolidation process so that the consolidated financial statements be in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IAS/ IFRS"), in force for the years starting on 1 January 2022.

The Board of Directors evaluated the Group's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. Particularly, as of 31 December 2022, current liabilities in the amount of 2,524,360 thousand Euros are greater than current assets, which total 1,709,097 thousand Euros.

However, in addition to the consolidated results and cash flows estimated for 2023, the Group has, as of 31 December 2022, credit lines in the form of commercial paper available for use in the amount of 1,875,000 thousands Euros (Note 20). In addition, the Group has, with reference to 31 December 2022, two Revolving Credit Facility with SMBC EU AG and Mediobanca in the amount of 150,000 thousand Euros,and 50,000 thousand Euros respectively, two loan lines with the Industrial Commercial Bank of China and Bank of China Limited, available for use in the amount of 85,000 thousand Euros and 240,000 thousand Euros, respectively, credit line with EIB (European Investment Bank) in the amount of 300,000 thousand Euros and also has 80,000 thousand Euros in credit lines contracted and not used (Note 20).

In result of this assessment, the Board concludes that the Group has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the financial statements.

Such standards includes the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), issued by the International Accounting Standards Committee ("IASC") and respective IFRIC and SIC interpretations, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standard Interpretation Committee ("SIC"), that have been adopted by the European Union. The standards and interpretations are hereinafter referred generically to as IFRS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, assumptions and judgements in the process of adopting REN's accounting policies, with a significant impact on the carrying amounts of assets, liabilities as well as expenses and income for the reporting period.

Although the estimates are based in the best experience of the Board of Directors and their best expectations in relation to current and future events and actions, the current and future results may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas in which the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

As a result of the large-scale military invasion by Russia against Ukraine, on 24 February 2022, there was a general worsening of the climate of global uncertainty with negative effects on the prospects for the evolution of the world economy and financial markets.

The REN Group is actively monitoring this situation, has activated all the necessary plans and, despite the situation being unpredictable, at this moment there are no, nor are estimated, significant effects on its operation and regulatory duties.

REN Group essentially operates in two business areas, Electricity and Gas, in accordance with concession contracts assigned to the Group and which are regulated, which to a certain extent minimizes the possible impacts of the invasion of Ukraine from Russia.

REN is an active agent in energy transition and environmental protection, developing electricity and gas infrastructure with the aim of ensuring the gradual decarbonization of both sectors. Under our sustainability strategy, REN establishes environmental protection, conservation and restoration as one of its strategic priorities, acting in accordance with the best practices in terms of our contribution as an environmentally responsible company.

In addition to promoting and restoring biodiversity and ecosystems, REN Group also actively seeks to monitor and minimize the environmental impacts of activities through the rational use of natural resources and helping prevent rural fires. Equally important, REN actively seeks to contribute to the promotion of environmental education and awareness among the public, support for increased integration of renewable energy sources (RES) in the gas and electricity systems through the construction and adaptation of infrastructure, and the promotion of projects and initiatives that are in line with sustainability objectives and the decarbonization of REN's assets.

On 15 December 2021, ERSE published the document "Tariffs and prices for electricity and other services in 2022 and parameters for the regulation period 2022-2025" in force in Portugal. In accordance with this new Tariff Regulation applicable to REN Eléctrica's Electricity Transmission Activity, the REN Group determines, on each reporting date and in accordance with the criteria defined by ERSE, the tariff deviations between the permitted revenues published by ERSE, recalculated based on the actual values of the cost drivers, and the invoiced income.

The total amount of revenue recognized in the income statement will correspond to the annual value defined by ERSE for the 2022-2025 period, updated according to the application of the actual values of the inducers and the annual efficiency factor.

In accordance with the tariff regulation, since 2022 a mechanism for sharing gains and losses between companies and consumers has been applied to this activity. This sharing of gains or losses is only calculated one year after the end of the regulatory period to which it applies. In this way, contingent assets or liabilities can be identified in cases where it is possible to assess with some degree of certainty about the future materialization of these gains or losses, regardless of the moment of their final determination only in the future

There were no significant changes in the long-term expectation of recovery of the Group's investments and financial holdings.

The consolidated financial statements are presented in thousands of Euros - tEuros.

The accounting policies adopted in these consolidated financial statements are consistent, in all material respects, with the policies used in the preparation of the consolidated financial statements for the year ended 31 December 2021, as described in the notes to the consolidated financial statements of 2021, except regarding the adoption of new effective rules for periods beginning on or after 1 January 2022.

The Group has not previously adopted any standard, interpretation or amendment that is not yet in force.

These consolidated financial statements were approved by the Board of Directors at a meeting held on 23 March 2023, being subsequently subject to approval at the General Meeting. The Board of Directors understands that the consolidated financial statements fairly present the financial position of the companies included in the consolidation, the consolidated results of their operations, their consolidated comprehensive income, the consolidated changes in their equity and their consolidated cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS").

Adoption of new standards, interpretations, amendments and revisions

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in effective for annual periods beginning on or after 1 January 2022:

- **Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020**

These amendments clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. Amendments to IFRS 3 update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37 specify which costs a company includes when assessing whether a contract will be loss-making. Annual Improvements make minor amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and the illustrative examples accompanying IFRS 16 - Leases. The adoption of this standard does not result in significant impacts on REN's consolidated financial statements.

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in future economic exercises:

- **IFRS 17 — Insurance Contracts: Initial Application of IFRS 17 (new standard to be applied for periods beginning on or after 1 January 2023)**

IFRS 17 replaces IFRS 4 — "Insurance contracts", the standard that has been in force on an interim basis since 2004. IFRS 17 is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with participation characteristics discretionary. The amendments to IFRS 17 are intended to assist companies in implementing the Standard and to facilitate the explanation of their financial performance. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting policies (new standard to be applied for periods beginning on or after 1 January 2023)**

These amendments aim to change the requirements in IAS 1 with regard to disclosure of accounting policies. An entity discloses its material accounting policies, instead of its significant accounting policies, so there are examples and explanations to identify a material accounting policy. The materiality concept is demonstrated in IFRS Practice Statement 2 through the "four-step materiality process". The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 8 — Accounting policies, Changes in Accounting Estimates and Erros: Definition of Accounting Estimates (new standard to be applied for periods beginning on or after 1 January 2023)**

These amendments clarify the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change of this type used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IAS 12 – Deferred Tax Related To Assets And Liabilities Arising From A Single Transaction (new standard to be applied for periods beginning on or after 1 January 2023)**

These amendments included, essencially, certain transaction where the initial recognition exemption is not applied, namely when its initial recognition gave rise to equal amounts of taxable and deductible temporary differences. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **Amendments to IFRS 17 – Insurance Contracts: Initial Application of IFRS 17 and Amendments to IFRS 9 — Comparative Information (new standard to be applied for periods beginning on or after 1 January 2023)**

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

The Company did not use any early adoption option of any of the above standards in the consolidated financial statements for the year ended 31 December 2022.

Standards and interpretations, amended or revised, not endorsed by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future years, have not, until the date of preparation of these consolidated financial statements, been endorsed by the European Union:

Standard	Applicable for financial years beginning	Resume
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01-jan-24	These amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa.
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	01-jan-24	The proposed amendment specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction, after the date it takes place. The amendments establish that when the payments include variable lease payments there is a risk that a modification or change in the leaseback term could result in the seller-lessee recognising a gain on the right of use retained even though no transaction or event would have occurred to give rise to that gain.

These standards and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 31 December 2022 consolidated financial statements.

3.2. Consolidation bases

The consolidation methods used by the Group are as follows:

a) Investments in Group companies (subsidiaries)

Subsidiaries are all entities (including special purpose entities) over which REN has cumulatively the following elements of control: (i) the ability to manage the relevant activities (activities that significantly affect the investee's results); (ii) exposure or rights to variable results of the investee; and (iii) the ability to affect those results through the power REN holds, which is usually associated with the control, directly or indirectly, of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured at the fair value of the delivered assets, the capital instruments issued and the liabilities incurred, or assumed on the date of acquisition. Acquisition-related costs are recognized in profit or loss as incurred, except for the costs of issuing debt or equity instruments, which must be recognized in accordance with IAS 32 and IFRS 9.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of the existence of uncontrolled interests. The excess of the acquisition cost in relation to the fair value of the Group's portion of the identifiable assets and liabilities acquired is recorded as Goodwill, in cases where control acquisition is verified, which is detailed in Note 9.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the statement of income under "Other operating income".

The acquisition cost is subsequently adjusted when the acquisition/ attribution price is contingent upon the occurrence of specific events agreed with the seller/ shareholder (eg, realization of fair value of assets acquired).

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Any contingent payments to be transferred by the Group are recognized at fair value at the acquisition date. If the assumed obligation constitutes a financial liability, subsequent changes in fair value are recognized in profit or loss. If the assumed obligation constitutes an equity instrument, there is no change in the initially estimated amount.

The amounts of assets and liabilities acquired within the scope of a business combination may be reviewed over a period not exceeding one year after the date of acquisition on facts and circumstances that existed on the date of acquisition.

REN reassesses power over a subsidiary when there is evidence of changes in one or more control elements indicated above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption "Non-controlling interests".

The comprehensive income is attributable to the company's shareholders and to the non-controlling interests, even if that results in a negative balance of the non-controlling interests.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for consistency with Group accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 6.

b) Investments in associates and joint-ventures

Associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% to 50% of the share capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group's share of the investee's post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement.

Additionally, dividends received are recorded as a decrease on the carrying amount of the associate, and proportional portion in the equity changes is recorded as a variation in the Group's equity and as an increase or decrease of the associate.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and presented in a caption of Investments in associates and joint ventures. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as a gain in the period.

Valuations are made of investments in associates when there are facts that might indicate that the participation is impaired, being recorded an impairment losses in the income statement, if exists.

When the Group's proportion on the accumulated losses of an associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Group has assumed commitments to cover the losses of the associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Group only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with associates are eliminated proportionally to the Group`s interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

The interests in associates are detailed in Note 10.

Joint ventures

Investments in joint ventures are a joint agreement whereby the parties have rights to the net assets of the agreement, by a binding contractual agreement that should give the parties joint control. Conceptually, joint control is the sharing of the decisions of the relevant activities, on which it is required unanimous consent of the parties.

The recognition and measurement of joint ventures included in the consolidated financial statements is made using the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

The accounting policies of joint ventures are standardized, when necessary, to ensure that they are consistently applied in the consolidated financial statements.

Investments in joint ventures are detailed in Note 10.

Associates with no significant influence
Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20% of the share capital) are recorded at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

The investments in associates are classified as investments in equity instruments at fair value through other comprehensive income in accordance with IFRS 9, being presented as non-current assets when considered strategic to the Group.

Associates with no significant influence are presented in Note 13.

c) Goodwill

Differences between the cost of acquisition of investments in subsidiaries and the fair value of the identifiable assets and liabilities of these companies as of the date of the acquisition or during a period of 12 months after that date, if positive, are recorded as goodwill (in the case of subsidiaries). If this difference is negative, they are immediately recorded in the consolidated profit and loss statement.

Goodwill is not amortised, but is subject to impairment tests at least annually to verify the existence of impairment losses.

Goodwill impairment test is based on the recoverable amount of the cash generating unit, comparing the recoverable amount with the carrying amount. If the carrying amount exceeds the recoverable amount an impairment loss is recorded immediately in the consolidated financial statements, reducing the asset value and recording an impairment loss on the consolidated statement of profit and loss which is not reversible. The recoverable amount is determined based on the use value of the cash generating unit, being this value calculated by discounting the future cash flows, considering the business risks, the temporal value as well as market conditions.

If the initial accounting for a business combination can be determined only provisionally at the end of the reporting period in which the combination occurs (because the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquiree or the cost of the concentration can only be determined provisionally), the Group accounts for the business combination using the available information. Those provisional amounts are adjusted upon the final determination of the fair values of the assets and liabilities occurring up to a maximum period of twelve months after the acquisition date. During this period Goodwill or any recognized gain will be adjusted from the acquisition date by an amount equal to the fair value adjustment at the acquisition date of the identifiable assets, liabilities and contingent liabilities to be recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the concentration. This includes any depreciation, amortization or other gain or loss effect recognized as a result of completing the initial accounting.

3.3. Balances and transactions in foreign currency

Items included in the financial statements of each of the REN Group entities are recorded using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements including these notes are presented in thousands of Euros, unless otherwise indicated, the Group's functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency in the separate financial statements of the subsidiaries are translated into the functional currency of each subsidiary using the exchange rates prevailing on the date of the statement of financial position for each period. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are translated into the functional currency of each subsidiary using the exchange rate prevailing on the date the fair value was determined.

Foreign exchange gains and losses arising from the differences between the exchange rates prevailing on the date of the transactions and those in force at the date of collection, payments or at the date of the statement of financial position are recorded as income and/ or expenses in the consolidated income statement for the year under the same captions where the income and losses associated with these transactions are reflected, except for those relating to non-monetary amounts whose fair value changes are recorded directly in equity.

The separate financial statements of the associates of the Group are prepared in the functional currency of the entities. Exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate are booked against "Other Reserves".

The foreign currency exchange rates used for the translation of the foreign currency balances are as follows:

Currency	2022	2021
US Dollar (USD)	1.07	1.13
Pound sterling (GBP)	0.89	0.84
Japan Yen (Yen-JPY)	140.66	130.38
Chilean pesos (CLP)	908.16	968.98

3.4. Tangible and intangible assets

Tangible and intangible assets are valued at cost less accumulated amortization/ depreciation and accumulated impairment losses. Cost includes the cost of assets considered as of the transition date to IFRS and the acquisition or construction cost of assets acquired/ constructed after that date.

Acquisition or construction cost includes the purchase price of the asset and costs incurred directly to prepare the asset to start operating. Borrowing costs incurred during the construction phase are recognised as acquisition/ construction costs. Financial expenses incurred during the construction period with loans obtained are recorded as a component of the acquisition/ construction cost of the asset, being amortized over the useful life period of the correspondent asset.

Subsequent costs, including renewals and major overhauls, that extend the useful life of the assets is recognised as cost of the asset, after write off of the component replaced.

Current maintenance and repair costs are expensed in the year they are incurred.

Tangible and Intangible assets are depreciated on a straight line basis over the estimated period of useful life of the assets, from the moment they are available for use in the necessary conditions to operate in accordance with management objectives.

Whenever there are impairment indicators of fixed assets, impairment tests are made to estimate the recoverable amount of the asset and impairment losses, if any, are recorded. The recoverable amount is defined as the higher amount between the net sale price of an asset and its value in use. The value in use is calculated based on a discounted future cash flows resulting from continued use of the asset and its sale at the end of its useful life.

The useful life of the assets is reviewed at the end of each year so that the depreciation or amortization recorded is in accordance with the consumption standards of the assets. Changes in useful life are treated as changes in accounting estimates and are applied prospectively.

	Number of years
Property, plant and equipment	
Transmission and electronic equipment	5 to 55
Transport equipment	4 to 7
Office equipment	3 to 10
Property, plant and equipment in progress	5 to 60
Intangible assets	
Industrial property	3 to 50
Other intangible assets	4 to 35

Gains and losses on the sale of tangible and intangible assets are determined by the difference between the sale amount and the carrying amount of the asset, being recorded in the consolidated statement of profit and loss.

Concession/ Regulated Assets — IFRIC 12 — Service Concession Arrangements

The Group has: (i) five concessions for the operations and development of the National Transmission Network, for the global management of the national electric system, as well as utilization and development of the National Natural Gas Transport Network, of the Liquid Natural Gas terminal, the distribution of natural gas in low and medium pressure, the underground storage of natural gas and global management of the natural gas system and (ii) a concession to explore a pilot zone for the electricity production from ocean waves. The assets acquired/ constructed by REN under these concession contracts are referred to below as assets relating to the concession.

IFRIC 12 — Service Concession Arrangements was issued by the IASB in November 2006, for application in years starting on or after 1 January 2008. IFRIC 12 was endorsed by the European Union on 25 March 2009, being of mandatory application for years beginning on or after 1 January 2010.

IFRIC 12 applies to public service concession contracts in which the conceding entity controls/ regulates:

- the services to be rendered by the operator (through utilization of the infrastructure), to whom and at what price; and
- any residual interest over the infrastructure at the end of the contract.
- IFRIC 12 applies to infrastructures:
- constructed or acquired by the operator from third parties; and
- lready existing to which the operator is given access.

Therefore, considering the above the REN Group's concessions are covered by this IFRIC for the following reasons:

(i) the REN Group companies (REN — Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., S.A., REN Atlântico, Terminal de GNL, S.A., REN Portgás Distribuição, S.A. and Enondas, Energia das Ondas, S.A.) have a public service concession contract signed with the Portuguese State ("Conceding Entity") for a predefined period;

(ii) the companies render public transport services, reception and storage of gas and transmission of electricity through utilization of gas pipelines, branches and underground tanks, in the case of gas, and lines, stations and substations in the case of electricity;

(iii) the conceding entity controls the services rendered and the conditions under which they are rendered, through the regulator ERSE; and

(iv) ithe assets used to render the services revert to the conceding entity at the end of the concession contracts.

This interpretation establishes the general principles for the recognition and measurement of the rights and obligations under the concession contracts with the features mentioned earlier and define the following models:

(i) financial asset model — when the operator has the unconditional contractual right to receive cash or other financial asset from the conceding entity, corresponding to specific or determinable amounts, the operator must record a financial asset (receivable). In this model the conceding entity has few or no discretionary power to avoid the payment, as the agreement is usually legally binding;

(ii) intangible asset model — when the operator receives from the conceding entity the right to collect a tariff based on use of the structure, it must record an intangible asset; and

(iii) bifurcated/ mixed model — this model applies when the concession includes simultaneously commitments of guaranteed remuneration by the conceding entity and commitments of remuneration dependent on the level of utilization of the concession infrastructures.

Considering the nature of concession of the REN Group, as regards the legal nature of its concessions, REN decided that the best model for its business case is the intangible model due essentially to the risk of changes in the tariff regulation imposed by the regulator ERSE.

In this respect and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant as of 31 December 2022.

Attending to the above, concession assets (intangible assets) are valuated at its acquisition cost or production cost which include financial costs incurred during the construction period. The revaluations that were recorded in the concessions assets on the date of transition to IFRS are part of its cost.

For amortization purposes of the concession assets, REN Group follows IAS 38 — Intangible assets, that states in paragraph 98 that: "A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight line method, the declining balance method and the production units method. The method used is selected based on the expected consumption model of the future economic benefits incorporated in the asset and is applied consistently from period to period, unless there is a change in the expected consumption model of these future economic benefits". Therefore considering this, REN understands that the amortization method that best reflects the expected standard of consumption of future benefits of this asset is amortization based on the rate of amortization of the gas and electricity infrastructures approved by the regulator ERSE, as this is the basis of its annual income, that is the conceded assets are amortized based on the remuneration model underlying the Tariff Regulations.

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN's tariffs, the remuneration base is determined considering each concession asset, specifically, which implies the need to componentize the right. Consequently, in the case of REN's concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established.

Therefore the intangible asset is:

(i) increased as the various projects relating to the concession are concluded (increase in the concession rights), being recorded based on cost; and

(ii) decreased as the future economic benefits are consumed.

In accordance with IFRIC 12 construction of the infrastructure by the operator is a service that it provides to the conceding entity, distinct from the operation and maintenance service and, as such, will be remunerated by it. However, in applying IFRIC 12 the REN Group assumes that there is no margin in the construction but only in the operation business. Nevertheless, construction costs and income relating to construction are recorded in the consolidated statement of profit and loss for the year, considering the requirements of IFRIC 12 in the captions "revenue from construction of concession assets" and "costs with construction of concession assets".

The REN Group makes impairment tests of the assets relating to the concessions whenever events or circumstances indicate that book value exceeds its recoverable amount, being that difference, if any, recorded in the statement of profit and loss. The cash generating units defined for the purpose are directly associated with each concession contract, considering that the conceded assets relating to them belong to the same cash generating unit.

Lands relating to the electricity producing plants are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on its amortization, not being disassociated, as such from the other assets of the concession, being an integral part of a common cash generating unit.

Investment grants relating to assets are recognized in the statement of profit and loss at the same rate as amortization of the assets. IAS 20 in paragraphs 24 and 25 states that: "Government grants relating to assets, including non-monetary grants at fair value must be presented in the statement of financial position considering the grant as deferred income or deducting the grant to the cost of the asset".

Therefore given the existence of these two alternatives for the presentation of grants in the financial statements and IFRIC 12 not mentioning the treatment of investment grants received, REN maintained the grants recorded as liabilities.

Considering this, and as a result of applying IFRIC 12, the REN Group classifies assets relating to the concessions in accordance with the intangible asset model, being amortized on a straight line basis as from the date in which they become available for use in accordance with the expected consumption of future benefits model, which corresponds to the regulatory period defined by ERSE and considering that at the end of the concession the Group has the right to receive the net book value of the assets.

Intangible assets in progress reflect the concession's assets still under construction, being recorded at cost less any impairment losses, being amortized as from the time the investment projects are completed or available for use.

3.5. Leases

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use), under property, plant and equipment and intangible assets in the consolidated statement of financial position. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Group recognises lease liabilities, under Borrowings in the consolidated statement of financial position. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.6. Financial assets and Liabilities

Financial Assets

The Board of Directors determines the classification and measurement of investments in financial assets according to the business model, evaluated in the initial application data, used in its management and the characteristics of the contractual cash flows.

Investments in financial assets may be classified under the following categories:

a) Financial assets at amortised cost – The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

b) Financial assets at fair value through other comprehensive income (equity instruments) – The financial asset is held within a business model whose objective is both to hold to collect contractual cash flows, and to sell financial assets, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

c) Financial assets at fair value through profit or loss – Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Group expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the date of the transaction – the date on which REN commits itself to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value being the transaction costs expensed in the consolidated statement of profit and loss. Such assets are subsequently adjusted to fair value, gains and losses arising from changes in fair value being recorded in the consolidated statement of profit and loss caption "Financial costs" for the period in which they arise, which also includes interest income and dividends received.

Equity instruments at fair value trought other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value or at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability, being the change in fair value recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its acquisition cost for an extended period, where the accumulated gain or loss is recorded in the income statement.

Dividends and interest income from financial assets at fair value through other comprehensive income are recognised in the statement of profit and loss caption financial income for the period in which the right to receive them is established.

The fair value of listed investments is based on current market prices ("bid"). If the market for a financial asset is not active, REN establishes fair value by using valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

In the situations where the investments are equity instruments not valued under active market quotations, and for which is not possible to estimate with reliability its fair value, these investments are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the year.

Loans and receivables are classified as "Trade and other receivables" in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to the receivables.

Financial assets are derecognised when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of ownership.

Cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are presented in the "Borrowings" caption in current liabilities in the statement of financial position, and are included in the consolidated statement of cash flows, as cash and cash equivalents.

Financial Liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists to the issuer to liquidate capital and/ or interests, by the delivery of cash or another financial asset, independently on its legal form.

IFRS 9 established the classification of financial liabilities in two categories:

(i) finantial liabilities at fair value trought profit and loss; and

(ii) other financial liabilities.

Other financial liabilities include "Borrowings" and "Trade and other payables".

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified as current liabilities unless REN has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the related obligations are extinguished through payment, are cancelled or expire.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions "Finance income" or "Finance costs". If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external independent entities, thought valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Group assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 regarding the reform of interest rate benchmarks. This policy is applicable to some hedging relationships designated at 31 December 2022 in a total notional amount of 1,560,000 thousand Euros (1,560,000 thousand Euros at 31 December 2021).

The Group will cease to apply the above provision when:

(i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or

(ii) the respective hedging relationship is discontinued.

Derivative financial instruments are classified and presented as non-current when their remaining period to maturity exceeds twelve months and they are not expected to be realized or settled within twelve months.

Hedge accounting

Within the scope of the Group risk polices of interest rate and foreign exchange rate risk management, the Group contracts a series of financial derivative instruments, namely swaps.

The criteria for applying hedge accounting rules are as follows:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items in accordance with IFRS 9 criteria;
- At the beginning of the hedging relationship, there is formal designation and documentation regarding the hedging relationship and the risk management objective and strategy. This documentation must include the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the form will be assessed whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge inefficiency and how it determines the coverage ratio);
- The hedge relationship meets all of the following hedge effectiveness requirements:

(i) there is an economic relationship between the hedged item and the hedging instrument; and

(ii) the credit risk effect does not dominate the changes in value that result from this economic relationship;

(iii) the coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the Group documents the hedging relationship between the hedging instrument and the hedged item, its objectives and its risk management strategy. Additionally, it is assessed, both on the hedge start date and on each accounting reporting date, whether the derivative instruments designated as hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items (including an analysis of inefficiency sources and how the coverage rate is determined).

The effectiveness requirements in a hedging relationship are as follows:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the movements in the hedging reserves are disclosed in Note 16.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged.

Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

The hedge ineffectiveness can arise from:

- Differences in cash flows timing for hedged items and hedging instruments;
- Different indices (and, consequently, different curves) associated with the hedged risk of the hedged items and hedging instruments;
- Counterparty credit risk has a different impact on movements in the fair value of hedging instruments and hedged items; and
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued only when a hedging relationship (or part of that hedging relationship) no longer complies with the hedge accounting criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes cases where the hedging instrument expires or is sold, terminated or exercised.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Group assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

In the case of aggregated exposures, the Group designates as hedged instruments a combination of an exposure and a derivative financial instrument. For this purpose, and when designating the hedged item based on an aggregated exposure, the Group considers the combined effect of the items that constitute the aggregated exposure for the purposes of assessing the hedge effectiveness and measuring its ineffectiveness. These instruments continue, however, to be accounted for separately.

3.7. Borrowing costs

Borrowing costs are recorded as expense when incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualified asset (assets that need a substantial period of time to be prepared for its intended use).

Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the project is suspended.

Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, are deducted from the financial expenses that qualify for capitalisation.

3.8.Government grants and others

These refer to grants received for investment in intangible assets and are recorded as deferred income in the caption "Trade and other payables".

Grants received from the Portuguese State and the European Union are recorded when there is reasonable certainty that the grant will be received.

Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as grants received.

Grants are subsequently recorded to the consolidated statement of profit and loss on a systematic basis in accordance with amortization of the related assets.

Exploration grants are recognized in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.9. Impairment of assets, except goodwill

Financial Assets

The Group evaluates at each reporting date, if there are indicators that a financial asset or a group of financial assets, have any impairment, namely from which results an adverse impact on the estimated cash flows of the financial asset or group of financial assets, and always if it can measured reliably.

The adoption of IFRS 9 led to a fundamental change in the way the Group accounts for its impairment losses on financial assets, replacing IAS 39 "loss incurred" approach with a prospective approach to "expected credit loss". IFRS 9 requires the Group to recognize an impairment loss for expected credit losses for all debt instruments that are not measured at fair value through profit or loss.

For financial assets measured at amortized cost, the impairment loss to be recognized corresponds to the difference between the carrying amount and its present value on the reporting date of the new future cash flows discounted at the respective original effective interest rate.

When there is evidence of impairment on the financial asset held for sale exists, the accumulated loss – determined by the difference between the acquisition cost and the actual fair value, less any impairment losses previously recorded — is transferred from the fair value reserve in equity into profit and loss of the period. Impairment losses of equity instruments recorded in profit and loss are not reversible.

Non-financial assets

Whenever there are signs of loss of value of fixed assets, impairment tests are carried out in order to estimate the recoverable value of the asset and, if applicable, an impairment loss is recognized. An impairment loss is recognized for the amount in excess of the asset's carrying amount over its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and the asset's use value.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, using a discount rate before taxes that reflects the current valuations of the market. time value of money and the specific risks of the asset in question.

Group REN makes impairment tests for the concession assets whenever events or circumstances indicate that the carrying amount exceeds the recoverable amount, in which case the difference, if any, is recognized in the income statement. The cash generating units were identified considering the concession agreements in place, considering that all assets belonging to these agreements are to be included in the same unit.

Assets with undefined useful life are not subject to amortization but are subject to annual impairment tests. Assets with useful life are subject to impairment tests whenever events or changes in the conditions indicate that the carrying amount may not be recovered.

This way whenever fair value is below the carrying amount of the assets, the Group should evaluate if this situation will be permanent in which case an impairment loss should be recognized. If it is assessed that the situation is not permanent the reasons that support such judgment should be disclosed.

Non-financial assets, except Goodwill, for which impairment losses have been recognised are reviewed at the end of each period evaluating the possibility of its reversal.

Reversal of impairment losses recognized in prior years is recorded in the consolidated profit and loss statement. However, the reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) had no impairment loss been recognized for that asset in prior years.

The amortization and depreciation of the assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.10. Employee benefits

REN grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as pension plan), provides its retirees and pensioners with a medical assistance plan and grants other benefits such as long service bonuses, retirement bonus, and death subsidy.

i) Pension Plan

The supplementary retirement and survivor pensions granted to employees consist of a defined benefit plan, with an autonomous plan assets established, to which all the liabilities are transferred and contributions are made to cover the liabilities which are vested on each period.

Employees who meet certain conditions of age and seniority pre-defined and chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

This liabilities assumed by the Group are annually estimated by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined by discounting future payments of the benefits using the appropriate discount rate. The liability is recognised, when applicable, deducted from the past service costs.

The source used to determine the discount rate, was based on the use of the complete yield curve (Yield Curve). The model incorporates hypothetical yield curves developed from information on bond yields in the Euro zone. The construction of these yield curves is based on bond yields considered to be of high quality credit rating (Aa risk notation from Bloomberg). The credit risk notation is attributed by rating agencies being its approach consistent with yield curve model for each maturity group. The discount rate used results from the conversion of the interest rate curve in to a spot interest rate. A bond is considered to have AA risk notation if receives its notation (or equivalent) from one, or both, the two main rating agencies: Standard and Poor's and Moody's.

The liability for retirement benefits recognised in the consolidated statement of financial position corresponds to the present value of the liability for the benefits as of the reporting date less the fair value of the plan assets, together with any adjustments for past service costs, if applicable.

Actuarial gains and losses yearly determined, for each plan of benefits granted, resulting from adjustments to actuarial assumptions, experience adjustments or in the benefits scheme are recorded directly in equity.

The cost with retirement benefits is determined taking into account: i) current service costs, which corresponds to the increase in the present value of the liability resulting from employee service in the current year; ii) past service cost, change in the actual responsibility for employee service in prior periods (as a result of changes to the plan or significant reduction in the number of employees covered by the plan "curtailments"); iii) any gain or loss on settlement; and iv) net interest on the liability (assets) net of defined benefit, applying a discount rate to the net liabilities of the plan.

ii) Health plan and other benefits

The liabilities assumed relating to healthcare are not funded by an autonomous plan assets, being covered by a specific provision.

Measurement and recognition of the liability for healthcare are the same as those for retirement supplements referred to above, except as regards assets of the plan.

REN recognises all the actuarial gains and losses on all the plans directly in equity, except with regard to long-term benefits (seniority bonus), recognized directly in results.

3.11. Provisions, contingent assets and liabilities

Provisions are recognised when the Group has: i) a present legal or constructive obligation as a result of past events; ii) it is more likely than not that an outflow of internal resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon the occurrence (or not) a future event, REN SGPS discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Restructuring provisions are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, are only considered the expected outflows that directly result from the implementation of such plan, not considering, the current activities of the Group.

Provisions are measured at the present value of the estimated outflows required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

Contingent assets are probable assets which probability of becoming certain depend of the occurrence of one or more uncertain future events that are not fully controlled by the Company. The probability of the inflow of the economic benefit is subject to the occurrence of such events.

The Group discloses contingent assets when it is estimated as probable the inflow of the corresponding economic benefit. However in exceptional circumstances on which REN estimates as virtually certain the probability the revenue is recognized in the consolidated financial statements.

3.12. Inventories

Inventories are stated at the lower of cost or net realisable value. Inventories include materials used in internal maintenance and repair operations. Inventories are initially recorded at cost, which includes purchase cost and all the expenses relating to their acquisition. Cost is determined using the weighted average cost method.

Gas in the gas pipelines and gas stored in the LNG terminal and underground tanks, is property of the infrastructure users. The REN Group does not buy, sell or hold any gas inventories.

3.13. Capital and own shares

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognised as a deduction in equity. In accordance with Portuguese Commercial law, REN SGPS must ensure at all times that there are reserves in Equity to cover the value of treasury shares, constraining the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

The Group's purpose in relation to capital management is to safeguard the continuity of the Group, to grow sustainably in order to meet the established objectives and to maintain an optimal capital structure in order to reduce the cost of capital.

3.14. Income tax

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all REN group companies located in Portugal, and which REN owns directly or indirectly at least 75% of the share capital and equally, being resident in Portugal and taxed in terms of Corporate Income Tax ("CIT").

Income tax for the year includes current income tax and deferred income tax. Income tax is recognised in the statement of profit and loss, except when it relates to items recognised directly in equity. The amount of income tax payable is determined based on net profit before tax, adjusted in accordance with tax rules for the entities included in the consolidation perimeter.

The taxable profit differs from the net profit determined by accounting rules, as several costs and revenues are excluded, that will only be deducted or taxed in future periods, and costs and revenues that will never be considered for tax purposes in accordance do the tax law in place.

Deferred tax is recognised using the liability method based on the statement of financial position considering the temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements.

Deferred taxes are calculated using the tax rates in force or substantially enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used. Deferred tax liabilities are provided for on every temporary tax difference, except those relating to: i) the initial recognition of goodwill; or ii) the initial recognition of assets or liabilities in transactions that do not result from a business combination and at the time of the transaction affect neither accounting profit nor taxable profit. However, taxable temporary differences relating to investments in subsidiaries should not be recognised to the extent that: i) the parent company is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not revert in the near future.

Following the new interpretation on IAS 12 – Income taxes, IFRIC 23, the Group carried out an analysis of all contingencies and disputes, with the tax authorities regarding income taxes, with no changes, with reference to 1 January 2022, in the estimates previously made by management.

3.15. Accruals basis

Revenue and expenses are recognised in the period to which they relate, independently of the date they are received or paid, in accordance with the accrual basis of accounting. Differences between the amounts received and paid and the related income and costs are recognised as assets or liabilities, if they qualify so.

3.16. Revenue

Revenue is measured by the fair value of the benefit received or be received. Revenue is deducted by the amount from devolutions, discounts and other rebates and it does not include VAT or other taxes related to the sale.

The revenue from the sale of goods is recorded when all the following conditions are met:

- The significant risks and rewards related with the property were transferred to the buyer;
- The Group does not maintain any control on the goods sold;
- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group; and
- The expenses incurred or to be incurred with the transaction can be reliably estimated.

Revenue from services of non-regulated activities is recognized, by the percentage of completion of the respective transaction or services at the reporting date, when all the following conditions are met:

- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group;
- The expenses incurred or to be incurred with the services can be reliably estimated; and
- The stage of completion of the transaction/ service rendered can be reliably measured.

The revenue from interests is recognized using the effective interest method, provided that it is probable that economic benefits flow to the Group and its amount can be reliably measured.

The revenue from dividends are recognized when it is established the right of the Group to receive the correspondent amount.

Revenue from services rendered on the Group regulated activities are recorded in the consolidated statement of profit and loss in accordance with the criteria defined in IFRIC 12, described in greater detail in Note 3.4 – Tangible and intangible assets, and in accordance the description of each business segments.

Electricity segment

Revenue recognition for concession activities is determined based on the revenue cap set by the regulator, on the electricity transmitted to National Transport Network (Rede Nacional de Transporte – RNT) by producers to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission of electricity and global management of the system.

Revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator. In accordance with the regulatory terms and conditions, the tariffs to be charged to final customers (domestic consumers, industry customers and others), are determined annually for each component of the system value chain, such as: generation, transmission and distribution. REN – Rede Eléctrica Nacional, S.A. income relates mainly to electricity transmission and global management of the electricity system.

The tariff for electricity transmission aims to recover:

(i) amortization of the concession assets related with the electricity transmission activity;

(ii) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

(iii) operating costs relating with the activity.

The tariff for global management of the system aims to recover:

(i) amortization of the concession assets relating to global management of the system;

(ii) amortization of the concession assets relating to the generating station sites;

(iii) ia return on the average net book value of the generating station sites (land);

(iv) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

(v) operating costs related with the activity.

The "Commercial Agent" activity, carried out by the group company REN Trading which is responsible for the management of the electricity produced under the two PPA's (power purchase agreements) that have not been terminated (Tejo Energia and Turbogás), is remunerated through an incentive mechanism established by ERSE.

Revenue obtained by use of these mechanisms, are the main part of the results obtained from the "Commercial Agent" activity. This entity operates completely independently of the REN group within the rules established by the regulator.

Regarding the activities of transmission and transformation of electricity and the development, operation and commercialization of transmission systems, carried out by the Group's company, Transemel, these consist of allowing free access to the electricity market in Chile.

The revenue obtained from electricity transmission and transformation services is recorded based on the actual billing of the consumption period, as well as includes an estimate of the services provided until the end of the period, since the contracts define a performance obligation . Additionally, interest income is recognized based on the effective rate method.

Gas segment
Revenue from gas concession operations is determined based on the revenue cap allowed by the regulator based on: i) information relating to the gas units unloaded and re-gasification of gas units in the LNG terminal and the number of tanker loads ii) the gas units injected, stored and extracted in the underground tanks; and iii) the used capacity and gas units transmitted through the high, medium and low pressure transmission network.

Telecommunications segment
Revenue from the telecommunications segment results from services rendered by the group company, RENTELECOM, through the lease of fibre optics capacity, benefiting from the excess capacity of the telecommunications equipment installed. In this area services relating to management of private voice networks are also rendered. Revenue is recognised in the period the services are rendered, based on the percentage of the stage of completion of each specific transaction, valued considering the actual services already rendered and the total services to be rendered.

Tariff deviations

The Tariff Regulations for the electricity and gas business, issued by ERSE, define the formula for calculating the revenue cap for the regulated activities and consider in the calculation formula, the determination of the tariff deviations that are recovered up to the second year after the date in which they were generated, the period on which the tariff deviations are recovered.

In this way the REN Group determines at each reporting date, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced.

Considering the legislation and the regulatory environment in force, the tariff deviations determined by REN each year comply with a series of characteristics (measurement reliability, right of recovery, transmissibility, identification of the debtor and interest base) that support their recognition as revenue and as an asset, in the year in which they are determined, as being reliably measurable and for it being virtually certain that the financial benefits relating to the transaction(s) will flow to the Company. This rationale is also valid when negative tariff deviations are determined, which are considered as liabilities and revenue deduction.

Despite IFRS do not include a reference regarding the recording of tariff deviations, paragraph 12 of IAS 8, the FASB ASC 980 – Regulated Operations (which replaces previous SFAS 71 – Accounting for the effects of certain types of regulation), strengthens the position of recording assets and liabilities tariff deviations under conditions on which the electricity and gas regulations are established for REN.

The Decree-law n.º 165/2008 dated 21 August for the electricity segment and the Decree-Law 87/2011 dated 18 July for the gas segment, reinforce the exposed, establishing the applicable regime to the recognition and transmission of tariff deviations, within the scope of the Concession contracts held by the Group.

3.17. Segment reporting

An operational segment is a component of an entity which:

a) develops business activities from which can obtain revenue and incur in expenses (including revenue and expenses related with transactions and other components of the same entity);

b) operating results are regularly reviewed by the main responsible for the operational decision making process of the entity of for the purpose of decision making regarding the recourses imputation to the segment and the evaluation of its performance; and

c) the financial data available is distinct.

The operating segments are reported consistently with the internal model of management information made available to the main responsible for the operational decision making of the Entity.

REN identified the Executive Committee as the entity responsible for the operating making decisions. The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources.

The REN Group is organized in two main business segments: Electricity and Gas and one secondary segment, the telecommunications. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system and management of power purchase agreements ("PPA") not terminated on 30 June 2007, as well as the management of the concession pilot zone for electricity production based on sea waves. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal, the distribution of natural gas in low and medium pressure and underground storage of natural gas.

The telecommunications segment is presented separately although it does not qualify for disclosure.

The segment "Others" includes the operations of REN SGPS, S.A., REN Serviços, S.A., REN Finance, B.V., Aerio Chile, SPA, Apolo Chile, SPA and REN PRO, S.A.

Financial information relating to income of the identified business segments is included in Note 7.

3.18. Cash flow statement

The cash flow statement is prepared under the direct method, being presented the collections and payments in operational activities, investment activities and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities, except when those respect to cash flows of a hedging contract of an identifiable position, which will be classified to the same the cash flow activities of the hedged item.

Assets and liabilities, referring to Decree-Law No. 84-D/2022 relativeto the transitional gas price stabilization regime (Note 36), are presented at net value, considering the specific restricted use and the need of accounting separation in relation to the other activities carried out by the Group, as mentioned in paragraph 3 of article 7 of the aforementioned Decree-Law.

3.19. Subsequent events

Events that occur after the consolidated statement of financial position date that provide additional information on conditions that existed at the date of the statement of financial position ("adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the consolidated statement of financial position date that provide information on conditions that exist after that date ("non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the consolidated financial statements, if material.

4. Financial risk management policies

4.1. Financial risk factors

The Group's activities are exposed to a variety of financial risks including: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others.

The Group has developed and implemented a risk management program that, together with permanent monitoring of the financial markets, aiming to minimise potential adverse effects on the REN Group's financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and realises operations to minimise the financial risks, in strict cooperation with REN's operating units. The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of liquidity excess.

i) Foreign exchange rate risk

REN has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bonds totalling 10,000 million Yens ("JPY") is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro/ JPY, with reference to 31 December 2022, and all other factors remaining constant, would lead to a decrease on equity in the amount of 127 thousands Euros (259 thousand Euros as of 31 December 2021), while a decrease of that exchange rate of 5% would lead to an increase on equity in the amount of 140 thousand Euros (increase of 291 thousand Euros as of 31 December 2021).

Additionally, the Group is exposed to changes in the exchange rate of Euro/ USD and Euro/ Chilean Peso, related with its financial investment in Electrogas, S.A., acquired in February 2017 (Note 10) and related with the company acquired on 1 October 2019, Empresa de Transmisión Eléctrica Transemel, S.A.

An increase of 5% in the exchange rate of Euro/ USD, with reference to 31 December 2022, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,934 thousand Euros (7,379 thousands Euros as of 31 December 2021), while a decrease of that exchange rate of 5% would lead to an increase on equity in the amount of 8,769 thousand Euros (8,156 thousand Euros as of 31 December 2021).

An increase of 5% in the exchange rate of Euro/ Chilean Peso, with reference to 31 December 2022, and all other factors remaining constant, would lead to a decrease on equity in the amount of 3,789 thousand Euros (3,337 thousands Euros as of 31 December 2021), while a decrease of that exchange rate would lead to an increase on equity in the amount of 4,187 thousand Euros (3,689 thousands Euros as of 31 December 2021).

ii) Credit risk

REN's exposure to credit risk is not significant, since a substantial portion of services rendered are recorded through amounts invoiced to electricity and natural gas distributors in regulated markets. In addition, in general, contracts with clients establish guarantees (Note 33.4), to cover the collection and default risk.

The Group's counterparty risk on bank deposits, financial applications, and financial derivative instruments is mitigated by the selection of top rating international institutions with solid credit ratings and well known national institutions.

There is no credit risk related to the item "Asset related to the transitional gas price stabilization regime - Decree-Law 84-D/2022", considering the direct relationship with the same amount recorded in the liability item "Liability related to the transitional gas price stabilization regime - Decree-Law 84-D/2022", as defined in the Decree-Law.

iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, with subscription guarantee, as well as by negotiating credit limits that enable it, not only to ensure that the current treasury needs of the REN Group are met, but also provide some flexibility. For that effect we highlight, on one hand, 600,000 thousand Euros available in commercial paper programmes with subscription guarantee and, on the other hand, 825,000 thousand Euros available in different credit lines.

The Group has also credit lines negotiated and not used in the amount of 80,000 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies (Note 20).

The liquidity risk relating to the amount recorded in item "Liability related to the transitional gas price stabilization regime - Decree-Law 84-D/2022", is fully covered, considering the asset recorded in item "Asset related to the transitional gas price stabilization regime - Decree-Law 84-D/2022" (Notes 3.18, 17 and 36), as defined in the Decree-Law.

The following table shows the Group's liabilities by intervals of residual contracted maturity and includes derivative financial instruments whose financial liquidation of the related flows is made at the net amount. The amounts shown in the table are non-discounted cash flows contracted and include future interests; as so, do not correspond to the respective carrying amounts.

The Group has also credit lines negotiated and not used in the amount of 80,000 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies (Note 20).

The liquidity risk relating to the amount recorded in item "Liability related to the transitional gas price stabilization regime - Decree-Law 84-D/2022", is fully covered, considering the asset recorded in item "Asset related to the transitional gas price stabilization regime - Decree-Law 84-D/2022" (Notes 3.18, 17 and 36), as defined in the Decree-Law.

31 December 2022

	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings				
Bank borrowings	81,981	285,920	96,188	464,090
Bonds	582,323	626,627	608,250	1,817,200
Commercial paper	2,740	260,835	-	263,575
Others	1,398	2,418	-	3,816
	668,442	**1,175,800**	**704,438**	**2,548,680**
Derivative financial instruments	10,839	42,552	12,823	66,214
Trade and others payables	342,499	34,815	-	377,314
Liability related to the transitional gas price stabilization regime - Decree-Law 84-D/2022	1,000,000	-	-	1,000,000

31 December 2021

	Less than 1 year	1 - 5 years	Over 5 years	Total
Borrowings				
Bank borrowings	162,843	297,899	125,458	586,200
Bonds	29,889	1,198,514	615,000	1,843,403
Commercial paper	206,791	252,703	-	459,494
Others	1,481	2,731	-	4,212
	401,004	**1,751,847**	**740,458**	**2,893,309**
Derivative financial instruments	3,644	14,871	(3,299)	15,216
Trade and others payables	416,354	37,304	-	453,657

The following table shows the derivative financial instruments, financial settlement of which is made at gross amounts:

31 December 2022

	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(3,446)	(74,627)	-	(78,074)
Inflows	1,927	72,057	-	73,983
	(1,520)	**(2,570)**	**-**	**(4,090)**

31 December 2021

	Less than 1 year	1 - 5 years	Over 5 years	Total
Cross Currency Interest Rate Swap				
Outflows	(1,001)	(74,402)	-	(75,402)
Inflows	2,079	79,817	-	81,895
	1,078	**5,415**	**-**	**6,493**

iv) Interest rate risk

The risk relating to interest rate variation has two major impacts on REN's financial statements: remuneration of the company's assets, in accordance with the tariff regulations, and interest on the borrowings.

Since a significant part of the REN Group's assets have a guaranteed return through the tariffs, definition of which depends in part on market rates of interest, its operating cash flows are significantly affected by changes in the market interest rates. Increases in the interest market rates, generates significant increases in cash flows and vice versa.

In terms of financial liabilities, REN is exposed to interest rate risk, mainly due to borrowings. Borrowings at variable interest rates expose REN to cash flow risk resulting from changes in interest rates.

Borrowing at fixed rates exposes the REN Group to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps. In this kind of operation REN Group exchanges with banking counterparties in specific dates and with defined maturities, the difference between the fixed interest rates and the variable rates with reference to the notional amounts contracted. All operations undertaken with this purpose can be considered, in most cases, perfect interest rate hedging operations.

A global reform of the main interest rate benchmarks is underway, which provide for the replacement of some benchmarks, including Euribor, by alternative risk-free rates. The Group presents exposures to Euribor variations in its financial instruments that will be impacted by this global reform. There is currently uncertainty about the timing and methods associated with the transition of interest rate benchmarks. To date, the Group does not expect a significant impact on its risk management policies and on the effects of hedge accounting.

The Group will assess and analyze the potential concrete impacts of the potential change in Euribor when implementing the timings and the respective methods of change and, in particular, in the designated interest rate risk hedging relationships.

A sensitivity analysis was performed based on the REN Group's total debt less applications in funds and cash and cash equivalents as of 31 December 2022 and 2021, with the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Using these assumptions a 0.25% increase in market interest rates for all the currencies in which the Group has borrowings or derivative financial instruments, would result in a decrease of profit before tax of, approximately, 1,909 thousand Euros (3,406 thousand Euros as of 31 December 2021).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 6,093 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2021 corresponded to an increase of 7,073 thousand Euros).

The sensitivity analysis is merely projected, and do not represent any present real gain or loss, neither other real changes in the net results nor in equity.

v) Price risk

REN's exposure to price risk results essentially from its investment in REE. A variation of 10% in the price of shares of REE on 31 December 2022 would have an impact on equity of 8,804 thousand Euros (10,302 thousand Euros on 31 December 2021).

vi) Regulated activity risk

Gains recognized by REN in each period result directly from the assumptions considered by the regulator, ERSE, in defining the regulated tariffs for the electricity and gas sectors.

4.2. Capital risk management

Within the scope of capital risk management, the Group uses a broader concept than the equity presented in the statement of financial position, with the objective of maintaining an optimized capital structure, through the prudent use of debt.

The necessity of debt increases are analysed periodically considering the Group financing needs and its liquidity position.

REN also monitors its total capital based on the gearing ratio, which is calculated by the quotient between total equity and net assets of the concession. (as disclosed in the statement of financial position). Total equity corresponds to the sum of equity (as disclosed in the statement of financial position). The net concession assets are calculated as the amount of the Group's total intangible assets, net of depreciation and investment subsidies. The Group's gearing ratio comfortably complies with the contractually defined limits, standing at 31 December 2022 above the minimum value by 20 percentage points.

5. Main estimates and judgements

The estimates and assumptions with impact on REN's consolidated financial statements are continuously evaluated, representing at each reporting date the Board of Directors best estimates, considering historical performance, past accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of these estimates may cause different impacts on financial statements from those previously estimated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Significant accounting estimates

5.1. Provisions

The REN Group periodically analyses the existence of possible liabilities resulting from past events that should be recognized or disclosed.

The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these liabilities may result in significant adjustments, due to changes in the assumptions used or because previously disclosed contingent liabilities may have to be recognised as provisions.

5.2. Actuarial assumptions

Determination of the liability for retirement pensions and healthcare plans requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated at each reporting date. The most sensitive assumptions refer to: the discount rates used to update the liability, the return on plan assets and the mortality tables.

5.3. Tangible and intangible assets

Determination of the periods of useful life of the assets, as well as the amortization and depreciation method to be used are essential for determining the amount of amortization and depreciation to be recognized in the consolidated statement of profit and loss for each year.

These two parameters are defined in accordance with Management's best judgement for the assets and business.

5.4. Impairment

The recognition of possible impairment loss may be identified by the occurrence of events, many outside the control of the REN Group, such as: Future availability of financing; the cost of debt; or maintenance of the current market regulatory structure, as well as other changes of the REN Group, both internal and external.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board of Directors, as regards the evaluation of impairment indicators, estimated cash flows, discount rates used, useful lives and residual values.

In REN's specific activities there are other factors to consider in impairment testing, since commitments to increase the network of infrastructures, changes in expected tariffs, or changes in the strategy of the shareholders of REN, which together with other factors can result in changes in the future cash flow trends and amounts.

5.5. Fair Value of Financial Instruments

Fair value is based on market quotations, when available, and in the absence of a quotation is determined based on the use of prices of recent and similar transactions carried out under market conditions or determined by external entities, or based on valuation methodologies, supported by discounted future cash flow techniques, considering the market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

Consequently, the use of different methodologies and different assumptions or judgments in the application of a given model could lead to financial results different from those reported.

5.6. Impairment of Goodwill

The Group performs annual impairment tests on Goodwill, as indicated in Note 3.2 c). The recoverable amounts of the cash-generating units were determined based on the value in use. For the calculation of the value in use, the Group estimated the expected future cash flows from the cash generating units, as well as the appropriate discount rate to calculate the present value of these flows. The value of Goodwill is recognized in Note 9.

5.7. Tariff Deviations

The Group performs calculation of tariff deviations at each reporting date, as indicated in Note 3.16. The REN Group determines, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced. As a result of ERSE's approval, eventual adjustments, in future tariffs, may arise from the adjustments arising from any excesses or insufficiencies of the referred recovery (tariff deviations).

6. Consolidation perimeter

The following companies were included in the consolidation perimeter as of 31 December 2022 and 2021:

			2022		2021	
			% Owned			
Designation/ adress	Country	Activity	Group	Individual	Group	Individual
Parent company						
REN - Redes Energéticas Nacionais, SGPS, S.A.	Portugal	Holding company	-	-	-	-
Subsidiaries						
REN - Rede Eléctrica Nacional, S.A. Av. Estados Unidos da América, 55 - Lisboa	Portugal	National electricity transmission network operator (high and very high tension)	100%	100%	100%	100%
REN Trading, S.A. Praça de Alvalade, n.º 7 - 12º Dto, Lisboa	Portugal	Purchase and sale, import and export of electricity and natural gas	100%	100%	100%	100%
Enondas-Energia das Ondas, S.A. Mata do Urso - Guarda Norte - Carriço - Pombal	Portugal	Management of the concession to operate a pilot area for the production of electric energy from ocean waves	100%	100%	100%	100%
RENTELECOM - Comunicações S.A. Av. Estados Unidos da América, 55 - Lisboa	Portugal	Telecommunications network operation	100%	100%	100%	100%
REN - Serviços, S.A. Av. Estados Unidos da América, 55 - Lisboa	Portugal	Back office and management of participations	100%	100%	100%	100%
REN Finance, B.V. De Cuserstraat, 93, 1081 CN Amsterdam, The Netherlands	Netherlands	Participate, finance, collaborate, conduct management of companies related to REN Group	100%	100%	100%	100%
REN PRO, S.A. Av. Estados Unidos da América, 55 - Lisboa	Portugal	Communication and Sustainability, Marketing, Business Management, Business Development and Consulting and IT Projects	100%	100%	100%	100%
REN Atlântico, Terminal de GNL, S.A. Terminal de GNL - Sines	Portugal	Liquified Natural Gas Terminal maintenance and regasification operation	100%	100%	100%	100%
Owned by REN Serviços, S.A.						
REN Gás, S.A. Av. Estados Unidos da América, 55 -12º - Lisboa	Portugal	Management of projects and ventures in the natural gas sector	100%	-	100%	-
Aério Chile SPA - Santiago do Chile	Chile	Investments in assets, shares, companies and associations	100%	-	100%	-
Apolo Chile SPA - Santiago do Chile	Chile	Investments in assets, shares, companies and associations	100%	-	100%	-
Owned by REN Gás, S.A.						
REN - Armazenagem, S.A. Mata do Urso - Guarda Norte - Carriço - Pombal	Portugal	Underground storage developement, maintenance and operation	100%	-	100%	-
REN - Gasodutos, S.A. Estrada Nacional 116, km 32,25 - Vila de Rei - Bucelas	Portugal	National Natural Gas Transport operator and natural gas overall manager	100%	-	100%	-
REN Portgás Distribuição, S.A. Rua Linhas de Torres, 41 - Porto	Portugal	Distribution of natural gas				
Owned by Apolo Chile SPA (99.99%) and Aerio Chile SPA (<0.001%)						
Empresa de Transmisión Eléctrica Transemel, S.A. Santiago do Chile	Chile	Transmission and transformation of electricity, allowing free access to different players in the electricity market in Chile	100%	-	100%	-

Changes in the consolidation perimeter

– 2022

There were no changes to the consolidation perimeter in 2022 compared to that reported on 31 December 2021.

– 2021

There were no changes to the consolidation perimeter in 2021 compared to that reported on 31 December 2020.

7. Segment reporting

The REN Group is organised in two main business segments, Electricity and Gas and one secondary segment. The electricity segment includes the transmission of electricity in very high voltage, overall management of the public electricity system and management of the power purchase agreements (PPA) not terminated at 30 June 2007, the pilot zone for electricity production from sea wave and the transmission and transportation of electricity in Chile. The gas segment includes high pressure gas transmission and overall management of the national natural gas supply system, as well as the operation of regasification at the LNG Terminal, the distribution of natural gas in low and medium pressure and the underground storage of natural gas.

Although the activities of the LNG Terminal and underground storage can be seen as separate from the transport of gas and overall management of the national natural gas supply system, since these operations provide services to the same users and they are complementary services, it was considered that it is subject to the same risks and benefits.

The telecommunications segment is presented separately although it does not qualify for disclosure.

The results by segment for the year ended 31 December 2022 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	375,568	208,131	7,781	41,120	(44,373)	588,226
Inter-segments	1,038	3,542	–	39,794	(44,373)	–
Revenues from external customers	374,530	204,589	7,781	1,326	–	588,226
Revenue from construction of concession assets	154,307	43,113	–	–	–	197,420
Cost with construction of concession assets	(138,216)	(36,879)	–	–	–	(175,095)
Gains/ (losses) from associates and joint ventures	–	–	–	11,812	–	11,812
Personnel costs	(63,855)	(52,772)	(2,347)	(13,303)	49,761	(82,516)
Employee compensation and benefit expense	(18,967)	(12,024)	(313)	(27,215)	–	(58,519)
Other expenses and operating income	16,918	(496)	(36)	337	(5,387)	11,337
Operating cash flow	**325,756**	**149,072**	**5,085**	**12,752**		**492,664**
Investment income - dividends	–	–	–	9,815	–	9,815
Non reimbursursable expenses						
Depreciation and amortizations	(164,781)	(84,314)	(15)	(166)	–	(249,276)
Provisions	(547)	(376)	(561)	(746)	–	(2,230)
Impairments	(1,060)	–	–	(377)	–	(1,437)
Financial results						
Financial income	7,296	5,143	71	120,486	(121,084)	11,911
Financial costs	(34,084)	(19,663)	(5)	(134,725)	121,084	(67,394)
Profit before income tax and ESEC	**132,579**	**49,862**	**4,575**	**7,038**	**–**	**194,053**
Income tax expense	(37,841)	(16,192)	(1,097)	866	–	(54,263)
Energy sector extraordinary contribution (ESEC)	(17,589)	(10,430)	–	–	–	(28,019)
Profit for the period	**77,149**	**23,240**	**3,479**	**7,904**	**–**	**111,771**

The results by segment for the year ended 31 December 2021 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	363,714	201,713	7,663	40,039	(47,293)	565,837
Inter-segments	2,000	6,074	-	39,219	(47,293)	-
Revenues from external customers	361,714	195,639	7,663	820	-	565,837
Revenue from construction of concession assets	181,286	56,410	-	-	-	237,696
Cost with construction of concession assets	(164,702)	(50,551)	-	-	-	(215,253)
Gains/ (losses) from associates and joint ventures	-	-	-	6,431	-	6,431
Personnel costs	(67,858)	(52,644)	(3,141)	(14,943)	53,892	(84,695)
Employee compensation and benefit expense	(17,954)	(12,623)	(307)	(25,225)	-	(56,108)
Other expenses and operating income	14,383	193	(258)	853	(6,599)	8,573
Operating cash flow	**308,869**	**142,498**	**3,957**	**7,155**	**-**	**462,479**
Investment income - dividends	-	-	-	8,496	-	8,496
Non reimbursursable expenses						
Depreciation and amortizations	(158,319)	(83,424)	(7)	(191)	-	(241,940)
Provisions	104	52	-	(521)	-	(365)
Impairments	(940)	4	-	(377)	-	(1,313)
Financial results						
Financial income	954	4,441	10	111,887	(114,020)	3,272
Financial costs	(23,366)	(18,098)	(3)	(126,909)	114,020	(54,356)
Profit before income tax and ESEC	**127,302**	**45,474**	**3,958**	**(461)**	**-**	**176,275**
Income tax expense	(39,147)	(12,572)	(923)	561	-	(52,081)
Energy sector extraordinary contribution (ESEC)	(16,605)	(10,436)	-	-	-	(27,041)
Profit for the period	**71,550**	**22,467**	**3,035**	**101**	**-**	**97,153**

Inter-segment transactions are carried out under normal market conditions, equivalent to transactions with third parties.

Revenue included in the segment "Others" is essentially related to the services provided by the management and back office to Group entities as well as third parties.

Assets and liabilities by segment as well as capital expenditures for the year ended 31 December 2022 were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	–	895,643	–	2,274,773	(3,170,415)	–
Property, plant and equipment and intangible assets	2,713,459	1,491,461	2	365	–	4,205,287
Other assets	872,841	1,397,657	18,166	6,371,555	(6,413,910)	2,246,309
Total assets	**3,586,300**	**3,784,761**	**18,168**	**8,646,692**	**(9,584,325)**	**6,451,596**
Total liabilities	**2,679,398**	**2,253,343**	**10,442**	**6,404,788**	**(6,413,910)**	**4,934,062**
Capital expenditure – total	**158,353**	**43,113**	**51**	**22**	**–**	**201,540**
Capital expenditure – property, plant and equipment (Note 8)	4,046	–	51	22	–	4,120
Capital expenditure – intangible assets (Note 8)	154,307	43,113	–	–	–	197,420
Investments in associates (Note 10)	–	–	–	178,048	–	178,048
Investments in joint ventures (Note 10)	–	–	–	2,722	–	2,722

Assets and liabilities by segment at 31 December 2021 as well as investments on tangible assets and intangible assets were as follows:

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	–	887,687	–	2,214,266	(3,101,954)	–
Property, plant and equipment and intangible assets	2,709,388	1,532,803	42	388	–	4,242,620
Other assets	724,340	381,446	15,379	6,397,121	(6,172,391)	1,345,895
Total assets	**3,433,728**	**2,801,936**	**15,421**	**8,611,775**	**(9,274,345)**	**5,588,516**
Total liabilities	**2,544,143**	**1,259,519**	**10,291**	**6,537,123**	**(6,172,391)**	**4,178,686**
Capital expenditure – total	**190,504**	**56,410**	**–**	**195**	**–**	**247,110**
Capital expenditure – property, plant and equipment (Note 8)	8,354	–	–	195	–	8,550
Capital expenditure – other intangible assets (Note 8)	864	–	–	–	–	864
Capital expenditure – intangible assets (Note 8)	181,297	56,410	–	–	–	237,696
Investments in associates (Note 10)	–	–	–	166,541	–	166,541
Investments in joint ventures (Note 10)	–	–	–	2,742	–	2,742

The liabilities included in the segment "Others" are essentially related to external borrowings obtained directly by REN SGPS, S.A. and REN Finance, BV for financing the several activities of the Group.

The captions of the statement of financial position and profit and loss for each segment result of the amounts considered directly in the individual financial statements of each company that belongs to the Group included in the perimeter of each segment, corrected with the eliminations of the inter-segment transactions.

8. Tangible and intangible assets

During the year ended 31 December 2022, the changes in tangible and intangible assets were as follows:

	Property, plant and equipment						Intangible assets					
	Transmission and electronic equipment	Transport equipment	Office equipment	Property, plant and equipment in progress	Assets	Total	Concession assets	Concession assets in progress	Other intangible assets	Intangible assets in progress	Total	Total
Cost												
At 1 January 2022	**92,949**	**782**	**903**	**1,212**	**29,947**	**125,793**	**8,631,076**	**121,959**	**55,268**	**-**	**8,808,304**	**8,934,097**
Additions	-	134	119	-	3,866	4,120	5,024	192,396	-	-	197,420	201,540
Disposals, write-offs, impairments and other reclassifications	(33)	(115)	(192)	-	-	(339)	(11,959)	-	-	-	(11,959)	(12,298)
Transfers	20,947	-	-	-	(21,035)	(87)	159,180	(159,180)	88	-	87	-
Exchange rate differences	7,266	1	16	-	2,006	9,289	-	-	3,722	-	3,722	13,011
At 31 December 2022	**121,130**	**802**	**846**	**1,212**	**14,784**	**138,775**	**8,783,321**	**155,175**	**59,078**	**-**	**8,997,573**	**9,136,349**
Accumulated depreciation:												
At 1 January 2022	(5,236)	(466)	(527)	(13)	-	(6,241)	(4,685,010)	-	(225)	-	(4,685,235)	(4,691,477)
Depreciation charge	(3,402)	(164)	(66)	-	-	(3,632)	(245,273)	-	(371)	-	(245,644)	(249,276)
Depreciation of disposals, impairments, write-offs and other reclassifications	**33**	**114**	**117**	**-**	**-**	**264**	**10,815**	**-**	**-**	**-**	**10,815**	**11,079**
Exchange rate differences	(1,334)	(1)	(13)	-	-	(1,348)	-	-	(38)	-	(38)	(1,386)
At 31 December 2022	**(9,939)**	**(516)**	**(488)**	**(13)**	**-**	**(10,957)**	**(4,919,468)**	**-**	**(634)**	**-**	**(4,920,103)**	**(4,931,060)**
Net book value:												
At 1 January 2022	**87,713**	**316**	**377**	**1,199**	**29,947**	**119,551**	**3,946,067**	**121,959**	**55,043**	**-**	**4,123,069**	**4,242,620**
At 31 December 2022	**111,190**	**286**	**358**	**1,199**	**14,784**	**127,816**	**3,863,853**	**155,175**	**58,443**	**-**	**4,077,471**	**4,205,287**

The changes in tangible and intangible assets in the in the year ended 31 December 2021 were as follows:

	Property, plant and equipment						Intangible assets					
	Transmission and electronic equipment	Transport equipment	Office equipment	Property, plant and equipment in progress	Assets	Total	Concession assets	Concession assets in progress	Other intangible assets	Intangible assets in progress	Total	Total
Cost:												
At 1 January 2021	**97,396**	**958**	**712**	**1,231**	**32,260**	**132,557**	**8,377,108**	**176,374**	**60,587**	**–**	**8,614,069**	**8,746,626**
Additions	145	113	98	–	8,194	8,550	5,090	232,606	–	864	238,560	247,110
Disposals, write-offs and impairments	(125)	(288)	(11)	–	–	(424)	(38,142)	–	–	–	(38,142)	(38,566)
Transfers	7,196	–	–	–	(7,196)	–	287,021	(287,021)	864	(864)	–	–
Regularisations	–	–	–	–	–	–	–	–	–	–	–	–
Exchange rate differences	(11,663)	(1)	104	(19)	(3,311)	(14,890)	–	–	(6,183)	–	(6,183)	(21,073)
At 31 December 2021	**92,949**	**782**	**903**	**1,212**	**29,947**	**125,793**	**8,631,076**	**121,959**	**55,268**	**–**	**8,808,304**	**8,934,097**
Accumulated depreciation:												
At 1 January 2021	**(4,047)**	**(516)**	**(582)**	**(32)**	**(261)**	**(5,437)**	**(4,483,720)**	**–**	**212**	**–**	**(4,483,508)**	**(4,488,946)**
Depreciation charge	(3,185)	(199)	(49)	–	–	(3,433)	(238,416)	–	(91)	–	(238,507)	(241,940)
Depreciation of disposals, impairments, write-offs and other reclassifications	73	248	11	–	–	332	37,126	–	–	–	37,126	37,458
Exchange rate differences	1,923	1	93	19	261	2,297	–	–	(346)	–	(346)	1,951
At 31 December 2021	(5,236)	(466)	(527)	(13)	–	(6,241)	(4,685,010)	–	(225)	–	(4,685,235)	(4,691,477)
Net book value:												
At 1 January 2021	**93,349**	**442**	**131**	**1,199**	**31,999**	**127,119**	**3,893,388**	**176,374**	**60,799**	**–**	**4,130,562**	**4,257,681**
At 31 December 2021	**87,713**	**316**	**377**	**1,199**	**29,947**	**119,551**	**3,946,067**	**121,959**	**55,043**	**–**	**4,123,069**	**4,242,620**

The main additions verified in the periods ended 2022 and 2021 are made up as follows:

	2022	2021
Electricity segment		
Power line construction (220 KV, 150 KV and others)	28,162	25,955
Power line construction (400 KV)	56,958	54,145
Construction of new substations	1,831	39,085
Substation Expansion	48,659	37,368
Other renovations in substations	4,247	6,818
Telecommunications and information system	7,014	8,883
Pilot zone construction – wave energy	179	186
Buildings related to concession	1,463	3,033
Transmission and transformation of electricity in Chile	3,881	9,218
Other assets	5,794	5,812
Gas segment		
Expansion and improvements to gas transmission network	10,041	21,719
Construction project of cavity underground storage of gas in Pombal	1,604	3,983
Construction project and operating upgrade – LNG facilities	2,838	3,803
Gas distribution projects	28,630	26,904
Others segments:		
Other assets	239	195
Total of additions	**201,540**	**247,110**

The main additions verified in the periods ended 2022 and 2021 are made up as follows:

	2022	2021
Electricity segment:		
Power line construction (220 KV, 150 KV and others)	55,083	22,031
Power line construction (400 KV)	18,033	87,642
Substation Expansion	35,321	104,080
Other renovations in substations	3,452	6,934
Telecommunications and information system	6,594	8,996
Buildings related to concession	887	283
Transmission and transformation of electricity in Chile	21,035	7,196
Other assets under concession	4,160	2,942
Gas segment:		
Expansion and improvements to gas transmission network	7,422	20,259
Construction project of cavity underground storage of gas in Pombal	1,305	4,864
Construction project and operating upgrade – LNG facilities	2,022	3,464
Gas distribution and transmission projects	24,904	25,526
Total of transfers	**180,215**	**294,217**

The intangible assets in progress at 31 December 2022 and 2021 are as follows:

	2022	2021
Electricity segment		
Power line construction (400 KV, 220 KV, 150 KV and others)	86,178	74,475
Substation Expansion	36,282	22,188
New substations projects	3,807	2,213
Buildings related to concession	4,749	4,165
Transmission and transformation of electricity in Chile	14,783	29,947
Other projects	2,648	1,909
Gas segment		
Expansion and improvements to natural gas transmission network	9,945	8,160
Construction project of cavity underground storage of gas in Pombal	3,141	2,864
Construction project and operating upgrade – LNG facilities	1,426	695
Gas distribution projects	6,997	5,290
Total of assets in progress	**169,959**	**151,906**

Borrowing costs capitalized on intangible assets in progress in the year ended 31 December 2022 amounted to 2,788 thousand Euros (3,534 thousand Euros as of 31 December 2021), while overhead and management costs capitalized amounted to 19,536 thousand Euros (18,909 thousand Euros as of 31 December 2021) (Note 25). The average rate of the financial costs capitalized was of 0.16%.

During the year ended 31 December 2022, there was an impairment loss in the amount of 979 thousand Euros related to fixed assets.

During the year ended 31 December 2021, there was an impairment loss in the amount of 940 thousand Euros related to fixed assets.

The net book value of the property, plant and equipment and intangible assets, related with transport equipements, acquired through finance lease contracts at 31 December 2022 and 2021 was as follows:

2022	Cost	Accumulated depreciation and amortization	Net book value
Initial value	**9,309**	**(4,453)**	**4,856**
Additions (Note 20)	1,847	–	1,847
Disposals and write-offs	(2,961)	1,979	(982)
Depreciation charge	–	(2,045)	(2,045)
Final value	**8,195**	**(4,519)**	**3,677**

2021	Cost	Accumulated depreciation and amortization	Net book value
Initial value	**8,337**	**(3,735)**	**4,602**
Additions (Note 20)	1,494	–	1,494
Disposals and write-offs	(522)	1,298	776
Depreciation charge	–	(2,016)	(2,016)
Final value	**9,309**	**(4,453)**	**4,856**

9. Goodwill

Goodwill represents the difference between the amount paid for the acquisition and the net assets fair value of the companies acquired, with reference to the acquisition date, and at 31 December 2022 and 2021 is detailed as follows:

Subsidiaries	Year of acquisition	Acquisition cost	%	2022	2021
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	1,133	1,510
REN Portgás Distribuição, S.A.	2017	503,015	100%	1,235	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	2019	155,482	100%	2,147	2,012
				4,515	**4,757**

The movement in the Goodwill caption for the years ended 31 December 2022 and 2021 was:

Subsidiaries	At 1 January 2021	Increases	Decreases	Exchange rate differences	At 31 December 2021	Increases	Decreases	Exchange rate differences	At 31 December 2022
REN Atlântico, Terminal de GNL, S.A.	1,887	-	(377)	-	1,510	-	(377)	-	1,133
REN Portgás Distribuição, S.A.	1,235	-	-	-	1,235	-	-	-	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	2,245	-	-	(232)	2,012	-	-	136	2,147
	5,367	**-**	**(377)**	**(232)**	**4,757**	**-**	**(377)**	**136**	**4,515**

Impairment test of Goodwill — REN Atlântico, Terminal de GNL, S.A.

REN made the impairment test of goodwill at 31 December 2022 and 2021, at the cash generating unit level to which REN Atlântico belongs. The business of this company is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 40 years beginning on the 26 September 2006), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments, which is decreasing along the projections from the year ended 2022 until end the of concession.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 5,3% (post-tax discount rate of 4.2%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Atlântico, Terminal de GNL, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	5.3% (pre-tax) 4.2% (post-tax)

In accordance with the assumptions considered and the analysis made, the Group recorded an impairment loss in the amount of 377 thousand Euros.

Impairment test of Goodwill — REN Portgás Distribuição, S.A.

REN made the impairment test of goodwill at 31 December 2022 and 2021, at the cash generating unit level to which REN Portgás Distribuição, S.A belongs. The business of the company is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 30 years and 3 months beginning on October 2017), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 5.06% (post-tax discount rate of 3.59%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Portgás Distribuição, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	5.06% (pre-tax) 3.59% (post-tax)

In accordance with the assumptions and analysis made, the Group did not recorded any impairment losses in Goodwill.

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) considering an increase of 50 basis points and the RoR rate after 2022 considering an increase of 50 basis points; and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

Impairment test of Goodwill — Empresa de Transmisión Eléctrica Transemel, S.A.

REN made the impairment test of goodwill at 31 December 2022 and 2021, at the cash generating unit level to which Empresa de Transmisión Eléctrica Transemel, S.A. belongs. The business of the company is subject to a concession contract so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession, which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

To determine the fair value of the assets, the main assumptions considered were as follows:

- Regulated assets – "Discounted Free Cash Flow method", projection period of 30 years, starting in October 2019 (in line with the remaining fixed assets at the valuation date);
- Concession rights – "Discounted Free Cash Flow method", indefinite projection period, taking into account that Transemel has indefinite usage licenses; and
- Non-regulated assets (contracts) – "Multiperiod excess earnings method", projection period defined based on the useful life defined in each contract.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 8,73% (post-tax discount rate of 5.93%).

Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
Empresa de Transmisión Eléctrica Transemel, S.A.	DFC (Discounted Cash Flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	8.73% (pre-tax) 5.93% (post-tax)

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

10. Investments in associates and join ventures

At 31 December 2022 and 2021, the financial information regarding the financial interest held is as follows:

Company	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/ (loss)	Share capital	%	Carrying amount	Group share of profit/ (loss)
										31 December 2022			
Equity method													
Associate													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.(i)	Holding company	Lisbon	2,610	331	29,017	230	-	1,314	645	29,118	40	11,440	255
Electrogas, S.A.	Gas Transportation	Chile	19,938	16,858	31,226	5,247	6,692	46,283	27,181	36,145	42,5	166,608	11,552
												178,048	11,807
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,201	96	827	20	1,740	10	5,450	50	2,722	5
												180,770	11,812

(i) Financial Statements at 31 December 2022, subject to audit review.

Company	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net profit/ (loss)	Share capital	%	Carrying amount	Group share of profit/ (loss)
										31 December 2021			
Equity method													
Associate													
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Holding company	Lisbon	2,610	732	28,892	166	-	1,534	1,036	29,458	40	11,576	394
Electrogas, S.A.	Gas Transportation	Chile	18,776	7,316	32,734	3,473	7,087	28,166	13,996	29,490	42,5	154,965	5,949
												166,541	6,343
Joint venture													
Centro de Investigação em Energia REN - STATE GRID, S.A.	Research & Development	Lisbon	3,000	6,488	117	1,116	-	1,644	176	5,490	50	2,742	88
												169,283	6,431

Associates

The changes in the caption "Investments in associates" during the years ended at 31 December 2022 and 2021 was as follows:

Investments in associates

At 1 de january de 2021	**156,183**
Effect of applying the equity method – Net Profit	6,343
Currency Translation Reserves	12,165
Dividends of Electrogas	(8,109)
Receipt of Supplementary Obligations of OMIP	(199)
Other changes in equity	159
At 31 December 2021	**166,541**
Effect of applying the equity method – Net Profit	11,807
Currency Translation Reserves	9,539
Dividends of Electrogas	(9,358)
Receipt of Supplementary Obligations of OMIP	(391)
Other changes in equity	(89)
At 31 December 2022	**178,048**

The total amount of dividends recognized by associates was 9,358 thousand Euros, during the year ended 31 December 2022, relating to the distribution of 2021 results (3,667 thousand Euros) and the anticipated distribution of dividends related to the year of 2022 (5,691 thousand Euros) (Note 34). The amount of 12,146 thousands of Euros was received and included in the cash flow statement, related to the distribution of 2021 results, existing an exchange difference between the date of recognition and the date of receipt of dividends.

The proportional value of the OMIP, SGPS includes the effect of the adjustment resulting of changes to the Financial Statement of the previous year, made after the equity method application.

Joint ventures

The movement in the caption "Investments in joint ventures" during the years ended 31 December 2022 and 2021 was as follows:

Investments in joint ventures

At 1 January 2021	**2,662**
Effect of applying the equity method	88
Dividends distribution	(8)
At 31 December 2021	**2,742**
Effect of applying the equity method	5
Dividends distribution	(25)
At 31 December 2022	**2,722**

Following a joint agreement of technology partnership between REN — Redes Energéticas Nacionais and the State Grid International Development (SGID), in May 2013 an R&D centre in Portugal dedicated to power systems designed — Centro de Investigação em Energia REN — STATE GRID, S.A. ("Centro de Investigação") was incorporated, being jointly controlled by the above mentioned two entities.

The Research Centre aims to become a platform for international knowledge, a catalyst for innovative solutions and tools, applied to the planning and operation of transmission power.

The total amount of dividends recognized from joint ventures was 25 thousand Euros, during the year ended 31 December 2022, relating to the distribution of 2021 results, which were received and included in the cash flow statement.

At 31 December 2022 and 2021, the financial information of the joint venture was as follows:

31 December de 2022	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax-(cost)/ income
Empreendimento conjunto:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,257	2	20	(65)	(3)	(2)

31 December de 2021	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax-(cost)/ income
Empreendimento conjunto:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	6,010	2	-	(53)	(2)	(5)

11. Income tax

REN is taxed based on the special regime for the taxation of group companies ("RETGS"), which includes all companies located in Portugal that REN detains directly or indirectly ate least 75% of the share capital, which should give at more than 50% of the voting rights, and comply with the conditions of the article 69º of the Corporate Income Tax law.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for social security), except when there are tax losses, tax benefits granted or tax inspections, claims or appeals in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2019 to 2022 are still subject to review.

The Company's Board of Directors understands that possible corrections to the tax returns resulting from tax reviews/ inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2022 and 2021.

In 2022, the Group is taxed in Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2022, the computation of the deferred taxes, was updated in accordance with Law 24-D/2022, of 30 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2023.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2022, was updated for each Company included in the consolidation perimeter, using the average tax rate expected in accordance with future perspective of taxable profits of each company recoverable in the next periods.

Income tax registered in the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Current income tax	48,447	64,267
Adjustments of income tax	-	38,234
Adjustments of income tax from previous years	(3,076)	(2,324)
Deferred income tax	8,892	(48,096)
Income tax	**54,263**	**52,081**

The amount of 38,234 thousand Euros in "Adjustments of income tax", on 31 December 2021, refers to the adjustment of income tax related with tariff deviations, which was considered as deferred tax liabilities.

The amount of 3,076 thousand Euros on 31 December 2022 (2,324 thousand Euros on 31 December 2021), essentially refers to the recovery of CIT from previous years to the level of deductibility of financial charges and tax benefits.

Reconciliation between tax calculated at the nominal tax rate and tax recorded in the consolidated statement of profit and loss is as follows:

	2022	2021
Consolidated profit before income tax	**194,053**	**176,275**
Permanent differences		
Non deductible/ taxable Costs/ Income	12,929	11,077
Timing differences		
Tariff deviations	(41,840)	41,401
Provisions and impairment	2,554	491
Revaluations	3,353	(3,501)
Pension, helthcare assistence and life insurance plans	(1,785)	(4,092)
Derivative financial instruments	(1,064)	(52)
Others	1,154	1,395
Taxable income	**169,354**	**222,995**
Income tax	32,968	47,033
State surcharge tax	12,177	13,458
Municipal surcharge	2,787	3,206
Autonomous taxation	514	570
Current income tax	**48,447**	**64,267**
Deferred income tax	**8,892**	**(48,096)**
Adjustments of income tax	-	38,234
Adjustments of income tax from previous years	(3,076)	(2,324)
Income tax	**54,263**	**52,081**
Effective tax rate	**28.0%**	**29.5%**

Income tax

The caption "Income tax" payable and receivable at 31 December 2022 and 2021 is made up as follows:

	2022	2021
Income tax		
Corporate income tax – estimated tax	(48,447)	(64,267)
Corporate income tax – payments on account	57,331	35,853
Income withholding tax by third parties	1,793	1,552
Income recoverable/ (payable)	(7)	219
Income tax recoverable	**10,671**	**(26,644)**

Deferred taxes

The effect of the changes in the deferred tax captions in the years presented was as follows:

	2022	2021
Impact on the statement of profit and loss		
Deferred tax assets	(15,001)	9,230
Deferred tax liabilities	6,108	38,866
	(8,892)	**48,096**
Impact on equity		
Deferred tax assets	(11,870)	(5,133)
Deferred tax liabilities	(13,601)	(1,466)
	(25,471)	**(6,599)**
Net impact of deferred taxes	**(34,363)**	**41,497**

The changes in deferred tax by nature were as follows:

Change in deferred tax assets — December 2022

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2022	**2,834**	**28,200**	**46,433**	**1,542**	**15,054**	**2,607**	**96,673**
Increase/ decrease through reserves	–	8,175	–	(3,837)	–	142	(11,870)
Reversal through profit and loss	–	(571)	(14,192)	(162)	(2,068)	(43)	(17,036)
Increase through profit and loss	296	–	346	–	–	1,394	2,036
Change in the period	**296**	**8,746**	**(13,846)**	**(3,999)**	**(2,068)**	**1,493**	**(26,870)**
At 31 December 2022	**3,130**	**19,454**	**32,587**	**(2,457)**	**12,986**	**4,100**	**69,803**

Change in deferred tax assets — December 2021

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2021	**2,759**	**30,117**	**34,027**	**6,391**	**16,898**	**2,380**	**92,575**
Increase/ decrease through reserves	–	(731)	–	(4,678)	–	276	(5,133)
Reversal through profit and loss	(45)	(1,186)	–	(171)	(1,844)	(49)	(3,295)
Increase through profit and loss	120	–	12,406	–	–	–	12,526
Change in the period	**75**	**(1,917)**	**12,406**	**(4,850)**	**(1,844)**	**227**	**4,098**
At 31 December 2021	**2,834**	**28,200**	**46,433**	**1,542**	**15,054**	**2,607**	**96,673**

Deferred tax assets at 31 December 2022 correspond essentially to: (i) to liabilities for benefit plans granted to employees; (ii) tariff deviations liabilities to be settled in subsequent years; and (iii) revalued assets.

Revalued assets

In the year ended 31 December 2015, and following a favourable decision on the tax recovery of assets impairment generated during the split of REN from EDP Group, the Company recognized the amount of 10,182 thousand Euros as deferred tax assets.

In the period ended 31 December 2016, the caption of revalued assets refers to the net effect of the tax revaluation of eligible assets, pursuant to Decree-Law no. 66/2016, of 3 November, which led to an increase in its tax base of 46,137 thousand Euros. As a result, REN Portgás recognized deferred tax assets of 12,593 thousand Euros, which will be recovered by tax deduction from the revaluation reserve inherent to revalued assets, to be amortized over 8 years from 2018. The tax revaluation reserve was taxed in 2016 at a rate of 14% (the amount calculated is settled in three equal installments, with the first due on 20 December 2016, the second due on 15 December 2017 and the third will expire on 15 December 2018).

In the year ended 31 December 2019, based on the response to a Binding Information Request, the value of the caption of revalued assets was updated to the amount of 57,271 thousand Euros, which led to the additional payment of autonomous taxation. As a result, deferred tax assets were restated to the amount of 15,632 thousand Euros, to be amortized over 8 years from 2018.

Evolution of deferred tax liabilities — December 2022

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Derivative financial instruments	Others	Total
At 1 January 2022	**29,765**	**17,274**	**48,685**	**13,037**	**–**	**(1,190)**	**107,569**
Increase/ decrease through equity	–	–	–	(4,368)	17,179	(13)	13,601
Reversal trough profit and loss	(1,990)	(1,337)	(1,825)	–	–	(1,044)	(6,196)
Increase through profit and loss	–	–	–	–	–	89	89
Exchange rate differences	–	–	–	–	–	803	803
Change in the period	**(1,990)**	**(1,337)**	**(1,022)**	**(4,368)**	**17,179**	**(968)**	**7,494**
At 31 December 2022	**27,775**	**15,937**	**47,663**	**8,669**	**17,179**	**(2,158)**	**115,064**

Evolution of deferred tax liabilities — December 2021

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Derivative financial instruments	Others	Total
At 1 January 2021	**63,909**	**18,623**	**50,521**	**10,030**	**–**	**1,887**	**144,969**
Increase/ decrease through equity	–	–	–	3,007	–	9	3,016
Reversal trough profit and loss	(34,144)	(1,350)	(1,836)	–	–	(1,535)	(38,865)
Exchange rate differences	–	–	–	–	–	(1,550)	(1,550)
Change in the period	**(34,144)**	**(1,350)**	**(1,836)**	**3,007**	**–**	**(3,076)**	**(37,399)**
At 31 December 2021	**29,765**	**17,274**	**48,685**	**13,037**	**–**	**(1,190)**	**107,569**

Deferred tax liabilities relating to revaluations result from revaluations made in preceding years under legislation. The effect of these deferred taxes reflects the non-tax deductibility of 40% of future depreciation of the revaluation component (included in the assets considered cost at the time of the transition to IFRS).

The legal documents that establish these revaluations were the following:

Legislation (Revaluation)	
Electricity segment	Gas segment
Decree-Law no. 430/78	Decree-Law no. 140/2006
Decree-Law no. 399-G/81	Decree-Law no. 66/2016
Decree-Law no. 219/82	
Decree-Law no. 171/85	
Decree-Law no. 118-B/86	
Decree-Law no. 111/88	
Decree-Law no. 7/91	
Decree-Law no. 49/91	
Decree-Law no. 264/92	

12. Financial assets and liabilities

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

December 2022

	Notes	Financial assets at amortized cost	Financial assets at fair value – Equity instruments through other comprehensive income	Financial assets/ liabilities at fair value – Profit for the year	Other financial assets/ liabilities	Total carrying amount	Fair value
Assets							
Cash and cash equivalents	17	–	–	–	365,292	365,292	365,292
Trade and other receivables	14	383,430	–	–	–	383,430	383,430
Other financial assets		–	–	–	179	179	179
Investments in equity instruments at fair value through other comprehensive income	13	–	145,715	–	–	145,715	145,715
Income tax receivable	11	10,671	–	–	–	10,671	10,671
Derivative financial instruments	16	–	–	80,799	–	80,799	80,799
Assets related to the transitional gas price stabilization regime – Decree-Law 84-D/2022	36	–	–	–	1,000,000	1,000,000	1,000,000
		394,101	**145,715**	**80,799**	**1,365,472**	**1,986,087**	**1,986,087**
Liabilities							
Borrowings	20	–	–	–	2,334,306	2,334,306	2,289,200
Trade and other payables	23	–	–	–	1,063,519	1,063,519	1,063,519
Income tax payable	11	–	–	–	–	–	–
Drivative financial instruments	16	–	–	73,464	–	73,464	73,464
Liability related to the transitional gas price stabilization regime – Decree-Law 84-D/2022	36	–	–	–	1,000,000	1,000,000	1,000,000
		–	**–**	**73,464**	**4,299,274**	**4,372,738**	**4,327,632**

December 2021

	Notes	Financial assets at amortized cost	Financial assets at fair value – Equity instruments through other comprehensive income	Financial assets/ liabilities at fair value – Profit for the year	Other financial assets/ liabilities	Total carrying amount	Fair value
Assets							
Cash and cash equivalents	17	–	–	–	398,759	398,759	398,759
Trade and other receivables	14	485,196	–	–	–	485,196	485,196
Other financial assets		–	–	–	137	137	137
Investments in equity instruments at fair value through other comprehensive income	13	–	162,724	–	–	162,724	162,724
Income tax receivable	11	–	–	–	–	–	–
Derivative financial instruments	16	–	–	19,821	–	19,821	19,821
		485,196	**162,724**	**19,821**	**398,896**	**1,066,637**	**1,066,637**
Liabilities							
Borrowings	20	–	–	–	2,766,072	2,766,072	2,862,725
Trade and other payables	23	–	–	–	806,464	806,464	806,464
Income tax payable	11	–	–	–	26,644	26,644	26,644
Drivative financial instruments	16	–	–	23,112	–	23,112	23,112
		–	**–**	**23,112**	**3,674,030**	**3,697,141**	**3,793,794**

Loans obtained, as referred to in Note 3.6, are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 16) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption Borrowings, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

The fair value of borrowings and derivatives are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan.

The range of market rates used to calculate the fair value ranges between 1.872% and 3.139% (maturities of one week and ten years, respectively).

The fair value of borrowings contracted by the Group at 31 December 2022 is 2,289,200 thousand Euros (at 31 December 2021 was 2,862,725 thousand Euros), of which 527,116 thousand Euros are partially recorded at amortized cost, and contains an element recorded at fair value resulting from movements in the interest rate (at 31 December 2021 the amount recorded was 601,546 thousand Euros).

Estimated fair value — assets and liabilities measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2022 in accordance with the following hierarchy levels of fair value:

- **Level 1:** the fair value of financial instruments is based on net market prices as of the date of the statement of financial position;
- **Level 2:** the fair value of financial instruments is not determined based on active market quotes but using valuation models. The main inputs of the models are observable in the market, in relation to derivative finantial instruments; and
- **Level 3:** the fair value of financial instruments is not determined based on active market quotes, but using valuation models, whose main inputs are not observable in the market.

During the year ended 31 December 2022, there was no transfer of financial assets and liabilities between fair value hierarchy levels.

		2022				2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets									
Investments in equity instruments at fair value through other comprehensive income	Shares	88,045	–	54,074	142,119	103,017	–	56,111	159,128
Financial assets at fair value	Cash flow hedge derivatives	–	78,735	–	78,735	–	10,511	–	10,511
Financial assets at fair value	Fair value hedge derivatives	–	–	–	–	–	9,310	–	9,310
Financial assets at fair value through profit and loss	Negotiable derivatives	–	2,064	–	2,064	–	–	–	–
		88,045	**80,799**	**54,074**	**222,918**	**103,017**	**19,821**	**56,111**	**178,949**
Liabilities									
Financial liabilities at fair value	Loans	–	527,116	–	527,116	–	601,546	–	601,546
Financial liabilities at fair value	Cash flow hedge derivatives	–	901	–	901	–	15,917	–	15,917
Financial liabilities at fair value	Fair value hedge derivatives	–	72,563	–	72,563	–	5,366	–	5,366
Financial liabilities at fair value through profit and loss	Trading derivatives	–	–	–	–	–	1,828	–	1,828
		–	**600,580**	**–**	**600,580**	**–**	**624,657**	**–**	**624,657**

During the year ended 31 December 2022, REN proceeded to a valuation of the financial interests held Hidroeléctrica de Cahora Bassa, S.A., which is classified as Investments in equity instruments at fair value through other comprehensive income (Note 13). The fair value of this asset reflects the price at which the asset would be sold in an orderly transaction.

For this purpose, REN has opted for a revenue approach, which reflects current market expectations regarding future amounts. The fair value of the investment amounted to 54,074 thousand Euros for the year ended on 31 December 2022.

Quality of Finantial Assets

The credit quality of financial assets that are not overdue or impaired may be assessed with reference to the credit ratings disclosed by Standard & Poor's or based on historical information from the entities to which they refer:

	2022	2021
Trade and other receivables		
BBB	45,057	107,480
Others without rating	338,373	377,716
	383,430	**485,196**
Cash and cash equivalents		
A+ to A-	300,766	122,615
BBB+ to BBB-	169	20,580
Until BB+	64,357	255,565
	365,292	**398,759**
Asset related to the transitional gas price stabilization regime - Decree-Law 84-D/2022		
Until BB+	1,000,000	-
	1,000,000	**-**

Trade and other receivables refer mainly to regulated electricity and gas services rendered.

The main transactions are carried out with authorized distributors in each of the businesses, such as EDP, GALP and some European distributors.

At 31 December 2022, overdue or impaired credits are as follows:

(i) Trade and other receivables include 2,905 thousand Euros (Note 14) which have been adjusted for impairment; and

(ii) There are some aged receivables relating to transactions with EDP group companies for which the credit risk is considered as nil.

With respect to the current receivables and payables balances, its carrying amount corresponds to a reasonable approximation of its fair value.

The non-current accounts receivable and accounts payable refers, essentially, to tariff deviations which amounts are communicated by ERSE, being its carrying amount a reasonable approximation of its fair value, given that they include the time value of money, being incorporated in the next two years tariffs.

13. Investments in equity instruments at fair value through other comprehensive income

The assets recognised in this caption at 31 December 2022 and 2021 corresponds to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	2022	2021
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	Madrid	Spain	10.00%	3,167	3,167
Red Eléctrica Corporación, S.A. ("REE")	Madrid	Spain	1.00%	88,045	103,017
Hidroeléctrica de Cahora Bassa ("HCB")	Maputo	Mozambique	7.50%	54,074	56,111
Coreso, S.A.	Brussels	Belgium	7.90%	164	164
MIBGÁS, S.A.	Madrid	Spain	6.67%	202	202
MIBGÁS Derivatives, S.A.	Madrid	Spain	9.70%	49	49
Associação HyLab - Green Hydrogen Collaborative Laboratory	Sines	Portugal	15.00%	15	15
				145,715	162,724

The changes in this caption were as follows:

	OMEL	HCB	REE	Coreso	MIBGÁS	MIBGÁS Derivatives	HyLab	Total
At 1 January 2021	3,167	56,435	90,833	164	202	48	-	150,850
Acquisitions	-	-	-	-	-	-	15	15
Fair value adjustments	-	(323)	12,183	-	-	-	-	11,860
Others	-	-	-	-	-	-	-	-
At 31 December 2021	3,167	56,111	103,017	164	202	48	15	162,724
At 1 January 2022	3,167	56,111	103,017	164	202	48	15	162,724
Acquisitions	-	-	-	-	-	-	-	-
Fair value adjustments	-	(2,037)	(14,972)	-	-	-	-	(17,009)
Others	-	-	-	-	-	-	-	-
At 31 December 2022	3,167	54,074	88,045	164	202	48	15	145,714

Red Eléctrica Corporácion, S.A. ("REE") is the transmission system operator of electricity in Spain. The Group acquired 1% of equity interests in REE as part of the agreement signed by the Portuguese and Spanish Governments. REE is a listed company in Madrid`s index IBEX 35— Spain and the financial asset was recorded on the statement of financial position at the market price on 31 December 2022.

REN holds 2,060,661,943 shares representing 7.5% of the stock capital and voting rights of HCB, a company incorporated under Mozambican law, at the Hidroeléctrica de Cahora Bassa, SA ("HCB"), as a result of fulfilling the conditions of the contract entered into on April 9, 2012, between REN, Parpública – Participações Públicas, SGPS, SA, CEZA – Companhia Eléctrica do Zambeze, SA and EDM – Electricidade de Moçambique, EP. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Note 12).

REN Company holds a financial stake in the Coreso's share capital, a Company which is also hold by other important European TSO's which, as initiative of the Coordination of Regional Security (CRS), assists the TSO's in the safely supply of electricity in Europe. In this context, Coreso develops and executes operational planning activities since several days before until near real time.

On 31 December 2022, REN also holds a 6.67% financial interest in the share capital of MIBGÁS, SA, acquired during the first half of 2016, a company in charge of the development of the natural gas wholesale market operator in the Iberian Peninsula.

As part of the process of creating the Single Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Eletricidade — OMI) in 2011 and in accordance with the provisions of the agreement between the Portuguese Republic and the Kingdom of Spain on the establishment of an Iberian electricity market, the Company acquired 10% of the capital stock of OMEL, Operador del Mercado Iberico de Energia, SA, a Spanish operator of the sole operator, for a total value of 3,167 thousand Euros.

On 31 December 2022, REN also holds a 9.7% financial interest, acquired for the amount of 48 thousand Euros, of the share capital of MIBGÁS Derivatives, SA, the management company of the organized futures market natural gas, spot products of liquefied natural gas and spot products in underground storage in the Iberian Peninsula.

On 31 December 2022, REN also holds 15 Founder Participation Units in the HyLab — Green Hydrogen Collaborative Laboratory Association, acquired for the amount of 15 thousand Euros. This is a non-profit association governed by private law, whose object is the scientific and technological development of Green Hydrogen, covering the various components of the value chain, namely production, transport, distribution, storage and end uses.

These investments (OMEL, MIBGÁS, MIBGÁS Derivatives, Coreso and HyLab) are recognised at fair value through other comprehensive income, however, as there are no available market price for these investments and as it is not possible to determine the fair value of the period using comparable transactions, these investments are recorded at acquisition deducted of impairment losses, as describe in Note 3.6 – Financial Assets and Liabilities.

REN understands that there is no evidence of impairment loss regarding the investments of OMEL, Coreso, MIBGÁS, MIBGÁS Derivatives and HyLab at 31 December 2022.

REN Portgás holds other financial interests, which are recorded at the acquisition cost in the amount of 14 thousand Euros, deducted of impairment losses, with a net value of zero thousand Euros.

Name
AMPORTO – Área Metropolitana do Porto
AREA ALTO MINHO – Ag. Reg. Energia e Amb. Alto Minho
ADEPORTO – Agência de Energia do Porto

The adjustments to investments in equity instruments at fair value through other comprehensive are recognised in the equity caption "Fair value reserve". This caption at 31 December 2022 and 2021 is made up as follows:

	Fair value reserve (Note 19)
1 January 2021	**48,905**
Changes in fair value	**11,860**
Tax effect	(3,007)
31 December 2021	**57,758**
1 January 2022	**57,758**
Changes in fair value	(17,009)
Tax effect	4,368
31 December 2022	**45,116**

In the year ended 31 December 2022, the total amount of 9,815 thousand Euros recognized in the consolidated statement of profit and loss is relative to associated companies' dividends, of which 7,902 thousand Euros were received during 2022. Additionally, the amount of 1,477 thousand Euros was received relative to dividends recognized during the year ended 31 December 2022. These amounts were included in the cash flows statement.

In the year ended 31 December 2022 and 2021, the dividends attributable to the Group are as follows:

	2022	2021
Red Electrica Corporación, S.A. ("REE")	5,415	5,415
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	4,356	3,032
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	43	49
	9,815	**8,496**

14. Trade and other receivables

Trade and other receivables at 31 December 2022 and 2021 are made up as follows:

	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	229,678	3,275	232,952	357,212	1,775	358,987
Impairment of trade receivables	(2,905)	-	(2,905)	(2,947)	-	(2,947)
Trade receivables net	**226,773**	**3,275**	**230,047**	**354,265**	**1,775**	**356,040**
Tariff deviations	45,451	52,391	97,842	73,647	35,251	108,898
State and Other Public Entities	55,540	-	55,540	20,259	-	20,259
Trade and other receivables	**327,764**	**55,666**	**383,430**	**448,171**	**37,026**	**485,196**

The most relevant balances included in the trade and other receivables caption as of 31 December 2022 are: (i) the receivable of E-Redes Distribuição de Eletricidade, SA in the amount of 32,125 thousand Euros (97,091 thousand Euros at 31 December 2020), (ii) the receivable of Galp Gás Natural, S.A., in the amount of 5,760 thousand Euros (8,878 thousand Euros at 31 December 2021), (iii) the receivable of EDP – Gestão da Produção de Energia, S.A., in the amount of 7,112 thousand Euros (9,185 thousand Euros at 31 December 2021), (iv) the receivable of EDP – Energias de Portugal, S.A., in the amount of 15,829 thousand Euros (7,481 thousand Euros at 31 December 2021) and (v) the receivable of Endesa Generación, S.A., in the amount of 10,295 thousand Euros (8,893 thousand Euros at 31 December 2021).

In the trade and other receivables at 31 December 2022, also stands out the amounts not yet invoiced of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 54,758 thousand Euros (116,941 thousand Euros at 31 December 2021), the amount to invoice to EDP – Distribuição de Energia, S.A., of 5,885 thousand Euros (6,379 thousand Euros at 31 December 2021) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 23) and the amount of 42,452 thousand Euros related to the payment of dividends as advance on profits (Note 32).

This transaction is set up as an "Agent" transaction, being off set in the consolidated income statement.

Changes to the impairment losses for trade receivable and other accounts receivable are made up as follows:

	2022	2021
Begining balance	(2,947)	(2,951)
Reclassifications	123	-
Increases	(81)	-
Reversing	-	4
Ending balance	**(2,905)**	**(2,947)**

The ageing of trade receivables, net of impairment, is as follows:

	2022	2021
Not due and due up to 30 days	213,251	333,968
31-60 days	2,248	4,690
61-90 days	102	3,251
91-120 days	62	1,021
More than 120 days	14,384	13,110
	230,047	**356,040**

15. Inventories

Inventories at 31 December 2022 and 2021 are made up as follows:

	2022	2021
Other materials	5,134	8,550
Inventories adjustment	-	(5)
Inventories	**5,134**	**8,545**

This caption includes an impairment loss for the net realizable value in the amount of 5 thousand Euros.

The cost of goods sold and materials consumed, recognized in the year ended 31 December 2022 and 2021, is detailed as follows:

	2022	2021
Opening balance	8,545	2,450
Acquisitions	1,022	7,499
Transfers and reclassifications	(3,532)	(192)
Closing balance	5,134	8,545
Cost of goods sold and materials consumed	**901**	**1,212**

16. Derivative financial instruments

At 31 December 2022 and 2021, the REN Group had the following derivative financial instruments contracted:

		31 December 2022			
		Asset		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	900,000 tEUR	–	78,500	–	–
Currency and interest rate swaps	10,000,000 tJPY	–	–	–	901
Non-Deliverable Forward	3,180,000 tCLP	236	–	–	–
		236	**78,500**	**–**	**901**
Derivatives designated as fair value hedges					
Interest rate swaps	600,000 tEUR	–	–	–	72,563
		–	**–**	**–**	**72,563**
Trading derivatives					
Trading derivatives	60,000 tEUR	–	2,064	–	–
		–	**2,064**	**–**	**–**
Derivative financial instruments		**236**	**80,564**	**–**	**73,464**

		31 December 2021			
		Asset		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	900,000 tEUR	–	4,108	–	15,917
Currency and interest rate swaps	10,000,000 tJPY	–	5,342	–	–
Non-Deliverable Forward	6,360,000 tCLP	474	587	–	–
		474	**10,037**	**–**	**15,917**
Derivatives designated as fair value hedges					
Interest rate swaps	600,000 tEUR	–	9,310	–	5,366
		–	**9,310**	**–**	**5,366**
Trading derivatives					
Trading derivatives	60,000 tEUR	–	–	–	1,828
		–	**–**	**–**	**1,828**
Derivative financial instruments		**474**	**19,347**	**–**	**23,112**

The valuation of the derivative financial instruments portfolio is based on fair value valuations performed by specialized external entities.

The amount recognized in this item refers to:

- eleven interest rate swap contracts negotiated by REN SGPS to hedge the interest rate fluctuation risk (Note 4.1);
- a cross currency swap contract negotiated by REN SGPS to hedge the exchange rate fluctuation risk (Note 4.1); and
- a global non-deliverable forward contract negotiated by REN Serviços, with the objective of covering the exchange rate risk of exposure to the Chilean Peso of sales denominated in the same currency by Transemel.

Counterparties to derivative contracts are international financial institutions with a solid credit rating and first-rate national institutions.

For the purpose of the effectiveness tests of the designated hedging relationships, REN applies the "Dollar offset method" and the linear regression statistical method as methodologies. The effectiveness ratio is given by comparing the changes in fair value of the hedging instrument with the changes in fair value of the hedged item (or hypothetical derivative instrument simulating the conditions of the hedged item).

For the purpose of calculating ineffectiveness, the total change in fair value of the hedging instruments is considered.

The disclosed amount includes receivable or payable accrued interest, at 31 December 2022 related to these financial instruments, in the net amount receivable of 577 thousand Euros (at 31 December 2021 it was 2,199 thousand Euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2022 and 2021 were as follows:

						Fair value at	
	Notional	Currency	REN pays	REN receives	Maturity	2022	2021
Cash flow hedge							
Interest rate swaps	900,000 TEuros	EUR	[0.75%; 1.266%]	[Euribor 3m; Euribor 6m]	[dec-2024;feb-2025]	78,500	(11,809)
Currency ans interest rate swaps	10,000,000 TJPY	EUR/ JPY	[Euribor 6m; + 1.9%]	[2.71%]	[jun-2024]	(901)	5,342
Non-Deliverable Forward	3,180,000 TCLP	EUR/ CLP	[854,4 to 893,1 CLP]	[854,4 to 893,1 EUR]	[jul-2021;dec-2023]	236	1,061
						77,835	**(5,406)**
Fair value hedge							
Interest rate swaps	300,000 TEuros	EUR	[Euribor 6m]	[0.611%; 0.6285%]	[feb-2025]	(15,582)	9,310
Interest rate swaps	300,000 TEuros	EUR	[Euribor 6m]	[-0.095%]	[apr-2029]	(56,981)	(5,366)
						(72,563)	**3,944**
Trading:							
Interest rate swaps	60,000 Teuros	EUR	[0.99%]	[Euribor 6m]	[jun-2024]	2,064	(1,828)
						2,064	**(1,828)**
Total						**7,336**	**(3,291)**

The periodicity of the cash flows, paid and received, from the derivative financial instruments portfolio is monthly, quarterly, semiannual and annual for cash flow hedging contracts, semiannual and annual for fair value hedging contracts and semiannual for the trading derivative.

The breakdown of the notional of derivatives at 31 December 2022 and 2021 is presented in the following table:

							2022
	2023	2024	2025	2026	2027	Following years	Total
Interest rate swap (cash flow hedge)	-	300,000	300,000	-	-	300,000	900,000
Currency and interest rate swap (cash flow hedge)	-	72,899	-	-	-	-	72,899
Non Deliverable Forward (cash flow hedge)	3,604	-	-	-	-	-	3,604
Interest rate swap (fair value hedge)	-	-	300,000	-	-	300,000	600,000
Interest rate swap (trading)	-	60,000	-	-	-	-	60,000
Total	**3,604**	**432,899**	**600,000**	**-**	**-**	**600,000**	**1,636,503**

							2021
	2022	2023	2024	2025	2026	Following years	Total
Interest rate swap (cash flow hedge)	-	-	300,000	300,000	-	300,000	900,000
Currency and interest rate swap (cash flow hedge)	-	-	72,899	-	-	-	72,899
Non Deliverable Forward (cash flow hedge)	3,682	3,605	-	-	-	-	7,286
Interest rate swap (fair value hedge)	-	-	-	300,000	-	300,000	600,000
Interest rate swap (trading)	-	-	60,000	-	-	-	60,000
Total	**3,682**	**3,605**	**432,899**	**600,000**	**-**	**600,000**	**1,640,185**

Swaps:

Cash Flow Hedge – Interest Rate Swaps

The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on a portion of future debt interest payments through the designation of interest rate swaps, in order to transform floating rate payments into fixed rate payments.

At 31 December 2022, the Group has a total of six cash flow hedging interest rate swap contracts for a total amount of 900,000 thousand Euros (as of 31 December 2021 it was 900,000 thousand Euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2022, is positive 78,500 thousand Euros (at 31 December 2021 it was negative 11,809 thousand Euros).

Of the derivatives described above, two contracts in a total amount of 600,000 thousand Euros (at 31 December 2021 it was 600,000 thousand Euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 78,316 thousand Euros (at 31 December 2021 it was 11,617 thousand Euros).

The hedged instruments of cash flow hedging relationships present the following conditions:

	Maturity	Hedged notional	Interest rate	Hedged Carrying Amount 2022	Hedged Carrying Amount 2021	Note
Cash Flow Hedging Instruments						
Banco Europeu de Investimento (BEI) Loan	16/12/2024	300,000 TEuros	Euribor 3m	299,403	299,912	20
Emissão Obrigacionista (Euro Medium Term Notes)[1]	12/02/2025	300,000 TEuros	2.5%	293,363	293,363	20
Emissão Obrigacionista (Euro Medium Term Notes)[2]	16/04/2029	300,000 TEuros	0.50%	298,932	298,932	20

¹ This hedged instrument is designated jointly with derivatives of fair value hedging amounting to 300,000 thousand Euros (see conditions on the table above) in an aggregate exposure hedge to Euribor 6 months in the period from 2023 to 2025 and, as such, eligible for cash flow hedge.

² This hedged instrument is designated jointly with derivatives of fair value hedging amounting to 300,000 thousand Euros (see conditions on the table above) in an aggregate exposure hedge to Euribor 6 months in the period from 2023 to 2029 and, as such, eligible for cash flow hedge.

Cash Flow Hedge — Interest and Exchange Rate Swaps

The Group hedged the exchange rate risk of the 10,000 million yen bond issued through a cross currency swap with the main characteristics similar to the bond with regard to exchange rate risk. Credit risk is not hedged.

The fair value of the cross currency swap at 31 December 2022 is positive 901 thousand Euros (at 31 December 2021 it was positive 5,342 thousand Euros).

Changes in the fair value of the hedging instrument are also being recognized in equity hedging reserves, with exception of:

- the offsetting of the exchange rate effect of the spot revaluation of the hedged item (bond issue in yen) at each reference date, arising from the hedging of the exchange rate risk[1]; and
- the ineffective effect of the hedge arising from the accounting designation made (REN contracted a trading derivative to economically hedge this ineffectiveness – see Trading Derivative) . This inefficiency is caused by the change in the interest profile of the hedging instrument, which pays a variable rate in the period from 2019 to 2024.

Cash Flow Hedge — Non Deliverable forward

In May 2021, the Group hedged the exchange rate risk of sales denominated in Chilean Pesos by Transemel, in a total amount of 7,950,000 thousand Chilean Pesos (CLP), through the contracting of a structure of thirty monthly non deliverable forwards on the monthly average of the EUR/ CLP exchange rate with maturity between 2021 and 2023.

As at 31 December 2022, the Group has a total of twelve active non-deliverable forwards contracts denominated as cash flow hedging instruments in the global amount of 3,604 thousand Euros. The hedged risk corresponds to the foreign exchange exposure of sales made in CLP at the time of the consolidation of the Group entity, Transemel. Credit risk is not covered.

The fair value of non deliverable forwards, as at 31 December 2022, is positive 236 thousand Euros (at 31 December 2021 it was positive 1,061 thousand Euros). The amount recorded in reserves, referring to the cash flow hedges mentioned above, as at 31 December 2022, is 346 thousand Euros (at 31 December 2021 it was 1,089 thousand Euros). Additionally, an amount of 82 thousand Euros was recorded as a hedging cost in the income statement, which corresponds to the forward points of the hedging instruments that are not designated as part of the hedging relationship (at 31 December 2021 it was 29 thousand Euros). The hedged instrument of the cash flow hedge corresponds to a proportion of total sales denominated in CLP, corresponding to a monthly sales amount of 265,000 thousand Chilean Pesos.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of cash flow hedges were as follows:

				2022
Cash Flow Hedging Instruments	Change in the fair value of hedging instruments	Of which: effective amount recorded in hedge reserves	Hedging inefficiency recorded in profit for the year	Coverage reserve reclassifications to results for the year
Swaps of interest rate	89,933	89,933	-	-
Swaps of exchange rate and interest rate	(6,200)	3,471	(4,065)	(5,605)
Non-Deliverable Forward	236	346	-	(110)
	83,969	**93,750**	**(4,065)**	**(5,715)**

[1] The currency effect of the underlying (loan), in the year 2022, was favorable in the amount of 5,605 thousand Euros, and was offset, in the same amount, by the unfavourable effect of the hedging instrument in the income statement for the year (as of 31 December 2021 was favorable in 2,359 thousand Euros).

[2] The ineffective cash flow hedge component of the exchange rate risk recognised in the income statement, was negative 4,065 thousand Euros which was offset by the effect of the trading derivative negotiated in positive 3,860 thousand Euros (as of 31 December 2021 it was positive 4,843 thousand Euros against negative 1,367 thousand Euros of the effect of the trading derivative). Therefore, the net effect on the income statement for the period ended on 31 December 2022 amounted to negative 205 thousand Euros (as of 31 December 2021 was negative 3,476 thousand Euros).

2021

Cash flow hedging instruments	Change in the fair value of hedging instruments	Of which: effective amount recorded in hedge reserves	Hedging inefficiency recorded in profit for the year	Coverage reserve reclassifications to results for the year
swaps of interest rate	1,538	14,219	–	–
Swaps of exchange rate and interest rate	(4,413)	2,789	(4,843)	(2,359)
Non-Deliverable Forward	1,061	(1,089)	–	–
	(1,814)	**15,919**	**(4,843)**	**(2,359)**

Hedging Reserve:
The movements recognised in the hedging reserve (Note 19) were as follows:

	Fair value	Deferred taxes impact	Hedging reserves (Note 19)
1 January 2021	(34,059)	8,515	(25,545)
Changes in fair value and ineffectiveness	18,097	(4,678)	13,419
31 December 2021	**(15,962)**	**3,837**	**(12,126)**
1 January 2022	(15,962)	3,837	(12,126)
Changes in fair value and ineffectiveness	92,660	(21,016)	71,644
31 December 2022	**76,698**	**(17,179)**	**59,518**

Fair Value Hedge
The Group hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on the fair value of interest payments on fixed-rate debt by negotiating interest rate swaps where it pays a variable rate and receives a fixed rate in order to convert fixed-rate debt payments into variable-rate payments.

At 31 December 2022, the Group has a total of four fair value hedging derivative contracts amounting to 600,000 thousand Euros (as of 31 December 2021 it was 600,000 thousand Euros). The hedged risk corresponds to the change in fair value of debt issues attributable to movements in the market interest rate index (Euribor). Credit risk is not being hedged. At 31 December 2022, the fair value of interest rate swaps designated as fair value hedging instruments was negative 72,563 thousand Euros (as of 31 December 2021 it was positive 3,944 thousand Euros).

Changes in the fair value of hedged items arising from interest rate risk are recognised in the income statement in order to offset changes in the fair value of the hedging instrument, which are also recognised in the income statement.

The hedged items of fair value hedging relationships have the following conditions:

2022

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated fair value adjustment	Variation of the year-end 2022	Note
Fair value hedging instruments							
Bond Issue (Euro Medium Term Notes)	12/02/2025	300,000 TEuros	2,50%	276,378	16,985	24,031	20
Bond Issue (Euro Medium Term Notes)	16/04/2029	300,000 TEuros	0,50%	243,032	55,899	50,399	20
					72,884	**74,430**	

2021

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated fair value adjustment	Variation of the year-end 2021	Note
Fair value hedging instruments							
Bond Issue (Euro Medium Term Notes)	12/02/2025	300,000 TEuros	2,50%	300,409	(7,046)	6,785	20
Bond Issue (Euro Medium Term Notes)	16/04/2029	300,000 TEuros	0,50%	293,431	5,500	5,500	20
					(1,546)	**12,286**	

In 2022, the change in fair value of the debt related to interest rate risk recognized in the income statement was positive 74,430 thousand Euros (at 31 December 2021 it was positive 12,286 thousand Euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately positive 1,064 thousand Euros (at 31 December 2021 it was positive 52 thousand Euros). The ineffectiveness recognized is related to the effect of the fixed leg spread of the hedging instruments that is not reflected in the hedged item.

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Integral Income:
The movements recorded in the statement of comprehensive income through the application of fair value hedges were as follows:

	2022
Fair value Hedging instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	1,064

	2021
Fair value Hedging instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	52

Trading Derivative
The Group negotiated an interest rate swap, with a starting date in 2019 and maturity in 2024, which pays fixed rate and receives variable rate. This instrument, although not designated as hedge accounting considering IFRS 9 criteria, is currently hedging the effect of the ineffectiveness of the cash flow hedge of the interest and exchange rate risks of the bond issue in Yen, relative to the fluctuation of interest rates for the hedging period (see Cash Flow Hedge — Interest and Exchange Rate Swaps).

The notional amount of this trading derivative is 60,000 thousand Euros as of 31 December 2022 (at 31 December 2021 it was 60,000 thousand Euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2022, is positive 2,064 thousand Euros (on 31 December 2021 it was negative 1,828 thousand Euros).

Changes in the fair value of the trading derivative are recorded directly in the income statement. The impact in the income statement, as of 31 December 2022, related to the effect of the fair value of the trading derivative was positive 3,860 thousand Euros (as of 31 December 2021 it was 1,367 thousand Euros positive).

17. Cash and cash equivalents

The amounts considered as cash and cash equivalents in the consolidated statements of cash flows for the years ended 31 December 2022 and 2021 are made up as follows:

	2022	2021
Cash	1	-
Bank deposits	365,291	398,759
Cash and cash equivalents in the statement of financial position	**365,292**	**398,759**
Bank overdrafts (Note 20)	-	-
The transitional gas price stabilization regime - Decree-Law 84-D/2022 (Notas 3.18 e and 36)	-	-
Cash and cash equivalents in cash flow statement	**365,292**	**398,759**

In the years ended 31 December 2022 and 2021, there are no cash and cash equivalents that are not available for the group to use.

18. Equity instruments

As of 31 December 2022 and 2021, REN's subscribed and paid up share capital is made up of 667,191,262 shares of 1 euro each.

	2022		2021	
	Number of shares	Share Capital	Number of shares	Share Capital
Own shares	667,191,262	667,191	667,191,262	667,191

The caption "Other changes in equity" in the years ended 31 December 2022 and 2021 amounted to 5,561 thousand Euros.

Additionally, and following the share capital increase in 2017, the caption "Share Premium" in the years ended 31 December 2022 and 2021 amounted to 116,809 thousand Euros.

At 31 December 2022, REN SGPS had the following own shares:

	Number of shares	Proportion	Amount
Own shares	3,881,374	0.6%	(10,728)

No own shares were acquired or sold in the years ended 31 December 2022 and 2021.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must at all times ensure that there are sufficient Equity Reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution.

19. Reserves and retained earnings

The caption "Reserves" in the amount of 396,065 thousand Euros includes:

- **Legal reserve:** The Commercial Company Code in place requires that at least 5% of the net profit must be transferred to this reserve until it has reached 20% of the share capital. This reserve can only be used to cover losses or to increase capital. At 31 December 2022 this caption amounts to 135,702 thousand Euros;
- **Fair value reserve:** includes changes in the fair value of available for sale financial assets (45,117 thousand Euros positive), as detailed in Note 13;
- **Hedging reserve:** includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (positive 59,518 thousand Euros) as detailed in Note 16; and
- **Other reserves:** This caption is changed by (i) application of the results of previous years, being available for distribution to shareholders; except for the limitation set by the Companies Code in respect of own shares (Note 18), (ii) exchange rate changes associated to the financial investment whose functional currency is Dollar; (iii) exchange variation of assets and liabilities of financial investments in subsidiaries, namely the exchange rate effect of converting Chilean Peso to Euro and (iv) changes in equity of associates recorded under the equity method. On 31 December 2022, this caption amounts to 155,729 thousand Euros.

In accordance with the Portuguese legislation: (i) increases in equity as a result of the incorporation of positive fair value (fair value reserves and hedging reserves) can only be distributed to shareholders when the correspondent assets have been sold, exercised, extinct, settled or used; and (ii) income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. Portuguese legislation establishes that the difference between the equity method income and the amount of paid or deliberated dividends is equivalent to legal reserve.

20. Borrowings

The segregation of borrowings between current and non-current and by nature, at 31 December 2022 and 2021 was as follows:

	2022			2021		
	Current	Non-current	Total	Current	Não current	Total
Bonds	550,000	1,097,002	1,647,002	–	1,726.240	1,726,240
Bank Borrowings	68,283	348,300	416,583	158,313	416,583	574,897
Commercial Paper	–	250,000	250,000	200,000	250,000	450,000
Bank overdrafts (Note 17)	–	–	–	–	–	–
Leases	1,432	2,418	3,850	1,481	2,731	4,212
	619,715	**1,697,720**	**2,317,436**	**359,794**	**2,395,554**	**2,755,348**
Accrued interest	23,667	–	23,667	23,803	–	23,803
Prepaid interest	(4,438)	(2,359)	(6,797)	(8,377)	(4,702)	(13,079)
Borrowings	**638,944**	**1,695,362**	**2,334,306**	**375,221**	**2,390,852**	**2,766,073**

The change in borrowings during the year ended 31 December 2022 was as follows:

	Opening balance	Subscriptions	Reimbursement	Exchange evaluation	Fair value	Reclassification Non-Current to Current	Increase Finance Lease	Other	Closing balance
Non-current									
Bonds	1,726,240	–	–	(5,605)	(74,429)	(550,000)	–	797	1,097,002
Bank Borrowings	416,583	35,000	(92,774)	–	–	(10,508)	–	–	348,300
Commercial Paper	250,000	500,000	(500,000)	–	–	–	–	–	250,000
Finance Lease	2,731	–	(2,109)	–	–	–	1,847	(51)	2,418
	2,395,554	**535,000**	**(594,883)**	**(5,605)**	**(74,429)**	**(560,508)**	**1,847**	**746**	**1,697,720**
Current									
Bonds	–	–	–	–	–	550,000	–	–	550,000
Bank Borrowings	158,313	–	(100,538)	–	–	10,508	–	–	68,283
Commercial Paper	200,000	630,000	(830,000)	–	–	–	–	–	–
Bank overdrafts	–	–	–	–	–	–	–	–	–
Finance Lease	1,481	–	(49)	–	–	–	–	–	1,432
	359,794	**630,000**	**(930,587)**	**–**	**–**	**560,508**	**–**	**–**	**619,715**
Borrowings	**2,755,348**	**1,165,000**	**(1,525,470)**	**(5,605)**	**(74,429)**	**–**	**1,847**	**746**	**2,317,436**

The borrowings settlement plan was as follows:

	2023	2024	2025	2026	2027	Following years	Total
Debt - Non current		151,082	497,415	290,043	69,346	689,834	1,697,720
Debt - Current	619,715						619,715
	619,715	**151,082**	**497,415**	**290,043**	**69,346**	**689,834**	**2,317,436**

Detailed information regarding bond issues as of 31 December 2022 is as follows:

			31 December 2022		
Issue date	Maturity	Inicial amount	Outstanding amount	Interest rate	Periodicity of interest payment
'Euro Medium Term Notes' programme emissions					
26/06/2009	26/06/2024	TJPY 10,000,000 (i) (ii)	TJPY 10,000,000	Fixed rate	Semi-Annual
12/02/2015	12/02/2025	TEUR 300,000 (ii)	TEUR 500,000	Fixed rate EUR 2.50%	Annual
01/06/2016	01/06/2023	TEUR 550,000	TEUR 550,000	Fixed rate EUR 1.75%	Annual
18/01/2018	18/01/2028	TEUR 300,000	TEUR 300,000	Fixed rate EUR 1.75%	Annual
16/04/2021	16/04/2029	TEUR 300,000 (ii)	TEUR 300,000	Fixed rate EUR 0.50%	Annual

(i) These issues correspond to private placements.
(ii) These issues have interest currency rate swaps associated.

As of 31 December 2022, the Group has eleven commercial paper programs in the amount of 2,125,000 thousand Euros, of which 1,875,000 thousand Euros are available for utilization. Of the total amount 850,000 thousand Euros have a guaranteed placement, of which 600,000 thousand Euros are available for utilization at 31 December 2022.

In 2022, the Group agreed to fully repay the loan with the Industrial Commercial Bank of China in the amount of 35,000 thousand euros. Additionally, a new credit line was agreed with the Industrial Commercial Bank of China in the total amount of 120,000 thousand Euros, of which 35,000 thousand Euros have already been disbursed.

In 2022, the Group contracted a Revolving Credit Facility with Mediobanca International (Luxembourg) S.A. in the amount of 50,000 thousand Euros, was not disbursed.

Lastly REN SGPS signed, with the European Investment Bank (EIB), new long term financing in the amount of 300,000 thousand Euros, was not disbursed.

Bank loans are mostly composed of loans contracted with the European Investment Bank (EIB), which at 31 December 2022 amounted to 371,583 thousand Euros (at 31 December 2021 it was 430,897 thousand Euros).

The Group also has credit lines negotiated and not used in the amount of 80,000 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose).

The balance of the caption Prepaid interest includes the amount of 2,069 thousand Euros (6,953 thousand Euros in 31 December 2021) related with the refinancing of bonds through an exchange offer completed in 2016.

As a result of the fair value hedge related to the debt emission in the amount of 600,000 thousand Euros, fair value changes concerning interest rate risk were recognized directly in statement of profit and loss, in an amount of 74,430 thousand Euros (positive) (at 31 December 2021 was 12,286 thousand Euros (positive)) (Note 16).

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge and Gearing.

The bank loans with BEI include also covenants related with rating and other financial ratios in which the Group may be called upon to present an acceptable guarantee in the event of rating and financial ratios below the established values.

REN and its subsidiaries are a part of certain financing agreements and debt issues, which include change in control clauses typical in this type of transactions (including, though not so expressed, changes in control as a result of takeover bids) and essential to the realization of such transactions on the appropriate market context. In any case, the practical application of these clauses is limited to considering the legal ownership of shares of REN restrictions.

Following the legal standards and usual market practices, contractual terms and free market competition, establish that neither REN nor its counterparts in borrowing agreements are authorized to disclose further information regarding the content of these financing agreements.

The exposure of the Group's borrowings to changes in interest rates on the contractual re-pricing dates is as follows:

	2022	2021
6 month or less	1,240,722	1,363,907
6 - 12 month	-	1,538
1 - 5 years	479,693	788,534
Over 5 years	600,000	597,995
	2,320,415	**2,751,974**

The effect of the foreign exchange rate exposure was not considered as this exposure is totally covered by hedge derivate in place.

The average interest rates for borrowings including commissions and other expenses were 1.81% in 2022 and 1.57% in 2021.

Leases

Minimal payments regarding lease contacts and the carrying amount of the finance lease liabilities as of 31 December 2022 and 2021 are made up as follows:

	2022	2021
Lease liabilities - minimum lease payments		
No later than 1 year	1,450	1,500
Later than 1 year and no later than 5 years	2,435	2,748
	3,885	**4,248**
Future finance charges on leases	35	(36)
Present value of lease liabilities	**3,850**	**4,212**

	2022	2021
The present value of lease liabilities is as follows		
No later than 1 year	1,432	1,481
Later than 1 year and no later than 5 years	2,418	2,731
	3,850	**4,212**

21. Pos-employment benefits and others benefits

As explained in Note 3.10, REN — Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as Pension Plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service award, retirement award and a death subsidy (referred to as "Other benefits"). The Group also grants their employees life assurance plans. The long service award is applicable to all Group companies.

In November 2012, the Group terminated the Collective Bargaining Agreement ("ACT") which covered only part of REN employees (about 50%) proposing to the unions a new ACT applicable to all Group companies. This proposal aimed to integrate in a single document several and disperse existing documentation, adapting the new document do the Group current needs.

On 30 January 2015 the Group signed a new agreement with its employees effective on 1 February 2015, incorporating the following changes on future liabilities of long-term benefits:

- **Health care plan:** were considered new reimbursement limits; and
- **Other benefits:** (i) long service bonus extended to all Group employees; (ii) Energy benefit was included.

At 31 December 2022 and 2021, the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	2022	2021
Liability on statement of financial position		
Pension plan	32,551	49,619
Healthcare plan and other benefits	32,388	44,490
	64,939	**94,109**

A reconciliação da remensuração do Liabilities líquido de benefícios é como se segue:

	2022	2021
Initial balance	**94,109**	**100,507**
Current service costs and Net interest on net defined benefit liability	3,749	3,448
Actuarial gains/(losses):		
- impact on the statement of profit and loss	(157)	(20)
- impact on equity	(27,254)	(2,436)
Benefits paid	(5,508)	(7,390)
Final balance	**64,939**	**94,109**

Durante os exercícios findos em 31 December de 2022 e 2021, foram reconhecidos os seguintes gastos operacionais, relAssets a planos de benefícios com os empregados:

	2022	2021
Charges to the statement of profit and loss (Note 28)		
Pension plan	2,690	2,621
Healthcare plan and other benefits	902	807
Total expenses in the income statement	**3,592**	**3,428**

The actuarial assumptions used to calculate the post-employment benefits are considered by the REN Group and the entity specialized in the actuarial valuation reports to be those that best meet the commitments established in the Pension plan, and related retirement benefit liabilities, and are as follows:

	2022	2021
Annual discount rate	Full Yield Curve (single rate equivalent: 3,87%)	Full Yield Curve (single rate equivalent: 1,03%)
"Expected percentage of serving employees elegible for early retirement (more than 60 years of age and 36 years in service) – by Collective work agreement"	20.00%	20.00%
Expected percentage of serving employees elegible for early retirement – by Management act	10.00%	10.00%
Rate of salary increase	4.50% for 2023 2.80% from 2024	2.80%
Pension increase	3.50% for 2023 2.30% from 2024	1.80%
Future increases of Social Security Pension amount	3.50% for 2023 2.30% from 2024	1.80%
Inflation rate	2.30%	1.80%
Medical trend	2.30%	1.80%
Management costs (per employee/ year)	€282	€289
Expenses medical trend	2.30%	1.80%
Retirement age (number of years)	66	66
Mortality table	TV 99/01	TV 88/90

The annual discount rate used in the valuation of liabilities, was obtained through an analysis of rates of return on bonds considered appropriate and in line with the duration of the obligations associated with different benefit plans (see discount rate determination in note 3.10).

Employees who meet certain predefined conditions of age and seniority and who chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

Sensitivity analysis

In the year ended 31 December 2022, the granular methodology was used to calculate liabilities. The benefits are broken down into cash flows according to the expected year of payment, with each cash flow being discounted using a discount rate corresponding to its duration, thus allowing to reflect the duration of each element. Since the benefits have different average durations, a different effective average discount rate was considered for each benefit.

For the purposes of the sensitivity analysis of the pension plan, health care plan and other benefits, an equivalent discount rate of 3.88%, 3.86% and 3.85%, respectively, was considered.

In the scenario where we apply an increase and a decrease of 1% to discount rate in determination of the responsibilities with pension plan and medical and other benefits plan, the following changes would occur:

	Discount rate for sensitivity analysis		
	2.88%	**3.88%**	**4.88%**
Pension plan			
Liabilities	65,792	59,566	54,220
Impact on liabilities	6,226	–	5,346
	2.86%	**3.86%**	**4.86%**
Healthcare plan			
Liabilities	13,466	11,905	10,635
Impact on liabilities	1,561	–	(1,270)
	2.85%	**3.85%**	**4.85%**
Other benefits			
Liabilities	23,638	20,485	17,979
Impact on liabilities	3,153	–	(2,506)

The evolution of the eligible population for the pension plan and the healthcare and other benefits plan is as follows:

	2022	2021
Active (Pension plan, Healthcare plan and Other benefits) (a)	234	248
Active (Long service award benefit)	705	699
Pre-retires and earlier retires	73	99
Retires	708	667

(a) The Other benefits excludes the long award benefit

21.1. Pension plan

To cover its liability for supplementary retirement pensions, REN contributes to an autonomous Pension fund.

In the years ended 31 December 2022 and 2021, no contributions were made to the REN Pension Fund. No contributions are expected for the following year.

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2023	2024	2025	2026	2027	2027-2031
Expected benefits payments	4,173	3,867	3,658	3,688	3,788	20,255

The weighted average duration of the obligations of the pension plan is 10 years.

The portfolio of assets of the REN Pension Fund as of 31 December 2022 and 2021 were as follows, in accordance with information provided by the financial institution in charge for the management of REN`s Pension Fund:

Plan assets	2022	%	2021	%
Bonds	19,037	70%	30,141	88%
Shares	6,508	24%	4,340	11%
Readily available deposits	1,469	5%	57	1%
Absolute return	1	0%	1	0%
Total	**27,015**	**100%**	**34,540**	**100%**

Evolution of the assets of the Pension Fund in 2022 and 2021 was as follows:

Evolution of the assets of the Pension Fund	2022	2021
At 1 January	**34,540**	**36,213**
Actuarial gain/ (loss)	(5,657)	475
Benefits paid	(2,290)	(2,279)
Return on plan assets (i)	422	131
At 31 December	**27,015**	**34,540**

(i) Unique rate applied to the obligation and assets pension plan.

The liabilities and corresponding annual costs are determined by annual actuarial calculations, using the projected unit credit method, made by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions at the moment of the actuarial calculations.

The amount of the liability recognized in the consolidated statement of financial position was determined as follows:

Evolution of the assets of the Pension Fund	2022	2021
Present value of the liability	59,560	(84,159)
Fair value of plan assets	27,015	34,540
	32,551	**(49,619)**

The reconciliation of the remeasurement of liability net of benefits is as follows:

	2022	2021
At 1 January	**49,619**	**54,726**
Current service costs	2,054	2,330
Net interest on net defined benefit liability	636	291
Actuarial gains/ (losses)	(15,503)	(1,869)
Benefits paid	(4,255)	(5,859)
At 31 December	**32,388**	**49,619**

The changes in the present value of the underlying liability of the pension plan were as follows:

	2022	2021
At 1 January	**84,159**	**90,939**
Current service costs	2,054	2,330
Interest costs	1,058	422
Benefits paid	(6,545)	(8,138)
Actuarial(gains)/ losses	(21,160)	(1,394)
At 31 December	**59,566**	**84,159**

Reconciliation of the obligation of the pension plan

The impact on the consolidated statement of profit and loss for the year was as follows:

	2022	2021
Current service costs	2,054	2,330
Net interest on net defined benefit liability	636	291
Total included in personnel costs	**2,690**	**2,621**

Historical analysis of the actuarial gains and losses

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2022	2021
Discount rate	**Full Yield Curve**	**Full Yield Curve**
Liabilities amount	59,566	84,159
Value of the fund	27,015	34,540
Actuarial gains/ (losses) on liabilities	21,160	1,394
– for change in assumptions	16,304	1,409
– from experience	4,856	(15)
Actuarial gains/ (losses) on fund assets	(5,657)	475

21.2. Healthcare and other benefits

The healthcare and other benefits plan does not have a fund, the liability being covered by a specific provision.

The amounts of the liability recognized in the statements of financial position were as follows:

	2022	2021
Present value of the obligation	32,388	44,490
Liability in the statement of financial position	**32,388**	**44,490**

The changes in the amount of the obligation for healthcare and other benefits were as follows:

	2022	2021
At 1 January	**44,490**	**45,781**
Current service costs	463	570
Interest costs	596	256
Benefits paid	(1,251)	(1,531)
Actuarial (gain)/ loss	(11,909)	(586)
At 31 December	**32,388**	**44,490**

The effects of the plan on the consolidated statements of profit and loss were as follows:

	2022	2021
Current service costs	463	570
Interest costs	596	256
(Gains)/ losses of other long term employee benefit plans	(157)	(20)
Total included in personnel costs	**902**	**806**

Medical expenses trend rate in the Healthcare plan

The medical cost increase rate adopted by the Group assessed by reference to historical series statistics expenses increases was 1.8%.

The effect of an increase of one percentage point of the healthcare expenses growth rate, represents a 11% increase in liabilities, where a decrease of one percentage point results in a decrease of 13% in liabilities as shown below:

	Growth rate for sensitivity analysis		
	2.85%	**3.85%**	**4.85%**
Current service and interest costs	473	542	630
Impact on current service and interest costs	(69)	–	88
Past service liabilities	13,466	11,905	10,635
Impact on past service liabilities	1,561	–	(1,270)

Historical analysis of the actuarial gains and losses in the medical and other benefits plan

The actuarial gains and losses that result from the adjustments made to de actuarial assumptions, experience assumptions (difference between the actuarial assumptions and what effectively occurred) or in the defined benefits are as follows:

	2022	2021
Discount rate	**Full Yield Curve**	**Full Yield Curve**
Liabilities amount	32,388	(44,490)
Actuarial (gains)/ losses on liabilities	11,909	586
– for change in assumptions	11,637	333
– from experience	272	254

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2023	2024	2025	2026	2027	2027-2031
Expected benefits payments	1,822	1,806	1,838	1,762	1,798	8,859

The weigh average duration of these liabilities is 11 years for healthcare and 13 years for other benefits.

22. Provisions for other risks and charges

The changes in provisions for other risks and charges in the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Begining balance	**8,872**	**8,508**
Increases	2,576	521
Reversing	(346)	(156)
Utilization	(526)	–
Ending balance	**10,576**	**8,872**

At 31 December 2022, the caption "Provisions" corresponds essentially to estimates of the payments to be made by REN resulting from legal processes in progress for damage caused to third parties and a provision for restructurin g in the amount of 949 thousand Euros related to the ongoing restructuring process of the Group.

23. Trade and other payables

The caption "Trade and other payables" at 31 December 2022 and 2021 was made up as follows:

	2022			2021		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 12)	219,141	–	219,141	252,043	–	252,043
Other creditors						
Other creditors (Note 12)	28,369	34,815	63,184	39,164	35,022	74,186
Tariff deviations (Note 12)	523,570	73,646	597,217	208,575	166,901	375,476
Fixed assets suppliers (Note 12)	59,887	–	59,887	72,657	–	72,657
Tax payables (Note 12) (i)	19,629	–	19,629	26,608	–	26,608
Deferred income						
Grants related to assets	19,346	252,847	272,194	19,773	251,221	270,993
Bilateral agreements – Grants	–	86,967	86,967	–	52,180	52,180
Others	9,563	2,021	11,584	20,388	2,281	22,669
Accrued costs						
Holidays and holidays subsidies (Note 12)	5,909	–	5,909	5,494	–	5,494
Trade and other payables	**885,416**	**450,297**	**1,335,713**	**644,701**	**507,606**	**1,152,307**

(i) Tax payables refer to VAT, personnel income taxes and other taxes.

The caption "Trade and other payables" includes: (i) the amount of 40,521 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (31,783 thousand Euros at 31 December 2021); (ii) the amount of 23,195 thousand Euros of investment projects not yet invoiced (30,013 thousand Euros at 31 December 2021); (iii) the amount of 54,758 thousand Euros (116,941 thousand Euros at 31 December 2021) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 5,885 thousand Euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (6,379 thousand Euros at 31 December 2021), also reflected in the caption "Trade receivables" (Note 14).

This transaction related to "CMEC" sets a pass-through in the consolidated income statement of REN, fact for which it is compensated in that statement.

The caption "Other creditors" includes: (i) the amount of 1,078 thousand Euros (5,857 thousand Euros at 31 December 2021) related with the Efficiency Promotion Plan on Energy Consumption ("PPEC"), which aims to financially support initiatives that promote efficiency and reduce electricity consumption, which should be used to finance energy efficiency projects, according to the evaluation metrics defined by ERSE.

The ageing of trade suppliers, other creditors and fixed assets suppliers is as follows:

Ageing of debts	2022	2021
Not due and due up to 30 days	284,053	358,044
31-60 days	255	236
61-90 days	189	196
91-120 days	252	110
More than 120 days	57,463	62,967
	342,212	**421,552**

The movement in the caption "Grants related to assets" current and non-current, in the years ended 31 December 2022 and 2021 was as follows:

At 1 January 2021	**281,155**
Increases	11,516
Other reclassifications	(2,953)
Recognition of investment subsidies in profit and loss (Note 26)	(18,725)
At 31 December 2021	**270,993**
Increases	19,480
Recognition of investment subsidies in profit and loss (Note 26)	(18,279)
At 31 December 2022	**272,194**

24. Sales and services rendered

Sales and services rendered recognized in the consolidated statement of profit and loss for the years ended 31 December 2022 and 2021 is made up as follows:

	2022	2021
Goods		
Domestic market	96	734
	96	**734**
Services – Domestic market		
Electricity transmission and overall systems management	360,351	348,330
Gas transmission	78,967	84,640
Gas distribution	58,067	54,741
Regasification	46,958	34,945
Underground gas storage	20,597	21,313
Telecommunications network	7,685	6,929
Trading	891	1,593
Others	1,366	712
Services – External market (Chile):		
Transmission and transformation of electricity	13,249	11,899
	588,130	**565,103**
Total sales and services rendered	**588,226**	**565,837**

25. Revenue and costs for construction activities

As part of the concession contracts treated under IFRIC 12, the construction activity is subcontracted to specialized suppliers. Therefore the Group obtains no margin in the construction of these assets. The detail of the revenue and expenses with the acquisition of concession assets as of 31 December 2022 and 2021 were made up as follows:

	2022	2021
Revenue from construction of concession assets		
Acquisitions	175,095	215,253
Own work capitalised		
Financial expenses (Note 8)	2,788	3,534
Overhead and management costs (Note 8)	19,536	18,909
	197,420	**237,696**
Cost of construction of concession assets		
Acquisitions	175,095	215,253
	175,095	**215,253**

26. Other operating income

The caption "Other operating income" loss for the years ended 31 December 2022 and 2021 is made up as follows:

	2022	2021
Recognition of investment subsidies in profit and loss (Note 23)	18,279	18,725
Underground occupancy tax	4,060	3,922
Supplementary income	1,430	1,774
Disposal of unused materials	1,851	1,088
Others	1,606	2,879
	27,225	**28,389**

27. External supplies and services

The caption "External supplies and services" for the years ended 31 December 2022 and 2021 is made up as follows:

	2022	2021
Maintenance costs	17,773	20,309
Fees relating to external entities i)	17,659	16,404
Electric energy costs	16,805	12,109
Cross border interconnection costs ii)	10,341	11,256
Gas transport subcontracts	5,682	5,652
Insurance costs	4,998	5,441
Security and surveillance	2,242	2,148
Advertising and communication costs	1,082	1,214
Travel and transportation costs	1,035	574
Gas operation - Pass through iii)	-	5,753
Other	4,898	3,837
External supplies and services	**82,516**	**84,695**

i) The fees paid to external entities refer to specialized work and fees paid by REN for contracted services and specialized studies.

ii) The cross border interconnection costs refer to the cost assumed on cross-border trade in electricity.

iii) Acquisition referring to the extension of the operating gas complying with the provisions of Directive no. 6/2021 published by ERSE.

This caption includes audit services as well as consulting services rendered by audit companies recorded as expenses in 2022, as follows:

	2022	2021
Audit and statutory audit	298	283
Other assurance services	178	132
Services other than audit and statutory audit	89	25
	565	**440**

28. Personnel costs

Personnel costs for the years ended 31 December 2022 and 2021 are made up as follows:

	2022	2021
Remuneration		
Board of directors	3,789	3,665
Personnel	40,162	38,658
	43,951	**42,323**
Social charges and other expenses		
Social security costs	8,538	8,270
Post-employement and other benefits cost (Note 21)	3,592	3,428
Social support costs	2,135	1,760
Other	303	326
	14,568	**13,785**
Total personnel costs	**58,519**	**56,108**

The Corporate bodies' remuneration includes remunerations paid to the Board of Directors as well as the General Shareholders meeting attendance.

The average number of employees of the Group in 2022 was 707 (701 in 2021).

29. Other operating costs

Other operating costs for the years ended 31 December 2022 and 2021 are made up as follows:

	2022	2021
ERSE operating costs i)	6,708	10,909
Underground occupancy tax	4,096	3,907
Donations and quotizations	1,775	1,582
Others	2,409	2,206
	14,988	**18,604**

i) The caption "ERSE operating costs" corresponds to ERSE's operating costs, to be recovered through electricity and gas tariffs.

30. Financial costs and financial income

Financial costs and financial income for the years ended 31 December 2022 and 2021 are made up as follows:

	2022	2021
Financial costs		
Interest on bonds issued	38,160	30,556
Other borrowing interests	6,707	10,973
Interest on commercial paper issued	4,350	4,301
Derivative financial instruments	5,222	4,872
Exchange rate differences	181	2,319
Other financing expenditure	12,772	1,335
	67,394	**54,356**
Financial income		
Derivative financial instruments	3,860	869
Other financial investments	3,558	1,781
Exchange rate differences	1,231	-
Interest income	3,262	622
	11,911	**3,272**

31. Earnings per share

Earnings per share were calculated as follows:

		2022	2021
Consolidated net profit used to calculate earnings per share	(1)	111,771	97,153
Number of ordinary shares outstanding during the period (note 18)	(2)	667,191,262	667,191,262
Effect of treasury shares (note 18)		3,881,374	3,881,374
Number of shares in the period	(3)	**663,309,888**	**663,309,888**
Basic earnings per share (euro per share)	(1)/(3)	0.17	0.15

The basic earnings per share are the same as the diluted earnings as there are no situations that could origin dilution effects.

32. Dividends per share

On 28 April 2022, the General Meeting approved the distribution of dividends to shareholders, based on the result for the 2021 financial year, in the amount of 102,747 thousand Euros (0.154 Euros per share), including the dividend attributable to own shares in the amount of 597 thousand Euros, with the amount of 102,150 thousand Euros having been paid to shareholders.

The strategic plan announced by the Company on 14 May 2021, the Board of Directors of REN – Redes Energéticas Nacionais, SGPS, S.A. approved, on 30 November 2022, the payment of dividends, as an advance on profits, in the amount of 0.064 Euros per share, in the amount of 42,452 thousand Euros.

On 23 April 2021, the General Meeting approved the distribution of dividends to shareholders, based on the result for the 2020 financial year, in the amount of 114,090 thousand Euros (0.171 Euros per share), including the dividend attributable to own shares in the amount of 664 thousand Euros, with the amount of 113,426 thousand Euros having been paid to shareholders.

33. Contingent assets and liabilities

33.1. Commitments

The commitments assumed by REN Group relating to investments contracted but not yet realized, not reflected in the statement of financial position as of 31 December 2022 and 2021, were as follows:

	2022	2021
Power lines	90,284	60,161
Substations	66,739	60,050
Gas pipelines	7,397	1,855
Sines Terminal	5,255	486
Underground gas storage	960	447
	170,635	**122,999**

Regarding joint ventures and associates, there are no other commitments assumed by the Group and which are not included in the consolidated statement of financial position, for the years ended 31 December 2022 and 2021.

33.2. Contingent liabilities

Tejo Energia – Produção e Distribuição de Energia Eléctrica, SA ("Tejo Energia") and Turbogás — Produtora Energética S.A. ("Turbogás") have announced to REN – Rede Eléctrica Nacional, SA ("REN Eléctrica") and REN Trading SA ("REN Trading") its intention to renegotiate the Energy Acquisition Agreement (CAE), in order to reflect in the amounts payable to this producer the costs, which in its opinion would be due, incurred with (i) financing of the social tariff and (ii) with the tax on petroleum products and energy and with the rate of carbon. Also, these two entities stated its intention to renegotiate the CAE, in order to reflect in the amounts payable the costs incurred with the financing of ECES.

According to the CAE, Tejo Energia and Turbogás act as producers and sellers and REN Trading as purchaser of the energy produced in power plants. REN Eléctrica is jointly and severally liable with REN Trading, regarding the execution of the CAE with Tejo Energia and Turbogás. According to the information received, the total costs incurred by these companies until 31 December 2022 amounts to, approximately, 107 million Euros.

REN Trading and REN Elétrica consider that, with the existing legal framework, this possibility depends on the recognition that the associated charges can be considered as general costs of the national electricity system, the only way to guarantee the economic neutrality of REN Trading's contractual position.

All of these disputes were brought by Tejo Energia and Turbogás and contested by REN Eléctrica and REN Trading, and the outcome is pending resolution.

33.3. Guarantees given

At 31 December 2022 and 2021, the REN Group had given the following bank guarantees:

Beneficiary	Scope	2022	2021
European Investment Bank (EIB)	To guarantee loans	216,338	242,548
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	24,028	23,788
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	25,881	22,571
Judge of District Court	Guarantee for expropriation processes	6,141	5,549
Mibgás	To guarantee the liabilities incurred from the participation in the gas organized market	4,000	4,000
Municipal Council of Seixal	Guarantee for litigation	3,133	3,133
Portuguese State	Guarantee for litigation	2,232	2,232
Municipal Council of Maia	Guarantee for litigation	1,564	1,564
Municipal Council of Odivelas	Guarantee for litigation	1,119	1,119
EP – Estradas de Portugal	Guarantee for litigation	603	502
Municipal Council of Porto	Guarantee for litigation	368	368
Municipal Council of Silves	Guarantee for expropriation processes	352	352
NORSCUT – Concessionária de Auto-estradas	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
EDP – Gestão da Produção de Energia, S.A.	Guarantee obligations assumed by the Payer in the contract for the Provision of Communications Services	123	-
Others (loss then 100 thousand Euros)	Guarantee for litigation	270	204
		286,354	308,131

The given guarantees have the following maturities:

31 December 2022	Less 1 year	1 – 5 years	Over 5 years	Total
Guarantees on borrowings	35,815	120,427	60,097	216,339
Other guarantees	–	–	70,015	70,015
	35,815	**120,427**	**130,112**	**286,354**

31 December 2021	Less 1 year	1 – 5 years	Over 5 years	Total
Guarantees on borrowings	27,227	130,711	84,610	242,548
Other guarantees	–	–	65,583	65,583
	27,227	**130,711**	**150,193**	**308,131**

33.4. Guarantees received

REN has collateral guarantees regarding accounts receivable, namely bank guarantees, which amount to, approximately, 319,952 thousand Euros as of 31 December 2022 (416,156 thousand Euros as of 31 December 2021).

34. Related parties

Main shareholders and shares held by corporate bodies

At 31 December 2022 and 2021, the shareholder structure of Group REN was as follows:

	2022		2021	
	Número de ações	%	Número de ações	%
State Grid Corporation of China	166,797,815	25.0%	166,797,815	25.0%
Pontegadea Inversiones S.L.	80,100,000	12.0%	80,100,000	12.0%
Lazard Asset Management LLC	49,568,307	7.4%	41,067,351	6.2%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Others	297,987,779	44.7%	306,488,735	46.0%
	667,191,262	**100%**	**667,191,262**	**100%**

The number of shares of REN SGPS held by corporate bodies at 31 December 2022 and 2021 is detailed in the Director's Report.

Management remuneration

The Board of Directors of REN, SGPS was considered, in accordance with IAS 24, to be the only key members in the Management of the Group.

REN has not established any specific retirement benefit system for the Board of Directors.

Remuneration of the Board of Directors of REN, SGPS in the year ended 31 December 2022 amounted to 3,424 thousand Euros (3,304 thousand Euros in 31 December 2021), as shown in the following table:

	2022	2021
Remuneration and other short term benefits	1,700	1,647
Management bonuses (estimate)	1,724	1,657
	3,424	**3,304**

Transaction of shares by the members of the Board of Directors

During the year ended 31 December 2022, there were no transactions carried out by members of the corporate bodies.

Transactions with group or dominated companies

In its activity, REN maintains transactions with Group entities or with dominated parties. The terms in which these transactions are held are substantially identical to those practiced between independent parties in similar operations.

In the consolidation process, the amounts related to such transactions or open balances are eliminated (Note 3.2) in the financial statements.

The main transactions held between Group companies were: (i) borrowings and shareholders loans; and (ii) shared services namely, legal services, administrative services and informatics.

Balances and transactions held with shareholders, associates and other related parties

During the years ended 31 December 2022 and 2021, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue	2022	2021
Sales and services provided		
Invoicing issued– OMIP	–	40
Invoicing issued – REE	2,359	81
Invoicing issued – Centro de Investigação em Energia REN – State Grid	100	152
Dividends received		
Electrogás (Note 10)	9,358	8,109
Centro de Investigação em Energia REN – State Grid (Note 10)	25	8
REE (Note 13)	5,415	5,415
	17,258	**13,805**

Expenses	2022	2021
External supplies and services		
Invoicing received – REE	767	885
Invoicing received – Centro de Investigação em Energia REN – State Grid	117	105
Invoicing received – CMS Rui Pena & Arnaut[3]	168	184
Invoicing received – Lazard Chile	–	106
	1,051	**1,280**

[3] Entity related to the Administrator José Luís Arnaut. During 2022, the contract for the provision of legal advisory services in the area of law and public procurement, approved by the board of directors of the company REN Serviços, SA and awarded to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract was signed in 2020, for a period of three years.

Balance

The balances at 31 December 2022 and 2021 resulting from transactions with related parties were as follows:

	2022	2021
Trade and other receivables		
REE – Dividends	1,477	1,477
Electrogás – Dividends	–	3,002
Centro de Investigação em Energia REN – State Grid – Other receivables	145	74
REE – Trade receivables	119	–
	1,740	**4,553**
Trade and other payables		
Centro de Investigação em Energia REN – State Grid – Other payables	102	104
REE – Trade payables	–	–
CMS – Rui Pena & Arnaut – Trade payables[4]	4	30
SPECO – Shandong Power Equipment CO – Trade payables[5]	375	1,415
	480	**1,549**

35. Extraordinary contribution over the energy sector

Law No. 83-C/2013 of 31 December introduced a specific contribution of entities operating in the energy sector, called Extraordinary Contribution over the Energy Sector ("ECES"), that was extended by Law 82-B/2014, of 31 December, Law 7-A/2016, of 30 March, Law 114/2017, of 29 December, Law 71/2018, 31 December, Law 2/2020, of 31 March, Law 75-B/2020, of 31 December, and Law 99/2021, of 31 December.

The regime introduced is aimed at financing mechanisms that promote systemic sustainability of the sector through the setting up of a fund with the main objective of reducing the tariff deficit. The entities subject to this regime are, among others, entities that are dealers of transport activities or distribution of electricity and natural gas.

The calculation of the ECES is levied on the value of the assets with reference to the first day of the financial year 2022 (1 January 2022) that include cumulatively, the tangible fixed assets, intangible assets, with the exception of industrial property elements, and financial assets related with regulated activities. In the case of regulated activities, the ECES is levied on the value of regulated assets (i.e. the amount recognized by ERSE in the calculation of the allowed income with reference to 1 January 2022) if it is greater than the value of those assets, over which the rate of 0.85% is applied.

The ECES line of the income statement for the year ended 31 December 2022 amounted to 28,019 thousand Euros (27,041 thousand Euros at 31 December 2021). The Group payed the ECES for the year ended 31 December 2022 in October 2022.

[4] Entity related to the Administrator José Luís Arnaut. During 2022, the contract for the provision of legal advisory services in the area of law and public procurement, approved by the board of directors of the company REN Serviços, SA and awarded to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract was signed in 2020, for a period of three years.

[5] Subsidiary entity of the shareholder State Grid Europe Limited. The operations with this entity are related to acquisitions of concession assets in progress. Also, this entity presents guarantees amounting to 223 thousand Euros.

36. Decree-law 84-D/2022 — transitory gas price stabilization regime

The Portuguese State, through Decree-Law no. 84-D/2022, of 9 December 2022, established a transitional regime to stabilize the price of natural gas for consumption carried out in 2023, through the discount on the price of natural gas, equivalent to the difference between the price of the energy component, shown on the invoice, and its reference value, as provided for in article 3 of this decree-law.

The beneficiaries of the transitional price stabilization regime are legally constituted legal persons, consumers of high, medium and low pressure gas at delivery points with annual consumption greater than 10,000 m^3, with the exception of the entities referred to in number 2 of article 2.th.

The discount is applied directly by the suppliers in the month following the billing of the respective consumption, once the invoice has been paid by the customer, and the discount must be expressly identified on the invoice in which it is reflected.

Suppliers inform, on the first working day of each week, the Global Technical Manager of the National Gas System ("GTG") regarding the quantities and discount values to be applied to the billing issued in the previous week, including the total consumption of their portfolio from clients. Based on the information transmitted, the GTG transfers, within 10 days to the suppliers, the amounts referring to the support to be granted for each identified billing cycle.

As mentioned in the aforementioned Decree-Law, more precisely in Article 7, it is the responsibility of REN Gasodutos, as Global Technical Manager of the National Gas System, to interact with suppliers in order to operationalize the application of this decree- law. It is REN Gasodutos' responsibility to transfer the funds provided by the Portuguese State for the purposes of this decree-law, and such amounts cannot be used for other purposes. The amount transferred by the Government is deposited in a dedicated bank account, with accounting separation in relation to other activities carried out by the Company.

On 29 December 2022, the Company received the amount of 1,000,000 thousand Euros, recorded under the caption Transitory gas price stabilization regime – Decree-Law no. 84-D/2022, both in assets and in liabilities, taking into account the need for accounting separation in relation to the other activities carried out by the Company, as mentioned above and mentioned in paragraph 3 of article 7 of the aforementioned decree-law.

Payments of the amounts corresponding to natural gas consumption billed in 2023 begin in February of the same year and can be settled by the end of January 2024. If the amount transferred under this decree-law is not exhausted, REN transfers the respective remainder in favor of the Portuguese State, as referred to in paragraph 5 of article 7 of the referred Decree-Law.

37. Subsequent events

On 5 January 2023, REN entered into a second long-term financing agreement (twelve years) with the European Investment Bank, in the amount of 150,000 thousand Euros. Like the previous one, signed on 22 December 2022, this long-term financing also aims to support the investment project aimed at increasing, reinforcing and modernizing the electricity transmission network in Portugal, and to integrate into this network of transmission renewable energy sources.

There were no other events that gave rise to adjustments or additional disclosures in the Company's consolidated financial statements for the year ended 31 December 2022.

38. Explanation added for translation

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as endorsed by the European Union at 1 January 2022.
In the event of discrepancies, the Portuguese language version prevails.

Statement of conformity

Statement provided for in article 29-G, NO. 1, paragraph C) of the portuguese securities code

"I hereby declare, pursuant to and for the purposes specified in Article 29.º-G, No. 1, paragraph c) of the Portuguese Securities Code, to the best of my knowledge, and serving as and in the scope of the functions assigned to me, based on the information made available to me, that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, thus providing a true and fair view of the assets and liabilities, financial position and results of REN – Redes Energéticas Nacionais, SGPS, S.A. ("Company") and of the companies included in its scope of consolidation, and that the management report relating to the tax year of 2022 faithfully describes the evolution of the business, the performance and position of the Company and those companies, within such period, and the impact on the respective financial statements, also containing a description of the main future risks and uncertainties.

Lisbon, 23 March 2023"

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

João Faria Conceição
(Member of the Board of Directors and Member of the Executive Committee)

Gonçalo Morais Soares
(Member of the Board of Directors and Member of the Executive Committee)

Guangchao Zhu
(Vice Chairman of the Board of Directors appointed by State Grid Europe Limited)

Shi Houyun
(Member of the Board of Directors)

Qu Yang
(Member of the Board of Directors)

Jorge Magalhães Correia
(Member of the Board of Directors)

Manuel Sebastião
(Member of the Board of Directors and Chairman of the Audit Committee)

Gonçalo Gil Mata
(Member of the Board of Directors and Member of the Audit Committee)

Rosa Freitas Soares
(Member of the Board of Directors and Member of the Audit Committee)

Maria Estela Barbot
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

Ana Pinho
(Member of the Board of Directors)

Ana da Cunha Barros
(Member of the Board of Directors)

[6] The originals of the individual statements referred to are available for consultation at the Company's headquarters.

The Certified accountant

Pedro Mateus

The board of Directors

Rodrigo Costa
(Chairman of the Board of Directors and Chief Executive Officer)

João Faria Conceição
(Member of the Board of Directors and Chief Operational Officer)

Gonçalo Morais Soares
(Member of the Board of Directors and Chief Financial Officer)

Guangchao Zhu
(Vice-President of the Board of Directors designated by State Grid International Development Limited)

Shi Houyun
(Member of the Board of Directors)

Qu Yang
(Member of the Board of Directors)

Ana Pinho
(Member of the Board of Directors)

Ana da Cunha Barros
(Member of the Board of Directors)

Jorge Magalhães Correia
(Member of the Board of Directors)

Maria Estela Barbot
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

Manuel Sebastião
(Member of the Board of Directors and Chairman of the Audit Committee)

Rosa Freitas Soares
(Member of the Board of Directors and of the Audit Committee)

Gonçalo Gil Mata
(Member of the Board of Directors and of the Audit Committee)

Note — The remaining pages of this Report & Accounts were initialled by the members of the Executive Committee and by the Certified Accountant, Pedro Mateus.

Report and opinion of the audit committee

Consolidated accounts

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN — REDES ENERGÉTICAS NACIONAIS, SGPS, S.A (the "Company"). and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

Within the limits of the powers of the Audit Committee and pursuant to the provisions of subparagraph c), of the nr. 1, of article 29-G of the Securites Market Code, of the article 423-F, no. 1, g) of the article 420, no. 6, both of the Commercial Companies Code, it is hereby declared that as far as this Committee is aware, the Integrated Management Report and the Individual and Consolidated Financial Statements of the Company for the financial year ended 31 December 2022 were prepared in accordance with the applicable accounting standards, reflecting a true and fair view of the assets and liabilities, the financial position and results of REN - Redes Energéticas Nacionais, SGPS, S.A. and the companies included in the consolidation perimeter. Additionally, the Integrated Management Report faithfully states the evolution of the business, performance and position of the Company and the group, complies with applicable legal, accounting and statutory requirements and, whenever justified, contains a description of the main risks and uncertainties they face. It is also mentioned that the non-financial information is relevant and allows the understanding of the performance, position and impact of the group's activities, concerning environmental, social and employee issues, gender equality, non-discrimination, respect for human rights and the fight against corruption. Additionally, the Audit Committee ensures that the Corporate Governance Report, which is disclosed simultaneously with the Integrated Management Report, includes the elements referred in article 29-H of the Securities Market Code.

The Audit Committee also examined the consolidated financial information comprised within the Integrated Management Report and the financial statement of REN — REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2022 which consist of the Consolidated Statement of the Financial Position, evidencing a total of 6,451,596 thousand Euros and 1,517,534 thousand Euros of Equity Capital, including a Consolidated Net Profit of 111,771 thousand Euros, the Consolidated Statement of Profit and Loss, Comprehensive Income, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the abovementioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the consolidated financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the Consolidated Financial Statements and Consolidated Integrated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 23 March 2023

Manuel Sebastião
(Chairman)

Rosa Freitas Soares
(Member)

Gonçalo Gil Mata
(Member)

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(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the "Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2022 (showing a total of 6,451,596 thousand euros and a total equity of 1,517,534 thousand euros, including a net profit for the year of 111,771 thousand euros), and the Consolidated Statement of Profit and Loss by Nature, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2022, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Concession assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As at 31 December 2022, the Intangible assets caption amounts to 4,077,471 thousand euros (4,123,069 thousand euros in 2021), which represents all assets constructed and acquired under the public service concession agreements that the Group entered with the Portuguese State. As disclosed in Note 3.4 of the notes to the consolidated financial statements, these assets were recorded in accordance to the intangible model of IFRIC 12 – Service Concession Arrangements. Since the annual Revenue of the Group is directly correlated to the average annual balances of the intangible assets and their total carrying amount, as at 31 December 2022, represents 63% of the Group's total assets (74% in 2021), the initial recognition and subsequent measurement of those intangible assets have been considered as a key audit matter.	Our approach included the following procedures: ► We updated the understanding of the Asset Management and Purchasing processes, as well as identified and assessed the internal control procedures established in the Group, mainly in relation to the investments approval policies and monitoring of the execution of it; ► We held regular meetings with the Concession Support Services Department to evaluate the compliance with the annual investment budgets; ► We have read the correspondence exchanged with the Entidade Reguladora de Serviços Energéticos ("ERSE") in order to understand the matters being analyzed with the Group and about its accurate incorporation in the tariff deviation calculation as at 31 December 2022; ► We have read the minutes of the Board of Directors meetings of the several Group entities in order to validate the approved investments; and ► We performed substantive audit procedures on the value of the investments carried out during the period ended 31 December 2022, to corroborate the initial recognition, measurement, appropriate cut off and presentation as Concession assets. We also assessed the appropriateness of the applicable disclosures included in Notes 2, 3.4 and 8 of the notes to the consolidated financial statements.

2. Tariff deviations

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.16 of the notes to the consolidated financial statements as a result of the Tariff Regulations of the electricity and gas sectors, the Group determines, on each reporting date and in accordance with the criteria set by the tariff regulations published by ERSE, the tariff deviations between the regulatory revenue allowed and the actual revenue invoiced by the Group. As at 31 December 2022, the tariff deviations assets and liabilities amount to 97,842 thousand euros and 597,217 thousand euros respectively (2021: 108,898 thousand euros and 375,476 thousand euros, respectively). Due to the complexity of the computation, the use of multiple sources of data and the relevance of the balances in the consolidated financial statements, the tariff deviations have been considered as a key audit matter.	Our approach has included the following procedures: ► We obtained an understanding and assessed the internal control procedures inherent to the information capture and to the tariff deviations calculation. Furthermore, we assessed the Group's regulatory framework in view of the Tariff Regulations of the electricity and gas sectors; ► We obtained the computation of the tariff deviations and reconciled them to the accounting records; ► We analyzed the accuracy of the data used from the several sources of information, testing the reasonableness of the various components of the calculation, namely the average annual balances of the concession assets and the applicable remuneration rate; ► We carried out substantive audit procedures, namely for a representative sample of the invoices issued during 2022; ► We performed the recalculation of the tariff deviations and compared the results obtained with the amounts reported by the Group; ► We have read the correspondence exchanged with ERSE in order to understand the matters being discussed with the Group; ► We reviewed the definition of tariff deviations assets and liabilities and their appropriate classification as Current or Non-current Assets or Liabilities, based on the recovery period thereof, as defined by the Tariff Regulations of the electricity and gas sectors; and ► We evaluated the consistency of the criteria used in relation to previous years. Our approach also included analysis of the applicable disclosures included in Note 3.16, 14 and 23 of the notes to the consolidated financial statements.

REN - Redes Energéticas Nacionais, S.G.P.S., S.A.
Statutory and Auditor's Report
(Translation from the original document in Portuguese language
In case of doubt, the Portuguese version prevails)
31 December 2022

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management report, the Corporate Governance Report, non-financial information and remunerations report, in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- We also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate threats or safeguards applied.

Our responsibility includes the verification of the consistency of the Management Report with the consolidated financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code regarding corporate governance matters, as well as the verification that the non-financial information and remunerations report have been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

On the Corporate Governance Report

Pursuant to article 451, nr. 4 of the Commercial Companies Code, in our opinion the Corporate Governance Report includes the information required to the Group to provide as per article 29-H of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and l) of nr. 1 of the said article.

On consolidated non-financial information

Pursuant to article 451, nr. 6 of the Commercial Companies Code, we hereby inform that the Group has prepared a report separate from the Management Report, which includes the consolidated non-financial information, in compliance with Article 508-G of the Commercial Companies Code, and has been disclosed together with the Management Report.

On the remunerations report

Pursuant to article 26-G, nr. 6 of the Securities Code, we hereby inform that the Group has included in a separate chapter of its Corporate Governance Report the information provided in compliance with paragraph 2 of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed in the shareholders' general meeting held on 23 April 2021 for a second mandate from 2021 to 2023;

- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the consolidated financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group on 23 March 2023; and
- We declare that we have not provided any prohibited services as described in article 5, of the Regulation (EU) nr. 537/2014, of the European Parliament and of the Council, of 16 April 2014 and we have remained independent of the Entity in conducting the audit.

European Single Electronic Format (ESEF)

The accompanying consolidated financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. for the year ended 31 December 2022 must comply with the applicable requirements set out in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for preparing and disclosing the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures considered the OROC Technical Application Guide on report in ESEF and included, among others:

- obtaining an understanding of the financial reporting process, including the submission of the annual report in valid XHTML format; and
- the identification and evaluation of the risks of material distortion associated with the marking-up of the information of the consolidated financial statements, in XBRL format using iXBRL technology. This evaluation was based on the understanding of the process implemented by the Group to mark-up the information.

In our opinion, the accompanying consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Lisbon, 23 March 2023

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Rui Abel Serra Martins - ROC nr. 1119
Registered with the Portuguese Securities Market Commission under license nr. 20160731

Individual financial statements

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1. Individual financial statements

INDIVIDUAL FINANCIAL STATEMENT POSITION AS OF POSITION AS OF 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros), (Translation of statements of profit and loss originally issued in Portuguese – Note 30)

Assets	Notes	2022	2021
Non-current assets			
Tangible assets	5	342	386
Investments - equity method	7	1,391,535	1,381,025
Goodwill	8	1,132	1,510
Investments in equity instruments at fair value for other comprehensive income	12	57,241	59,278
Other receivables	10	2,223,805	2,132,385
Other financial assets	10	22	19
Derivative financial instruments	11	80,564	18,760
Deferred tax assets	9	3	3,927
Total non-current assets		**3,754,643**	**3,597,290**
Current assets			
State and other public entities	16	10,269	1
Other receivables	10	600,967	690,446
Deferrals		158	144
Cash and bank deposits	4	342,642	386,546
Total current assets		**954,036**	**1,077,137**
Total assets		**4,708,679**	**4,674,427**
Equity and liabilities			
Equity			
Share capital	13	667,191	667,191
Own shares	13	(10,728)	(10,728)
Shares premium	13	116,809	116,809
Legal reserve	13	135,701	130,662
Other reserves	13	251,855	180,960
Adjustments to financial assets	13	(48,209)	(76,139)
Retained earnings		291,737	298,134
Other changes in equity	13	(5,561)	(5,561)
		1,398,795	1,301,327
Net profit for the period		113,525	100,792
Total equity		**1,512,320**	**1,402,118**
Liabilities			
Non-current liabilities			
Borrowings	6 and 15	1,694,555	2,391,899
Provisions	14	3,628	539
Post employment benefit liabilities		11	13
Derivative financial instruments	11	73,464	23,112
Deferred tax liabilities	9	20,601	3,728
Total non-current liabilities		**1,792,259**	**2,419,292**
Current liabilities			
Borrowings	6 and 15	839,797	571,331
Trade payables	15	794	309
State and other public entities	16	1,751	26,725
Other payables	15	561,759	254,604
Deferrals		–	48
Total current liabilities		**1,404,100**	**853,016**
Total liabilities		**3,196,358**	**3,272,308**
Total equity and liabilities		**4,708,679**	**4,674,427**

The accompanying notes form an integral part of the statement of balance sheet as of 31 December 2022.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

STATEMENTS OF PROFIT AND LOSS BY NATURE FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros)

(Translation of statements of profit and loss originally issued in Portuguese – Note 30)

Revenues and expenses	Notes	2022	2021
Services rendered	17	10,295	10,700
Gains/ (losses) from associates and joint ventures	7 and 18	122,413	103,978
Supplies and services	19	(3,290)	(4,371)
Personnel costs	20	(6,485)	(5,792)
Provisions (increases)/ decreases	14	(276)	(381)
Other income	21	623	1,255
Other expenses	22	(223)	(194)
Profit before amortization, depreciation, finance costs and taxes		**123,057**	**105,195**
Depreciation and amortization (charge)/ reversal	5 and 8	(543)	(568)
Operating profit (before finance costs and taxes)		**122,515**	**104,627**
Interest and similar income	23	53,115	47,930
Interest and similar costs	23	(63,826)	(56,654)
Dividends from affiliated companies	24	4,400	3,082
Profit before taxes		**116,203**	**98,985**
Income tax expense for the period	9	(2,678)	1,807
Net profit for the period		**113,525**	**100,792**
Basic earnings per share		**0.17**	**0.15**

The accompanying notes form an integral part of the statement of profit and loss for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros)

(Translation of statements of profit and loss originally issued in Portuguese – Note 30)

2022

	Notes	Capital	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Other changes in Equity	Retained earnings	Adjustment of financial assets (Note 7 and 13)	Net profit for the period	Total equity
Balances at the beginning of 2022		**667,191**	**(10,728)**	**116,809**	**130,662**	**(13,215)**	**13,986**	**180,190**	**(5,561)**	**298,134**	**(76,139)**	**100,792**	**1,402,118**
Changes in the year:													
Changes in fair value	11 and 12	–	–	–	–	72,388	(1,492)	–	–	–	–	–	70,895
Appropriation of the profit for the preceding year	13	–	–	–	5,039	–	–	–	–	(6,398)	–	1,358	–
Adjustments in financial assets	7	–	–	–	–	–	–	–	–	–	27,930	–	27,930
		–	–	–	5,039	72,388	(1,492)	–	–	(6,398)	27,930	1,358	98,824
Operations during the year with shareholders													
Distribution of dividends	13	–	–	–	–	–	–	–	–	–	–	(102,150)	(102,150)
		–	–	–	–	–	–	–	–	–	–	**(102,150)**	**(102,150)**
Net profit for the year												**113,525**	**113,525**
Comprehensive income		–	–	–	–	**72,388**	**(1,492)**	–	–	–	**27,930**	**113,525**	**212,350**
Balances at the end of 2022		**667,191**	**(10,728)**	**116,809**	**135,701**	**59,172**	**12,493**	**180,190**	**(5,561)**	**291,737**	**(48,209)**	**113,525**	**1,512,320**

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros)

(Translation of statements of profit and loss originally issued in Portuguese – Note 30)

2021

	Notes	Capital	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)	Fair value reserve (Note 12)	Other reserves	Other changes in Equity	Retained earnings	Adjustment of financial assets (Note 7 and 13)	Net profit for the period	Total equity
Balances at the beginning of 2021		**667,191**	**(10,728)**	**116,809**	**125,075**	**(25,545)**	**13,813**	**180,190**	**(5,561)**	**305,408**	**(80,769)**	**111,739**	**1,397,622**
Changes in the year:													
Changes in fair value	11 and 12	–	–	–	–	12,330	171	–	–	–	–	–	12,501
Appropriation of the profit for the preceding year	13	–	–	–	5,586	–	–	–	–	(7,274)	–	1,687	–
Adjustments in financial assets	7	–	–	–	–	–	–	–	–	–	4,628	–	4,628
		–	**–**	**–**	**5,586**	**12,330**	**171**	**–**	**–**	**(7,274)**	**4,628**	**1,687**	17,129
Operations during the year with shareholders													
Distribution of dividends	13	–	–	–	–	–	–	–	–	–	–	(113,426)	(113,426)
		–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(113,426)**	**(113,426)**
Net profit for the year												100,792	100,792
Comprehensive income		**–**	**–**	**–**	**–**	**12,330**	**171**	**–**	**–**	**–**	**4,628**	**100,792**	**117,921**
Balances at the end of 2021		**667,191**	**(10,728)**	**116,809**	**130,662**	**(13,215)**	**13,986**	**180,190**	**(5,561)**	**298,134**	**(76,139)**	**100,792**	**1,402,118**

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

(Amounts expressed in thousands of Euros) (Translation of statements of profit and loss originally issued in Portuguese – Note 30)

	Notes	31.12.2022		31.12.2021	
Cash flow from operating activities					
Cash receipts from customers		5,048		18,077	
Cash paid to suppliers		(4,165)		(5,399)	
Cash paid to emplyees		(8,877)		(8,159)	
Cash generated by operations		(7,994)		4,519	
Income tax received/ (paid)		14,604		(32,796)	
Other receipts/ (payments) relating to operating activities		(163)		(2,085)	
Flows generated by/ (used in) operating activities [1]			6,447		(30,362)
Flows from investing activities					
Payments relating to:					
Financial Investments	7	(400)		(4,000)	
Tangible assets		(43)	(443)	(55)	(4,055)
Receipts relating to					
Derivative financial instruments	7	391		199	
Dividends	24	146,703	147,094	99,907	100,107
Flows generated by investing activities [2]			146,651		96,052
Flows from financing activities					
Receipts relating to					
Borrowings		6,016,965		2,835,603	
Shareholders loans		228,072		125,091	
Interest and other similar expense		29,940	6,274,977	-	2,960,695
Payments relating to					
Borrowings		(6,124,150)		(2,469,378)	
Shareholders loans		(170,000)		(100,000)	
Interest and other similar expense		(33,227)		(2,066)	
Dividends	13	(144,602)	(6,471,978)	(113,426)	(2,684,869)
Flows used in financing activities [3]			(197,001)		275,825
Changes in cash and cash equivalents [4]=[1]+[2]+[3]			(43,903)		341,515
Cash and cash equivalents at the beginning of the year	4		386,546		45,031
Cash and cash equivalents at the end of the year	4		342,642		386,546

The accompanying notes form an integral part of the statement of cash flow for the year ended 31 December 2022.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

2. Notes to the financial statements as of 31 December 2022

(Translation of the Notes to the financial statements originally issued in Portuguese – Note 30)
(Amounts expressed in thousands of Euros)

1. Introductory Note

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as "REN SGPS" or "the Company"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, Portugal, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.

At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A.

REN SGPS is the parent company of the REN Group and is organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications.

The Electricity business segment includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., was incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007, which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements (PPA) from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., which the main activity being the management of the concession to operate a pilot area for the production of electric energy from sea waves; and

d) Empresa de Transmisión Eléctrica Transemel, S.A. (Transemel), acquired on October 1, 2019, as part of the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate objective of promoting, developing and carrying out projects and developments in the natural gas sector, as well as defining the overall strategy and coordination of the companies in which has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression). The company's purpose is the high pressure transportation of natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in Portugal mainland. This includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the necessary infrastructures and installations, in accordance with the law and its public service concession, as well as any other related services;

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets. The company's purpose is the underground storage of natural gas and the construction, operation and maintenance of the infrastructures and facilities necessary for that purpose, in accordance with the law and the company's public service concession, and any other related activities;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company comprise the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures; and

e) REN Portgás Distribuição, S.A. (REN Portgás), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of natural gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in e) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM — Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

In addition, on November 21, 2018, REN PRO, S.A., a company wholly owned by REN SGPS S.A., headquartered in Lisbon, was created and incorporated. The corporate purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and to IT consultancy.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

Additionally on 24 May 2013, together with China Electric Power Research Institute, a State Grid Group company, Centro de Investigação em Energia REN SGPS, S.A. — State Grid, S.A. ("Centro de Investigação") was incorporated under a Joint Venture Agreement on which REN holds 1,499,997 shares representing 49.99% of the total share capital. The purpose of this company is to implement a Research and Development centre in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

The subsidiaries REN Gás, S.A., Aério Chile, Spa, Apolo Chile, Spa, Empresa de Transmisión Eléctrica Transemel, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., REN Portgás Distribuição, S.A., are indirectly fully owned by REN SGPS, S.A. through its subsidiary REN Serviços, S.A. (fully owned by REN SGPS).

As of 31 December 2022, REN SGPS also holds:

a) 40% interest in the share capital of OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"), being its purpose the management of participations in other companies as an indirect way of exercising economic activities. The company is shareholder of OMIP — Operador do Mercado Ibérico de Energia (Portuguese Pole), S.G.M.R., S.A. (OMIP), which function is the management of the MIBEL derivatives market together with OMIClear — Sociedade de Compensação de Mercados de Energia, S.A., a company fully owned by OMIP, which acts as the clearing house and central counterparty for transactions in the futures market;

b) 10% interest in the share capital of OMEL – Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;

c) 7.5% interest in the share capital of Hidroeléctrica de Cahora Bassa, S.A. (HCB); and

d) An indirect 42.5% interest in the share capital of Electrogas, S.A., a Chilean company provider of natural gas and other fuels transportation. he participation was acquired on 7 February 2017.

The Board of Directors meeting held on 23 March 2023 approved the accompanying financial statements. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation. The financial statements are expressed in thousands of Euros, rounded to the nearest thousand.

The Board of Directors understands that the financial statements give a true and fair view of the financial position of the Company, the result of its operations, the changes in its equity and its cash flows.

2. Accounting framework: for the preparation of the interim financial statements

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158,2009 of 13 July, republished by the Decree-Law 98/2015 of 2 June and by Portaria 220,2015 of 24 July, in accordance with the conceptual framework, accounting and financial reporting standards and interpretations applicable to the year ended 31 December 2022.

The accompanying financial statements are presented in thousands of Euros.

3. Main accounting policies

The main accounting policies used to prepare these financial statements are as follows:

3.1. Bases of presentation

The accompanying financial statements were prepared on a going concern basis from the books and accounting records of the Company, in accordance with accounting and financial reporting standards.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. In particular, as of 31 December 2022, current assets are lower than current liabilities by 450,063 thousand Euros. Despite this fact, the Company generated during the year 2022 operating cash flows of 6,447 thousand Euros.

Additionally, and in order to guarantee the current treasury needs of the Group and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2022, has credit lines contracted and not used in the amount of 80,000 thousand Euros, and eleven commercial paper programs, in the amount of 2,125,000 thousand Euros, being available 1,875,000 thousand Euros as of 31 December 2022. From the total amount of commercial paper programs, 850,000 thousand Euros have subscription guarantee (of which 600,000 thousand Euros were available as of 31 December 2022) (Note 15).

In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

As a result of the large-scale military invasion that Russia carried out against Ukraine, on February 24, 2022, there was a general worsening of the global climate of uncertainty, with negative effects on the prospects for the world economy evolution and financial markets.

The REN Group is actively monitoring this situation, has activated all the necessary plans and, although the situation is unpredictable, at this moment there are no significant effects on its operability and regulatory duties, nor are they estimated.

It should be noted that the REN Group operates essentially in two business areas, Electricity and Gas, in accordance with concession contracts awarded to the Group and that these are regulated, which to some extent minimises the possible impacts of the invasion of Ukraine by Russia.

REN assumes itself as an active agent in energy transition and environmental protection, developing electricity and gas infrastructure with the aim of ensuring the progressive decarbonisation of both sectors. Within the scope of its sustainability strategy, REN establishes environmental protection and restoration as one of its strategic priorities, acting in accordance with best practices with regard to its contribution as an environmentally responsible company.

In this sense, the REN Group actively seeks to monitor and minimize the environmental impacts of its activities, in addition to promoting and restoring biodiversity and ecosystems, using natural resources rationally and contributing to the prevention of rural fires. Similarly, REN seeks to actively contribute to the promotion of environmental education and awareness raising among the population, to support the growth of the integration of renewable energy sources (RES) in the gas and electricity systems, through the construction and adaptation of its infrastructure, and to the promotion of projects and initiatives which are aligned with sustainability objectives and the decarbonisation of REN's assets.

There were no significant changes in the long-term expectation of recovery of the Company's investments and shareholdings.

The accompanying financial statements reflect only the Company's separate financial statements, prepared as required by law for approval by the Shareholders' Meeting. As explained in Note 3.2 investments are recorded in accordance with the equity method.

The accounting policies adopted in these financial statements are consistent, in all material respects, with the policies used in the preparation of the financial statements for the year ended 31 December 2021, as described in the notes to the 2021 financial statements

In accordance with Decree Law 158/2009 of 13 July, the Company also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), for approval in separate, which reflects, as of 31 December 2022, in relation to the accompanying separate financial statements, the following differences:

	Increase/ (decrease)
Total net assets	1,742,917
Total liabilities	1,737,704
Net profit for the period	(1,754)
Total revenue	655,564
Total equity	5,214

As of December 31, 2022, the differences between net income and equity (individual and consolidated accounts) essentially result from: i) the fact that the participation of the associate OMIP SGPS in the consolidated accounts, prepared in accordance with IFRS, was revalued in 2011, following the loss of control, from subsidiary to associate; ii) the impact of the application of IFRS 9 on the consolidated accounts under IFRS; iii) refinancing bond issues through an exchange offer, and; iv) also from Goodwill of REN Portgás Distribuição, S.A. which is being amortized over the remaining concession.

3.2. Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded by the equity method, under which they are initially recorded at cost and then adjusted based on the post-acquisition changes in the Company's share of the net assets of these companies. The Company's results include the proportion of the results of these entities. Additionally, dividends received from these companies are recorded as decreases in the amount of investments.

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognized as Gooldwill and is presented in a separate line of the statement of the financial position. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as gain of the period.

Goodwill with an undefined useful life is amortized over a period of 10 years.

A valuation of investments is made when there are indications that an asset can be impaired, any impairment losses being recorded as cost in the profit and loss statement.

When the Company's proportion on the accumulated losses of a subsidiary or associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Company only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with subsidiaries and associates are eliminated proportionally to the Company's interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

3.3 tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

The cost includes the purchase price of the asset, costs directly attributable to its acquisition and costs incurred to prepare the asset to start operating.

Repairs and maintenance costs are charged to the statement of profit and loss in the period in which they are incurred.

Tangible assets are depreciated on a straight-line basis over their estimated useful life period, from the date they are ready for use.

The estimated periods of useful life of tangible assets are as follows:

	Years
Transport equipment	4 years
Administrative equipment	Between 3 e 10 years

Useful life of the assets are reviewed annually. A change in useful life period is accounted as changes in accounting estimates and therefore is applied prospectively.

Gains (or losses) on the sale of assets are determined by the difference between the proceeds of the sale and the net carrying amount of the asset, these being recorded in the statement of profit and loss of the period.

3.4. Leases

Lease agreements are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than the legal form of the agreement.

Leases agreements on which REN has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract indicate a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date.

The lease liability is recognized net of borrowing costs in the caption "Borrowings". Borrowing costs included in the lease payments and the depreciation of the leased assets are both recognized in the statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated considering the lower period between the useful life period of the asset and the maturity of the lease contract, when the company does not have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

Under operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, over the lease term.

3.5. Financial assets and liabilities

The Company choose to fully apply IAS 32 – Financial Instruments: Presentation, IFRS 9 – Financial Instruments Recognition and Measurement and IFRS 7 — Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

The Board of Directors determines the classification and measurement of investments in financial assets based on the business model, measured at the date of initial application, used in its management and the characteristics of the contractual cash flows.

Financial assets

Investments in financial assets can be classified as:

a) Financial assets at amortized cost – Financial assets are held within the scope of a business model whose purpose is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

b) Investment in equity instruments at fair value through other comprehensive income – Financial assets are held under a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets and the contractual terms of financial assets give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital; and

c) Financial assets at fair value through profit or loss – include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Company expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset up to twelve months after the reporting date; or (iv) the asset is cash or cash equivalents.

Purchases and sales of investments in financial assets are recorded at the date of the transaction, that is, on the date that the Company undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized in the income statement. These assets are subsequently measured at fair value, and the income and expenses resulting from the change in fair value are recognized in the income statement for the period under the heading of net financial costs, which also include the amounts of interest income and dividends obtained.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value, and the change in fair value is recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its cost of acquisition, in which the accumulated gain or loss is recorded in the income statement.

Dividends and interest earned on equity instruments at fair value through other comprehensive income are recognized in income for the period in which they occur, under the heading of financial income, when the right to receive is established.

The fair value of quoted financial assets is based on market prices (bid). If there is no active market, the Company establishes fair value through valuation techniques. These techniques include the use of prices charged in recent transactions, provided that market conditions, comparison with substantially similar instruments, and the calculation of discounted cash flows when information is available, making the maximum use of market information in internal information of the target entity.

In situations where investments are in equity instruments that are not admitted to listing on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at their acquisition cost less any impairment losses , and these impairment losses are recorded against income.

Loans and receivables are classified in the statement of financial position as "Customers and other accounts receivable" and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. The adjustment for the impairment of accounts receivable is made when there is objective evidence that the Company will not be able to receive the amounts due in accordance with the initial conditions of the transactions that gave rise to it and is recorded in the income statement in the line item "Impairment of receivables".

Financial assets are derecognized when the rights to receive the cash flows arising from these investments expire or are transferred, as well as all the risks and benefits associated with their possession.

The caption "Cash and cash equivalents" includes cash, bank deposits, other short-term investments of high liquidity and with initial maturities of up to three months and bank overdrafts. Bank overdrafts are presented in current liabilities under the caption "Current loans" in the statement of financial position and are considered in the preparation of the statement of cash flows as "Cash and cash equivalents".

Financial liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation on the part of the issuer to settle capital and/ or interest, through the delivery of cash or other financial asset, regardless of its legal form.

IFRS 9 provides for the classification of financial liabilities into two categories:

(i) Financial liabilities at fair value through profit or loss; and

(ii) Other financial liabilities.

Other financial liabilities include borrowings and trade and other payables.

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever the Company decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified in current liabilities, unless the Company has an unconditional right to defer payment of the liability for at least 12 months after the date of the statement of financial position, in which case they are classified as non-current liabilities.

Financial liabilities are derecognized when the underlying obligations are extinguished by payment, are cancelled or expire.

3.6. Derivative financial instruments and hedge accounting derivative financial instruments

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the statement of profit and loss captions "Finance income" or "Finance costs". If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to their market value. In the absence of market value, fair value is determined by external and independent entities using valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Company assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 regarding the reform of interest rate benchmarks. This policy is applicable to some hedging relationships designated at 31 December 2022 in a total notional amount of 1,560,000 thousand Euros (1,560,000 thousand Euros at 31 December 2021).

The Company will cease to apply the above disposal when:

(i) the uncertainty regarding the reform of the interest rate benchmarks with respect to Euribor ceasing; or

(ii) their hedging relationship is discontinued.

A derivative financial instrument is recorded and presented as non-current if its remaining maturity period is over twelve months and it is not expected to be realized or settled within the next twelve months.

Hedge accounting

As part of its policy for managing interest rate and exchange rate risks, the Company contracts a variety of derivative financial instruments, namely swaps.

The criteria for applying hedge accounting are as follows:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items in accordance with IFRS 9 criteria;

- At the beginning of the hedging relationship, there is formal designation and documentation regarding the hedging relationship and the risk management objective and strategy. This documentation must include the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the form will be assessed whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge inefficiency and how it determines the coverage ratio); and

- The hedge relationship meets all of the following hedge effectiveness:

(i) There is an economic relationship between the hedged item and the hedging instrument;

(ii) The credit risk effect does not dominate the changes in value that result from this economic relationship; and

(iii) The coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the Company documents the hedging relationship between the hedging instrument and the hedged item, its objectives and its risk management strategy. Additionally, it is assessed, both on the hedge start date and on each accounting reporting date, whether the derivative instruments designated as hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items (including an analysis of inefficiency sources and how the coverage rate is determined).

The effectiveness requirements in a hedging relationship are as follows:

- There must be an "economic relationship" between the hedged item and the hedging instrument;
- The credit risk effect does not "dominate the changes in value" that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the hedging movements in the reserves are disclosed in Note 11.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged.

Changes in the fair value of hedging derivatives are recognized in the income statement together with changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss, when it occurs.

The hedge ineffectiveness can arise from:

- Differences in cash flows timing for hedged items and hedging instruments;
- Different indices (and, consequently, different curves) associated with the hedged risk of the hedged items and hedging instruments;
- The counterparties' credit risk has a different impact on the movements in the fair value of hedging instruments and hedged items; and
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued only when a hedging relationship (or part of that hedging relationship) no longer complies with the hedge accounting criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes cases where the hedging instrument expires or is sold, terminated or exercised.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Company assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

In the case of aggregated exposures, the Company designates as hedged instruments a combination of an exposure and a derivative financial instrument. For this purpose, and when designating the hedged item based on an aggregated exposure, the Company considers the combined effect of the items that constitute the aggregated exposure for the purposes of assessing the hedge effectiveness and measuring its ineffectiveness. These instruments continue, however, to be accounted for separately.

3.7. Revenue

Revenue includes the fair value of the consideration received or receivable from services rendered, net of tax and discounts, returns and other deductions.

Revenue relating to services rendered refers to debits made to subsidiaries corresponding to management costs.

Revenue relating to investments in subsidiaries and associates is recognized in accordance with the equity method.

Interest revenue is recognized in accordance with the effective interest method if it is probable that economic benefits flow to the company and they can be reliably measured.

The revenue from dividends is recognized as gain in the year they are assigned to the shareholders.

3.8. Critical accounting judgments and main sources of uncertainties relating to estimates

In the preparation of the accompanying financial statements, judgments and estimates were made using assumptions that affect the amounts recognized as assets and liabilities, as well as the amounts recorded relating to gains and losses of the period.

The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements of the events and transactions in process, as well as experience of past and/ or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates.

Significant accounting estimates

Provisions

Provisions are recognized when the Company has: i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

Provisions for restructuring expenses are recognised by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties. In the measurement of the restructuring provision, only the expected outflows that directly result from the implementation of such plan are considered, not being, consequently, related with the current activities of the Company.

Provisions are measured at the present value of the estimated expenditure required to settle the liability using a pre-tax rate that reflects the market assessment of the discount period and the risk of the provision.

Fair value

The fair value of listed investments is based on current market prices (bid). If an active market does not exist, the Company establishes the fair value by using valuation techniques. These techniques include the consideration of recent transactions, provided that they reflect market conditions, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and residually relying on entity-specific inputs.

The fair value of derivative financial instruments refers to its market value. In the absence of market value, its fair value is determined by external independent entities making use of valuation techniques accepted in the market.

3.9. Taxes

Income tax of the year comprises current taxes and deferred taxes. Income taxes are recorded in the income statement, except when they relate to items that are recognized directly in equity.

Income Tax
The amount of current tax payable is determined based on the Company's taxable income, which differs from the accounting result, since it excludes various expenses and income that will only be deductible or taxable in subsequent years, as well as expenses and income that will never be deductible or taxable under the tax rules in force.

Deferred Tax
Deferred taxes refer to the temporary differences between the amounts of assets and liabilities for accounting reporting purposes and the respective amounts for taxation purposes.

Deferred tax assets and liabilities are calculated and valued annually using the tax rates expected to be in force on the date of reversal/ use of the temporary differences, based on tax rates and tax laws, which are formally issued on the reporting date.

Deferred tax assets are only recorded when there are reasonable expectations of sufficient future taxable income to use them. At the date of each balance sheet a reappraisal is made of the temporary differences underlying the deferred tax assets in order to recognize deferred tax assets not previously recorded because they did not fulfil the conditions for recording them and/ or to reduce the amounts of the deferred tax assets recorded based on the current expectation of their future recovery.

3.10. Foreign currency transactions and balances

Transactions expressed in foreign currency are accounted for in Euros, based on the exchange rates prevailing on the date of the transactions.

At the end of the year, the balances payable and receivable in foreign currency are updated at the official exchange rate in force on the balance sheet date, with the respective exchange differences recorded in the income statement.

The exchange rates used for converting balances receivable and payable in foreign currency, existing at the balance sheet date, originate from Banco de Portugal reported as at 31 December 2022.

3.11. Accrual basis of accounting

Income and expenses are recognised on an accruals basis, under which income and expenses are recorded in the period to which they relate, independently of when the correspondent amounts are collected or paid. Differences between the amounts received and paid and the related income and expenses are recorded as assets or liabilities.

3.12. Distribution of dividends to shareholders

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period the dividends are approved by the shareholders and up to the moment of their payment.

3.13. Share capital and own shares

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognized as a deduction in equity. In accordance with the Portuguese Commercial Company Code, REN SGPS must at any time ensure that there enough reserves in Equity to cover the value of own shares, limiting the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. Cash flow statement

The caption "Cash and cash equivalents" includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are shown in the current liabilities "Borrowings" caption on the statement of financial position, and are included in the statement of cash flows as cash and cash equivalents.

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities unless if related with cash flows that relate with a hedge contract of an identifiable position, which are classified in accordance with the cash flows of the hedged position.

3.15. Borrowing costs

Borrowings costs are recognized as costs in the period they are incurred.

3.16. Financial risk management policies

Financial risk factors

The Company`s activities are exposed to a variety of financial risks: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others risk factors.

The Company developed and implemented a risk management program that, together with permanent monitoring of the financial markets, seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Financial Management Department under policies approved by the Board of Directors. The Financial Management Department identifies, assesses and carries out operations to minimize the financial risks.

The Board of Directors defines the principles for overall risk management and policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivatives and other non-derivative financial instruments, and the investment of excess liquidity.

i) Foreign exchange rate risk

The Company has limited exposure to foreign exchange rate risk. The risk of fluctuation of foreign exchange rates on the bond issued totalling 10,000 million Yens (JPY) is fully hedged by a cross currency swap of the same notional amount.

An increase of 5% in the exchange rate of Euro against the Yen, with reference to 31 December 2022, all other factors remaining constant, would lead to a decrease on equity in the amount of 127 thousand Euros as of 31 December 2022 (259 thousand Euros as of 31 December 2021), while a decrease of 5% of that exchange rate would lead to an increase on equity in the amount of 140 thousand Euros as of 31 December 2022 (291 thousand Euros as of 31 December 2021).

Additionally, the Company is exposed to changes in the exchange rate of North American Dollar and Chilean Peso, related with its financial investment in Electrogas, S.A., acquired in February 2017 and related to the company acquired on October 1, 2019, Empresa de Transmisión Eléctrica Transemel, S.A.

An increase of 5% in the exchange rate of Euro and North American Dollar, with reference to 31 December 2022, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,934 thousands Euros (7,379 thousand Euros as of 31 December 2021), while a decrease of 5% of that exchange rate would lead to an increase on equity in the amount of 8,769 thousand Euros (8,156 thousand Euros as of 31 December 2021).

A 5% increase in the Euro exchange rate against the Chilean peso, with reference to December 31, 2022, and keeping all other variables constant, would result in a decrease in the Company's equity of 3,789 thousand Euros (3,337 thousand Euros as of 31 December 2021), while a decrease of 5% of that exchange rate would result in an increase of 4,187 thousand Euros in equity (3,689 thousand Euros as of 31 December 2021).

ii) Credit risk

REN's exposure to credit risk is not significant, since the services rendered are invoiced to group companies.

REN's counterparty risk on bank deposits, financial applications, and contracting of derivative instruments is mitigated by the selection of top ratting international institutions with solid credit rating and top national financial institutions.

iii) Liquidity risk

REN SGPS manages Group's liquidity risk through central treasury management. All the liquidity excess and needs of each group company are transferred to REN SGPS, which manages the consolidated balances with financial institutions.

In order to guarantee the current treasury needs of the Company and to have the necessary dynamic and flexible to fulfil the current liquidity needs, the Company, as of 31 December 2022, has credit lines contracted in the amount of 80,000 thousand Euros and eleven commercial paper programs, in the amount of 2,125,000 thousand Euros, being available 1,875,000 thousand Euros as of 31 December 2022. From the total amount of commercial paper programs, 850,000 thousand Euros have subscription guarantee (of which 600,000 thousand Euros were available as of 31 December 2022) (Note 15).

The following table presents the Company liabilities by residual contracted maturity intervals and includes derivative financial instruments, the financial liquidation of the related cash flows of which is made by the net amount. The amounts shown in the table are non-discounted cash flows contracted, including undiscounted future interest; as therefore, do not correspond to its carrying amounts:

31.12.2022

	Less than 1 year	1 – 5 years	Over 5 years	Total
Borrowings				
Bank borrowings	79,724	235,232	96,188	411,145
Bonds	592,215	691,007	611,016	1,894,237
Commercial paper	198,063	260,835	–	458,898
Others	39,868	144	–	40,011
	909,870	**1,187,217**	**707,204**	**2,804,291**
Derivative financial instruments	10,839	42,552	12,823	66,214
Trade and others payables	562,552	–	–	562,552
Total	**1,483,262**	**1,229,769**	**720,028**	**3,433,058**

31.12.2021

	Less than 1 year	1 – 5 years	Over 5 years	Total
Borrowings				
Bank borrowings	60,574	250,170	125,458	436,202
Bonds	138,320	1,265,213	619,896	2,023,429
Commercial paper	396,321	252,703	–	649,025
Others	35,928	217	–	36,144
	631,144	**1,768,303**	**745,354**	**3,144,800**
Derivative financial instruments	3,644	14,871	(3,299)	**15,216**
Trade and others payables	254,912	–	–	**254,912**
Total	**889,700**	**1,783,174**	**742,055**	**3,414,929**

The following table shows the derivative financial instruments, which cash settlement is made at gross amounts:

31.12.2022

	Less than 1 year	1 – 5 years	Total
Cross Currency Interest Rate Swap			
Outflows	(3,446)	(74,627)	(78,074)
Inflows	1,927	72,057	73,983
	(1,520)	**(2,570)**	**(4,090)**

31.12.2021

	Less than 1 year	1 – 5 years	Total
Cross Currency Interest Rate Swap			
Outflows	(1,001)	(74,402)	(75,402)
Inflows	2,079	79,817	81,895
Total	**1,078**	**5,415**	**6,493**

iv) Interest rate risk

The Company presents exposure to interest rates risk mainly on borrowings.

Borrowings at variable interest rates expose the Company to cash flow risk resulting from changes in interest rates. Borrowings at fixed rates expose the Company to fair value risk, as a result of changes in interest rates. Risk management is performed centrally aiming to avoid volatility in financial costs, using simple derivative financial instruments such as interest rate swaps. In this kind of operations the Company exchanges with banking counterparties in specific dates and with defined maturities, the difference between the contractual fixed interest rates and the variable rates with reference to the notional amounts covered. All operations undertaken with this purpose can, in the most part of the hedges, be considered perfect interest rate hedging operations.

A global reform of the main interest rate benchmarks is underway, which predict the replacement of some benchmarks, including Euribor, with alternative risk-free rates. The Company presents expositions to Euribor variations in its financial instruments that will be impacted by this global reform. There is currently uncertainty about the timing and methods associated with the transition of interest rate benchmarks. To date, the Company does not expect a significant impact on its risk management policies and on the effects of hedge accounting.

The Company will assess and analyze the potential concrete impacts of the potential change to Euribor when implementing the timings and the respective methods of change and, in particular, in the designated interest rate risk hedging relationships.

A sensitivity analysis was made based on the Company's total debt as of 31 December 2022 and 2021, using the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Under these assumptions, a 0.25% increase in market interest rates for all the currencies in which the Company has borrowings or derivative financial instruments at 31 December 2022 would result in a decrease of profit before tax of, approximately, 3,492 thousand Euros, (3,743 thousand Euros as of 31 December 2021).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 6,093 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2021 corresponded to an increase of 7,073 thousand Euros).

The sensitivity analysis is merely illustrative and does not represent an actual gain or loss, neither other changes in the income statement or in equity.

3.17. Impairment of tangible and intangible fixed assets

On each reporting date, a review is carried out of the carrying amounts of the Company's tangible and intangible fixed assets in order to determine whether there is any indication that they may be impaired. If there is any indicator, the recoverable amount of the respective assets (or the cash-generating unit) is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of the asset (or cash-generating unit) is the higher of: (i) fair value less costs to sell and (ii) value in use. In determining value in use, estimated future cash flows are discounted using a discount rate that reflects market expectations about the time value of money and the specific risks of the asset (or the cash-generating unit) relative to for which estimates of future cash flows have not been adjusted.

Whenever the carrying amount of the asset (or the cash-generating unit) is greater than its recoverable amount, an impairment loss is recognised. The impairment loss is immediately recorded in the income statement under the heading "Impairment losses", unless such loss offsets a revaluation surplus recorded in equity. In the latter case, such loss will be treated as a decrease in that revaluation.

The reversal of impairment losses recognized in previous years is recorded when there is evidence that the impairment losses previously recognized no longer exist or have decreased. The reversal of impairment losses is recognized in the income statement under the heading "Reversals of impairment losses". The reversal of the impairment loss is carried out up to the limit of the amount that would have been recognized (net of amortizations) if the previous impairment loss had not been recorded.

3.18. Provisions

Provisions are recognized when the Company has: (i) a present legal or constructive obligation resulting from past events; (ii) for which it is more probable than not, that an expenditure of internal resources will occur in the payment of that obligation; and (iii) the amount can be estimated reliably. Whenever one of the criteria is not met or the existence of the obligation is conditioned to the occurrence (or non-occurrence) of a certain future event, the Company discloses this fact as a contingent liability, unless the assessment of the outflow of resources to pay the even be considered remote.

Provisions for restructuring are only recognized when the Company has developed a detailed formal restructuring plan and has started its implementation or has announced its main components to those affected by it. When measuring the provision for restructuring, only expenditures that result directly from the implementation of the corresponding plan are considered, and are therefore not related to the Company's current activities.

Provisions are measured at the present value of estimated expenditures to settle the obligation using a pre-tax rate, which reflects the market assessment for the discount period and for the risk of the provision in question.

Provisions are reviewed at the reporting date and adjusted to reflect the best estimate at that date.

Present obligations resulting from onerous contracts are recorded and measured as provisions. An onerous contract exists when the Company is an integral part of the provisions of an agreement, the fulfillment of which has associated costs that cannot be avoided that exceed the economic benefits derived from it.

3.19. Employee benefits

The costs to be borne by the Company with long-term employee benefits are recognized as expenses during the period in which the employees are active, and these liabilities are reflected in the balance sheet under "Liabilities for post-employment benefits". Payments to beneficiaries made during each financial year are recorded as a reduction of this liability.

3.20. Subsequent events

Events that occur subsequently to balance sheet date that provide additional information on conditions that existed at the date of the statement of financial position ("adjusting events" or events after the statement of financial position date that lead to adjustments) are recognized in the financial statements. Events that occur after the statement of financial position date that provide information on conditions that exist after that date ("non-adjusting events" or events after the statement of financial position date that do not lead to adjustments) are disclosed in the notes to the separate financial statements, if material.

4. Cash flow

For the purpose of the statement of cash flow, the caption cash and cash deposits equivalents includes cash, bank deposits readily available (with terms not exceeding three months) and treasury securities in the monetary market, net of bank overdrafts and other short-term financing equivalents. The caption "Cash and cash equivalents" at 31 December 2022 and 2021 is detailed as follows:

	2022	2021
Cash	1	-
Bank deposits repayable on demand	22,641	286,546
Term deposits up to 3 months	320,000	100,000
Cash and cash equivalents	**342,642**	**386,546**

5. Tangible assets

The changes in tangible assets, accumulated depreciation and impairment losses in the years ended 31 December 2022 and 2021 were as follows:

2022	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	657	324	981
Acquisitions	90	31	121
Sales/ write offs	(70)	(1)	(71)
Ending balance	**677**	**353**	**1,030**
Accumulated depreciations and impairment losses			
Beginning balance	368	227	594
Depreciation for the year	136	30	166
Depreciation Sales/ write offs	(70)	(1)	(71)
Ending balance	**433**	**255**	**688**
Net Assets	**244**	**98**	**342**

2021	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	820	296	1,116
Acquisitions	113	38	151
Sales/ write offs	(276)	(10)	(286)
Ending balance	**657**	**324**	**981**
Accumulated depreciations and impairment losses			
Beginning balance	436	215	651
Depreciation for the year	168	23	191
Depreciation Sales/ write offs	(236)	(11)	(247)
Ending balance	**368**	**227**	**594**
Net Assets	**289**	**97**	**386**

6. Finance leases

The Company had the following assets under finance lease agreements at 31 December 2022 and 2021:

	2022			2021
	Cost	Depreciation	Carrying amount	Carrying amount
Transport equipment	538	(294)	244	286
	538	**(294)**	**244**	**286**

The minimum payments under finance lease contracts at 31 December 2022 and 2021 are as follows:

	Present value of minimum payments		Minimum payments	
	2022	2021	2022	2021
Up to 1 year (Note 15)	101	103	102	105
From 1 to 5 years (Note 15)	144	182	145	183
	244	**285**	**246**	**288**

7. Investments in subsidiaries and associates

the Company's investments in subsidiaries and associates as of 31 December 2022 and 2021 are as follows:

							31.12.2022	Investment held				
Entity	Head office	Share capital	Assets	Liabilities	Equity	Revenue	Net result	%	Investment	Provision (Note 14)	Proportional amount of result (Note 18)	
Equity method												
Subsidiaries												
REN – Rede Eléctrica Nacional, S.A.	Lisbon	588,759	2,800,682	2,062,159	738,522	397,801	74,760	100	738,522	–	74,760	
REN Trading, S.A.	Lisbon	50	578,200	581,253	(3,054)	895	(3,295)	100	–	(3,054)	(3,295)	
REN Atlântico, Terminal de GNL, S.A.	Sines	13,750	180,056	143,275	36,781	47,837	(2,006)	100	36,781	–	(2,006)	
RENTELECOM – Comunicações, S.A.	Lisbon	2,100	18,168	10,442	7,726	7,781	3,479	100	7,726	–	3,479	
REN Serviços, S.A.	Lisbon	336,050	1,645,007	1,254,785	390,223	60,494	39,621	100	390,223	–	39,621	
Enondas, Energia das Ondas, S.A.	Pombal	2,250	3,197	206	2,991	617	79	100	2,991	–	79	
REN PRO, S.A.	Lisbon	2,050	8,404	4,737	3,667	7,502	566	100	3,667	–	566	
REN Finance, BV	Amsterdam	20	1,923,642	1,721,610	202,033	44,300	8,950	100	202,033	–	8,950	
									1,381,941	**(3,054)**	**122,153**	
Associates												
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	29,348	230	29,118	1,314	645	40	6,874	–	255	(i)
Centro de Investigação em Energia REN – STATE GRID, S.A.	Lisbon	3,000	6,296	846	5,450	1,740	10	50	2,720	–	5	
									9,594	**–**	**260**	
									1,391,535	**(3,054)**	**122,413**	

(i) The proportional value of the result in OMIP, SGPS. includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method.

Entity	Head office	Share capital	Assets	Liabilities	Equity	Revenue	Net result	%	Investment	Provision (Note 14)	Proportional amount of result (Note 18)	
	31.12.2021							Investment held				
Equity method												
Subsidiaries												
REN – Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,968,027	2,235,669	732,359	388,759	70,090	100	732,359	–	70,090	
REN Trading, S.A.	Lisbon	50	274,409	274,567	(158)	1,595	(2,727)	100	–	(158)	(2,727)	
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	197,248	134,741	62,507	42,061	820	100	62,507	–	820	
RENTELECOM – Comunicações, S.A.	Lisbon	100	15,490	10,360	5,130	7,677	3,035	100	5,130	–	3,035	
REN Serviços, S.A.	Lisbon	336,050	1,578,062	1,211,377	366,685	45,192	26,274	100	366,685	–	26,274	
Enondas, Energia das Ondas, S.A.	Pombal	2,250	3,070	158	2,912	626	75	100	2,912	–	75	
REN PRO, S.A.	Lisbon	2,050	4,600	1,500	3,100	6,307	177	100	3,100	–	177	
REN Finance, B.V.	Amsterdam	20	2,022,528	1,823,945	198,583	42,640	5,752	100	198,583	–	5,752	
									1,371,276	**(158)**	**103,496**	
Associates												
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	29,624	166	29,458	1,534	1,036	40	7,010	–	394	(i)
Centro de Investigação em Energia REN – STATE GRID, S.A.	Lisbon	3,000	6,606	1,116	5,490	1,644	176	50	2,739	–	88	
									9,749	**–**	**482**	
									1,381,025	**(158)**	**103,978**	

(i) The proportional value of the result in OMIP, SGPS. includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method.

According to the current legislation in Portugal, any income and other positive equity fluctuations recognized as a result of the use of the equity method, should only be considered to distribution to shareholders when they occur as described in Note 13.

The changes in these captions in 2022 and 2021 were as follows:

Investments – equity method

	2022	
	Proportion of capital held (assets)	Total
Beginning balance	**1,381,025**	**1,381,025**
Result appropriated by the equity method	125,309	**125,309**
Distribution of dividends by subsidiaries and associates	(142,739)	**(142,739)**
Other appropriation of changes in equity in subsidiaries (Note 13)	27,930	**27,930**
Capital Reinforcement REN Trading	400	**400**
Devolution Supplementary Payments OMIP	(391)	**(391)**
Ending balance	**1,391,535**	**1,391,535**

	2021	
	Proportion of capital held (assets)	Total
Beginning balance	**1,365,588**	**1,365,588**
Result appropriated by the equity method	104,136	**104,136**
Distribution of dividends by subsidiaries and associates	(97,129)	**(97,129)**
Other appropriation of changes in equity in subsidiaries (Note 13)	4,628	**4,628**
Devolution Supplementary Payments OMIP	(199)	**(199)**
Capital increase on subsidiaries	4,000	**4,000**
Ending balance	**1,381,025**	**1,381,025**

8. Goodwill

The investment in the subsidiary REN Atlântico, includes a Gooldwill in the amount of 3,744 thousand Euros, which is amortized for a period of 10 years starting in 1 January 2016.

Goodwill represents the difference between the amount paid on the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. on the acquisition date, under the natural gas business unbundling process. As of 31 December 2022 and 2021, the amount is as follows:

			Percentage interest held		Goodwill				
Entity	Year of acquisition	Acquisition cost	%	Amount	Amount at 01.01.2022	Increases	Decreases	Amount at 31.12.2022	Amount at 31.12.2021
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	28,806	1,510	-	(377)	1,132	1,510

The Company carried out an impairment test on Goodwill on 31 December 2022 and 2021, at the level of the cash-generating unit to which REN Atlântico corresponds. The activity of this company is subject to a concession contract and tariff regulation, so the recoverable amount was determined based on the value in use. The cash flow projections made, took into account the regulatory conditions expected for the remaining concession period (concession for a period of 40 years starting on September 26, 2006), with the cash inflows associated with the cash-generating unit corresponding to the regulatory remuneration on the net value of the underlying investments, which is decreasing over the projections from the end of the 2022 financial year until the end of the concession.

Cash flows were discounted, considering a discount rate that reflects the specific risk of the regulatory activity, of 5.3% (discount rate after tax of 4.2%).

		Assumptions		
Cash generation unit	Method	Cash flow	Growing factor	Discounted rate
REN Atlântico, Terminal de GNL, S.A.	DFC (discounted cash flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	5.3% (pre-tax) 4.2% (post-tax)

9. Income tax

The companies belonging to the REN Group are taxed based on the special regime for the taxation of group companies (RETGS). Consequently, estimated income tax, tax amounts withheld by third parties and corporate income tax paid in advance are recorded in the statement of financial position as accounts payable to and receivable from REN SGPS, in accordance with the movements made by its subsidiaries.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there are tax losses, tax benefits granted or tax inspections, claims or contestations in progress, in which case the period can be extended or suspended, depending on the circumstances. Consequently, the Company's tax returns for the years from 2019 to 2022 are still subject to review.

The Company's Board of Directors understands that any correction to the tax returns resulting from tax reviews/ inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2022 and 2021.

The Company is taxed for Corporate Income Tax at 21% rate, increased by a (i) municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (ii) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (iii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iv) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%.

In the year ended 31 December 2022, the computation of the deferred taxes, was updated in accordance with Law 24-D/2022, of 30 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2023.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2022, were calculated using the average tax rate expected in accordance with future perspective of taxable profits of the Company recoverable in the next periods.

Income tax credit/ (expense) of the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Current tax	1,028	788
Adjustments relating to previous years income tax	(3,381)	946
Deferred tax	(326)	73
Income tax	**(2,678)**	**1,807**

The reconciliation of current income tax as of 31 December 2022 and 2021 is as follows:

	2022	2021
Profit before income tax	116,203	98,985
Permanent differences		
Non tax deductible costs	14,477	3,455
Non taxable income	(122,649)	(106,943)
Timing differences		
Provisions and impairments	191	383
Derivative Financial Instruments	(1,064)	(52)
Taxable profit	**7,157**	**(4,172)**
Cost/ (credit) of income tax at the rate of 21%	1,503	(876)
State surcharge tax	170	-
Municipal taxation	107	-
Autonomous taxation	71	83
Income tax from previous years	5	6
Adjustment net financial costs	(2,885)	-
Current tax	**(1,028)**	**(787)**
Deferred tax	**326**	**(73)**
Adjustments relating to prior years income tax	3,381	(946)
Income tax	**(2,678)**	**1,807**
Efective rate	**2.30%**	**-1.83%**

The non-taxable income amounts refer mainly to the equity method effect in the measurement of investments in subsidiaries and associates.

The amount of 3,381 thousand Euros, at 31 December 2022, refers essentially to an accrual of corporate income tax payable, from 2015 to 2017, related to the Friendly Procedure between Portugal and the Netherlands under the Arbitration Convention for the elimination of double taxation.

Deferred taxes

The amounts of deferred tax assets and liabilities as of 31 December 2022 and 2021, in accordance with the underlying temporary differences are as follows:

	31 December				Increase/ (decrease) in the period	
	2022		2021			
Nature	Base	Deferred tax	Base	Deferred tax	Results	Equity (Notes 11 and 12)
Deferred tax assets:						
Restructuring provision	–	–	381	86	(86)	–
Provision for post employment benefits	11	3	13	3	–	–
Derivative financial instruments – Cash Flow	–	–	17,052	3,837	–	(3,837)
Derivative financial instruments – Fair Value	–	–	6	1	(1)	–
	11	**3**	**17,452**	**3,927**	**(87)**	**(3,837)**
Deferred tax liabilities:						
Derivative financial instruments – Cash Flow	76,352	17,179	–	–	–	(17,179)
Derivative financial instruments – Fair value	1,068	240	10	2	(238)	–
Fair value of assets	15,674	3,181	17,711	3,726	–	(545)
	93,094	**20,601**	**17,722**	**3,728**	**(238)**	**(17,724)**
Deferred tax					**(326)**	**(21,561)**

10. Financial assets

Trade receivables and other receivables

Trade receivables and other receivables at 31 December 2022 and 2021 are as follows:

	2022	2021
Non current		
Group companies – Shareholders loans (Note 25)	2,223,805	2,132,385
Current		
Group companies – Shareholders loans (Note 25)	78,580	228,072
Group companies – Treasury management (Note 25)	382,184	334,339
Group companies – RETGS (Note 25)	54,366	62,395
Group companies – Other debtors (Note 25)	12,772	35,335
Group companies – Interest receivable from shareholders loans (Note 25)	29,083	28,949
Group companies – Accruals (Note 25)	1,273	1,175
Other	42,709	180
	600,967	**690,446**
	2,824,772	**2,822,831**

As of 31 December 2022, the Company made shareholders loans to its subsidiaries in the total amount 2,302,385 thousand Euros (2,360,457 thousand Euros as of 31 December 2021), which terms and conditions reflect actual market conditions.

The Company agreed a Central Cash pooling agreement. This agreement is valid for annual periods, renewable for equal periods, with market conditions.

The caption "Other receivables — Group companies – RETGS" includes income tax charged to subsidiaries resulting from the adoption of the CIT special regime for taxation of groups companies.

The caption "Other" includes the amount of 42,452 thousand Euros, as an advance on profits, as mentioned in note 13.

Other financial assets

The caption "Other financial assets" as of 31 December 2022 and 2021 is as follows:

	2022	2021
Non current		
Labor compensation fund	22	19
	22	**19**
Other financial assets	**22**	**19**

11. Derivative financial instruments

At 31 December 2022 and 2021, the Company had the following derivative financial instruments negotiated:

		31.12.2022			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	900,000 tEuro	–	78,500	–	–
Currency and interest rate swaps	10,000,000 tJPY/ 72,899 tEuro	–	–	–	901
		–	**78,500**	**–**	**901**
Derivatives designated as fair value hedges					
Interest rate swaps	600,000 tEuro	–	–	–	72,563
		–	**–**	**–**	**72,563**
Trading derivatives	60,000 tEuro	–	2,064	–	–
Derivative financial instruments		**–**	**80,564**	**–**	**73,464**

		31.12.2021			
		Assets		Liabilities	
	Notional	Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 tEuro	–	4,108	–	15,917
Currency and interest rate swaps	10,000,000 tJPY/ 72,899 tEuro	–	5,342	–	–
		–	**9,450**	**–**	**15,917**
Derivatives designated as fair value hedges					
Interest rate swaps	300,000 tEuro	–	9,310	–	5,366
		–	**9,310**	**–**	**5,366**
Trading derivatives	60,000 tEuro	–	–	–	1,828
Derivative financial instruments		**–**	**18,760**	**–**	**23,112**

The valuation of the derivatives financial instruments portfolio is based on fair value valuations made by external entities.

The amount recorded in this caption relates to:

- Eleven interest rate swap contracts contracted by REN SGPS in order to hedge the risk of interest rate fluctuation (Note 3.16); and
- A cross currency swap contract negotiated by REN SGPS to hedge the exchange rate fluctuation risk (Note 3.16).

Counterparties to derivative contracts are international financial institutions with a solid credit rating and first-rate national institutions.

For the purpose of the effectiveness tests of the designated hedging relationships, REN applies the dollar offset method and the linear regression statistical method as methodologies. The effectiveness ratio is given by comparing the changes in fair value of the hedging instrument with the changes in fair value of the hedged item (or hypothetical derivative instrument simulating the conditions of the hedged item).

For the purpose of calculating ineffectiveness, the total change in fair value of the hedging instruments is considered.

The disclosed amount includes receivable or payable accrued interest, at 31 December 2022 related to these financial instruments, in the net amount receivable of 577 thousand Euros (at 31 December 2021 it was 2,199 thousand Euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2022 and 2021 were as follows:

						Fair value at	
	Notional	Currency	REN pays	REN receives	Maturity	31.12.2022	31.12.2021
Cash flow hedge							
Interest rate swaps	900,000 tEuro	EUR	[0.051%; 1.266%]	[Eur3m; Eur6m]	[dec-2024; apr-2029]	78,500	(11,809)
Currency and interest rate swaps	10,000,000 tJPY/ 72,899 tEuro	EUR/ JPY	[Eur6m; +1.97%]	2.71%	[jun-2024]	(901)	5,342
						77,599	**(6,467)**
Fair value hedge							
Interest rate swaps	300,000 tEuro	EUR	[Eur6m]	[0.611%; 0.6285%]	[feb-2025]	(15,582)	9,310
Interest rate swaps	300,000 tEuro	EUR	[Eur6m]	[-0.095%]	[apr-2029]	(56,981)	(5,366)
						(72,563)	**3,944**
Trading derivatives							
Interest rate swaps	60,000 tEuro	EUR	[0.99%]	[Eur6m]	[jun-2024]	2,064	(1,828)
						2,064	**(1,828)**
Total						**7,100**	**(4,351)**

The periodicity of the cash flows, paid and received, from the derivative financial instruments portfolio is quarterly, semi-annual and annual for cash flow hedging contracts, semi-annual and annual for fair value hedging contracts and semi-annual for the trading derivative.

The breakdown of the notional of derivatives at 31 December 2022 and 2021 is presented in the following table:

	2022						
	2023	2024	2025	2026	2027	Following years	Total
Interest rate swap (cash flow hedge)	–	300,000	300,000	–	–	300,000	900,000
Currency and interest rate swap (cash flow hedge)	–	72,899	–	–	–	–	72,899
Interest rate swap (fair value hedge)	–	–	300,000	–	–	300,000	600,000
Trading derivatives	–	60,000	–	–	–	–	60,000
Total	**–**	**432,899**	**600,000**	**–**	**–**	**600,000**	**1,632,899**

	2021						
	2022	2023	2024	2025	2026	Following years	Total
Interest rate swap (cash flow hedge)	–	–	300,000	300,000	–	300,000	900,000
Currency and interest rate swap (cash flow hedge)	–	–	72,899	–	–	–	72,899
Interest rate swap (fair value hedge)	–	–	–	300,000	–	300,000	600,000
Trading derivatives	–	–	60,000	–	–	–	60,000
Total	**–**	**–**	**432,899**	**600,000**	**–**	**600,000**	**1,632,899**

Swaps:

Cash flow hedge – Interest rate swaps

The Company hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on a portion of future debt interest payments through the designation of interest rate swaps, in order to transform floating rate payments into fixed rate payments.

At 31 December 2022, the Group has a total of six cash flow hedging interest rate swap contracts for a total amount of 900,000 thousand Euros (as of 31 December 2021 it was 900,000 thousand Euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2022, is positive 78,500 thousand Euros (at 31 December 2021 it was negative 11,809 thousand Euros).

Of the derivatives described above, four contracts in a total amount of 600,000 thousand Euros (at 31 December 2021 it was 600,000 thousand Euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 78,316 thousand Euros (at 31 December 2021 it was 11,617 thousand Euros).

The hedged instruments of cash flow hedging relationships present the following conditions:

	Maturity	Hedged capital	Interest rate	Hedged outstanding amount	Note
Cash Flow Covered Instruments					
Banco Europeu de Investimento (BEI) Loan	16.12.2024	300,000 tEuros	Eur3m	299,403	Note 15
Bonds (Euro Medium Term Notes)(i)	12.02.2025	300,000 tEuros	2.50%	293,363	Note 15
Bonds (Euro Medium Term Notes)(ii)	16.04.2029	300,000 tEuros	0.50%	298,932	Note 15

(i) This hedged instrument is designated jointly with derivatives of fair value hedging amounting to 300 million Euros (see conditions in the table above) in a hedge of an aggregate exposure to Euribor 6 months in the period from 2023 to 2025 and, as such, eligible for cash flow coverage.

(ii) This hedged instrument is designated jointly with derivatives of fair value hedging amounting to 300 million Euros (see conditions in the table above) in a hedge of an aggregate exposure to Euribor 6 months in the period from 2023 to 2029 and, as such, eligible for cash flow coverage.

Cash flow hedge — Interest and exchange rate swaps

The Company hedged the exchange rate risk of the 10,000 million Yens bond issued through a cross currency swap with the main characteristics similar to the bond with regard to exchange rate risk. Credit risk is not hedged.

The fair value of the cross currency swap at 31 December 2022 is 901 thousand Euros negative (at 31 December 2021 it was 5,342 thousand Euros positive).

Changes in the fair value of the hedging instrument are also being recorded in the hedge reserves in equity, with the exception of:

- The offsetting of the exchange rate effect of the spot update of the hedged instrument (bond issue in yen) at each reference date, resulting from the coverage of the exchange rate risk[7]; and
- The ineffective effect of the hedge resulting from the accounting designation made (REN hired a trading derivative to hedge this inefficiency economically – see Trading Derivative[8]. This inefficiency is caused by the change in the interest profile of the hedging instrument, which starts to pay a variable rate in the period from 2019 to 2024.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of cash flow hedges were as follows:

2022

Cash Flow Hedging Instruments	Change in the fair value of hedging instruments	Of which: effective amount recorded in hedge reserves	Hedging inefficiency recorded in profit for the year	Coverage reserve reclassifications to results for the year
Swaps of interest rate	89,933	89,933	–	–
Swaps of exchange and interest rate	(6,200)	3,471	(4,065)	(5,605)
	83,733	**93,404**	**(4,065)**	**(5,605)**

2021

Cash Flow Hedging Instruments	Change in the fair value of hedging instruments	Of which: effective amount recorded in hedge reserves	Hedging inefficiency recorded in profit for the year	Coverage reserve reclassifications to results for the year
Swaps of interest rate	14,219	14,219	–	–
Swaps of exchange and interest rate	(4,413)	2,789	(4,843)	(2,359)
	9,806	**17,008**	**(4,843)**	**(2,359)**

7 The exchange effect of the underlying (loan), in the year of 2022, was favourable in the amount of 5,605 thousand Euros, having been offset, in the same amount, by the unfavourable effect of the hedging instrument in the income statement for the year (on 31 December 2021 was favourable at 2,359 thousand Euros).

8 The ineffective component related to the cash flow hedging of interest rate and foreign exchange risk, recorded in the income statement, was 4,065 thousand Euros negative, having been offset by the effect of the trading derivative contracted in 3,860 thousand Euros positive (on December 31, 2021 it was 4,843 thousand Euros negative compared to 1,367 thousand Euros positive from the effect of the trading derivative). Accordingly, the net effect on the income statement for the period ended 31 December 2022 amounts to 205 thousand Euros negative (on 31 December 2021 it was 3,476 thousand Euros negative).

Hedging Reserve:
The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact (Note 9)	Hedging reserves
1 January 2021	(34,060)	8,515	(25,545)
Changes in fair value and ineffectiveness	17,008	(4,678)	12,330
31 December 2021	**(17,052)**	**3,837**	**(13,215)**
1 January 2022	(17,052)	3,837	(13,215)
Changes in fair value and ineffectiveness	93,404	(21,016)	72,388
31 December 2022	**76,352**	**(17,179)**	**59,172**

Fair value hedge

The Company hedges the interest rate risk associated with the fluctuation of the market interest rate index (Euribor) on the fair value of interest payments on fixed-rate debt by negotiating interest rate swaps where it pays a variable rate and receives a fixed rate in order to convert fixed-rate debt payments into variable-rate payments.

At 31 December 2022, the Company has a total of four fair value hedging derivative contracts amounting to 600,000 thousand Euros (as of 31 December 2021 it was 600,000 thousand Euros). The hedged risk corresponds to the change in fair value of debt issues attributable to movements in the market interest rate index (Euribor). Credit risk is not being hedged. At 31 December 2022, the fair value of interest rate swaps designated as fair value hedging instruments was negative 72,563 thousand Euros (as of 31 December 2021 it was positive 3,944 thousand Euros).

Changes in the fair value of hedged items arising from interest rate risk are recognised in the income statement in order to offset changes in the fair value of the hedging instrument, which are also recognised in the income statement. The hedged items of fair value hedging relationships have the following conditions:

2022

	Maturity	Hedged capital	Interest rate	Outstanding amount	There of fair value adjustments	Variation	Note
fair value hedged Instruments							
Bonds (Euro Medium Term Notes)	12.02.2025	300,000 tEuros	2.50%	276,378	16,985	24,031	Nota 15
Bonds (Euro Medium Term Notes)	16.04.2029	300,000 tEuros	0.50%	243,032	55,899	50,399	Nota 15
					72,884	**74,429**	

2021

	Maturity	Hedged capital	Interest rate	Outstanding amount	There of fair value adjustments	variation	Note
Fair value hedged Instruments							
Bonds (Euro Medium Term Notes)	12.02.2025	300,000 tEuros	2,50%	300,409	(7,046)	6,785	Nota 15
Bonds (Euro Medium Term Notes)	16.04.2029	300,000 tEuros	0,50%	293,431	5,500	5,500	Nota 15
					(1,546)	**12,286**	

In 2022, the change in fair value of the debt related to interest rate risk recognized in the income statement was positive 74,429 thousand Euros (at 31 December 2021 it was positive 12,286 thousand Euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately positive 1,064 thousand Euros (at 31 December 2021 it was positive 52 thousand Euros). The ineffectiveness recognized is related to the effect of the fixed leg spread of the hedging instruments that is not reflected in the hedged item.

Integral Income:
The movements recorded in the statement of comprehensive income through the application of fair value hedges were as follow:

	2022
Cash Flow Hedging Instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	1,064

	2021
Cash Flow Hedging Instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	52

Trading derivatives

The Company negotiated an interest rate swap, with a starting date in 2019 and maturity in 2024, which pays fixed rate and receives variable rate. This instrument, although not designated as hedge accounting considering IFRS 9 criteria, is currently hedging the effect of the ineffectiveness of the cash flow hedge of the interest and exchange rate risks of the bond issue in Yens, relative to the fluctuation of interest rates for the hedging period (see Cash Flow Hedge – Interest and Exchange Rate Swaps).

The notional amount of this trading derivative is 60,000 thousand Euros as of 31 December 2022 (at 31 December 2021 it was also 60,000 thousand Euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2022, is positive 2,064 thousand Euros (on 31 December 2021 it was negative 1,828 thousand Euros).

Changes in the fair value of the trading derivative are recorded directly in the income statement. The impact in the income statement, as of 31 December 2022, related to the effect of the fair value of the trading derivative was positive 3,860 thousand Euros (as of 31 December 2021 it was positive 1,367 thousand Euros).

12. Investments in equity instruments at fair value for other comprehensive performance

The assets recognized in this caption at 31 December 2022 and 2021 corresponds to equity interests held on strategic entities in the electricity and gas market, which can be detailed as follows:

	Head office		% owned		Book value	
	City	Country	2022	2021	2022	2021
OMEL – Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	10.00%	3,167	3,167
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	7.50%	54,074	56,111
					57,241	59,278

The changes in this caption were as follows:

	OMEL	HCB	Total
1 January 2021	3,167	56,435	59,601
Fair value adjustments	–	(323)	(323)
31 December 2021	3,167	56,111	59,278
1 January 2022	3,167	56,111	59,278
Fair value adjustments	–	(2,037)	(2,037)
31 December 2022	3,167	54,074	57,241

REN SGPS holds 7.5% representative shares of Hidroeléctrica de Cahora Bassa S.A., Mozambican company, transmitted following the contract signed at 9 April 2012, between REN, Parpublica – Participações Públicas, SGPS, S.A. (Parpublica), CEZA – Companhia Eléctrica do Zambeze, S.A. and EDM – Electricidade de Moçambique, EP for the acquisition from Parpublica of 2,060,661,943 shares, representing 7.5% of the capital and voting rights of HCB. This participation was initially recorded at its acquisition cost (38,400 thousand Euros) and subsequently adjusted to its fair value (Note 27).

As of 31 December 2022, REN SGPS holds an interest in OMEL, Operador del Mercado Ibérico, S.A. (OMEL). In the process to create the Sole Operator of the Iberian Electricity Market (OMI) and in accordance with the Agreement between the Portuguese Republic and the Kingdom of Spain regarding the creation Iberian electric energy market, REN SGPS acquired 10% of the shares of OMEL for 3,167 thousand Euros.

As there are no available market price for the above referred investment (OMEL), and as it is not possible to determine the fair value using comparable transactions, these investment is recorded at acquisition cost deducted by impairment losses.

At this date, no evidences of impairment losses related with OMEL exist.

Adjustments to the fair value investments in equity instruments at fair value for other comprehensive income are recorded in equity under the caption "fair value reserve", which as of 31 December 2022 and 2021 presents the following amounts:

	Fair value reserve
1 January 2021	13,814
Changes in fair value	(323)
Fiscal effect (Note 9)	495
31 December 2021	13,986
1 January 2022	13,986
Changes in fair value	(2,037)
Fiscal effect (Note 9)	545
31 December 2022	12,493

The dividends distributed are detailed in Note 24.

13. Equity instruments

Share capital

As of 31 December 2022, the Company's subscribed and paid up capital was made up of 667,191,262 shares with nominal value of 1 Euro each.

Share capital at 31 December 2022 and 2021 is detailed as follows:

	2022		2021	
	Number of shares	Share capital	Number of shares	Share capital
Share capital	667,191,262	667,191	667,191,262	667,191

The caption "Other changes in equity", as at 31 December 2022 and 2021, amounts to 5,561 thousand Euros.

The main shareholders at 31 December 2022 and 2021 and were as follows:

	31.12.2022		31.12.2021	
	Shares	%	Shares	%
State Grid Corporation of China	166,797,815	25.0	166,797,815	25.0
Pontegadea Inversiones S.L.	80,100,000	12.0	80,100,000	12.0
Lazard Asset Management LLC	49,568,307	7.4	41,067,351	6.2
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3	35,496,424	5.3
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0	33,359,563	5.0
Own shares	3,881,374	0.6	3,881,374	0.6
Free float	297,987,779	44.7	306,488,735	45.9
	667,191,262	100.0	667,191,262	100.0

Own shares

At 31 December 2022 and 2021, the Company had the following own shares:

Amount	Number of shares	Percentage of capital	Amount
Own shares	3,881,374	0.6%	10,728

There were no purchases or sales of own shares in the year ended 31 December 2022 and 2021.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) REN SGPS must permanently ensure the existence of sufficient equity reserves to cover the value of own shares, in order to limit the amount of reserves available for distribution.

Share issue premium

Following the capital increase in 2017, REN SGPS recorded an amount of 116,809 thousand Euros in the "Share issue premium" caption.

Legal reserve

In accordance with the Commercial Company Code (Código das Sociedades Comerciais) the Company must transfer a minimum of 5% of its annual net profit to a legal reserve until the reserve reaches 20% of share capital. The legal reserve cannot be distributed to the shareholders but may in certain circumstances be used to increase capital or to absorb losses after all the other reserves have been used up.

At 31 December 2022 the caption "Legal reserve" amounted to 135,701 thousand Euros (130,662 thousand Euros as of 31 December 2021).

Other reserves

The caption "Other Reserves" includes changes in the fair value of investments in equity instruments at fair value for other comprehensive income, derivative financial instruments hedging cash flows and other reserves.

In accordance with the Commercial Company Code, increases resulting from the adoption of fair value can only be distributed to shareholders when the assets or liabilities that originated the fair value are sold, executed, extinguished, liquidated or when they are used.

As of 31 December 2022, the Company has in Equity the amount of 71,665 thousand Euros positive (771 thousand Euros positive in 2021) related to reductions arising from the application of fair value, namely: (i) fair value reserve of Investments in equity instruments at fair value for other comprehensive income in the amount of 12,493 thousand Euros positive (Note 12) and (ii) the hedge reserve of derivative financial instruments in the amount of 59,172 thousand Euros positive (Note 11).

The caption "Other Reserves" includes free reserves in the amount of 180,190 thousand Euros. This caption is increased with the application of net profits, being eligible for distribution to the shareholders, except for the limitation set on the Commercial Company Code in relation to own shares and income from the application of the equity method.

Adjustments to financial assets

The caption "Adjustments to financial assets" reflects changes in the subsidiaries equity when applying the equity method.

At 31 December 2022 this caption amounted to 48,209 thousand Euros negative (76,139 thousand Euros negative as of 31 December 2021). The change in the amount of 27,930 thousand Euros (Note 7) includes mainly the (i) the effect of equity changes of REN — Rede Eléctrica Nacional, S.A., due to the recognition of actuarial gains and losses of the year in the total amount of 19,053 thousand Euros positive; (ii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the changes in the fair value of Red Elétrica Corporación in the amount of 11,123 thousand Euros negative and; (iii) the effect of exchange rate variations on the financial investments held by REN Serviços in Transemel and Electrogas, appropriated by the equity method by the Company, which in 2022 amounted to 20,000 thousand Euros positive.

In accordance with the Portuguese legislation, income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. The Portuguese legislation establishes that the difference between the equity method gains and the amount of paid or deliberated dividends are equivalent to legal reserve.

Dividends distributions

During the Shareholders General Assembly meeting held on 28 April 2022, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2021, in the amount of 102,747 thousand Euros (0.154 Euros per share). The dividends attributable to own shares amounted to 597 thousand Euros, being paid to the shareholders a total amount of 102,150 thousand of Euros.

In line with the strategic plan announced by the Company on 14 May 2021, the Board of Directors of REN – Redes Energéticas Nacionais, SGPS, S.A. approved, on 30 November 2022, the payment of dividends, as advance on profits, in the amount of 42,452 thousand Euros (0.064 Euros) per share, which took place on 23 December 2022.

During the Shareholders General Assembly meeting held on 23 April 2021, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2020, in the amount of 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

14. Provisions, contingent liabilities and contingen assets

Guarantees given

At 31 December 2022 and 2021, the Company had given the following bank guarantees:

Beneficiary	Object	2022	2021
European Investment Bank	For loan outstanding balances	216,338	241,003
Tax Authorithies	Ensure the suspension of tax enforcement proceedings	25,881	22,566
		242,219	**263,568**

The guarantees given have the following maturities:

31.12.2022	Less 1 year	1 – 5 years	Over 5 years	Total
Guarantees on borrowing	35,815	120,427	60,097	216,338
Other guarantees	–	–	25,881	25,881
	35,815	**120,427**	**85,978**	**242,219**

31.12.2021	Less 1 year	1 – 5 years	Over 5 years	Total
Guarantees on borrowing	25,682	130,711	84,610	241,003
Other guarantees	–	–	22,566	22,566
	25,682	**130,711**	**107,175**	**263,568**

Provisions

At 31 December 2022 and 2021 the captions "Provisions" were made up as follows:

	2022			2021		
	Investments (Note 7)	Other provisions	Provisions	Investments (Note 7)	Other provisions	Provisions
Non current						
Beginning balance	158	381	539	–	–	–
Increases	2,895	574	3,470	158	381	539
Utilization	–	(82)	(82)	–	–	–
Reversals	–	(299)	(299)	–	–	–
Ending balance	**3,054**	**574**	3,628	**158**	**381**	**539**

15. Financial liabilities

Trade payables and other payables

At 31 December 2022 and 2021 the captions "Trade payables" and "Other payables" were made up as follows:

	2022	2021
Current		
Trade payables		
Group (Note 25)	569	–
National	146	155
Foreign	80	154
	794	**309**
Other payables		
Capex suppliers	27	22
Group companies – RETGS (Note 25)	8,713	1,434
Group companies – Treasury management (Note 25)	517,739	223,824
Accrued costs		
Remunerations	298	209
Others	6,045	2,284
Other Creditors		
Group (Note 25)	28,899	26,792
Others	37	39
	561,759	**254,604**
	562,552	**254,912**

The Company agreed a central cash pooling agreement with its subsidiaries. This agreement is valid for one year and is renewable for equal periods. The terms and conditions of this agreement are market conditions.

Borrowings

The borrowings are detailed, in terms of maturity (current and non-current) and nature, as of 31 December 2022 and 2021 as follows:

	2022	2021
Non-current		
Commercial paper	250,000	250,000
Bonds	71,093	78,244
Bank loans	303,300	371,583
Finance leases (Note 6)	144	182
Group Companies – Bonds (Note 25)	1,071,025	1,69,3147
Other deferred borrowing costs	(1,258)	(1,423)
Other deferred borrowing costs – Group companies (Note 25)	250	166
	1,694,555	**2,391,899**
Current		
Commercial paper	–	200,000
Group Companies – Commercial Paper (Note 25)	192,900	188,400
Group Companies – Bonds (Note 25)	550,000	99,000
Bank loans	68,283	57,775
Finance leases (Note 6)	101	103
Group Companies – Interests and other similar costs (Note 25)	30,162	29,408
Interest payable	696	802
Other deferred borrowing costs	(2,255)	(1,858)
Other deferred borrowing costs – Group companies (Note 25)	(89)	(2,300)
	839,797	**571,331**
	2,534,352	**2,963,230**

The company external borrowings have the following capital repayment schedule:

	2023	2024	2025	2026	2027	Following years	Total
Debt – Non current	–	139,997	69,427	289,726	34,346	91,042	624,537
Debt – Current	68,384	–	–	–	–	–	68,384
	68,384	**139,997**	**69,427**	**289,726**	**34,346**	**91,042**	**692,921**

The company internal borrowings have the following capital repayment schedule:

	2023	2024	2025	2026	2027	Following years	Total
Commercial paper	192,900	–	–	–	–	–	192,900
Bonds	550,000	10,000	500,000	–	35,000	526,025	1,621,025
	742,900	**10,000**	**500,000**	**–**	**35,000**	**526,025**	**1,813,925**

Detailed information regarding bond issues as of 31 December 2022 is as follows:

					31 December de 2022
Issue date	Maturity	Initial amount	Outstanding amount	Interest rate	Schedule of interest payments
'Euro Medium Term Notes' programme issues					
26.06.2009	26.06.2024	10,000,000 tJPY (i)	10,000,000 tJPY	Taxa fixa (ii)	Semestral

(i) These issues correspond to private placements.
(ii) These issues has interest and currency rate swaps associated

In 2022, REN SGPS together with REN Finance B.V. agreed the total reimbursement of the loan with Industrial Commercial Bank of China in the amount of 35,000 thousand Euros. Additionally, they agreed with Industrial Commercial Bank of China a new financing facility in the total amount of 120,000 thousand Euros, of which 35,000 thousand Euros are already disbursed.

Still in 2022, REN SGPS together with REN Finance B.V. contracted a Revolving Credit Facility with Mediobanca International (Luxembourg) S.A. in the total amount of 50,000 thousand Euros, which are not disbursed.

Finally, REN SGPS signed a new long-term loan with the EIB – European Investment Bank for the amount of 300,000 thousand Euros, which has not yet been disbursed.

Bank loans consist mostly of loans contracted with the European Investment Bank, which on December 31, 2022 amounted to 371,583 thousand Euros (on December 31, 2021 it was 429,358 thousand Euros).

As a result of the fair value hedging amounting to 600,000 thousand Euros made on debt issues (Note 11), the change in the fair value of these issues related to interest rate risk directly in profit and loss amounting to positive 74,429 thousand Euros was recognized. (on December 31, 2021 it was positive 12,286 thousand Euros).

Subscribed within the Group, the Company had, on 31 December 2022, issued commercial paper in the amount of 192,900 thousand Euros (on December 31, 2021 it was 188,400 thousand Euros) and held bond loans contracted in the amount of 1,621,025 thousand Euros (on December 31, 2021 it was 1,792,000 thousand Euros). The financial conditions of these loans are in line with market conditions.

As of 31 December 2022, the Company has eleven commercial paper programs, in the amount of 2,125,000 thousand Euros, with 1,875,000 thousand Euros available. Of the total value of commercial paper programs, 850,000 thousand Euros are guaranteed to be placed.

The Company also holds 80,000 thousand Euros in credit lines contracted and not used with maturities of up to one year, which are automatically renewable periodically (if they are not reported in the contractually stipulated period for that purpose), of which 70,000 thousand Euros concern two grouped lines that can be used in their entirety and alternately by several companies in the group.

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge, Leverage and Gearing ratios.

Financing entered into with the European Investment Bank also includes covenants related to rating ratings and other financial ratios in which the Company may be called upon to provide an acceptable guarantee to the European Investment Bank in the event of rating ratings or financial ratios below the stipulated levels.

As of December 31, 2022, the REN Group complies with all covenants to which it is contractually bound.

The Company and its subsidiaries are parties to some financing and debt issuance contracts, which include clauses on changes in control typical of this type of transaction (covering, albeit not expressly, changes in control as a result of takeover bids) and essential for the completion of such transactions in the respective market context. In any case, the practical application of these clauses is limited considering the legal restrictions on the ownership of REN shares. According to legal rules on competition, contractual terms and usual market practices, neither REN nor its counterparties in financing contracts are authorized to disclose other information regarding the characteristics of the respective financing operations.

16. State and other public entities

At 31 December 2022 and 2021 the caption "State and other public entities" is detailed as follows:

	2022	2021
Current assets		
Income tax	10,268	–
Other taxes	2	1
State and other public entities – Asset	**10,269**	**1**

	2022	2021
Current liabilities		
Income tax	–	26,405
VAT payable	1,572	155
Retained tax	87	87
Social security	91	78
State and other public entities – Liability	**1,751**	**26,725**

REN Group companies belong to the special tax regime for groups of companies (RETGS), in terms of Corporate Income Tax (Note 9).

17. Revenue

The revenue recognized by the Company in the year ended 31 December 2022 and 2021 was as follows:

	2022	2021
Services rendered		
Technical and admninistrative management of REN Group (Note 25)	10,287	10,686
Technical and admninistrative management of other related parties (Note 25)	8	14
	10,295	**10,700**

18. Gains and losses from subsidiaries and associates

The gains and losses from subsidiaries and associates in the years ended 31 December 2022 and 2021 are detailed as follows:

	2022	2021
Subsidiaries		
REN – Rede Eléctrica Nacional, S.A.	74,760	70,090
REN Atlântico, Terminal de GNL, S.A.,	(2,006)	820
Rentelecom – Comunicações, S.A.	3,479	3,035
REN Serviços, S.A.	39,621	26,274
Enondas — Energia das Ondas, S.A.	79	75
REN PRO, S.A.	566	177
REN Trading, S.A.	(3,295)	(2,727)
REN Finance, B.V.	8,950	5,752
Associates		
OMIP, SGPS, S.A.	255	394
Centro de Investigação em Energia REN – State Grid, S.A.	5	88
	122,413	**103,978**

19. Supplies and services

The caption "Supplies and services" for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
Specialized services	1,693	2,990
Services rendered to Group companies (Note 25)	788	862
Insurances	336	289
Travel and lodging	188	65
Rentals and rents	47	53
Fuel	40	31
Other supplies and external services (values below 25 tEuros)	198	81
	3,290	**4,371**

20. Personnel costs

The caption "Personnel costs" for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
Remunerations		
Board of directors	3,424	3,304
Personnel	2,113	1,677
	5,537	**4,981**
Charges on remuneration and other		
Charges on remuneration	809	711
Insurance	104	83
Other	35	17
	948	**811**
Personnel costs	**6,485**	**5,792**

The board of Directors caption includes the Board of Directors members' remunerations.

Personnel employed

During the years ended 31 December 2022 and 2021 the average number of personnel employed by the Company was 22.

21. Other income

The caption "Other income" for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
Supplementary income	599	688
Other income	23	567
	623	**1,255**

22. Other expenses

The caption "Other expenses" for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
Subscriptions	119	108
Taxes	102	83
Other expenses	2	3
	223	**194**

23. Interests and similar income and expenses

The caption "Interest and similar income and expenses" for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
Interest and similar costs		
Bonds -Group companies (Note 25)	41,926	40,880
Derivative financial instruments (Note 11)	5,141	4,327
Commercial paper	4,350	4,173
Bank loans	4,159	3,210
Centralized treasury management (Note 25)	3,751	129
Commercial paper -Group companies (Note 25)	2,333	1,600
Bonds	1,914	2,079
Other financial costs	252	256
	63,826	**56,654**
Interest and similar income		
Interest on sharehoders loans (Note 25)	44,139	44,755
Commercial paper	463	208
Interest on centralized treasury management (Note 25)	2,493	927
Interest on bank deposits	639	6
Derivative financial instruments	4,924	1,419
Other income	457	616
	53,115	**47,930**

Interest cash flows of derivative financial instruments (swaps) are presented net of flows related with borrowings that are being hedged.

24. Dividends

During the years ended 31 December 2022 and 2021, the Company received the following dividends from investments in equity instruments at fair value for other comprehensive income:

	2022	2021
Dividends received		
HCB	4,356	3,032
OMEL	43	49
	4,400	**3,082**

The total amount of dividends received from subsidiaries, associates and investments in equity instruments at fair value for other comprehensive income amounted to 146,703 thousand Euros (99,907 thousand Euros in 2021).

25. Related parties

During the years ended 31 December 2022 and 2021 the following transactions were carried out with related parties:

Group

Related party	Services rendered (Note 17)	Interest and similar income – Shareholders loans (Note 23)	Interest and similar income – Treasury management (Note 23)	Supplies and services (Note 19)	Interest and other similar costs – Treasury management (Note 23)	Interest and other similar costs – Commercial paper (Note 23)	Interest and other similar costs – Bonds (Note 23)
	2022						
REN – Rede Eléctrica Nacional, S.A.	5,498	20,767	752	266	–	–	–
REN Trading, S.A.	–	–	–	–	3,466	–	–
ENONDAS, S.A.	10	–	–	–	10	–	–
REN Gasodutos, S.A.	1,607	–	417	–	–	–	–
REN Armazenagem, S.A.	279	–	–	–	121	–	–
REN Atlântico, Terminal de GNL, S.A.	635	1,919	93	–	9	–	–
REN Gás, S.A.	–	–	6	–	69	–	–
REN Portgás Distribuição, S.A.	345	–	188	–	–	–	–
RENTELECOM – Comunicações, S.A.	114	–	–	–	71	–	–
REN Serviços, S.A.	1,418	21,453	1,037	436	–	–	–
REN Finance, B.V.	–	–	–	40	–	2,333	41,926
REN PRO, S.A.	381	–	2	46	5	–	–
	10,287	**44,139**	**2,493**	**788**	**3,751**	**2,333**	**41,926**

2021

Related party	Services rendered (Note 17)	Interest and similar income – Shareholders loans (Note 23)	Interest and similar income – Treasury management (Note 23)	Supplies and services (Note 19)	Interest and other similar costs – Treasury management (Note 23)	Interest and other similar costs – Commercial paper (Note 23)	Interest and other similar costs –Bonds (Note 23)
REN – Rede Eléctrica Nacional, S.A.	5,730	21,102	168	391	1	–	–
REN Trading, S.A.	–	–	81	–	82	–	–
ENONDAS, S.A.	11	–	1	–	–	–	–
REN Gasodutos, S.A.	1,621	–	37	–	–	–	–
REN Armazenagem, S.A.	291	–	–	–	18	–	–
REN Atlântico, Terminal de GNL, S.A.	702	2,372	12	–	7	–	–
REN Gás, S.A.	–	–	–	–	10	–	–
REN Portgás Distribuição, S.A.	255	–	42	–	–	–	–
RENTELECOM – Comunicações, S.A.	101	–	–	–	10	–	–
REN Serviços, S.A.	1,634	21,281	238	420	–	–	–
REN Finance, B.V.	–	–	346	6	–	1,600	40,880
REN PRO, S.A.	342	–	–	45	2	–	–
	10,686	**44,755**	**927**	**862**	**129**	**1,600**	**40,880**

Other Related Parties

	2022	2021
Services rendered		
Centro de Investigação em Energia REN – State Grid, S.A. (Note 17)	8	14
	8	**14**
External supplies and services		
CMS – Rui Pena & Arnaut[9]	7	–
	7	**–**

[9] Entity related to the director José Luís Arnaut. During 2022, the legal advisory services agreement in the legal and public procurement area, approved by the Board of Directors of REN Serviços, S.A. and awarded to the law firm CMS Rui Pena e Arnaut, related entity to the Board member José Luís Arnaut, remained in force. The contract was signed in 2020, for a period of three years.

As of 31 December 2022 and 2021, the Company had the following balances with related parties:

Group

	2022						
						Current assets	Non current assets
Related party	Other receivables – Shareholders loans (Note 10)	Other receivables – Treasury management (Note 10)	Other receivables – Interest receivables from shareholders loans (Note 10)	Other receivables – Tax consolidation (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables – Shareholders loans (Note 10)
REN – Rede Eléctrica Nacional, S.A.	19,231	92,382	13,775	49,965	6,208	701	1,188,462
REN Trading, S.A.	–	–	–	–	142	–	–
ENONDAS, S.A.	–	–	–	–	11	1	–
REN Gasodutos, S.A.	–	62,879	–	–	1,917	149	–
REN Armazenagem, S.A.	–	–	–	1,355	309	27	–
REN Atlântico, Terminal de GNL, S.A.	9,350	38,938	70	–	762	70	20,343
REN Gás, S.A.	–	–	–	–	–	–	–
REN Portgás Distribuição, S.A.	–	29,898	–	1,722	427	45	–
RENTELECOM – Comunicações, S.A.	–	–	–	1,204	123	14	–
REN Serviços, S.A.	50,000	156,607	15,237	–	1,877	156	1,015,000
REN Finance, B.V.	–	–	–	–	654	–	–
REN PRO, S.A.	–	1,479	–	119	343	109	–
	78,580	**382,184**	**29,083**	**54,366**	**12,772**	**1,273**	**2,223,805**

	2022									
	Current liabilities								Non Current liabilities	
Related party	Suppliers (Note 15)	Other payables – Treasury management (Note 15)	Other payables – Tax consolidation (Note 15)	Other payables – Interest payables from bonds (Note 15)	Others creditors (Note 15)	Other payables – Commercial paper (Note 15)	Other payables – Bonds (Note 15)	Deferred borrowing costs (Note 15)	Other payables – bonds (Note 15)	Deferred borrowing costs (Note 15)
REN – Rede Eléctrica Nacional, S.A.	–	–	–	–	83	–	–	–	–	–
REN Trading, S.A.	–	477,958	866	–	28,691	–	–	–	–	–
ENONDAS, S.A.	–	1,498	25	–	3	–	–	–	–	–
REN Gasodutos, S.A.	–	–	1,474	–	–	–	–	–	–	–
REN Armazenagem, S.A.	–	18,301	–	–	37	–	–	–	–	–
REN Atlântico, Terminal de GNL, S.A.	–	–	4,502	–	–	–	–	–	–	–
REN Gás, S.A.	–	9,746	1,490	–	19	–	–	–	–	–
REN Portgás Distribuição, S.A.	–	5	–	–	–	–	–	–	–	–
RENTELECOM – Comunicações, S.A.	–	10,231	–	–	20	–	–	–	–	–
REN Serviços, S.A.	517	–	357	–	6	–	–	15	–	–
REN Finance, B.V.	–	–	–	30,162	40	192,900	550,000	(109)	1,071,025	250
REN PRO, S.A.	51	–	–	–	–	–	–	4	–	–
	569	**517,739**	**8,713**	**30,162**	**28,899**	**192,900**	**550,000**	**(89)**	**1,071,025**	**250**

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Related party						2021	
						Current assets	Non current assets
Related party	Other receivables – Shareholders loans (Note 10)	Other receivables – Treasury management (Note 10)	Other receivables – Interest receivables from shareholders loans (Note 10)	Other receivables – Tax consolidation (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables – Shareholders loans (Note 10)
REN – Rede Eléctrica Nacional, S.A.	19,231	169,755	13,695	33,095	20	549	1,207,692
REN Trading, S.A.	–	–	–	142	34,681	–	–
ENONDAS, S.A.	–	–	–	–	–	1	–
REN Gasodutos, S.A.	–	47,791	–	12,346	6	153	–
REN Armazenagem, S.A.	–	–	–	1,992	–	18	–
REN Atlântico, Terminal de GNL, S.A.	8,841	–	91	10,734	–	60	29,693
REN Gás, S.A.	–	10,453	–	–	–	–	–
REN Portgás Distribuição, S.A.	–	20,476	–	3,066	5	25	–
RENTELECOM – Comunicações, S.A.	–	–	–	889	–	9	–
REN Serviços, S.A.	200,000	85,864	15,163	120	16	128	895,000
REN Finance, B.V.	–	–	–	–	606	213	–
REN PRO, S.A.	–	–	–	12	1	21	–
	228,072	**334,339**	**28,949**	**62,395**	**35,335**	**1,175**	**2,132,385**

	2021								
							Current liabilities		Non Current liabilities
Related party	Other payables – Treasury management (Note 15)	Other payables – Tax consolidation (Note 15)	Other payables – Interest payables from Bonds (Note 15)	Others creditors (Note 15)	Other payables – Commercial paper (Note 15)	Other payables – Bonds (Note 15)	Deferred borrowing costs (Note 15)	Other payables – Bonds (Note 15)	Deferred borrowing costs (Note 15)
REN – Rede Eléctrica Nacional, S.A.	–	–	–	88	–	–	7	–	–
REN Trading, S.A.	187,999	–	–	26,205	–	–	–	–	–
ENONDAS, S.A.	1,214	19	–	–	–	–	–	–	–
REN Gasodutos, S.A.	–	–	–	20	–	–	–	–	–
REN Armazenagem, S.A.	12,681	–	–	3	–	–	–	–	–
REN Atlântico, Terminal de GNL, S.A.	8,269	–	–	7	–	–	–	–	–
REN Gás, S.A.	–	1,415	–	1	–	–	–	–	–
REN Portgás Distribuição, S.A.	5	–	–	–	–	–	–	–	–
RENTELECOM – Comunicações, S.A.	10,094	–	–	2	–	–	–	–	–
REN Serviços, S.A.	–	–	–	23	–	–	56	–	–
REN Finance, B.V.	–	–	29,408	437	188,400	99,000	(2,377)	1,693,147	166
REN PRO, S.A.	3,562	–	–	6	–	–	14	–	–
	223,824	**1,434**	**29,408**	**26,792**	**188,400**	**99,000**	**(2,300)**	**1,693,147**	**166**

Other Related Parties

	2022	2021
Assets		
Other debtors		
Other receivables – OMI	1	1
Other receivables – OMEL	1	3
Other receivables – Hidroelectrica Cahora Bassa	–	155
	2	**159**
Liabilities		
Other creditors		
Centro de Investigação em Energia REN – State Grid, S.A.	–	2
	–	**2**

Information on share transactions by members of the Board of Directors

During the period ended 31 December 2022, no transactions were made by Board of Directors members.

26. Remuneration of the board of directors

The Board of Directors of REN SGPS were considered in accordance with NCRF 5 to be the only key members of the management of the Company. Remuneration of the Board of Directors of REN in the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Remuneration and other short term benefits	1,700	1,647
Management bonuses (estimated)	1,724	1,657
	3,424	**3,304**

There are no loans granted to the members of the Board of Directors.

27. Classification of financial assets and liabilities in accordance with IFRS9

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

2022

	Notes	Credits and other receivables	Fair value – hedging derivative financial instruments	Fair value – Negotiable derivatives	Fair value – Equity instruments for other comprehensive income	Fair value – through profit and loss	Other financial assets/ liabilities	Total carrying amount	Fair value
Assets									
Cash and cash equivalents	4	–	–	–	–	–	342,642	342,642	342,642
Trade and other receivables	10	2,824,772	–	–	–	–	–	2,824,772	2,824,772
Other financial assets	10	–	–	–	–	22	158	180	180
Investments in equity instruments at fair value for other comprehensive income	12	–	–	–	57,241	–	–	57,241	57,241
State and other public entities	16	–	–	–	–	–	10,269	10,269	10,269
Derivative financial instruments	11	–	78,500	2,064	–	–	–	80,564	80,564
Total financial assets		**2,824,772**	**78,500**	**2,064**	**57,241**	**22**	**353,069**	**3,315,668**	**3,315,668**
Liabilities									
Borrowings	15	–	–	–	–	–	2,534,352	2,534,352	2,501,449
Trade and other payables	15	–	–	–	–	–	562,552	562,552	562,552
State and other public entities	16	–	–	–	–	–	1,751	1,751	1,751
Derivative financial instruments	11	–	73,464	–	–	–	–	73,464	73,464
Total financial liabilities		**–**	**73,464**	**–**	**–**	**–**	**3,098,655**	**3,172,119**	**3,139,216**

	Notes	Credits and other receivables	Fair value – hedging derivative financial instruments	Fair value – Negotiable derivatives	Fair value – Equity instruments for other comprehensive income	Fair value – through profit and loss	Other financial assets/ liabilities	Total carrying amount	Fair value
									2021
Assets									
Cash and cash equivalents	4	–	–	–	–	–	386,546	386,546	386,546
Trade and other receivables	10	2,822,831	–	–	–	–	–	2,822,831	2,822,831
Other investments	10	–	–	–	–	19	144	163	163
Investments in equity instruments at fair value for other comprehensive income	12	–	–	–	59,278	–	–	59,278	59,278
Derivative financial instruments	11	–	18,760	–	–	–	–	18,760	18,760
Total Assets financeiros		2,822,831	18,760	–	59,278	19	386,691	3,287,580	3,287,580
Liabilities									
Borrowings	15	–	–	–	–	–	2,963,230	2,963,230	2,888,206
Trade and other payables	15	–	–	–	–	–	254,960	254,960	254,960
State and other public entities	16	–	–	–	–	–	26,725	26,725	26,725
Derivative financial instruments	11	–	21,283	1,828	–	–	–	23,112	23,112
Total financial liabilities		**–**	**21,283**	**1,828**	**–**	**–**	**3,244,916**	**3,268,027**	**3,193,002**

Estimated fair value — Assets measured at fair value

The following table presents the Company assets and liabilities measured at fair value at 31 December 2022 in accordance with the following levels of fair value hierarchy:

- **Level 1:** fair value of financial instruments is based on quoted prices of active liquid markets at the date of the statement of financial position;
- **Level 2:** the fair value of financial instruments is not determined based on active market quotes but using valuation models.
- **Level 3:** the fair value of financial instruments is not determined based on active market quotes, but using valuation models, whose main inputs are not observable in the market.

During the year ending 31 December 2022, no transfers of financial assets and liabilities were made between fair value hierarchy levels.

		2022			
		Level 1	Level 2	Level 3	Total
Assets					
Investments in equity instruments at fair value for other comprehensive income	Shares	-	-	54,074	54,074
Financial assets at fair value	Cash flow hedge derivatives	-	78,500		78,500
Financial assets at fair value recorded in income	Trading derivatives	-	2,064	-	2,064
		-	**80,564**	**54,074**	**134,638**
Liabilities					
Financial liabilities at fair value	Borrowings	-	527,116	-	527,116
Financial liabilities at fair value	Cash flow hedge derivatives	-	901	-	901
Financial liabilities at fair value	Fair value hedge derivatives	-	72,563	-	72,563
		-	**600,580**	**-**	**600,580**

During the year ended 31 December 2022, the Company proceeded to a valuation of the financial interests held Hidroeléctrica de Cahora Bassa, S.A., which is classified as Investments in equity instruments at fair value through other comprehensive income (Note 12). The fair value of this asset reflects the price at which the asset would be sold in an orderly transaction.

For this purpose, the Company has opted for a revenue approach, which reflects current market expectations regarding future amounts. The data used in the price calculation, although not quoted, are prepared using valuation models, whose main inputs are not observable in the market.

Quality of financial assets
The credit quality of financial assets that are not overdue or impaired may be assessed with reference to the credit ratings disclosed by Standard & Poor's or based on historical information from the entities to which they refer:

	2022	2021
Cash and cash equivalents		
A+ to A-	300,581	120,021
BBB+ to BBB-	67	20,073
BB+ to B-	38,744	238,178
Up to CCC+	3,249	8,274
Total cash and cash equivalents	**342,643**	**386,546**
Other financial assets		
Without rating	180	163
Total other financial assets	**180**	**163**

Trade and other receivables and Trade and other payables refer mainly to receivables and payables from and to group companies, as noted in Notes 10 and 15, respectively.

With respect to the current receivables and payables balances, its carrying amount corresponds to a reasonable approximation of its fair value.

28. Disclosures required by law

Fees invoiced by the statutory auditor
Information regarding fees paid to the statutory auditor is disclosed in the REN Group's Consolidated Report and Accounts.

29. Subsequent events

On 5 January 2023 REN signed a second long term financing contract (twelve years) with the European Investment Bank, in the amount of 150,000 thousand Euros. The purpose of this long term financing is to support the investment project to increase, reinforce and modernize the electricity transmission network in Portugal, and to integrate renewable energy sources in this transmission network.

No other events occurred that would give rise to adjustments or additional disclosures in the Company's financial statements for the year ended 31 December 2022.

30. Explanation added for translation

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with the Financial Accounting and Reporting Standards (NCRF). In the event of discrepancies, the Portuguese language version prevails.

The Certified accountant

Pedro Mateus

The Board of Directors

Rodrigo Costa
(Chairman of the Board of Directors and Chief Executive Officer)

João Faria Conceição
(Member of the Board of Directors and Chief Operational Officer)

Gonçalo Morais Soares
(Member of the Board of Directors and Chief Financial Officer)

Guangchao Zhu
(Vice-President of the Board of Directors designated by State Grid International Development Limited)

Shi Houyun
(Member of the Board of Directors)

Qu Yang
(Member of the Board of Directors)

Ana Pinho
(Member of the Board of Directors)

Ana da Cunha Barros
(Member of the Board of Directors)

Jorge Magalhães Correia
(Member of the Board of Directors)

Maria Estela Barbot
(Member of the Board of Directors)

José Luis Arnaut
(Member of the Board of Directors)

Manuel Sebastião
(Member of the Board of Directors and Chairman of the Audit Committee)

Rosa Freitas Soares
(Member of the Board of Directors and of the Audit Committee)

Gonçalo Gil Mata
(Member of the Board of Directors and of the Audit Committee)

Note – The remaining pages of this Integrated Report were initialled by the members of the Executive Committee and by the Certified Accountant, Pedro Mateus.

Report and opinion of the audit committee

Individual accounts

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. (the "Company") and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

Within the limits of the powers of the Audit Committee and pursuant to the provisions of subparagraph c), of the nr. 1, of article 29-G of the Securities Market Code, of the article 423-F, no. 1, g) of the article 420, no. 6, both of the Commercial Companies Code, it is hereby declared that as far as this Committee is aware, the Integrated Management Report and the Individual and Consolidated Financial Statements of the Company for the financial year ended 31 December 2022 were prepared in accordance with the applicable accounting standards, reflecting a true and fair view of the assets and liabilities, the financial position and results of REN - Redes Energéticas Nacionais, SGPS, S.A. and the companies included in the consolidation perimeter. Additionally, the Integrated Management Report faithfully states the evolution of the business, performance and position of the Company and the group, complies with applicable legal, accounting and statutory requirements and, whenever justified, contains a description of the main risks and uncertainties they face. It is also mentioned that the non-financial information is relevant and allows the understanding of the performance, position and impact of the group's activities, concerning environmental, social and employee issues, gender equality, non-discrimination, respect for human rights and the fight against corruption. Additionally, the Audit Committee ensures that the Corporate Governance Report, which is disclosed simultaneously with the Integrated Management Report, includes the elements referred in article 29-H of the Securities Market Code.

The Audit Committee also examined the individual financial information included in the Integrated Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. attached thereto in relation to the financial year ended on December 31, 2022 which consist of the Balance Sheet as of December 31, 2022, evidencing a total of 4,708,679 thousand Euros and 1,512,320 thousand Euros of Equity Capital, including Net Profit of 113,525 thousand Euros, the Statement of Profit and Loss, Changes in Equity Capital and Cash Flows in relation to the financial year closed on the above mentioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the individual financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the individual Financial Statements and the Integrated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisbon, 23 March 2023

Manuel Sebastião
(Chairman)

Rosa Freitas Soares
(Member)

Gonçalo Gil Mata
(Member)

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(Translation from the original document in the Portuguese language.
In case of doubt, the Portuguese version prevails)

Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (the "Entity"), which comprise the Statement of Financial Position as at 31 December 2022 (showing a total of 4,708,679 thousand euros and a total equity of 1,512,320 thousand euros, including a net profit for the year of 113,525 thousand euros), and the Statement of Profit and Loss by Nature, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the REN – Redes Energéticas Nacionais, S.G.P.S., S.A. as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

Subsequent Measurement of investments in subsidiaries and associates

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As disclosed in Note 3.2 of the notes to the financial statements, the investments in subsidiaries and associates are recorded by the equity method. As at 31 December 2022, the investments in subsidiaries and associates measured according to the equity method, amounts to 1,391,535 thousand euros (2021: 1,381,025 thousand euros), equivalent to 30% of total Assets (2021: 30%). Additionally, as at 31 December 2022, a substantial part of the Entity's revenues, in the amount of 122,413 thousand euros (2021: 103,978 thousand euros), is related to the equity method. The subsequent measurement and the impairment assessment of the investments in subsidiaries and associates has been considered a key audit matter due to the materiality of the carrying amount of those investments and the significant impact of the application of the equity method. Furthermore, the determination of the recoverable amount of those investments is complex and includes the use of relevant Management estimates and assumptions. The Entity's Board of Directors did not identify any impairment evidence.	Our approach included the following procedures: ► We assessed the adequacy of the accounting policies used by the Entity in the measurement of the investments in subsidiaries and associates; ► We obtained the supporting calculation of the valuation of the investments in subsidiaries and associates and of the application of the equity method and we compared it with the Entity's financial statements; ► We assessed the use, by the Entity, of the correct financial information of its subsidiaries and associates as at 31 December 2022, including the harmonization of the accounting policies to the financial statement of those entities; and ► We assessed the estimates and assumptions made by Management regarding the absence of impairment evidence. We also assessed the appropriateness of the applicable disclosures included in Notes 3.2, 7 and 18 of the notes to the financial statements.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Entity´s financial position, financial performance and cash flows in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System;
- the preparation of the Management report, the Corporate Governance Report and remunerations report, in accordance with the laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity´s ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

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- from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- We also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate threats or safeguards applied.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code regarding corporate governance matters, as well as the verification that the remunerations report has been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On the Corporate Governance Report

Pursuant to article 451, nr. 4 of the Commercial Companies Code, in our opinion the Corporate Governance Report includes the information required to the Entity to provide as per article 29-H of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and l) of nr. 1 of the said article.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed in the shareholders' general meeting held on 23 April 2021 for a second mandate from 2021 to 2023;
- Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Entity on 23 March 2023; and
- We declare that we have not provided any prohibited services as described in article 5, of the Regulation (EU) nr. 537/2014, of the European Parliament and of the Council, of 16 April 2014 and we have remained independent of the Entity in conducting the audit.

European Single Electronic Format (ESEF)

The accompanying financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A for the year ended 31 December 2022 must comply with the applicable requirements set out in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (ESEF Regulation).

Management is responsible for preparing and disclosing the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

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Our procedures considered the OROC Technical Application Guide on report in ESEF and included, among others obtaining an understanding of the financial reporting process, including the submission of the annual report in valid XHTML format.

In our opinion, the accompanying financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Lisbon, 23 March 2023

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Rui Abel Serra Martins - ROC nr. 1119
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I INTEGRATED MANAGEMENT REPORT
II CONSOLIDATED AND INDIVIDUAL ACCOUNTS
III CORPORATE GOVERNANCE REPORT

Corporate Governance

REN is in a mission to ensure the continuous provision of energy to the whole country, and as such to contribute to the development of communities and to improve the quality of life of Portuguese people. This is a task which requires a continuous and devoted effort. But our commitment goes beyond our mission.

We believe in the exercise of an active corporate citizenship, with a strong involvement with the communities we belong to, both at a social and at an environmental level.

To take this commitment, this requires that all REN activities are guided by sustainability principles, by means of obeying to rigorous and measurable criteria and respecting demanding standards of excellence, without ever losing sight of the positive impact we want to have on the communities and ecosystems we work close to.

7.1. Information on shareholder structure, organization and corporate governancee

7.1.1. Economic environment

I. Capital structure

I.1. Capital structure (capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different classes of shares, inherent rights and duties and percentage of capital which each class represents (Art. 29-H(1)(a))

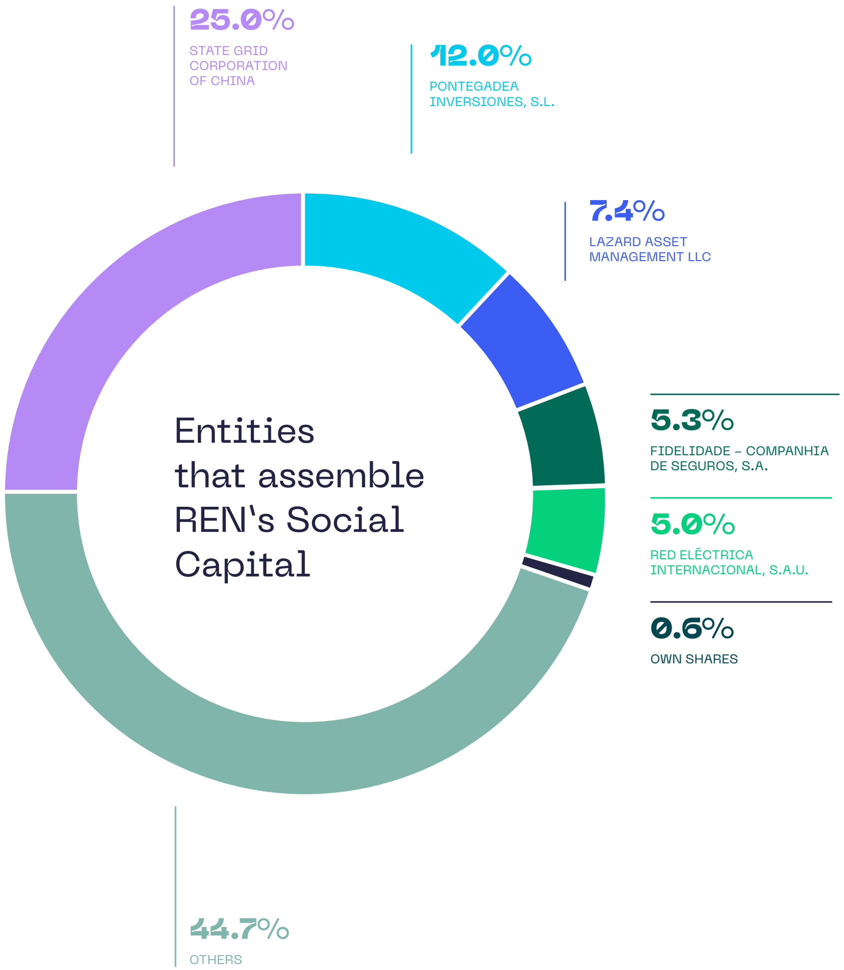
The share capital of REN – Redes Energéticas Nacionais, S.G.P.S., S.A. (REN or the company) in the amount of 667,191,262 euros is represented by 667,191,262 ordinary shares with a face value of 1.00 euro each, in the form of nominative book-entry shares.

REN shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder under the law.

Currently, all REN shares are admitted to trading on Euronext Lisbon, a regulated market managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., with code PTREL0AM0008.

For more detailed information on the main company shareholders of the company see II.7. bellow.

Shareholder structure on December 31, 2022



I.2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (Art. 29-H(1)(b))

No restrictions currently exist and REN has not implemented any measures which hinder the transferability of shares (such as consent clauses in the event of transfer. REN shares are freely tradable on the regulated market.

With respect to ownership limitations on shares, in accordance with applicable legislation, no entity, including entities which conduct business in the respective sector in Portugal or abroad, can have direct or indirect holdings greater than 25% of REN share capital[1].

These limitations on the ownership of REN shares were introduced further to the transposition of European community directives applicable to the electricity and natural gas sectors to promote competition in the market and ensure equal access by operators to transmission infrastructures. This limitation was implemented by means of a provision included in REN's Articles of Association that provides for the non-count of votes cast by any shareholder, in the shareholder's own name or as a representative of another shareholder, that exceed 25% of the total votes corresponding to the share capital. The votes are counted in accordance with Article 20 of the Portuguese Securities Code (Securities Code)[2].

It should be further noted that on 9 September 2014[3], ERSE – The Energy Services Regulator (ERSE) issued a decision on the certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. (both wholly owned by REN) as operators of the National Electricity Transmission System and the National Natural Gas Transmission System (the ERSE Decision), respectively, under full ownership unbundling which remains in force.

In accordance with the ERSE Decision, certification was dependent on compliance with a series of conditions intended to ensure the independence of these operators, including, inter alia, (i) restrictions on the exercising of rights related to the REN General Shareholders' Meeting; (ii) restrictions on the exercising of positions on the Board of Directors or Audit Committee of REN or the Transmission System Operators; and (iii) the amendment to REN's Articles of Association with a view to complying with the restrictions set out in (i) and (ii).

The amendments to REN's Articles of Association required to comply with the ERSE Decision were approved by the REN General Shareholders' Meeting which was held on 17 April 2015. With regard to the exercising of rights at the REN General Shareholders' Meeting, the following changes were included:

- Shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE recognizes that no risk of conflict of interest exists; and

- The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it on their own or through others with whom they are connected via shareholders' agreements, except (i) when ERSE recognizes that there is no risk of conflicts of interest due to the fact that the respective production or sale of electricity or natural gas of such a shareholder takes place in geographical locations which have no direct or indirect connection or interface with Portuguese networks and (ii) provided that there were no changes as to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators.

Therefore, limitations on the ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance (Instituto Portugês de Corporate Governance) as amended in 2020 (IPCG Code) cannot overturn. As such, recommendation II.5. of the IPCG Code must be considered as non-applicable to REN.

[1] See Article 226(2)(i) of Decree-Law No 15/2022 of 14 February (current wording), and Article 122(3)(b) and Article 125(3)h) of Decree-Law No 62/2020 of 28 August (current wording).
[2] See paragraphs 3 and 4 of Article 12 of REN's Articles of Association.
[3] ERSE notified REN on 4 August 2015 confirming that the certification conditions determined on 9 September 2014 had been complied with, thus making the certification decision final.

I.3. Number of own shares, percentage of corresponding share capital and percentage of voting rights to which own shares would correspond (Art. 29-H(1)(a))

REN has 3,881,374 own shares, representing 0.6% of its capital. These shares would correspond to 0.6% of voting rights.

I.4. Significant agreements to which REN is a party that would come into force, be amended or terminate in the event of a change of control over the Company, as the result of a takeover bid, as well as the respective effects, except if, due to their nature, the disclosure of which would be seriously prejudicial for the Company, except if the Company is specifically required to disclose this information due to other legal requirements (Art. 29-H(1)(j))

REN and its subsidiaries are party to a number of financing contracts and debt issues which include clauses on change of control which are typical of such transactions (including, although not expressly stated, changes of control arising from takeover bids) and essential for carrying out such transactions on the market. It should be noted that the mentioned clauses are in line with market practice and are only intended to regulate the relevant contracts in scenarios of change of control over REN, not entailing any payments or the assumption of obligations by REN capable of harming the economic interest in the transfer of REN shares or the free appraisal by its shareholders of the performance of the directors, in the event of a change of control or change in the composition of the board of directors.

However, the practical application of these clauses is limited, considering the legal restrictions on the ownership of REN shares as explained in I.2., making an acquisition or change of control over REN unfeasible, in light of the current legal framework.

There are no other 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 or as the result of a takeover bid.

In summary, REN has not adopted any measures aimed at requiring payment or taking on encumbrances by the Company in the event of changes of control or changes in the composition of the Board of Directors and which would be liable to prejudice the free transferability of shares or the free evaluation by shareholders of the performance of members of the Board of Directors. Therefore, the Recommendation II.6. of the IPCG Code is fully adopted.

I.5. Framework to which the renewal or repeal of defensive measures are subject, in particular those that limit the number of votes which can be held or exercised by a sole shareholder individually or jointly with other shareholders

The only provisions in the REN Articles of Association which provide for limitations on votes which can be held or exercised by a sole shareholder or by certain shareholders (e.g. who exercise control over a company which works in the production or sale of electricity or natural gas), individually or together with other shareholders are set out in I.2. above.

Such provisions arise from legal requirements and from the ERSE Decision and do not seek to limit voting rights, but rather to ensure the existence of a sanctioning system for breaching the legal limit on the ownership of shares and the legal restriction on voting rights, respectively.

As such, there is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, recommendation II.5. of the IPCG Code must be considered as non-applicable to REN.

There are no other defensive measures.

I.6. Shareholder Agreements which the company is aware of and which could lead to restrictions with regard to the transfer of securities or voting rights (Art. 29-H(1)(g))

The Board of Directors is not aware of any shareholders agreements in relation to REN that may result in any restrictions to the transfer of securities or exercising of voting rights.

II. Shareholdings and bondholdings

II.7. Identification of natural or legal persons which, directly or indirectly, own qualified shareholdings (Art. 29-H(1)(c) and (d) and Art. 16), with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution

Based on the communications submitted to the Company, in particular in accordance with Article 16 of the Securities Code and CMVM Regulation No 5/2008, with reference to 31 December 2022, shareholders having a qualifying holding (representing at least 5% of REN's share capital or voting rights), calculated in accordance with Article 20 of the Securities Code, were as follows:

State Grid Corporation of China	No of shares	% Share capital with voting rights
Directly	0	0
Through State Grid Europe Limited (SGEL), fully owned and controlled by State Grid International Development Limited (SGID), which is controlled by State Grid Corporation of China	166,797,815	25.0
Total attributable	**166,797,815**	**25.0**

Pontegadea Inversiones S.L.[4]	No of shares	% Share capital with voting rights
Directly	80,100,000	12.0
Indirectly	0	0
Total attributable	**80,100,000**	**12.0**

Lazard Asset Management LLC	No of shares	% Share capital with voting rights
Directly	0	0
Indirectly[5]	49,568,307[5]	7.4
Total attributable	**49,568,307**	**7.4**

Fidelidade – Companhia de Seguros, S.A.[7]	No of shares	% Share capital with voting rights
Directly	35,176,796	5.27
Through Via Directa – Companhia de Seguros, S.A., which is controlled by Fidelidade	119,889	0.02
Through Companhia Portuguesa de Resseguros, S.A., which is controlled by Fidelidade	37,537	0.01
Through Fidelidade Assistência – Companhia de Seguros, S.A., which is controlled by the common shareholder Longrun[8]	98,732	0.01
Through Multicare – Seguros de Saúde, S.A., which is controlled by the common shareholder Longrun[9]	63,470	0.01
Total attributable	**35,496,424**	**5.32**

Red Eléctrica Corporación, S.A.	No of shares	% Share capital with voting rights
Directly	0	0
Through its branch Red Eléctrica Internacional, S.A.U.	33,359,563	5.0
Total attributable	**33,359,563**	**5.0**

4 In accordance with the communication sent by the company on 30 July 2021, Pontegadea Inversiones S.L. is controlled by Mr. Amancio Ortega Gaona, to whom the 12.006% voting rights in REN are attributed, pursuant to article 20(1)(b) of the Securities Code.

5 This qualified shareholding, calculated under Article 20 of the Securities Code, is held by Lazard Asset Management LLC on behalf of Clients, and is attributable to it since it agreed with the Clients that it would exercise the voting rights. The qualified shareholding is also attributable to (i) Lazard Freres & Co, which holds the total share capital of the firstly mentioned company; (ii) Lazard Group LLC, which holds the total share capital of the secondly mentioned company; and (iii) Lazard Limited, company with shares admitted to trading in the NYSE market, as controlling entity of the abovementioned company.

6 In accordance with information made available by Lazard Asset Management LLC on January 9, 2023, by reference to December 31, 2022.

7 This qualified shareholding, calculated under Article 20 of the Securities Code, is also attributable to LongRun Portugal, S.G.P.S., S.A., Millenium Gain Capital, Fosun Financial Holdings Limited, Fosun International Limited, Fosun Holdings Limited, Fosun International Holdings, Ltd. and to Mr. Guo Guangchang, as natural or legal persons ou control directly or indirectly Fidelidade – Companhia de Seguros, S.A.

8 Longrun holds, also, 80% of the share capital of Fidelidade Assistência – Companhia de Seguros, S.A.

9 Longrun holds, also, 80% of the share capital of Multicare – Seguros de Saúde, S.A.

II.8. Information on the number of shares and bonds held by members of management and supervisory bodies

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of shares held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[10], as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2022, based on communications with the company, were as follows:

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article[13], as well as all their acquisitions, encumbrances or disposals with reference to the financial year of 2022, based on communications sent to the company, were as follows:

Board of Directors (including the Audit Committee)

Board of Directors	Acquisitions (in 2022)	Encumbrances (in 2022)	Disposals (in 2022)	No of shares at 31.12.2022
Rodrigo Costa	–	–	–	0 (zero)
João Faria Conceição	–	–	–	500
Gonçalo Morais Soares	–	–	–	0 (zero)
Guangchao Zhu – em representação da SGID	–	–	–	0 (zero)
Mengrong Cheng	–	–	–	0 (zero)
Lequan Li	–	–	–	0 (zero)
Jorge Magalhães Correia	–	–	–	35,496,424[11]
Manuel Ramos de Sousa Sebastião	–	–	–	35,000
Gonçalo Gil Mata	–	–	–	0 (zero)
Rosa Freitas Soares	–	–	–	0 (zero)
Maria Estela Barbot	–	–	–	0 (zero)
Ana Pinho	–	–	–	0 (zero)
Ana da Cunha Barros	–	–	–	0 (zero)
José Luís Arnaut[12]	–	–	–	7,587

Board of Directors

Board of Directors	Acquisitions (in 2022)	Encumbrances (in 2022)	Disposals (in 2022)	No of bonds at 31.12.2022
Rodrigo Costa	–	–	–	0 (zero)
João Faria Conceição	–	–	–	0 (zero)
Gonçalo Morais Soares	–	–	–	0 (zero)
Guangchao Zhu – em representação da SGID	–	–	–	0 (zero)
Mengrong Cheng	–	–	–	0 (zero)
Lequan Li	–	–	–	0 (zero)
Jorge Manuel Magalhães Correia	3.500.000[14]	–	–	4.700.000[15; 16]
Manuel Ramos de Sousa Sebastião	–	–	–	0 (zero)
Gonçalo Gil Mata	–	–	–	0 (zero)
Rosa Freitas Soares	–	–	–	0 (zero)
Maria Estela Barbot	–	–	–	0 (zero)
Ana Pinho	–	–	–	0 (zero)
Ana da Cunha Barros	–	–	–	0 (zero)
José Luís Arnaut	–	–	–	0 (zero)

[10] This comprises the shares held by members of the REN management and supervisory bodies and also, if applicable,(i) by the spouse not judicially separated, regardless of the matrimonial property regime; (ii) by minor descendants; (iii) by persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and by persons referred to in (i) and (ii); and (iv) by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, individually or jointly with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

[11] Corresponding to the shares held by Fidelidade Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of duties of member of the board of directors and the executive committee of that company, as set out in: web3.cmvm.pt/sdi/emitentes/docs/fsd430883.pdf

[12] 480 shares held directly and the remainder held by Platinumdetails – Consultoria e Investimentos, Lda, in which 68% of the share capital is held.

[13] This comprises the shares held by members of the REN management and supervisory bodies and, if applicable,(i) of the spouse not judicially separated, regardless of the matrimonial property regime; (ii) of minor descendants; (iii) of persons in whose name shares are registered, in the event that they have been acquired on behalf of a member of the management or supervisory bodies and of persons referred to in (i) and (ii); and (iv) the shares held by companies of which a member of the management or supervisory bodies and the persons referred to in (i) and (ii) are shareholders with unlimited responsibility, are engaged in the management or exercise any management or supervisory duties or hold, alone or together with the persons referred to in (i) to (iii), at least half of the share capital or corresponding voting rights.

[14] Acquisitions made through three operations to purchase REN FINANCE BV RENEPL 1 3/4 01/18/28 bonds, with ISIN XS1189286286, as follows: (i) on 24 May 2022 bonds in the amount of 500,000€ were acquired; (ii) on 25 May 2022 bonds in the amount of 1,000,000€ were acquired; and (iii) on 14 June 2022 bonds in the amount of 2,000,000€ were acquired.

[15] Corresponding to the shares held by Fidelidade – Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of the duties of member of the board of directors and on the executive committee of that company.

[16] Of a total of 4,700,000 bonds held by Fidelidade – Companhia de Seguros, S.A., 1,200,000 correspond to REN bonds and 3,500,000 correspond to REN Finance BV bonds, a company within REN group.

II.9. Special powers of the management body, notably regarding resolutions on capital increase (Art. 29-H(1)(i)), indicating, as to such resolutions, the date on which the powers were attributed to the management body, time limit until such powers may be exercised, maximum quantitative limit on capital increase, amount already issued under the attribution of such powers and method of applying the attributed powers

The Board of Directors has the competences and powers conferred by the Portuguese Companies Code and the Articles of Association[17] (see summary of these competences and powers in II.21.), and as such, the management body does not have special powers.

In addition, the Board of Directors was granted authorization by the Annual General Meeting of shareholders held on 28 April 2022 to acquire and dispose of own shares and bonds, under the terms defined and approved by the General Meeting and in accordance with applicable laws and regulations.

Particularly, concerning resolutions on any increase in capital, it should be noted that REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

II.10. Information on significant relationships of a commercial nature between the owners of qualified holdings and the Company

There are no significant relationships of a commercial nature between the holders of qualified shareholdings and the company.

In accordance with internal regulations on the assessment and control of transactions with related parties[18] and prevention of conflict of interests, approved by the Board of Directors following a proposal presented by the Audit Committee, significant transactions with related parties are considered to be those which:

a) Are based on the purchase and/ or sale of assets, provision of services or a contracted project with an economic value greater than 1,000,000 euros;

b) Are based on the acquisition or disposal of shareholdings;

c) Require new loans, financing or subscription of financial investments resulting in an overall annual indebtedness exceeding 100,000,000 euros, except when referring to a simple renewal of existing circumstances or operations undertaken within the framework of preexisting contractual conditions;

d) Are not performed within the scope of the ordinary course of business of the Company or Affiliated Company, as the case may be, or under normal market conditions; and

e) Should none of the materiality criteria set out in the subparagraphs above be met, (i) which have a value exceeding 1,000,000 euros or (ii) are considered relevant for this purpose by the management body, by virtue of its nature or its particular susceptibility to giving rise to a conflict of interests.

The Board of Directors is required to submit every transaction with related parties to the Audit Committee for appraisal[19], in particular:

(i) transactions considered significant are subject to prior opinion from the Audit Committee (and are communicated to the Audit Committee, a minimum of 15 days in advance of the transaction); and

(ii) all other transactions are only subject to subsequent appreciation, and must be communicated to the Audit Committee before the last day of January or July, depending on whether the Transactions occurred in the current previous semester.

Moreover, in accordance with article 3, number 5, paragraph f) of the Board of Directors internal regulations, the approval of transactions with related parties for sums exceeding 500,000 euros or, regardless of the sum, any transaction which may be considered as not being executed under market conditions or in the ordinary business of REN or the subsidiary in question are matters which may not be delegated to the Executive Committee.

In light of the abovementioned criteria — set out in Board of Directors regulations and in internal regulations on the assessment and control of transactions with related parties and prevention of conflicts of interests — during 2022, there were a number of significant transactions with related parties as further described in I.90. below.

[17] See Article 15 of the Articles of Association and Article 3 of the Board of Directors Regulations.
[18] The definition of "related party" in accordance with this regulation includes owners of qualified holdings calculated in accordance with Article 20 of the Securities Code.
[19] See section III and section VI.

7.1.2. Corporate bodies and committees

I. General Meeting

a) Composition of the Board of the General Meeting in the year of reference

II.1.1. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 2021-2023:

Name	Position	Date of 1st appointment	Term of office in course
Pedro Rebelo de Sousa	Chairman	23.04.2021	2021-2023
Rui Dias	Vice-Chairman	03.05.2018	2021-2023

In the performance of his duties, the Chairman of the Board of the General Meeting also had the support of the Company Secretary, Marta Almeida Afonso.

b) Exercise of voting rights

II.1.2. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 29-H(1)(f))

Following the best practices on shareholder participation in the general meetings of companies with shares admitted to trading in a regulated market, REN's Articles of Association set out the principle of 'one share one vote'[20].

Without prejudice to that referred to in I.2. and I.5., there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the number or percentage of shares.

Owners of one or more shares on the 'Record Date' may attend, participate in and vote at the REN General Shareholders' Meeting, provided that they comply with the following requirements:

a) Shareholders wishing to participate in the General Meeting should express this intention in writing to the financial intermediary, with whom they have opened the relevant individual securities account, up to the day before the 'Record Date'[21]. This communication may be sent by e-mail[22];

b) In turn, the abovementioned financial intermediary shall send to the Chairman of the Board of the General Meeting, up to the end of the day corresponding to the 'Record Date', information on the number of shares registered in the name of the shareholder on that date. This communication may be sent by e-mail[23];

c) Shareholders who exercise direct or indirect control over a company which either produces or sells electricity or natural gas and wishes to participate, personally or through a representative, in the General Meeting are required to provide a declaration to the Chair of the General Meeting up to the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights as ERSE has recognized that there are no conflicts of interest;

d) Shareholders wishing to participate, personally or through a representative in the General Meeting, are required to provide a written declaration to the Chair of the General Meeting before the day prior to the 'Record Date', stating that they are not prohibited from exercising voting rights in accordance with the subparagraph c). The content of the abovementioned declaration is a condition of the exercising of voting rights at the General Meeting and may be established in standard terms by the Chair of the Meeting[24]; and

20 See Article 12(2) of Articles of Association.
21 See Article 23-C of the Securities Code.
22 See Article 12(9) of the Articles of Association.
23 See Article 12(10) of the Articles of Association.
24 See Article 12(12)(13) and (15) of the Articles of Association.

e) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such recognition which determines the prohibition of the respective policy rights and/ or re-examination o f certification conditions by ERSE[25].

Shareholders with voting rights may be represented at the General Shareholders' Meeting by means of a person with full legal capacity, by written document addressed to the Chairman of the Board of the General Shareholders' Meeting, communicating the name(s) of the representative(s), under the law and of the notice to convene. This communication may be sent by e-mail[26].

REN's shareholders who hold shares on a professional basis in their own name but on behalf of clients, may vote differently with their shares, provided that they submit this fact to the Chairman of the Board of the General Shareholders' Meeting prior the 'Record Date'and deliver proportional and sufficient proof of: (a) the identification of each client and the corresponding number of shares that will be voted on his behalf; (b) the specific voting instructions on each of the items on the agenda as provided by each of their clients.

REN's shareholders may submit their votes by correspondence for each item on the agenda, by letter signed with the same signature as on their identification document, enclosing a legible photocopy of such document, if the shares are held by an individual shareholder, or duly notarized signature of the proxy, in the event that the shares are held by a legal person[27].

This letter should be addressed to the Chairman of the Board of the General Shareholders' Meeting and sent by post with acknowledgement of receipt to REN's registered office at least two business days prior to the date of the General Shareholders' Meeting, except if the relevant notice of meeting establishes a different time. The Chairman of the Board of the General Shareholders' Meeting shall verify the authenticity and regularity of the votes cast by correspondence as well as ensure that they remain confidential until the voting takes place[28].

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

Should there be express indication in the notice to convene the General Shareholders' Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call[29].

With regard to the participation in the General meeting, REN has a flexible position so as to be able to adapt the organisation and forms of participation (in person or virtual) to the specific circumstances, with the aim of encouraging the participation and discussion of its shareholders on this occasion.

Notwithstanding the above, by virtue of the specific measures determined by the Government due to the public health emergency caused by the Covid-19 disease and in line with the "Recommendations in the context of General Meetings" issued within the framework of cooperation between the Securities Market Commission (CMVM), The Portuguese Institute of Corporate Governance (IPCG) and the Association of Listed Securities Issuers (AEM) with regard to the national Corporate Governance regime, REN's 2021 and 2022 Annual General Meetings were held exclusively using telematic means and ensuring the corresponding exercise of voting rights at a distance by electronic means.

Bearing in mind the positive experience of the last years, where REN annual General Meeting was held exclusively using telematic means and ensuring the corresponding exercise of voting rights remotely by electronic means (by virtue of the concrete measures determined by the Government due to the public health emergency caused by the Covid-19 disease and in line with the recommendations in force[30]), REN considers the possibility of using this form of participation, exclusively or in a mixed system with in-person participation, in the next General Meetings, which will be defined in the respective notice of meeting.

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in General Shareholders' Meetings, either in person or remotely.

25 See article 12(14) of the Articles of Association.
26 See Article 12(11) of the Articles of Association.
27 See article 12(5) of the Articles of Association.
28 See Article 12(5) and (7) of the Articles of Association.
29 See article 12(6) of the Articles of Association.
30 "Recommendations within the scope of the General Meetings" regarding the national Corporate Governance regime issued within the framework of cooperation between the Portuguese Securities Market Commission (CMVM), the Portuguese Institute for Corporate Governance (IPCG) and the Association of Listed Companies (AEM).

REN's Articles of Association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote', with the exception of the provision set out in the Articles of Association as described in I.2. and I.5. above, which seeks to make current regulations and the legal regime effective.

II.13. Information on the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to Article 20(1) of the Securities Code

As referenced above in I.2., the maximum percentage of voting rights that can be exercised by a sole shareholder or by shareholders with whom they maintain a relationship pursuant to paragraph 1 of Article 20 of the Securities Code, on his behalf or as representative of another shareholder, is 25% of the votes corresponding to REN share capital.

As also referred to in I.2. and I.5. above, shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE has recognized that no risk of conflict of interest exists.

The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors (including members of the Audit Committee) or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest.

II.14. Identification of shareholder resolutions that, in accordance with the Articles of Association, shall only be passed with a qualified majority, aside from those legally provided for, and indication of these majorities

In accordance with Article 11(1) of the Articles of Association, the attendance or representation of shareholders holding at least 51% of capital is essential in order that the General Shareholders' Meeting can be held and can resolve on the first call.

In accordance with Article 11(2) of the Articles of Association, the quorum for adopting resolutions on amendments to the Articles of Association, splits, mergers, transformation or dissolution of the company shall be two thirds of the votes issued, both for the first call and the second call, regardless of the percentage of capital represented (which, in the case of the second call, is more demanding than the provision of the Portuguese Companies Code).

Furthermore, in accordance with paragraph 3 of the same Article in the Articles of Association, resolutions for changes relating to Articles 7-A, 12(3) and 11 of the Articles of Association require the approval of three quarters of the votes issued (which is more demanding than the provision of the Portuguese Companies Code).

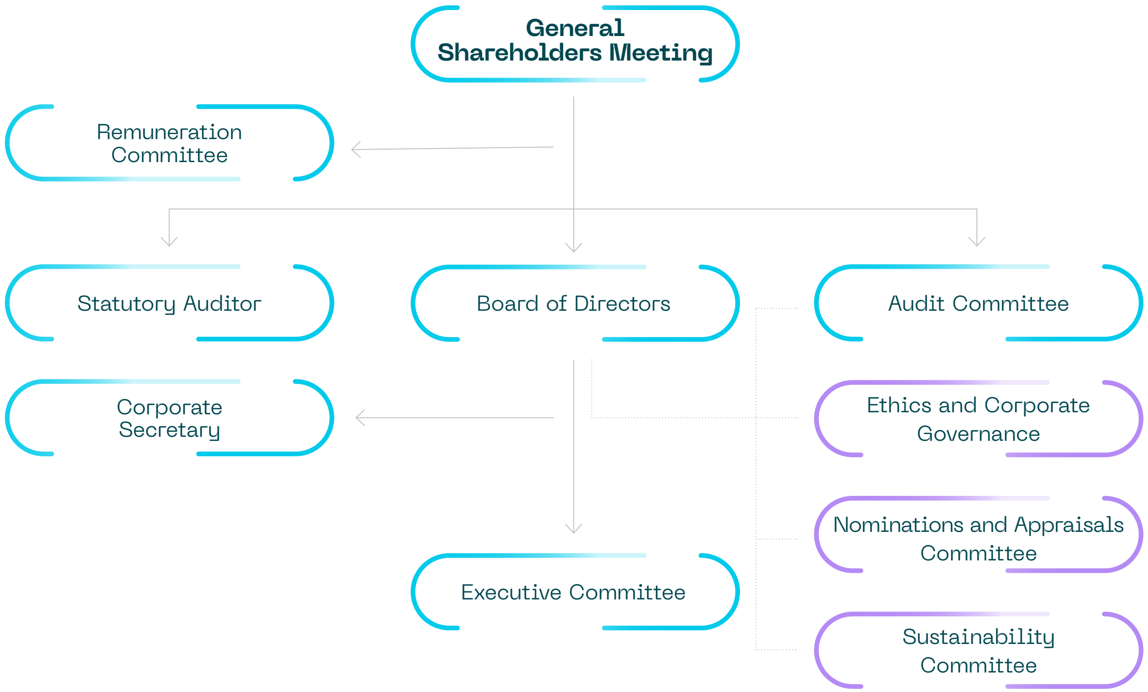
The company considers that these majorities that are more demanding than those defined by law are justified by the fact that the matters in question are strategic and of structural importance, so that their change requires a broader consensus among shareholders. As regards in particular the articles referred to in the previous paragraph, the specially qualified majority required for their amendment is justified by the fact that such articles are intended to enable the company to monitor compliance with several legal obligations and the ERSE Decision, relating to full ownership unbundling, as best described in section I.2. above.

II. Management and supervision (Board of Directors)

a) Composition

II.15. Identification of the model of governance adopted

REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[31]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates day-to-day management to the Executive Committee[32] which is supported by specialized committees (described in further detail below), and (ii) an Audit Committee and the Statutory Auditor, as supervision bodies. The Audit Committee consists exclusively of non-executive directors[33].



II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of the Board of Directors (Art. 29-H(1)(h))

In accordance with the law and the Articles of Association[34], the appointment and dismissal of members of the Board of Directors is the responsibility of the General Shareholders' Meeting, being carried out through lists of candidates selected by the nominating shareholder(s). With these lists put to the vote, the shareholders assume a very important role in the respective candidate selection process, without any interference from the directors. It is also the responsibility of the General Shareholders' Meeting to elect the Chairman and Vice-Chairman of the Board of Directors.

According the Articles of Association[35], a minority of shareholders voting against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

Within the process of identifying and selecting potential candidates for the Board of Directors, the same are subject to REN's Diversity and Selection Policy, establishing the guiding principles followed by the Nominations and Appraisals Committee in assisting with the process to identify and select potential candidates. The Diversity and

31 See article 8(2)(b) of the Articles of Association.
32 See article 8(1) of the Board of Directors regulations.
33 See article 3(3) of the Audit Committee regulations.
34 See Article 8(2)(b), and Article 14(3), both in the Articles of Association; and Article 2(1) of the Board of Directors Regulations.
35 See article 14(2).

Selection Policy provides a reference for drawing up and understanding the recommendations issued, particularly with regard to incompatibilities, independence and conflicts of interest.

Through its Selection and Diversity Policy, REN determines criteria and requirements relating to the profile of new members of the Board of Directors that it considers appropriate for the purposes of their duties. REN values the technical component, which includes academic training, professional experience and levels of responsibility in line with the characteristics and complexity of the company, but also privileges aspects such as diversity, since the existence of diversity will bring greater efficiency, creativity, critical capacity and innovation. By way of this policy, which establishes criteria and requirements of different natures, REN intends that the Board of Directors achieve goals of efficiency, excellence, innovation and dynamism.

In particular, the Selection and Diversity Policy determines that REN's Nomination and Appraisal Committee should take into account the following guidelines regarding the individual profile of candidates prior to their identification:

- The governing bodies of REN shall be composed of members who have, individually and collectively, technical and professional skills appropriate to the function to be performed, supported by academic qualification or specialised training and professional experience with duration and levels of responsibility that are in line with the characteristics, complexity, size and strategy of REN;
- Each member of REN's governing bodies must be able to understand REN's business and how the company operates, assess the risks to which it is exposed, and assess and contribute to a constructive discussion of the decisions to be taken;
- Members of REN's governing bodies must have recognized integrity, ethics and professional and personal values that demonstrate their ability to decide in a balanced and judicious manner, comply promptly with their obligations and behave in a manner compatible with maintaining market confidence;
- Members of REN's governing bodies must be able to carry out their duties in an unbiased manner to protect the best interests of REN group companies and prevent the risk of being subject to undue influence from other people or entities; and
- When assessing the availability of members of the governing bodies, the specific requirements of the job and the nature, scale and complexity of REN's business must be taken into account.

In addition, the Nomination and Appraisal Committee also considers it imperative that the composition of the corporate bodies reflects a diversity interpreted in a broad sense, encompassing its various perspectives and taking into account the specificities of REN and its Group, in order to achieve the objectives of efficiency, excellence, innovation and dynamism at the level of its corporate bodies and the functions they perform. Bearing these objectives in mind, the Nomination and Evaluation Committee seeks to promote, in accordance with the Selection and Diversity Policy, the following principles when selecting and recommending candidates:

- Promotion of equal opportunities in the face of diversity consistent with the policies provided for in the legal and regulatory framework in force as well as those reflected by market best practices;
- Appropriate gender representation, guaranteeing compliance with legal requirements, based on the individual skills, aptitudes, experience and qualifications of each candidate;
- Candidates' previous training and experience, when assessed collectively, should allow for a balanced mix of knowledge in the areas of management, energy, engineering, finance, accounting, law, corporate governance, capital markets, investor relations, risk management, auditing, information technology, corporate social responsibility, the environment and sustainability;
- Non-discrimination with respect to birth, race, gender, religion, marital status, sexual orientation, or any other personal or social circumstance or condition while safeguarding compliance with the competence and capacity requirements required for performing the duties in question; and
- Promoting balance between, on one hand, experience and maturity and, on the other, the youth and energy necessary for the dynamics and speed of innovation inherent to REN's business;

The Portuguese Companies Code rules apply[36] with regard to the substitution of members of the Board of Directors, given that neither the Company's Articles of Association, nor the Board of Directors or Audit Committee Regulations have special rules on this matter. The Board of Directors will only participate in

[36] See article 393(3).

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

The Company's Articles of Association[37] state that the unjustified absence of any director at more than half of the ordinary meetings of the Board of Directors during one financial year, whether consecutive or non-consecutive absences, equates to the permanent absence of said director. Permanent absence must be declared by the Board of Directors, and they must also substitute the director in question.

II.17. Composition of the Board of Directors, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

The Board of Directors, including the Audit Committee, consists of a minimum of seven and maximum of 15 members, as determined by the General Shareholders' Meeting that elects the said members[38].

Currently, the Board of Directors consists of 14 members, including a total of 11 non-executive members. The members of the Board of Directors were appointed at REN's Annual General Meeting, held on 23 April 2021.

At 31 December 2022, the REN Board of Directors consisted of the following members, who have been appointed for the 2021-2023 term of office:

Name	Position	Year of first appointment	Final year of term of office
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	2014	2023
João Faria Conceição	Executive Director	2009	2023
Gonçalo Morais Soares	Executive Director	2012	2023
Guangchao Zhu (em representação da State Grid International Development Limited)	Vice-Chairman	2012	2023
Mengrong Cheng[39 a)]	Director	2012	2023
Lequan Li[39 b)]	Director	2018	2023
Jorge Magalhães Correia	Director	2015	2023
Manuel Ramos de Sousa Sebastião	Director/ Chairman of the Audit Committee	2015	2023
Gonçalo Gil Mata	Director/ Member of the Audit Committee	2015	2023
Rosa Freitas Soares	Director/ Member of the Audit Committee	2021	2023
Maria Estela Barbot	Director / Member of the Audit Committee	2015	2023
Ana Pinho	Director	2019	2023
Ana da Cunha Barros	Director	2021	2023
José Luís Arnaut	Director	2012	2023

[37] See article 8(19) and (9).
[38] See Articles 8(2)(b) and 14(1) both of the Articles of Association.
[39] a) Director Mengrong Cheng submitted her resignation from her position in a letter dated 7 February 2023. Pursuant to this, the Board of Directors, at its meeting on 7 March 2023, resolved to co-opt Shi Houyun as a director of REN until the end of the current term of office, replacing Mengrong Cheng.
b) Director Lequan Li submitted his resignation from his position in a letter dated 1 March 2023. Pursuant to this, the Board of Directors, at its meeting on 7 March 2023, resolved to co-opt Qu Yang as a director of REN until the end of the current term of office, replacing Lequan Li.

In accordance with the Articles of Association[40], members of corporate bodies perform their respective duties for periods of three calendar years, a period which is renewable, considering as complete, the calendar year of appointment.

II.18. Distinction of the executive and non-executive members of the Board of Directors and, with regard to the non-executive members, identification of the members who can be considered independent

As of December 31 2022 and on this date, eleven of the fourteen members of REN's Board of Directors are non-executive directors, as detailed in section II.17. above. The Board of Directors includes, therefore, a number of non-executive members that is adequate to the size of the company and the complexity of the risks related to its activity, which ensure the effective ability to supervise, monitor and assess the activity of the executive members, particularly bearing in mind, the small size of the Executive Committee, the size and complexity of company's activities, the shareholder structure and breakdown of REN capital.

Taking into account the Anglo-Saxon governance structure of the company, the Audit Committee is also composed of non-executive members of the Board of Directors. Its composition is also deemed appropriate, namely taking into account the number of members and their availability, which are appropriate to the size of the company and the complexity of the risks inherent to its activity, efficiently ensuring the functions assigned to them.

Taking into account the assessment criteria on independence laid down in Article 414(5) of the Portuguese Companies Code with regard to members of the Audit Committee, in recommendation III.4. of the IPCG Code and item II.18. of CMVM Regulation 4/2013, with regard to other non-executive directors, and based on the respective internal assessment, the REN Board of Directors and Audit Committee consider the following directors performing duties during the 2022 financial year to be independent:

Name	Position
Manuel Ramos de Sousa Sebastião	Director/ Chairman of the Audit Committee
Gonçalo Gil Mata	Director/ Member of the Audit Committee
Rosa Freitas Soares	Director/ Member of the Audit Committee
Maria Estela Barbot	Director
Ana Pinho	Director
Ana da Cunha Barros	Director

Furthermore, all non-executive members of the Board of Directors (in addition, naturally, to the directors that are also members of the Audit Committee) would comply, if applicable, with all incompatibility rules laid down in Article 414-A(1) of the Portuguese Companies Code, save as provided for in sub-paragraphs b) and h).

REN considers that the proportion of independent directors is suitable given the number of executive directors and the total number of directors, taking particularly into account:

(i) The adopted governance model, in other words an Executive Committee consisting of three executive directors and an Audit Committee, also consisting of three independent members and a further eight non-executive directors, which ensures the effectiveness of the oversight of the executive directors; and

(ii) The size of the company, its shareholder structure and the relevant free float (which was 44.7 % of share capital at 31 December 2022).

In light of the above, REN fully complies with CMVM recommendations III.2., III.3. and III.4. of the IPCG Code, as the Board of Directors consists of an adequate number of non-executive members (considerably superior to the number of executive members) and, among these, more than one third are independent members (54.5%).

Moreover, Article 7-A and 7-B of the Articles of Association govern the special system of incompatibilities applicable to the election and performance of duties at any REN corporate body. The aim of the provisions of Article 7-A of the Articles of Association is to establish a system of incompatibilities relating to the potential conflicts of interest arising from the direct or indirect exercising of activities in the electricity or natural gas sectors, either in Portugal or abroad. Furthermore, the system set out in Article 7-B of the Articles of Association also seeks to prevent persons who exercise control or rights over companies which either produce or sell electricity or natural gas to appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest. Additionally, and in accordance with Article 12 of the Board of Directors' regulations, all directors are obliged to report any circumstance that could create a potential conflict.

The members of the corporate bodies and internal committees promptly inform the respective body or committee of the facts that might constitute or cause a conflict between their own interest and the

[40] See Article 27(1).

corporate interest, and there are internal procedures in place so that such members of the corporate bodies and committees do not interfere in the decision-making process. In particular, where there is a conflict of interest, the respective member of the body or committee (i) must not receive any information regarding the matter (namely, preparatory information that is sent prior to any meeting at which the matter will be discussed and voted on); (ii) must abstain from discussing the matter with other members of the bodies or committees; and (iii) must not participate nor be present in the discussion and voting of the matter in question. Furthermore, the members of the bodies must inform the Chairman of the respective corporate body or committee in question of any facts that may trigger such potential conflict (in without prejudice to the duty to provide information and clarifications requested by the body or committee and its respective members)[41].

The Ethics and Corporate Governance Committee is also responsible for preventing conflicts of interest (see section II.29. below), paying a particular attention to the compliance with such procedures. In view of the above, REN considers that complies with recommendations I.4.1. and I.4.2. of the IPCG Code.

Organization of the non-executive members of the Board of Directors

In accordance with the Board of Directors Regulations, during 2022 this corporate body established efficient mechanisms for the coordination and development of the work of its members with non-executive functions, in particular to facilitate the exercising of their right to information and to assure the conditions and means necessary for the performance of their duties, as follows[42]:

a) Without prejudice to the exercising of powers not delegated to the Executive Committee, Company directors with a non-executive function supervise the performance of the executive management; and

b) In order to make independent and informed decisions, the directors with non-executive functions may obtain the information they deem necessary or appropriate to perform their roles, powers and duties (in particular, information relating to the powers delegated to the Executive Committee and its performance), by requesting such information from any member of the Executive Committee, and the response should be provided in an adequate and timely manner.

Whenever they consider it necessary or convenient, directors with non-executive duties also hold ad hoc meetings with the aim of analysing company management.

Furthermore, all supporting documentation for meetings of the Board of Directors will be provided in a timely fashion and in advance, to the non-executive members of the Board of Directors, and the Executive Committee's resolutions and supporting documentation shall always be available for consultation[43].

In addition, the internal committees of the Board of Directors dedicated to the subjects of ethics, corporate governance and nominations and appraisals are both exclusively composed by non-executive directors, including their chairmen, who act as interlocutors with the Chairman of the Board of Directors and the other directors and ensure the provision of the set of conditions and means necessary for the performance of the functions and duties of the committees they chair.

Therefore, through the mechanisms described above, all the conditions are established in order for the directors with non-executive functions to discharge their functions in order to make independent, informed and efficient decisions.

[41] Cf. Point X of the Regulations regarding Transactions with Related Parties, Articles 4(5) and 4(6) of the Audit Committee Regulations, Article 12 of the Board of Directors Regulations and Articles 7-A and 7-B of REN's Articles of Association.
[42] See article 11 of the Board of Directors Regulations.
[43] See Article 5 of the Executive Committee Regulations.

II.19. Professional Qualifications and other relevant information on the résumés of each of the members of the Board of Directors at 31.12.2022

Rodrigo Costa
REN Board Member since: November 2014

REN Board Member and CEO since: February 2015

REN Board Member and Chairman and CEO since: April 2015

Other current listed Public Company Directorships: None

Other current Public Company Directorships within past 5 years: None

Key Experience and Qualifications
Software Developer with multi-disciplinary background: Program Developer and team manager led multiple software applications projects development during 11 years.

Senior executive with Marketing and Business Development responsibilities in different industries: Software, Telecoms, Financial Services and Energy.

International Experience: Experience in driving growth and managing small, medium and very large teams across global markets, including US, South America, Eastern Europe, Europe, and Asia including an extensive experience in China.

Leadership and governance: Several years of service as a public company Chairman and CEO, able to contribute with informed perspectives to the Board and committees, including with respect to stakeholder governance with focus on developing a solid reputation for the organization and deliver on their mission objectives under a strict culture of social responsibility, long-term sustainability and high ethics.

Career Highlights
- REN SGPS Chairman and CEO — 2015 to present date
- NOS SGPS Non Executive Board Member (Former Zon SGPS) — 2013 to February 2015
- Unicre (Credit Cards issuer and acquirer services) Chairman and CEO – 2014 to February 2015
- ZON SGPS CEO (former PT Multimedia) – 2007 to 2013
- Awarded by the Portuguese Republic President: Grande Oficial da Ordem do Infante D.Henrique for services to Portugal — 2006
- PT SGPS Board Member and Executive Vice President and CEO of Wireline Operations and Technology — 2005 to 2007
- Microsoft Corporation – Founder of Microsoft Portugal, General Manager on Microsoft Brazil, Corporate Vice President OEM on Microsoft Corporation at Redmond, Washington, USA — 1990 to 2005
- Software Developer — 1979 to 1990

Other Professional Experience and Community Involvement
Served in Coimbra University Board, Porto Business School and multiple technology public administration task forces.

Education
High School, Early Business Graduate School drop-out, Harvard Business School and Insead Board education programs and governance certification. Multiple managerial and technical programs.

Gonçalo Morais Soares
REN Board Member since: March 2012

Other current listed Public Company Directorship: None

Other current Public Company Directorship within past 5 years: None

Key Experience and Qualifications
Governance: Due to his years of experience as a Board Member of REN, he is familiar with the company, its structure, business and future ambitions.

Finance: Experience acquired throughout the career in investment banking and by performing different functions of financial nature.

Energy: More than 10 years' experience as a board member of REN.

Telecommunications: Solid career in the telecommunications industry, having carried out different responsibilities and functions.

Career Highlights

- ZON SGPS, ZON TV Cabo and ZON Lusomundo Audiovisuais Director of Planning and Control and Board Member – 2007 to 2012
- Portugal Telecom, S.A. Director of Planning and Control – 2003 to 2007
- Jazztel, S.A.U. Chief Financial Officer – 2000 to 2003
- Santander Investment, S.A. VP in Corporate Finance – 1996 to 2000
- Reditus, S.A. Analyst – 1993 to 1994

Education

Course in IDP ("International Director's Program") at INSEAD (2021), course in LEAP ("Leadership Excellence through Awareness and Practice") at INSEAD Business School (2018), program in Advanced Management at the Kellogg Business School (Chicago) and the Lisbon Catholic University (2010), MBA at Georgetown University (Washington) (from 1994 to 1996) and a degree in Economics from the Universidade Nova de Lisboa (1993).

João Faria Conceição

REN Board Member and Executive Committee Member since: May 2009

Other current listed Public Company Directorships: None

Other current Public Company Directorships within past 5 years: None

Career Highlights

- Boston Consulting Group, Consultant — from 2000 to 2007
- Supported the Ministry of Economy and Innovation in the area of Energy – from 2007 to 2009

Education

He graduated in Aerospace Engineering from Instituto Superior Técnico, completed a Research Master in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and completed an MBA at Insead (France).

Guangchao Zhu

REN Board Member since: March 2012

Other current listed Public Company Directorships: HK Electric Investments

Other current Public Company Directorships within past 5 years:
HK Electric Investments

Key experience and Qualifications

Experience in energy markets: Experience in fast-growing international energy markets, including China.

Career Highlights

- HK Electric Investments Board Member – March 2017 to present date
- State Grid Corporation of China Deputy Chief Engineer and General Director of the International Cooperation Department — November 2015 to present date – General Director of the International Cooperation Department – June 2009 to March 2010
- National Grid Corporation of the Philippines (NGCP) Chairman of the Board of Directors — June 2017 to present date –, Consultive Chairman, Chief Executive Advisor and Member of the Board of Directors – 2009 –, and Vice-Chairman of the preparatory group – December 2007 to March 2009
- State Grid International Development Chief Executive Officer and Member of the Board of Directors – December 2011 to November 2015 –, and Senior Executive Vice-President and Member of the Board of Directors – March 2010 to December 2011
- State Grid Brazil Holding Chairman of the Board of Directors – December 2011 to March 2018

Education

MBA at Baylor University, USA (2022), Master's Degree in Electrical Systems and Automation from the University of Shandong, China (1992), Degree in Relay Protection Systems from the University of Shandong, China (1989).

Mengrong Cheng
REN Board Member since: May 2012

Other current listed Public Company Directorship: None

Other current Public Company Directorship within past 5 years: None

Key Experience and Qualifications

Governance: Has been with REN for a decade, being familiar with its structure, operations and business plan.

Dynamism: Has been intensely involved in international cooperation business in major projects and events between China's power sector and international community.

Career Highlights

- State Grid Corporation of China (SGCC) Deputy Director General of the International Cooperation Department – September 2006 to present date – and Division Director of International Cooperation Department – December 2002 to September 2006
- SGCC U.S. President – August 2015 to present date
- China State Power Corporation Division Director of International Cooperation Department – June 1998 to December 2002
- Ministry of Power Industry (Chinese Government) Project Manager, International Cooperation Department – January 1993 to June 1998
- International Cooperation Department of the China Electricity Council Staff – July 1991 to January 1993

Other Professional Experience and Community Involvement

Is a Board Member at Sherpa on Management Committee of Global Sustainable Electricity Partnership (G-SEP), since May 2010 to present date.

Education

Masters in business administration from Tsinghua University, Beijing, China (2005).

Lequan Li
MREN Board Member since: May 2018

Other current listed Public Company Directorship: None

Other current Public Company Directorship within past 5 years: None

Key experience and Qualifications

Expert in the energy market: Has extensive experience in the energy market, mainly in China, namely: (i) has led his team to successfully complete investments in 13 overseas power transmission and distribution assets with total investment exceeding USD 235billion, and accumulated rich experience in international M&A, and power regulation mechanism; (ii) has been engaged in legal affairs management for nearly 10 year and built a reputation as a highly principled professional, experienced in compliance, risk management and corporate governance; and (iii) has worked for 34 years in power industry and has rich power industry experience.

Career Highlights

- State Grid International Development Corporation Limited (China) Consultant – April 2021 to present date –, Executive Vice President – July 2012 to April 2021 –, Vice Chief Economist – March 2012 to July 2012 –, Head of the Business Development – February 2009 to July 2012
- AusNet Services (Australia) Member of the Board of Directors – October 2018 to February 2022
- Chilquinta Energia S.A. (Chile) Member of the Board of Directors – June 2020 to April 2021
- ElectraNet Pty Limited (Australia) Member of the Board of Directors, on behalf of State Grid International Development Co. Ltd – December 2012 to October 2018
- China Electric Power Technology Import & Export Corporation Chief Engineer – June 2006 to February 2009 –, Project Manager, Deputy Director, Director of 2nd Business Department – October 1993 to June 2006
- China Electricity Council Engineer – September 1988 to October 1993

Education

Master's degree in business administration from the City University, Washington, USA (2003), Master's Degree in Atmospheric Physics and Atmospheric Environment from the Research Institute of Atmosphere Physics of the Chinese Academy of Sciences (1988), degree in Atmospheric Physics from Nanjing University (1985).

Jorge Magalhães Correia

REN Board Member since: April 2015

Other current listed Public Company Directorships: None

Other current Public Company Directorships within past 5 years: None

Key experience and Qualifications

Governance and financial expertise: He have carried out duties at different companies in the finance and insurance area, including as Chairman of the Board of Directors and Director. In addition, has undertaken different responsibilities as legal, audit, personnel (HR) and commercial (Bancassurance).

Career Highlights

- Fidelidade — Companhia de Seguros, S.A. Chairman of the Board of Directors – March 2017 to present date
- Luz Saúde, S.A. Chairman of the Board of Directors – February 2015 to present date
- Banco Millennium BCP, S.A. Vice-Chairman of Board of Directors — June 2018 to present date
- Longrun Portugal, SGPS, S.A. Non-executive Director – December 2021 to present date
- Mundial-Confiança Member of the Board of Directors – March 1998 to September 2022
- Fidelidade Mundial Member of the Board of Directors – April 2000 to September 2022
- Império Bonança Member of the Board of Directors – January 2008 to May 2021
- Via Directa Member of the Board of Directors – May 2006 to March 2008
- Caixa Seguros e Saúde, SGPS Vice-Chairman of the Board of Directors – July 2005 to May 2013
- USP Hospitales (Barcelona) Member of the Board of Directors – 2011 to 2012
- Hospitais Privados de Portugal SGPS Chairman of the Board of Directors – October 2011 to March 2013 — and Member of the Board of Directors – February 2003 to January 2005
- Portuguese Inspectorate-General of Finance Chief Inspector – 1982 to 1991
- Portuguese Securities Market Commission Head of Markets/ Head of Inspection – 1992 to 1995

Other Professional Experience and Community Involvement

Jorge is the Vice-chairman of the Portuguese Insurers Association, since January 2008, and Member of The Geneva Association, since 2017. During his career he was a Lecturer at the Faculty of Law of the University of Lisbon, from 1982 to 1990. In addition, he is also a member of several advisory bodies of cultural institutions and universities.

Education

Degree in Law from the University of Lisbon (1982).

Manuel Ramos de Sousa Sebastião

REN Board Member since: April 2015

Other current listed Public Company Directorship: None

Other current Public Company Directorship within past 5 years: None

Key experience and Qualifications

Knowledge: Career (i) in the banking sector, first as a technician and later as a member of management bodies, in executive and non-executive functions, and in supervisory bodies, (ii) in regulatory bodies, first as a technician at the Banco de Portugal, and later as a member of the boards of directors of the former Instituto de Seguros de Portugal and Banco de Portugal, and later as Chairman of the Competition Authority, (iii) in a multinational financial organisation, as economist at the International Monetary Fund (iv) in the energy sector, as a non-executive director and Chairman of the Audit Committee of REN SGPS, S.A., and (v) in university teaching, as a professor of economics and finance, at different stages of his career, in three universities (Universidade Nova de Lisboa, Universidade Católica de Lisboa and ISCTE — Instituto Universitário de Lisboa).

Career Highlights

- Banco Português de Investimento, S.A. (BPI. S.A) Chairman of the Audit Committee and Non-Executive member — November 2020 to present date — and Chairman of the Supervisor Board — July 2018 to November 2020
- Banco de Portugal (the central bank of Portugal) Adviser of the Board of Directors — September 2013 to April 2015 –, Member of the Board of Directors — February 2000 to March 2008 –, Technical Consultant — October 1996 to February 1999 –, Economist — June 1986 to September 1988
- Portuguese Competition Authority Chairman – March 2008 to September 2013
- Insurance and Pension Funds Supervisory Authority Member of the Board of Directors — March 1998 to February 2000
- Banco de Fomento e Exterior (later acquired by BPI S.A.) Member of the Board of Directors – July 1992 to October 1996
- International Monetary Fund Economist – October 1988 to July 1992

Education

DPhD in economics from Columbia University in the city of New York (1986), PhD from 3ème Cycle of Université de Paris I, Panthéon-Sorbonne (1978), Undergraduate from the School of Economics, Technical University of Lisbon (today know as School of Economics, University of Lisbon) (1973).

Gonçalo Gil Mata

REN Board Member since: April 2015

Other current listed Public Company Directorship: None

Other current Public Company Directorship within past 5 years: None

Key experience and Qualifications

Experience: Developed his career in the areas of Venture Capital and Investment Banking, having also experience in the area of Strategic Consulting and training in the areas of Technology and Business Management.

Venture Capital: As Managing Partner of C2 Capital Partners he coordinates the investment portfolio of several funds focused on SMEs and the Tourism and Real Estate sector.

Investment Banking: As head of the Corporate Finance area of Deutsche Bank (Portugal), S.A., he coordinated several M&A and Capital Markets transactions.

Strategic Consulting: Developed several strategy consulting projects at MCKinsey & Company for major Portuguese groups in the Banking, Insurance and Telecommunications sectors.

Career Highlights

- C2 Capital Partners — Sociedade de Capital de Risco Executive Partner - 2012 to present date
- Goma Consulting, Lda. manager — 2013 to present date
- Deutsche Bank (Portugal), S.A. Head of the Corporate Finance — 2000 to 2012
- McKinsey & Company (Portugal) Senior Associate — 1998 to 2000
- Banco Finantia, S.A. Deputy Director of the Corporate Finance area — 1995 to 1998

Other professional experiences and Community Involvement

While representing funds managed by C2 Capital Partners, Sociedade de Capital de Risco, S.A., he was a non-executive director in several companies participated by the funds, namely: Arquiled (Led Lighting); Gypfor (Cartoned Plaster); Hotéis Praia Verde; Hotéis Vila Monte; Boost (Tourist Entertainment); Água Castello; and Casca Wines.

Education

MBA from Universidade Nova de Lisboa (1994) and degree in Software Engineering from Universidade de Coimbra (1993).

Rosa Freitas Soares

REN Board Member since: April 2021

Other current listed Public Company Directorships: None

Other current Public Company Directorships within the past 5 years: None

Key Experience and Qualifications

Specialist in tax and investment law issues: She has participated in numerous projects involving the restructuring of both Portuguese and international groups. She has relevant experience in the banking/ financial services sector, both in dealing with the audit and tax issues of banks/ financial institutions and in the tax analysis of financial products. She has also developed expertise in individual income taxes, social security regimes and wealth/ estate tax planning issues.

Experience acknowledge by high entities: Due to her level of experience, and technical ability, she was chosen by the Government to be part of Commissions that aimed to carry out tax reforms, and has also won multiple awards.

Career Highlights

- Sogrape, SGPS, S.A. Member of the Remuneration Committee – 2016 to present date
- Deloitte Central Services, S.A. Equity Partner – 2022 to 2020 — Responsible for the Family Businness of Deloitte Family Business Center – 2016 to 2020 –, Directed the Portuguese Transfer Pricing practice – 2006 to 2018 –, Headed the Personal Tax division in Portugal – 1999 to 2020
- Arthur Andersen (merged with Deloitte in 2002) Partner – 1999 to 2002 –, Manager – 1993 to 1999 –, Senior (1990 – 1993), Analyst – 1988 to 1990

Other professional experiences and Community Involvement

Was Elected as a tax expert for the Portuguese market by International Tax Review (ITR), Senior advisor (of-counsel) at the law firm RFF Associados — 2022 to present date. In addition, was chosen by the Government to be a member of the 2014 Personal Income Tax Reform Commission (2014). Has lectured in several conferences/ university courses (Católica Business School of Lisbon, ISCTE, ISEG, and University of Lisbon Law School) on tax, human resources and corporate governance matters. Author of several articles on tax, human resources and corporate governance matters in newspapers and other publications.

Education

Master of Laws (LLM) in Global Corporate Compliance, Law School of the Instituto de Empresa (IE) de Madrid (2022), course Leading Professional Services Firms (Post-graduation) at Harvard University Business School (2009), business management course (Postgraduate degree), Catholic University Business School of Lisbon (2000) and graduate in Law from the University of Lisbon Law School (1985).

Maria Estela Barbot

REN Board Member since: April 2015

Other current listed Public Company Directorship: None

Other current Public Company Directorship within past 5 years: None

Key Experience and Qualifications

Relevant business expertise: Relevant business experience in the area of industrial chemicals with the consequent in-depth knowledge of the business world both nationally and internationally. Responsible for negotiating and developing partnerships with several multinational companies (Dupont, BP Chemicals, Rhone Poulenc among others) as for packaging products (namely, Signode Packaging Solutions). Led the acquisition process of the Company AGA – Alcohol and Foodstuffs, S.A. which culminated in the purchase of the Portuguese state company (1994), its restructuring and the development of new business areas (products for pharmaceuticals).

Career Highlights

- Banco Santander de Negócios, S.A. Member of the Board of Directors – 2005 to 2010
- IFD – Financial Institution for Development Member of the Audit Committee and Member of the Board of Directors – 2005 to 2008
- Portuguese Business Association Vice-Chairman – 1996 to 1999
- Confederation of Portuguese Industry Member of the Consultative Council – 2002 to 2003
- IMF – International Monetary Fund Member of the European Advisory Board – 2010 to 2012
- Trilateral Commission Member of the European Consultative Committee – 2010 to 2011

Other Professional Experience and Community Involvement

Served as President of the General Council of Universidade Nova de Lisboa, from 2019 to 2022, and was a member of Nova SBE Advisory Board – Estoril Conferences (2022). Maria was also Member of the Advisory Board at Laurel, from 2022 to present date, Managing Partner of ALETSE, LDA (Real Estate), from 2011 to present date, Senior International Consultant of Roland Berger Holding GmbH, from 2019 to present date, Chairman of Forum Portugal Global, from 2017 to the present date, President of the Portuguese Group of the Trilateral Commission, Member of the Council of Founders and of the Remuneration Committee of the Museu de Arte Moderna da Fundação de Serralves, from 1989 to present date. She was one of the members of the Portuguese Group in the Bilderberg Meeting (2019), Member of the Director Council of Fundação do Centro Cultural de Belém, from 2012 to 2015. In addition, was also Guatemala's Consul General in Portugal (1994 — 2014). Has won the Entrepreneurship and Excellence Award (2010), Businesswoman Award (1999), the Dona Adelaide Ferreira Award (1998) and was also a Commissioner of Expo 98 (1998).

Education

Course in Corporate Governance course at Harvard Business School (2016), Course in Executive Programme at LBS – London Business School (2007) and a Degree in Economics from the University of Porto (1981).

Ana Pinho

REN Board Member since: May 2019

Other current listed Public Company Directorships: None

Other current Public Company Directorships within past 5 years: None

Career Highlights

- Chairman of the Board of Directors and of the Executive Committee of the Serralves Foundation
- Member of the management body of Arsopi - Lda.
- Member of the Board of Directors of Tecnocom, S.A.
- Member of the Board of ATP – Associação do Turismo do Porto e Norte
- Was Member of the Executive Committee of UBS España
- Held the position of Chief Executive Officer of UBS Portugal
- Was Member of the Board of Directors of TAP SGPS, S.A.

Other Professional Experiences and Community Involvement

During her career she has also held the position of financial analyst at Banco Português de Investimentos, S.A., equity analyst at Schroder Securities (London) PLC and held positions at UBS AG.

Education

Attended multiple courses in Art History at Serralves Foundation (Porto), The National Society of Fine Arts Lisbon, Christie's Education London and Sotheby's Institute (London), completed the Programme in Finance Executive from London Business School, has a MBA from Cass Business School (London), and a degree in Economics from the Faculty of Economics, University of Porto.

Ana da Cunha Barros

REN Board Member since: April 2021

Other current listed Public Company Directorships: None

Other current Public Company Directorships within past 5 years: None

Key Experience and Qualifications

National and international experience in markets and financial advisory: 25 years of experience in investment banking, with a focus on mergers and acquisitions, debt and share capital issues, from working for large international banks based in Lisbon, Madrid, London and New York, gaining a strong knowledge of finance, financial markets, economics, strategy, regulation and risk in a global context.

Career Highlights

- Abanca Corporación Bancaria (Spain) Independent Non-Executive Director and Member of the Risk Committee - 2019 to present date
- ECS SGOIC Non-Executive Director - October 2019 to present date
- Barclays Managing Director in Investment Banking — June 2010 to January 2018
- Salomon Brothers / Citigroup Head of Investment Banking - February 1996 to May 2010
- Nomura International Financial Analyst in Investment Banking - January 1994 to December 1996

Other Professional Experience and Community Involvement

During her career, Ana has worked on a variety of strategic, financing and risk management transactions in Europe, Latin America and US across several sectors such as financial institutions, energy, utilities, transportation, industrials and telecommunications. In Portugal, Ana has advised boards of directors on several major private and market operations. Ana has also experience with a wide range of stakeholders, including corporations, financial institutions, debt and equity investors, regulatory authorities, rating agencies and the media. Ana is also Co Vice-President of WomenExecs on Boards at USA from October 2022 to present date.

Education

MBA in Finance from Cass Business School (1993) and a degree in Business Management from the Economics University of the Porto University (1992). Course "Global ESG Competent Boards Designation" (2021), course in Corporate Governance IDP-C at INSEAD (2019), course "Women on Boards: Succeeding as a Corporate Director" at Harvard Business School (2017). Multiple courses in the areas of sustainable energy and digitisation: Sustainable Energy at MIT (2022), cybersecurity Risk Management at RIT (2022), Energy with Environmental Constraints at Harvard (2021), digital Transformation at MIT (2020) and Fintech at NYU (2019).

José Luís Arnaut
REN Board Member since: June 2012

Other current listed Public Company Directorships: None

Other current Public Company Directorships within past 5 years: None

Key experience and Qualifications

Leadership: Throughout his career he has carried out leadership functions, by coordinating different projects, people and teams.

Governance: Due to his years of experience as a director or member of other governing bodies and committees, he is familiar with the management and activities of companies.

Career Highlights

- ANA — Aeroportos de Portugal (VINCI Airports), S.A. Chairman of the Board of Directors – June 2018 to present date
- Goldman Sachs Member of the International Advisory Board – January 2014 to present date
- AON, S.A. Member of the Consulting Board – January 2011 to present date
- Lisbon Turism Association Deputy Chairman – January 2018 to present date
- Portway — Handling de Portugal, (VINCI Airports) S.A. Chairman of the General Meeting – September 2013 to present date
- Siemens, S.A. Chairman of the General Meeting – 2014 to present date
- Grupo Super Bock Chairman of the General Meeting – 2019 to present date
- Tabaqueira II, S.A. Chairman of the General Meeting – 2017 to present date
- Portuguese Football Federation Chairman of the General Meeting – December 2011 to present date

Other Professional Experience and Community Involvement

José is a Member of the Executive Board of CMS Legal Services EEIG, since January 2012 to present date, and Founding Partner and Managing Partner of the Law Firm Rui Pena, Arnaut & Associados, since January 2002 to present date. During his career José was awarded 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 (2006), the Grand Cross Ordem Nacional do Cruzeiro do Sul by the President of the Republic of Brazil (2004) and the Commend of Great Officer of Ordem do Infante Dom Henrique by the President of the Portuguese Republic (1995). He was also a Commissioner for Lisbon 94 — European Capital of Culture (1994), Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government (July 2004 to March 2005), Deputy Minister to the Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government (April 2002 to July 2004), Member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defense Committee (October 1999 to September 1999). Additionally, he was General Secretary of the Social Democratic Party, led by José Manuel Durão Barroso (May 1999 to May 2004) and a Lawyer at the Law Firm Pena, Machete & Associados (1989 to January 2002).

Education

Graduated in Higher Specialized Studies from the Robert Schuman University, in Strasbourg (1991), admitted to the Portuguese Bar Association (1991) and graduated in Law from the Lisbon Lusíada University (1988).

The professional address of each of the abovementioned members of the Board of Directors is the address of REN's head office, located at Avenida Estados Unidos da América, no. 55, parish of Alvalade, in Lisbon.

It should be noted that the members of the Board of directors, as demonstrated above, have had training and/ or have relevant professional experience in REN's sector of activity, such as company management, engineering, functions related to electricity and natural gas, economics and law, thus demonstrating their qualification and suitability for the position and having, as a whole, a varied and suitable range of skills for the management of REN.

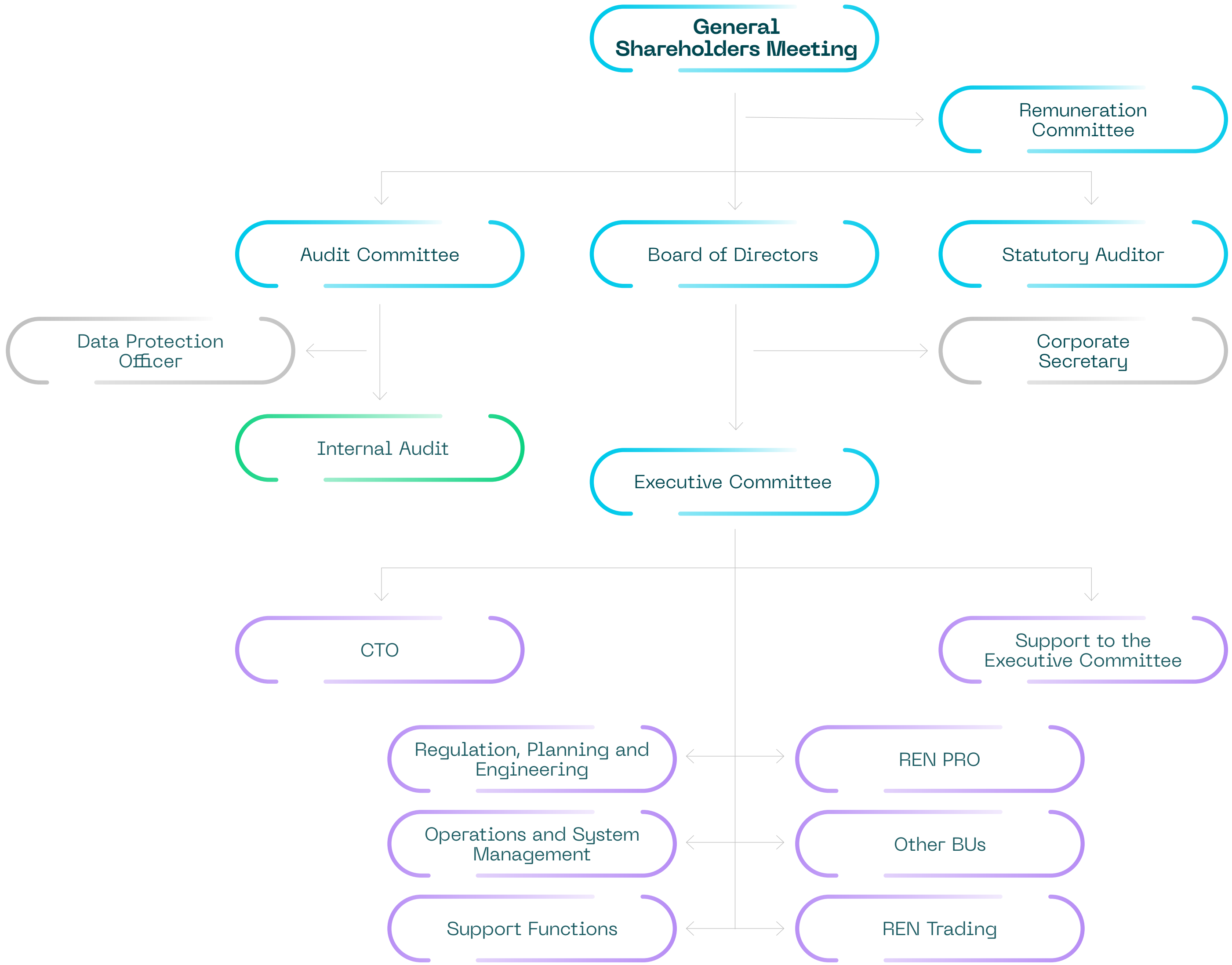
II.20. Common and significant family, professional and commercial relationships of the members of the Board of Directors at 31.12.2022

Director	Owner of qualified holdings	Relationship
Rodrigo Costa	–	–
João Faria Conceição	–	–
Gonçalo Morais Soares	–	–
Guangchao Zhu (representing State Grid International Development Limited)	State Grid Corporation of China	Deputy Head Engineer and General Director of the Department of International Cooperation at the State Grid Corporation of China (see II.19. and 26)
Mengrong Cheng	State Grid Corporation of China	Deputy Director General of the Department of International Cooperation of State Grid Corporation of China and President of the State Grid Corporation of China, US Office. (see II.19. and 26)
Lequan Li	State Grid Corporation of China	Consultant of State Grid International Development Corporation Limited (see II.19. and 26)
Jorge Magalhães Correia	Fidelidade – Companhia de Seguros, S.A.	Chairman of the Board of Directors and CEO of Fidelidade – Companhia de Seguros, S.A. (see II.26.)
Manuel Ramos de Sousa Sebastião	–	–
Gonçalo Gil Mata	–	–
Rosa Freitas Soares	–	–
Maria Estela Barbot	–	–
Ana Pinho	–	–
Ana da Cunha Barros	–	–
José Luís Arnaut	–	–

II.21. Flowcharts or functional maps on the breakdown of powers among the different corporate bodies, committees and/ or departments of the Company, including information on delegation of powers, particularly with regard to delegation of the day-to-day management of the Company

As can be seen in the flowchart in II.15., REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[44]: (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[45] and which is supported by specialized committees, and (ii) an Audit Committee and Statutory Auditor, as supervisory bodies. The Audit Committee consists exclusively of non-executive directors. The General Shareholders' Meeting also elects a Remunerations Committee.

In order to better understand the division of powers among the different corporate bodies, the organization chart below outlines REN's business units in 2022:



[44] See article 8(2)(b) of the Articles of Association.
[45] See article 8(1) of the Board of Directors regulations.

General Shareholders' Meeting

The General Shareholders' Meeting is a corporate body comprising all the company shareholders, and its responsibilities are in particular:

a) Appraise the Board of Directors' report, discuss and vote on the balance sheet, accounts and opinions of the Audit Committee and statutory auditor and decide on the appropriation of profits for the year;

b) Elect the members of the General Shareholders' Meeting Board, the directors and the statutory auditor;

c) Resolve on any amendments to the Articles of Association;

d) Resolve on the remuneration of the members of the corporate bodies, with the power to appoint a Remunerations Committee; and

e) Resolve on any other matter falling within its power and for which it has been summoned.

Board of Directors

Pursuant to the Portuguese Companies Code and REN's Articles of Association, the Board of Directors is duly empowered[46]. Of special note are the powers to:

a) Define the Company's goals and management policies;

b) Draw up the annual financial and business plans;

c) Manage business and carry out all actions and operations relating to the corporate object which do not fall within the powers attributed to other Company bodies;

d) Represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements;

e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;

f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;

g) Submit proposals to the General Shareholders' Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;

h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its personnel and the corresponding remuneration;

i) Appoint the Company Secretary and the respective alternate;

j) Appoint attorneys with the powers deemed convenient, including those of sub-delegation; and

k) Perform any other functions granted by law or by the General Shareholders' Meeting.

In accordance with the Board of Directors regulations, as at 11 November 2021[47], matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Shareholders' Meetings, approval of the annual report and accounts to be submitted to the General Shareholders' Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects.

In addition to those matters that may not be delegated by law, the Board of Directors' regulations[48] also stipulate that the following matters may not be delegated to the Executive Committee:

a) Definition of the Company's strategy and general policies;

b) Definition of the corporate structure of REN Group;

c) Definition of the Company's goals and management policies;

d) Approval of the annual budget, the business plan and other long-term development plans;

e) To approve the contracting of debt with a maturity of no less than 3 years;

f) Presenting proposals to the General Meeting to acquire and dispose of own shares, own bonds or other own securities;

g) Approval of the Company's systems of internal control, risk management and internal audit;

h) Appointment of the secretary of the Company and their alternate;

i) Indication of the persons to be appointed by the Company to go on the lists of members of the corporate bodies to be elected in all affiliates and subsidiaries, and appointing the Company's Chief Technical Officer;

j) Deciding on all matters considered strategic;

46 See article 15(1) of the Articles of Association.
47 See Article 3(3) and (5).
48 See Article 3(5).

k) Approval, on a case-by-case basis, of the disposal of assets and/ or rights, of investments and of the creation of encumbrances to be carried out by the Company and/ or by its affiliates or subsidiaries, with an individual or total value higher than 15,000,000 euros (fifteen million euros), except if already approved in the Company's annual budget and the corresponding value does not exceed individually or in total 25,000,000 euros (twenty five million euros);

l) Incorporation of companies and subscription, acquisition, creation of encumbrances and disposal of shareholdings (in any case except if these acquisitions, encumbrances or disposals are between REN Group companies), except when those companies or shareholdings are special purpose vehicles (SPV) for specific investments with an individual or total value of investment by REN Group, that does not exceed 7,500,000 euros (seven million five hundred thousand euros), or if already approved in the Company's annual budget;

m) Indication of the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all affiliates and subsidiaries, except for the two transmission system operators;

n) Participation of the Company or any of its affiliates or subsidiaries in activities outside their core activities;

o) Entry of REN or any of its subsidiaries into joint ventures, partnerships or strategic cooperation agreements and the selection of relevant partners;

p) Transactions with related parties with a value exceeding 500,000 euros (five hundred thousand euros) or, regardless of the amount in question, any transactions with related parties which may be considered as not being made on an arms' length basis or not in the ordinary business of REN or the subsidiary in question; and

q) Approval of the half-yearly and quarterly accounts to be published in accordance with the applicable legal provisions.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company's consolidated fixed assets is subject to prior approval from the General Shareholders' Meeting[49].

Executive Committee

On 23 Abril 2021, the Executive Committee was delegated, to the extent permitted by law, the Company's Articles of Association and by the Board of Directors' own regulations, with all the powers necessary or convenient to the performance of the management acts regarding the activities included in the Company's corporate scope, which include, in particular, the following attributions, to be performed under and within the limits established annually in the operation budget and in the strategic plan, to be approved, upon proposal of the Executive Committee, by the Board of Directors:

a) Manage the Company's ordinary course of business and perform all the acts and operations concerning the corporate purpose which are not the exclusive competence of the Board of Directors by force of law, the Company's Articles of Association or the Board of Directors' own regulations;

b) Approve, on a case-by-case basis, the sale of assets and/ or rights and investments and the creation of encumbrances over assets, except for security interests or personal guarantees, to be made by the Company and/ or by its subsidiaries, the individual and/ or aggregate value for which is equal to or lower than 15,000,000.00 euros (fifteen million euros) or which have already been approved within the Company's annual budget and the corresponding value is equal to or lower than, individually or in aggregate, 25,000,000 euros (twenty-five million euros);

c) Propose to the Board of Directors and execute the annual budget, the business plan and other long-term development plans;

d) Without prejudice to article 3(3)(f) of the Board of Directors' Regulations, establish the administrative and technical organization of the Company and the internal operation regulations, notably concerning personnel and their remuneration;

e) Represent the Company actively and passively, in or out of court, and propose or pursue lawsuits with the power to confess, waive and settle, as well as to enter into arbitration agreements;

f) Incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings, provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed 7,500,000 euros (seven million and fifty thousand euros) or which have already been approved within the Company's annual budget;

g) Negotiate, resolve on, enter into, modify and terminate any agreements, including service provision agreements or labour

49 See Article 2(15) of the Articles of Association and Article 3(6) of the Board of Directors Regulations.

contracts for a value equal or lower than 5,000,000 euros (five million euros);

h) o approve and promote any and all acts necessary to update the Euro Medium Term Note Program, under such terms as may at any time be more appropriate, including, without limiting the negotiation and conclusion of the all contractual instruments or related accessories and the pursuit of any steps or taking of any measures necessary for such updating, namely before any supervisory, market or other entity;

i) To approve and practice any and all necessary, useful or convenient acts, including through the execution of contractual instruments, the intra-group allocation of funds obtained through external financing operations;

j) Negotiate, enter into, modify or terminate any short-term debt agreements (i.e. with maturity equal or lower than three years), including through commercial paper programmes;

k) Open, operate and close bank accounts;

l) Resolve on the provision by the Company of technical and financial support to companies in which REN owns shares, quota rights ('quotas') or other shareholdings, in particular, granting loans and providing guarantees in their benefit;

m) Present proposals to the Board of Directors for the submission to the General Shareholders' Meeting relating to the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law and by the General Shareholders' Meeting;

n) Present to the Board of Directors proposals concerning internal control, risk management and internal audit systems of the REN Group;

o) Appoint attorneys with the powers deemed convenient, including those of sub-delegation;

p) Indicate the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in the two transmission system operators, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPV's referred to in f) above;

q) Take or give in lease any real estate or individual parts of real estate; and

r) Manage the shareholdings owned by REN and coordinate the activity of REN's subsidiaries and, with regard to wholly owned companies, issue binding instructions, under applicable legal terms[50]; and

s) Appoint the representative of the Company at the general meetings of all the companies in which the Company holds a shareholding.

Specifically in relation to the entering into medium or long-term debt agreements not covered by paragraph j) above, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors delegated to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument[51] with respect to, among other aspects, the amount, term, interest rate, reimbursement conditions, selection of financial intermediaries and other relevant elements. The Executive Committee shall, considering the importance of such operations, submit the relevant contracts or agreements to the Board of Directors for their final approval.

The delegation of powers to the Executive Committee does not exclude the possibility for the Board of Directors to resolve on delegated matters and does not include matters reserved by law, by the Articles of Association, by the Board of Directors Regulations or by the Regulations on "Assessing and Monitoring Transactions with Related Parties and Preventing Situations of Conflicts of Interest":

a) Appointment of the Chairman of the Board of Directors;

b) Co-optation of directors;

c) Request to convene the general shareholders' meetings;

d) Approval of the report and annual accounts to submit to the General Shareholders' Meeting;

e) Approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;

f) Provision of deposits and personal guarantees or security interests by the Company;

g) Change of the registered office and increase of the share capital, under the terms of the Articles of Association;

h) Projects for the merger, demerger and transformation of the Company;

i) Appointment of the Company Secretary and the respective alternate;

j) Definition of the Company's strategy and general policies;

k) Definition of the Company's goals and management policies;

l) Approval of the annual budget, the business plan and other long-term development plans;

[50] On January 2022, new Service Order CE/17/2021 came into force, establishing the cooperative alignment between the various companies in the REN Group, through standards aimed at coordinating the activity and day-to-day management of the REN Group, through binding instructions, without prejudice to strict compliance with the respective Articles of Association, the Commercial Companies Code, the Securities Code and other applicable legislation.

[51] Together with REN Finance and without prejudice to REN Finance's relevant corporate bodies and correspondent powers.

m) Definition of the Group's corporate structure;

n) The approval, on a case-by-case basis, of the transfer of assets and/ or rights and investments and the creation of encumbrances to be made by the Company and/ or by its subsidiaries, where the individual or aggregate value is higher than 15 million euros, except if already approved within the Company's annual budget and the corresponding value does not exceed individually or in total 25 million euros;

o) Incorporation of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings (in any case except if these acquisitions, encumbrances or disposals are between REN Group companies), except in cases in which those companies are, or where the holdings refer to companies which are a special purpose vehicle for making specific investment with an single or aggregate or value of investment by REN Group which does not exceed 7.5 million euros or which have been approved in the annual budget;

p) Adoption of resolutions to contract debt with maturity of no less than 3 years in the national or international financial markets, notably through the issuance of bonds or any other kinds of securities;

q) Presentation of proposals to the General Shareholders' Meeting for the acquisition and disposal of own shares and bonds or other own securities, within the limits established by law;

r) Approval of the Company's systems of internal control, risk management and internal audit;

s) The appointment of the Company's representative in the General Shareholders' Meetings of all subsidiaries;

t) The indication of the persons to be appointed by the Company to form part of the lists of members of the corporate bodies to be elected in all subsidiaries, as well as the appointment of the Company's Chief Technical Officer, upon proposal of the Executive Committee, except for the two TSOs, i.e. REN – Rede Eléctrica Nacional, S.A. and REN Gasodutos, S.A. and for the SPVs referred to in o) above;

u) The participation by the Company or any of its subsidiaries in activities outside their core activities, i.e. transmission of power and natural gas, storage of natural gas and regasification and/ or storage of liquid natural gas (LNG), notably by means of the acquisition or subscription of equity or ongoing concerns whose corporate purpose does not include the said activities;

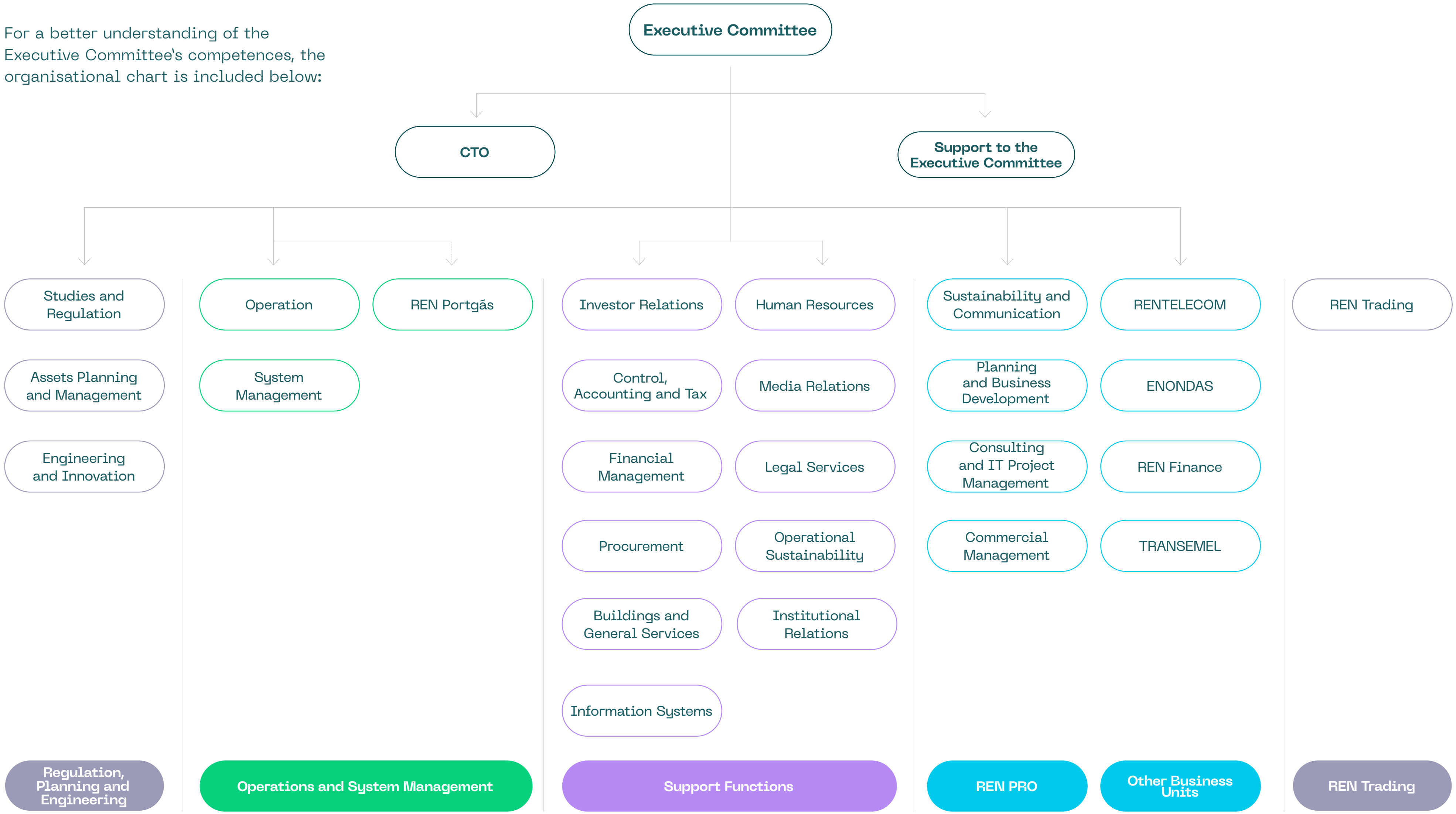
v) The entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;

w) Transactions with related parties in excess of 500,000 euros or, regardless of the amount involved, any transaction with related parties which may be considered as not having been executed based on an arms' length basis or not in the ordinary business of REN or the subsidiary in question; and

x) The resolution on all the matters which are deemed strategic, notably because they are related to strategic agreements entered into by REN or due to their risk or special characteristics.

Taking into account the above, non-executive directors, including members of the Audit Committee, participate in the definition by the management body of the strategy, main policies, corporate structure and decisions that should be considered strategic for the company by virtue of their amount or risk, as well as in the evaluation of the compliance with those measures, as these decisions were not delegated to the Executive Committee, but should be decided by the Board of Directors, of which non-executive directors are members, and who in the terms described above, have access to all the information necessary for their duties.

For a better understanding of the Executive Committee's competences, the organisational chart is included below:



Distribution of Responsibilities in the Board of Directors

With a view to optimizing management efficiency, the members of the Executive Committee distributed among themselves, during the financial year of 2022, the responsibility for the direct monitoring of specific Company performance areas, under the terms evidenced in the following chart:

Executive Committee

Rodrigo Costa
CEO

- Human Resources
- Sustainability and Comunication
- Legal Services and Corporate Secretary
- Media Relations
- Strategic Coordination
- Innovation

João Faria Conceição
COO

- Regulation, Planning and Engineering Business Unit
  - Studies and Regulation
  - Assets Planning and Management
  - Engineering and Innovation
- Operations and System Management Business Unit
  - Operation
  - System Management (Electricity and Gas)
  - REN Portgás
- Institutional Relations
- Energy Services
- Planning and Business Development (Mozambique)
- Enondas
- R&D Nester

Gonçalo Morais Soares
CFO

- Investor Relations
- Control, Accounting and Taxation
- Buildings and General Services
- Planning and Business Development (excluding Mozambique)
- Financial Management
- Information Systems
- Electrogás
- RENTELECOM
- REN FINANCE
- Transemel

Audit Committee and Statutory Auditor
The Audit Committee and the Statutory Auditor are the Company's supervisory bodies, and their main powers are set out in III.38.

Remunerations Committee

The Remuneration Committee is responsible for defining the proposed remuneration policy of the members of the governing bodies and internal committees and for submitting it to the General Meeting, as well as for setting remuneration in accordance with the approved policy.

Within its responsibilities, the Remunerations Committee has also actively participated in performance assessment, particularly for purposes of setting the variable remuneration of executive directors.

b) Operation

II.22. Existence and place where the operating regulations can be found for the Board of Directors

The Board of Directors Regulations and the Executive Committee Regulations, which establish, inter alia, the performance of their respective duties, chairmanship, attendance of meetings, functioning and the framework of duties of its members, are available on the REN website in Portuguese and English. As detailed in the law and its regulations, at the meetings of the Board of Directors and the Executive Committee, detailed minutes are drawn up, approved and signed by all members present.

II.23. Number of meetings held and attendance by each member of the Board of Directors

Board of Directors
The meetings of the Board of Directors are convened and chaired over by the respective Chairman. It is the responsibility of the Board of Directors to decide on the frequency of their ordinary meetings, notwithstanding the fact that quarterly meetings are mandatory, on dates to be fixed annually[52].

Moreover, the Board of Directors is required to meet on an extraordinary basis whenever convened by the Chairman, or, on his absence, by the Vice-Chairman, by two directors or at the request of the Statutory Auditor[50].

In 2022, the Board of Directors held 7 meetings.

The following table shows the number of meetings of the REN Board of Directors at which directors were present or duly represented.

Attendance of Members of the Board of Directors at Meetings

Nome	Present	Representation	Absent	% attendance
Rodrigo Costa	7	0	0	100%
João Faria Conceição	7	0	0	100%
Gonçalo Morais Soares	7	0	0	100%
Guangchao Zhu (on behalf of State Grid International Development Limited)	7	0	0	100%
Mengrong Cheng	1	6	0	100%
Lequan Li	7	0	0	100%
Jorge Magalhães Correia	6	1	0	100%
Manuel Ramos de Sousa Sebastião	7	0	0	100%
Gonçalo Gil Mata	7	0	0	100%
Rosa Freitas Soares	7	0	0	100%
Maria Estela Barbot	6	1	0	100%
Ana Pinho	6	1	0	100%
Ana da Cunha Barros	7	0	0	100%
José Luís Arnaut	6	1	0	100%

52 See Article 19(1) of the Articles of Association.

In addition, information on the composition of the Board of Directors and the number of meetings held annually can be found at website.

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Board of Directors, whenever the Board of Directors deems that their presence is necessary or convenient.

Executive Committee
Meetings of the Executive Committee are convened and chaired over by the respective Chairman and are held, as a rule, once a week[53].

In 2022, the Executive Committee held 49 meetings.

Attendance of members of the Executive Committee at meetings

Nome	Present	Representation	Absent	% Attendance
Rodrigo Costa	49	0	0	100
João Faria Conceição	49	0	0	100
Gonçalo Morais Soares	49	0	0	100

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors), sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, with the supporting documentation, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request[54]. This mechanism ensures that the members of the administrative and supervisory bodies have permanent access to all information for the evaluation of the company's performance, situation and prospects for development.

In addition, information on the composition of the Executive Committee and the number of meetings held annually can be found at website.

II.24. Indication of the competent corporate bodies to conduct the performance assessment of executive directors

The performance of members of the Executive Committee has been assessed by the Nominations and Appraisals Committee and by the Remunerations Committee, within the scope of their respective responsibilities.

Also of note is the role played by the Audit Committee in the verification of the quantitative aspects of assessment.

The Board of Directors, through its Nominations and Appraisals Committee, within the scope of its powers, assesses the overall performance of the Board of Directors and the specialized committees, taking into account compliance with the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member, and the relationship between the company's bodies and committees.

II.25. Predetermined criteria for the performance assessment of executive directors

The annual performance assessment of executive directors is based on predetermined criteria, under the terms outlined in III.71. below.

[53] See article 1(2) of the Audit Committee regulations.
[54] See Article 5 of the Executive Committee Regulations.

II.26. Availability of each member of the Board of Directors, specifying the roles carried out concurrently in other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

Shown below are the duties carried out on administrative, management and supervisory bodies by members of REN's Board of Directors and Audit Committee at 31 December 2022:

Director	Duties carried out on management or supervisory bodies
Rodrigo Costa	Chairman of the Board of Directors of REN Rede Eléctrica Nacional, S.A. Chairman of the Board of Directors of REN Gasodutos, S.A. Chairman of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Chairman of the Board of Directors of REN Armazenagem, S.A. Chairman of the Board of Directors of REN Serviços, S.A. Chairman of the Board of Directors of REN PRO, S.A. Chairman of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Chairman of the Board of Directors of REN Gás, S.A. Chairman of the Board of Directors of REN RENTELECOM – Comunicações, S.A. Chairman of the Board of Directors of Aerio Chile, Spa Chairman of the Board of Directors of Apolo Chile, Spa Chairman of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.
João Faria Conceição	Member of the Board of Directors of REN Rede Eléctrica Nacional, S.A. Member of the Board of Directors of REN Gasodutos, S.A. Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Member of the Board of Directors of REN Armazenagem, S.A. Member of the Board of Directors of REN Serviços, S.A. Member of the Board of Directors of REN PRO, S.A. Member of the Board of Directors of RENTELECOM – Comunicações, S.A. Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Member of the Board of Directors of REN Gás, S.A. Member of the Board of Directors of the Centro de Investigação em Energia REN – State Grid, S.A.. Non-executive Member of the Board of Directors of Hidroeléctrica de Cahora Bassa Member of the Board of Directors of Aerio Chile, Spa Chairman of the Board of Directors of Electrogas, S.A. Member of the Board of Directors of Apolo Chile, Spa Member of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.
Gonçalo Morais Soares	Member of the Board of Directors of REN – Rede Eléctrica Nacional, S.A. Member of the Board of Directors of REN Gasodutos, S.A.. Member of the Board of Directors of REN Atlântico – Terminal de GNL, S.A. Member of the Board of Directors of REN Armazenagem, S.A. Member of the Board of Directors of REN Serviços, S.A. Member of the Board of Directors of REN PRO, S.A. Member of the Board of Directors of ENONDAS, Energia das Ondas, S.A. Member of the Board of Directors of REN Gás, S.A. Chairman of the Board of Directors of REN Finance BV Member of the Board of Directors of RENTELECOM – Comunicações, S.A. Member of the Board of Directors of Aerio Chile, Spa Member of the Board of Directors of Electrogas, S.A. Member of the Board of Directors of Apolo Chile, Spa Member of the Board of Directors of Empresa of Transmisión Eléctrica Transemel, S.A.

Duties Of Executive Directors

As a result of the framework above, the REN executive directors exclusively carry out duties on governing bodies of companies that are either directly or indirectly subsidiaries or partly owned by REN. Thus, they are completely dedicated to carrying out their role – seeking at all times to develop the business and serve the interests of the company and the Group to its full potential.

In fact, although not formalized in internal regulations specifically addressing Executive Directors, in practice, REN's policy is that its executive directors perform executive functions during their term of office only in the REN Group. This practice has always been followed in previous terms of office. In addition, the Code of Conduct establishes that, without prejudice to the provisions on incompatibilities regarding the performance of certain duties or the exercise of corporate positions, and except with a prior authorisation of the Board of Directors[55], no employee of REN (including members of corporate bodies, as defined in this code) may engage in professional activities in an entity external to REN , whenever the exercise of such activity interferes with the performance of his duties as an employee of the company or in any way affects the performance or availability for the duties performed by the employee at REN.

Moreover, it should be noted that, upon their appointment, the executive directors declared their full dedication to carrying out their role and pursuing the objectives laid out, and have proven this through their attendance at Board of Directors and Executive Committee meetings and through their work carried out within REN.

Duties of non-independent non-Executive Directors performing duties at 31.12.2022[56]:

Director	Duties carried out on management or supervisory bodies
Guangchao Zhu	Deputy Head Engineer at the State Grid Corporation of China General Director of the Department of International Cooperation at the State Grid Corporation of China. Chairman of the Board of Directors at NGCP, Philippines Board Member of HKEI in Hong Kong, China
Mengrong Cheng	Deputy Director General of the Department of International Cooperation at the State Grid Corporation of China President of the State Grid Corporation of China US Office Acting Chief of GEIDCO North America Office Director of Sherpa on Management Committee of Global Sustainable Electricity Partnership (G-SEP)
Lequan Li	Consultant of State Grid International Development Corporation Limited
Jorge Magalhães Correia	Chairman of the Board of Directors of Fidelidade – Companhia de Seguros, S.A. Chairman of the Board of Directors of Luz Saúde, S.A. Non-executive Vice President of the Board of Directors of Banco Comercial Português, S.A. Non-executive member of the Board of Directors of Longrun Portugal, SGPS, S.A.
José Luís Arnaut	Managing Partner of CMS Rui Pena, Arnaut & Associados Member of the Executive Committee of CMS Legal Services EEIG (Frankfurt) Chairman of the Board of Directors of ANA - Aeroportos de Portugal (Vinci Airports) Member oft he international Advisory Board of Goldman Sachs (London) Member of the Advisory Board of AON Vice-Chairman of the Lisbon Tourism Association Chairman of the General Meeting of Portway, Handling de Portugal, S.A. (Vinci Airports) Chairman of the General Meeting of Siemens Portugal Chairman of the General Meeting of Super Bock Group Chairman of the General Meeting of Tabaqueira II, S.A. Chairman of the General Meeting of the Portuguese Football Federation

55 See The framework of "Incompatibilities" established in articles 7-A and 7-B of REN's Articles of Association, as well as article 12(3) of the Board of Directors' Regulations.

56 None of the companies identified belong to the REN Group.

Upon their appointment, the non-executive directors named above stated that they were available to perform their duties in order to achieve established goals.

This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

Duties of independent non-executive directors at 31.12.2022[57]:

Director	Duties carried out on management or supervisory bodies
Manuel Ramos de Sousa Sebastião	Non-executive member and President of the Audit Committee of Banco BPI, S.A. Chairman of the Directive Council of Ulisses - Foundation for the Development of Management Chairman of the Supervisory Board of IPCG - Portuguese Institute of Corporate Governance
Gonçalo Gil Mata	Executive partner and member of the Board of Directors of C2 Capital Partners - Soc. Capital de Risco, S.A. Non-executive member of the Board of Directors of Arquiled, S.A. Member of the Board of Directors of companies managed by FIAE, Promoção e Turismo Manager of Goma Consulting, Lda.
Rosa Freitas Soares	Member of the Remuneration Committee of Sogrape, SGPS, S.A.
Maria Estela Barbot	Managing Partner at ALETSE, Lda (Real Estate Management Consulting and Public Relations and Communication) International Senior Adviser of Roland Berger Holding GmbH President of Fórum Portugal Global — FPG Chairman of the Portuguese Group of the Trilateral Commission Vice Chairman of the District of Porto - SEDES Member of the Advisory Board of Ar.Co — Centro de Arte e Comunicação Visual, Member of the Board of Founders of Museu de Arte Moderna da Fundação de Serralves
Ana Pinho	Chairman of the Board of Directors and of the Executive Committee of the Serralves Foun-dation Manager of ARSOPI, Lda. Member of the Board of Directors of Tecnocom, S.A. Member of the Board of Directors of ATP — Associação do Turismo do Porto e Norte
Ana da Cunha Barros	Independent non-executive Director of Abanca Corporación Bancaria, S.A. and member of the risk committee Independent non-executive Director of ECS SGOIC, S.A.

[57] None of the companies identified belong to the REN Group.

From the above it can be concluded that 11 non-executive members of the Board of Directors (as opposed to the executive members) hold positions outside the REN group, at an average of circa [4] positions per director.

Upon their appointment, the non-executive directors and members of the Audit Committee (where applicable) identified above stated that they were available to perform their duties in order to achieve established goals. This availability has been proven through their attendance at meetings of the management and supervisory bodies and through their work carried out within REN.

c) Committees within the management or supervisor bodies and delegated directors

II.27. Identification of committees set up within the Board of Directors, and place where the operating regulations may be found

In 2022, the Board of Directors was assisted by the specialized committees within the Board of Directors set up in 2015.

The Board of Directors is regularly assisted by (i) the Ethics and Corporate Governance Committee which supports and assists the Board of Directors in the preparation of the annual corporate governance report and generally in meeting legal obligations and adopting best practices regarding corporate governance, as well as (ii) The Nominations and Appraisals Committee which assists the Board of Directors in the preparation of succession plans for executive board members and provides recommendations regarding the profile and relevant nominees for future appointments to the Board of Directors; it also supports the Board of Directors in the assessment of the overall performance of the Board of Directors, its executive members and specialized committees. Each of these committees is chaired by non-executive directors who, among other duties, act as interlocutor with the Chairman of the Board of Directors and the other directors and ensure that all the conditions and means necessary for the performance of the functions and duties of the committees they chair are available.

Furthermore, in 2021, the Board of Directors approved the creation of the Sustainability Committee, whose purpose is to promote and supervise, together with the Board of Directors, actions on environmental, social and governance responsibility. Currently, the Sustainability Committee is composed by the Executive Committee and by two independent non-executive directors. Its regulations can be consulted at website. Refer also to the information included below in Section 3 of this Report.

Their internal regulations can be consulted at website.

Moreover, information on the composition of these committees and the number of meetings held annually may also be consulted at website.

II.28. Composition, if applicable, of the Executive Committee and/ or identification of delegated directors

At 31 December 2022, the Executive Committee consisted of the members indicated in II.17.

II.29. Indication of the powers of each of the committees created

As mentioned in II.27., specialized committee operate within the REN Board of Directors, namely the Ethics and Corporate Governance Committee, the Nominations and Appraisals Committee and the Sustainability Committee.

The Ethics and Corporate Governance Committee has the powers and competences conferred by its internal regulations[58]. Among these, of special note are those to:

a) Make recommendations and define policies in order to comply with applicable legislation and best practices in corporate governance matters;

b) Monitor compliance with applicable legislation and best practices in corporate governance matters;

c) Promote the adoption of guidelines in relation to:

(i) structure, role and functioning of the corporate bodies;

(ii) liaison between the corporate bodies and the internal committees;

(iii) incompatibilities and independence of the members of corporate bodies;

(iv) efficiency of the role of non-executive members of the Board of Directors;

(v) voting, representation and equal treatment of shareholders;

(vi) the prevention of conflicts of interests; and

(vii) transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders.

d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular with regard to incompatibilities and the independence of the members of the Board of Directors;

[58] See Article 3 of the Corporate Governance Committee Regulations.

e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;

f) Prepare the annual corporate governance report in collaboration with the Company Secretary and other relevant departments of REN;

g) Prepare an annual report reviewing the corporate governance model adopted by the Company and proposing, if applicable, any improvements to the practices being implemented;

h) Review the REN Group Code of Conduct;

i) The overall corporate governance organization of the Company and its subsidiaries;

j) Follow inspections conducted by the Executive Committee for Follow-up and Monitoring of the IPCG (Comissão Executiva de Acompanhamento e Monitorização do IPCG) in relation to corporate governance issues; and

k) Perform any other duties or responsibilities in relation to corporate governance matters delegated to the Ethics and Corporate Governance Committee by the Board of Directors.

The Nominations and Appraisals Committee has the powers and competences conferred by its internal regulations[59]. Among these, of special note are:

a) **In relation to appointments, to,**

(i) support the Board of Directors in identifying and selecting potential candidates for the Board of Directors and present the Board of Directors with a list of individuals recommended for appointment. This presentation will be made according to a set of criteria and requirements regarding the profile of the new members appropriate to the role to be performed. In addition to individual attributes (such as competence, independence, integrity, availability and experience), diversity requirements that may contribute to the improvement the performance of the Board of Directors and to the balance of its composition will be considered, and particular attention will be paid to gender;

(ii) make recommendations in relation to the qualifications, knowledge and professional experience required to be a member of the Board of Directors;

(iii) assist the Board of Directors in the preparation of the succession of its members; and

(iv) perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties.

b) **In relation to appraisals,**

(i) advise the Board of Directors on the rules that should govern the annual appraisal process, in particular the key performance indicators;

(ii) support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

(iii) prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year; and

(iv) perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties;

The Sustainability Committee has the competencies and powers that are granted to it by its internal regulation[60]. These include, in particular:

a) Collaborate in defining, updating and reviewing REN's Group sustainability strategy;

b) Provide advice on the resources required and monitor the implementation of the sustainability strategy;

c) Monitor and report to the Board of Directors on the performance of indicators in the economic, social and environmental dimensions, including matters related to environmental protection and social responsibility, in accordance with the strategy, commitments and objectives established;

d) Monitor and report to the Board of Directors on the application of economic, social and environmental policies;

e) Collaborate in the development of the sustainability annual report that summarising the implementation of the sustainability strategy adopted by the REN Group including the review on the external information relating to sustainability, in particular REN's sustainability report and/ or the sustainability chapter included in the accounts report;

f) To issue opinions on any topic related to sustainability, at the request of the Board of Directors or on its own initiative, promoting the adoption of the best national and international practices; and

[59] See Article 3 of the Nominations and Appraisals Committee Regulations.
[60] See Article 3 of the Sustainability Committee Regulations.

g) Perform other duties or responsibilities in matters of sustainability delegated to the Sustainability Committee by the Board of Director.

REN understands that the definition of senior management only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the Nominations and Appraisals Committee for the purpose of appointing other management staff. The Nominations and Appraisals Committee is composed by three non-executive directors, two of whom are independent (and one of whom acts as Chairman).

With regard to the Executive Committee, see II.21.

The Regulations of the Ethics and Corporate Governance Committee, the Nominations and Appraisals Committee and the Sustainability Committee establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members and can be consulted on the official REN website in Portuguese and in its English translation.

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

III. Supervision (Audit Committee)

a) Composition

III.30. Identification of the supervisory bodies (Supervisory Board, Audit Committee or General and Supervisory Board), corresponding to the adopted model

As stated above[61], REN has adopted an Anglo-Saxon model of corporate governance with supervisory bodies consisting of the Audit Committee and the Statutory Auditor. The Audit Committee is made up solely of independent and non-executive directors[62] (including the Chairman), possessing the necessary powers to perform their duties.

III.31. Composition of the Audit Committee, with indication of the minimum and maximum members and duration of term of office in accordance with the Articles of Association, number of full members, date of first appointment and date of termination of term of office of each member

At 31 December 2022, the Audit Committee consisted of three members as identified in II.17. This structure has proven adequate for carrying out their functions efficiently, taking into account the Company's size and business and the complexity of the associated risks.

REN's Articles of Association stipulate that the Audit Committee shall be made up of three members.

As regards the remaining appropriate information, please also refer to point II.17.

III.32. Identification of the members of the Audit Committee considered to be independent, in accordance with Article 414(5) of the Portuguese Companies Code

See II.18. above.

III.33. Professional Qualifications and other relevant information on the résumés of each of the members of the the Audit Committee

See II.19. above.

b) Operation

III.34. Existence and place where the operating regulations can be consulted for the Audit Committee

Audit Committee regulations, which establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members which can be consulted on the official REN website in Portuguese and English.

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

III.35. Number of meetings and attendance for each member of the Audit Committee

Audit Committee meetings are convened and chaired over by the respective Chairman and are held monthly, except in August. In addition to its ordinary meetings, the Audit Committee may meet whenever convened by its Chairman or by the remaining two members[63].

In 2022, the Audit Committee held 11 meetings.

[61] See II.15. above.
[62] See Article 3(3) of the Audit Committee Regulations.
[63] See Article 9(1) and (2) of the Audit Committee Regulations.

Attendance of members of the audit committee at meetings

Name	Present	Representation	Absent	% attendance
Manuel Ramos de Sousa Sebastião	11	0	0	100
Gonçalo Gil Mata	11	0	0	100
Rosa Freitas Soares	11	0	0	100

Moreover, information on the composition of the Audit Committee and the number of meetings held annually may also be consulted at website.

III.36. Duties of each member of the Audit Committee, indicating roles carried out concurrently within other companies, both within and outside the group, and other relevant activities carried out by the members of the aforementioned bodies

With regard to this matter, see II.26.

c) Competences and duties

III.37. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of contracting additional services from the external auditor

In accordance with Audit Committee regulations[64], it is the Audit Committee which grants prior approval to the Company for the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said auditor or which is part of the same network (see also point V.46.).

In 2022, the Audit Committee granted prior approval to the contracting of non-audit services from the External Auditor and the entities referred to above by REN or companies in a group or controlling relationship.

III.38. Other functions of the supervisory bodies and, where applicable, the Financial Matters Committee

The Audit Committee is, alongside the Statutory Auditor, a supervisory body. It is, therefore, an integral body of the Board of Directors, while consisting of non-executive and independent members (including its Chairman).

The Audit Committee supervises and oversees management activity in an independent and autonomous manner. The intervention of its members, as members of both the supervisory body and the management body, renders the control process even more transparent, notably due to the special access afforded to the members of the Audit Committee to information and decision-making processes.

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Audit Committee, whenever the Audit Committee deems that their presence is necessary or convenient to the smooth running of the work.

The Audit Committee, as a supervisory body, has the powers and the duties stipulated by law and in the REN Articles of Association, therefore being particularly responsible for[65]:

a) Supervising the management of the Company;

b) Monitoring compliance with the law, the REN Articles of Association and applicable principles of corporate governance;

c) Confirming that the REN Corporate Governance Report includes the information set out in Article 29-H of the Securities Code and in CMVM Regulation No 4/2013, as amended;

d) Expressing their agreement or otherwise with regard to the annual management report and the accounts for the financial year;

e) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;

f) Inspecting the accuracy of records, supporting documents and accounting books;

g) Verifying whether the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;

h) Preparing the annual report on their supervisory work;

i) Issuing an opinion on the report, accounts and proposal to distribute profits presented by management;

j) Convening the General Shareholders' Meeting whenever the Chairman of the Board of the General Shareholders' Meeting fails to do so;

64 See Article 6(4)(h) of the Audit Committee Regulations.
65 See Article 6(3) of the Audit Committee Regulations.

k) Receiving alleged whistleblowing communications, in financial or others matters, submitted by shareholders, company employees or third parties;

l) Ensure that the company's arrangements for receiving such communications, in confidence, allow a proportionate and independent investigation of such matters and appropriate follow-up actions;

m) Supervising the preparation and disclosure of financial information, in particular financial information by the Board of Directors or Executive Committee, including the adequacy of accounting policies, estimates, judgements and relevant disclosures, and their consistent application across financial years, in a duly documented and communicated format;

n) Inspecting the review of accounts in accounting documentation;

o) Hiring the services of experts who will assist one or several f its members in exercising their duties. The contracting and remuneration of experts must take into account the importance of the matters they are to deal with and the company's economic situation; and

p) Complying with other provisions set out in law or the Articles of Association.

In its relationship with other corporate bodies, the Audit Committee is also responsible for[66]:

a) Supervising the effectiveness of the risk management, internal control and internal audit systems. including monitoring, evaluating, giving opinion, and making proposals to improve the functioning of those systems so that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors or Executive Committee;

b) Proposing to the General Shareholders' Meeting the appointment of the Statutory Auditor, first and alternate;

c) Supervising the independence of the Statutory Auditor, more specifically with regard to the provision of non-audit of additional services and its suitability for the performance of duties;

d) Representing the Company, for all purposes, with the Statutory Auditor acting as REN's interlocutor with it and being the first recipient of its reports;

e) Ensuring that the proper conditions for the provision of audit services by the REN Statutory Auditor are provided within the company;

f) Monitoring the activities of the Statutory Auditor on a regular basis by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the or the Statutory Auditor;

g) Assessing the work carried out by the Statutory Auditor on an annual basis;

h) Providing prior approval on the contracting of any audit services from the Statutory Auditor by the Company, or any entity with a participating interest with the said auditor or which is part of the same network, explaining the reasons for such contracting in the annual report on Corporate Governance;

i) Approving the business plan for the following year and the activity report for the previous year from REN's Internal Audit Department; and

j) To approve the annual budget and staff members proposals for the Internal Audit Department of REN, which shall be submitted to the Executive Committee for final assessment, together with the proposals of all other REN departments.

At the level of control of compliance with applicable regulations, the Audit Committee supervises compliance with legal and statutory provisions, and is also responsible for:

a) To issue a prior and binding opinion addressed to the Board of Directors on the internal procedures to be adopted for the purposes of verifying transactions with related parties, under the legal terms in force;

b) Verify if the transactions with related parties are carried out within the scope of the Company's current activity and under market conditions;

c) To give a prior opinion on certain related party transactions, under the terms established by law and REN's internal regulations;

d) To analyse, jointly with the Board of Directors and/ or the Executive Committee, any relevant matters related to the compliance of the Company's activity and business with the applicable legal, regulatory and statutory provisions, as well as with the instructions, recommendations and guidelines issued by the competent entities; and

[66] See Article 6(4) of the Audit Committee Regulation.

e) To analyse the communications from the Board of Directors regarding the conduct of business referred to in b) above.

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report, the financial statements of the financial year, as well as on the Corporate Governance Report. They are published together with accounting documents on the REN website and remain available for ten years.

The Audit Committee is the Company's main discussion partner and the first recipient of reports from the Statutory Auditor, representing it before the Statutory Auditor and seeking to ensure that, within the Company, suitable conditions are provided for them to carry out their work.

The Audit Committee is responsible for regularly monitoring the activities of the Statutory Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the Statutory Auditor[67]. The monitoring of the independence of the statutory auditor is based on regular contact with the auditor, through which he is asked to indicate the absence of circumstances that might hinder his independence, as well as the proper handling of any information that may be obtained by the Audit Committee on the subject, within the scope of its duties.

As REN has adopted a corporate governance model based on an Anglo-Saxon model and the supervisory body consists of non-executive directors who are on the Board of Directors, in addition to the powers referred to above, the Audit Committee, acting as supervisory body, also has the general powers of non-executive directors.

In turn, in accordance with the Portuguese Companies Code[68], the Statutory Auditor is responsible for the examination and verification required for the review and legal certification of the accounts. He is also responsible for verifying the correctness of books, accounting records and documents used as support, the accuracy of documents providing accounting information and if the accounting policies and valuation criteria adopted by REN lead to a correct evaluation of its property and results.

IV. Statutory Auditor

IV.39. Identification of the Statutory Auditor and of the key auditor partner representing the Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the auditors Ernst & Young, Audit & Associados, SROC, S.A., registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119), who also carries out the duties of External Auditor.

The alternate Statutory Auditor of the Company is Ricardo Miguel Barrocas André, registered with the Portuguese Institute of Statutory Auditors under No 1461.

IV.40. Indication of the number of years which the Statutory Auditor has consecutively carried out duties for the Company and/ or group

The REN Statutory Auditor (Ernst & Young, Audit, SROC, S.A.) was initially hired to carry out these duties in 2018. It is currently in its second term of office (2021-2023).

In light of the applicable legal and regulatory framework, the appointment of Ernst & Young, Audit & Associates, SROC, S.A. for its first term of office took place following a selection process for a new Statutory Auditor. The REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

IV.41. Description of other services provided by the Statutory Auditor to the Company

In addition to the services as Statutory Auditor detailed in III.38., the services referred to in V.46. were also provided.

[67] See Article 6(4)(f) of the Audit Committee Regulation.
[68] See Article 420.

V. External Auditor

V.42. Identification of the External Auditor for the purposes of Article 8 and of the respective key auditor partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

REN's External Auditor, as in the case with the Statutory Auditor, is Ernst & Young, Audit & Associados, SROC, S.A., registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119).

V.43. Indication of the number of years during which the External Auditor and respective Statutory Auditor have carried out duties for the Company and/ or group

REN's External Auditor (Ernst & Young, Audit & Associados, SROC, S.A.), and the respective partner, was initially hired to carry out these duties in 2018.

V.44. Rotation frequency and policy for the External Auditor and respective key auditor partner representing the former in the performance of these duties

REN's External Auditor (Ernst & Young & Associados, SROC, S.A.) was initially hired to carry out these duties in 2018. It is currently in its second term of office (2021-2023).

The appointment of Ernst & Young, Audit & Associados, SROC, S.A. for its first term of office took place following a selection process for a new External Auditor. The REN Audit Committee was responsible for this process which was performed in an equitable manner, and legislation and recommendations in force at the time continued to be fully complied with.

V.45. Indication of the body responsible for assessing the External Auditor and frequency of the assessment

The Audit Committee is responsible for undertaking an annual assessment of the Statutory Auditor and External Auditor and has the power to propose the dismissal of the External Auditor to the General Meeting if there are grounds to do so and to propose the respective remuneration.

The Audit Committee is responsible for regularly monitoring the activities of the External Auditor by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the External Auditor.

The Audit Committee is also responsible for overseeing the independence of the Statutory Auditor and External Auditor and issuing prior approval of the contracting of different audit services from the External Auditor or from any entity with a participating interest with the said External Auditor or which is part of the same network.

In 2022, the Audit Committee carried out its evaluation of the services provided to the Company by the External Auditor. The Audit Committee considered that the External Auditor provided its services in a satisfactory manner and complied with the applicable standards and regulations, including international standards on auditing, and that they performed their activities with high technical accuracy.

V.46. Identification of non-audit services provided by the External Auditor to the Company and/ or companies in a controlling relationship, as well as an indication of internal procedures for the approval of the hiring of these services and an indication of the reasons for their contracting

Non-audit services provided by the External Auditor/ Statutory Auditor for REN consisted essentially in agreed auditing procedures to validate financial ratios and issuance of comfort letters.

As part of compliance with the independence rules established in relation to the External Auditor/ Statutory Auditor, in 2022, REN's Audit Committee accompanied the provision of non-audit services in order to ensure that situations of conflicts of interest would not arise. The Audit Committee approved the provision of these services by the External Auditor, due to fact that they were matters in relation to which the specific knowledge of the company in terms of auditing, as well its complementarity regarding audit services, would justify such award, based on the associated cost control.

REN considers that it complies with Article 77 of Law No 140/2015 of 7 September, as in force for the year 2022.

V.47. Indication of the annual amount of remuneration paid by the Company and/ or by companies in a group with or controlling relationship to the auditor or to other companies or individuals belonging to the same network and breakdown of the percentages allocated to the respective services below (for the purposes of this information, the concept of a network is that arising from EU Recommendation C(2002) 1873 of 16 May[69])

In the financial year ending 31 December 2022, the statutory auditor for REN – Redes Energéticas Nacionais, SGPS, S.A. and its subsidiaries was Ernst & Young, Audit & Associados, SROC, S.A. The exception was REN Trading where the statutory auditor was PricewaterhouseCoopers & Associados – SROC, S.A.

The total sum recorded for audit services and the legal review of accounts and other services provided by the statutory auditors in 2022, was 565,174 euros, broken down as follows:

Ernst & Young, Audit & Associados, SROC, S.A. and its network – 445,970 euros;

PricewaterhouseCoopers & Associados – SROC, S.A. and its network – 119,204 euros.

Ernst & Young, Audit & Associados, SROC, S.A. and its network

	Company (REN S.G.P.S.)[70]	Other companies[71]	Total	%
Audit and legal review of accounts	32,292	256,995	289,287	64.9
Other reliability guarantee services	110,888	18,795	129,683	29.1
Services other than audit services or legal review of accounts	18,000	9,000	27,000	6.1
	161,180	284,790	445,970	100,0

PricewaterhouseCoopers & Associados – SROC, S.A. and its network

	Company (REN S.G.P.S.)[72]	Other companies[73]	Total	%
Audit and legal review of accounts	–	9,000	9,000	7.6
Other reliability guarantee services	–	48,150	48,150	40.4
Services other than audit services or legal review of accounts	28,700	33,354	62,054	52.1
	28,700	90,504	119,204	100,0

69 In accordance with the Corporate Governance Report Model approved by CMVM Regulation No 4/2013, for the purposes of this information this is the applicable concept of "network". However, Article 3 of the later Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 (on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) states that the concept of network must be satisfied as defined in Article 2(7) of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006. As this is the legislation currently in force for the specific requirements for the legal review of accounts of public-interest entities, this is the concept of network which has been adopted by REN.

70 Including individual and consolidated accounts.

71 Including individual and consolidated accounts.

72 Including individual and consolidated accounts

73 Including individual and consolidated accounts.

7.1.3. Internal organization

I. Articles of Association

I.48. Rules applicable to changes to the Company's Articles of Association (Art. 29-H(1)(h)

Changes to the Articles of Association are subject to the relevant rules as stipulated by law[74] and in the Articles of Association themselves[75]. In this regard, please see point 7.1.1., II.14.

II. Whistleblowing policy

II.49. Whistleblowing Policy and Means on irregularities occurring in the Company

Stakeholders/ whistleblowers (shareholders, members of corporate bodies, managers, directors, senior officials, employees, service providers, suppliers, contractors, subcontractors, volunteers, interns, clients or other stakeholders in REN, REN Group companies or third parties) may communicate any irregularities, irrespective of whether the reports are based on information obtained in a professional relationship that has since ended, as well as during the recruitment process or during another pre-contractual negotiation phase of an established or not constituted professional relationship. REN Group adopts measures which are intended to prevent, stop or sanction irregularities potentially causing adverse effects on the Group[76].

This system covers the report of irregular practices by shareholders, members of corporate bodies, managers, directors, senior officials, employees, service providers, clients, partners, consultants, suppliers or collaborator of the REN Group, due to or within the context of their duties.

In this regard it is important to note that the concept of "Irregularity[77]" includes any situation that a specific whistleblower detects, is aware of or has well-founded doubts about the commission of any illicit acts, infractions or irregularities relating to violations of the law, statutory, ethical or professional ethics standards, including those contained in the REN Group Code of Conduct and the REN Group Integrity Policy, or any standards contained in any internal documents or regulations, recommendations, or guidelines applicable to REN, or any REN Group company, concerning:

- acts or omissions;
- documentation, in a physical or electronic format;
- decisions, orders, guidelines, recommendations, opinions and press releases; and
- done, issued or prepared by shareholders, members of corporate bodies, any manager, director, senior officials, employee, service provider, client, partner, consultant, supplier or collaborator of the REN Group, due to or within the context of their duties.

It is understood that reportable irregularities include all of those that could result in illegal acts which constitute criminal, civil or administrative offences or which are related to:

(i) public procurement;

(ii) financial services, products and markets and the prevention of money laundering and terrorist financing;

(iii) product safety and compliance;

(iv) transport security;

(v) environmental protection;

(vi) protection against radiation and nuclear safety;

(vii) food and feed security, animal health and animal welfare;

(viii) public health;

(ix) consumer protection;

(x) protection of privacy and personal data and security of information network and systems;

(xi) any accounting and financial matters, including acts or omissions harmfull to the financial interests of the European Union;

(xii) the rules of the internal market, including competition and state aid rules, as well as corporate tax rules;

(xiii) the internal risk management system; and

(xiv) the audit activity carried out at REN or at any of the REN Group's companies.

[74] See Article 383 of the Portuguese Companies Code.Cfr. artigo 11.º dos Estatutos.
[75] See Article 11 of REN's Articles of Association.
[76] See Articles 6(3)(k) and (l) and 8 of the Audit Committee Regulations and the document "Applicable procedures for reorting and investigating irregularities", available at www.ren.pt
[77] See Section VI (Concept of "Irregularity") of the document "Applicable procedures for reporting and investigating irregularities".

The report must be made voluntarily, verbally or in writing. Reports made verbally can be made through telephone (210013511) or voice message systems and, at the request of the whistleblower, in a face-to-face meeting. Written reports should be sent to the e-mail address comissao.auditoria@ren.pt, the email is automatically encrypted, so as to protect the identity of the whistleblower. The report should contain the elements and information necessary to assess the irregularity[78].

Reports will always be dealt with confidentially and are of restricted access to the people responsible for receiving and following up reports – which does not prevent the whistleblower, if he or she so wishes, from revealing his or her identity in the report, which will only be disclosed as a result of a legal obligation or court decision (with prior notification to the whistleblower). The identity of the whistleblower shall only be disclosed for the purposes of investigation in cases where the whistleblower expresses his or her consent.

The Audit Committee must assess the situation described in the report and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the internal regulations "Applicable procedures for reporting and investigating irregularities" approved by the Board of Directors, under a proposal by the Audit Committee.

The investigation process by the Audit Committee includes a preliminary assessment stage, which may be followed by an investigation and a final report. Based on this report, should the conclusions so justify, remedy measures are proposed for approval by the Board of Directors or Executive Committee.

REN implemented the mechanisms with regard to the prevention and detection of fraud and errors and the verification of the operations and business of the REN Group with the applicable legal and regulatory provisions, including the general policies and regulations of REN, carried out by the Risk Management Committee, further described in III.54. below.

REN's Group Integrity Policy, aiming to define the principles of action and duties applicable to employees of REN Group companies and other partners, in order to prevent the commission of illegal acts, namely crimes of corruption, money laundering and terrorism financing, and to promote ethics, integrity and transparency in doing business, ensuring compliance with current legislation and regulations, is attached to the REN Group Code of Conduct, which sets out the principles, values and rules concerning ethic and professional conduct to be complied with by all employees and members of corporate bodies of REN's Group.

Hence, the fight and prevention of the commission of illegal acts, namely corruption, money laundering and terrorist financing crimes, constitute fundamental bases for the principles and duties applicable to the Group and its employees. Within this context reference should be made to the considerations included in Section 4. of the 2022 Integrated Report dedicated to "Sustainability" which details the implementation of stakeholder consultation and its results, priorities and new topics materially relevant, including those relating to governance and ethics.

III. Internal control and risk management

III.50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies of the Company have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the REN Group companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

The Executive Committee and, ultimately, the Board of Directors, are responsible for creating and managing the internal control and risk management systems, including the setting of objectives, which, with the various contributions of the relevant committees and commissions, is responsible for establishing the ultimate risk policy of REN and the Group.

The Audit Committee is responsible for assessing the Executive Committee in the analysis of the integrity and efficiency of REN's internal control and risk management systems, including the submission of proposals to improve operations and amendments in accordance with REN's requirements[79]. The Audit Committee reports on the work plans and resources allocated to internal control services, including control of compliance with company rules (compliance services) and internal audit, and receives the reports made by these services. Such reports involve dealing with matters relating

[78] See Chapter VII (Reporting of Irregularities) of the document "Applicable procedures for reporting and investigating irregularities".
[79] See Article 3(4)(a) of the Audit Committee regulations.

to the rendering of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities. Checks are also made that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors.

For the purposes of this control, the Audit Committee has implemented in particular the following measures: (i) holding meetings, up to twice a year, with the Risk Management Committee; (ii) periodic audits (performed by the internal audit department); (iii) implementing risk detection systems; (iv) implementing mechanisms to verify the obligations of Group companies, in particular, monitoring their compliance with concession agreements.

In addition to this annual risks assessment, the Audit Committee assesses the Company's management which comprises, in particular, the assessment of the internal functioning of the management body, its committees, the accounts and compliance with plans and budgets. It also follows-up on the implementation of recommendations. Therefore, in its action plan for activities to be carried out in 2022, the Audit Committee considered a range of investigations and assessments into the operation and suitability of the internal control and governance and risk management systems, having held several meetings with the Statutory Auditor and External Auditor and with the heads of different departments, namely: Acquisitions, Control, Accounting and Tax, Institutional Relations, Legal Services, Operational Services and Information Systems. The Audit Committee added to the activity plan the monitoring of the implementation of recommendations arising from the internal control system. Finally, the Audit Committee's activity plan included the specific training of REN's managerial staff with audit functions.

The External Auditor verifies the efficiency and operation of the internal control mechanisms, as part of its legal review of financial statements, and reports any significant deficiencies to the Audit Committee.

The Internal Audit Department, under the oversight of the Audit Committee, has the mission to ensure control of management risks and of the internal control and governance system of REN Group, through objective, independent and systematic auditing actions, particularly with regard to the different Departments, activities, systems, procedures, processes, policies and governance. Internal Audit is also responsible for proposing improvements to established processes and policies, and also propose actions for the monitoring indicators and risks, in order to improve the internal control system, as well as optimize the performance of the various areas of the REN Group.

The mission of the Risk Management Committee, created in 2011, is to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire REN Group and the internal disclosure of best practices for Risk Management. To carry out this mission, the Risk Management Committee's main functions are to:

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

In 2022, the Risk Management Committee continued to support the Board of Directors in monitoring the Group's risks, as well as ensuring the enforcement of risk management policies common to the entire Group, policies that were ultimately approved by the Board of Directors after gathering this contribution, and the internal disclosure of best practices for Risk Management.

III.51. Explanation, even though by organisational chart, of the hierarchical and/ or functional relationships of other Company bodies or committees

The Internal Audit Department reports in terms of functions and hierarchy to the Audit Committee, notwithstanding its relationship with the Company's Executive Committee.

As part of its supervisory function and powers expressly set out in the internal regulations, the Audit Committee supervises the internal audit procedure, notably through the presentation of proposals to improve its operation[80]. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to the Internal Audit Department, supervises the activity and has access to all reports

[80] See Article 6(4)(a)(i) and (j) of the Audit Committee regulations.

prepared by the GSAD-AI including, amongst others, matters relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is chaired by the executive director Gonçalo Morais Soares, and is composed of several front-line officers, with the REN executive committee appointing, in 2021, Maria José Clara as responsible for the Committee. The Risk Management Committee reports to the Executive Committee and Audit Committee, in line with the periodic control procedures in place.

III.52. Existence of other functional areas with competences for risk control

No other functional areas with powers relating to risk control exist beyond those referred to in III.50.

III.53. Identification of the main types of risk (economic, financial and legal) to which the Company is exposed when conducting business

When conducting business in all of its areas of operation or those of its subsidiaries, REN is subject to multiple risks. These have been identified with the aim of mitigating and controlling them.

The 'appetite for risk' reflects the level of risk the company is willing to take on or to retain in pursuing its goals. REN adopts a prudent position with regard to its appetite for risk.

In 2022, the Risk Management Committee, with support from those responsible for managing activities and/ or situations with inherent risk, 'risk owners', has started the revision of the various risks to which REN is exposed, namely those related to the new regulation of the electricity sector, thereby updating the Group's risk profile.

The most serious risks for the REN Group are shown in detail below, with their category and subcategory. As mentioned some of these risks are being reviewed.

#	Category	Subcategory	Nature	Risk event
1	Surrounding environment	External context	Regulatory	Changes to the regulatory model and parameters (under revision)
2			Energy markets	Financial non-compliance by the market agents
3			Financial markets	Evolution of REN's rating
4				Evolution of interest rates
5	Processes	Operational	Interruption of business	Occurrence of a generalized incident
6			Investment projects	Delay in implementing investment plans (under revision)
7				Non-entry into operation of assets within planned deadlines of the project (under revision)
8			Health and safety	Occurrence of serious work accidents (under revision)
9			Information technology and security	Unavailability of information systems
10				Occurrence of information security events – Cybersecurity

Changes to the regulatory model and parameters

The risk of changes to the regulatory model and/ or regulator decisions may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN so as to prevent/ analyse the impacts of possible changes. This activity is accompanied by continuous monitoring using specific indicators.

During 2022 the revision of specific indicators in terms of regulation was initiated following the entry into force of the new regulation model for the electricity sector.

Evolution of REN's rating

Changes to REN's rating could have an impact in terms of access to financing as well as the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs through the evolution of some specific indicators and combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating could be affected by any rating of Portugal.

Evolution of interest rates

The fluctuation of interest rates can have an impact on remuneration from regulated assets and on REN's debt service. A change to relevant benchmarks of market interest rates could result in higher financing expenses for the REN Group.

REN manages exposure to the risk of changes in interest rates by contracting financial derivatives, in order to achieve a balanced ratio of fixed and variable interest rate and to minimize financial burdens in the medium and long-term.

Non-compliance by energy market agents

Network infrastructures are used by agents of the respective gas and electricity markets, in particular energy suppliers.

Non-compliance with the corresponding financial obligations by these market agents constitutes a risk the importance of which increased with the entry of the Portgas Distributor into the REN universe.

Occurrence of a generalized incident

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

The plan for restoring service following a generalized incident implemented by REN and the organization of drills to test the ability to restore the service in the event of an incident, are some of the initiatives adopted for managing the potential impact of this risk.

Delay in implementing investment plans

The existence of delays both in the approval of investment plans, and in the execution plans, by the grantor or by other authorities can cause significant delays in implementing new infrastructures with an impact on the quality of the service provided.

REN has adopted procedures for managing this risk that involve monitoring actions by the regulatory authority with approval responsibilities and other competent entities in the process of authorizing the investment to be made.

In this regard, it should be noted that new indicators for monitoring the risks came into force in 2020, which are being reviewed in 2022.

Economic and financial conditions together with the difficulty in obtaining financing to allow providers of services and suppliers to do business, and also other factors of an operational nature including processes for environmental licensing/ authorization, may compromise the entry into operation of assets within planned deadlines, in several projects.

REN carries out a series of actions which allow the ongoing monitoring and mitigation of all factors which could increase this risk.

Failure to bring assets into operation within the timeframe foreseen in the project

Economic and financial conditions combined with the difficulty of the service providers and suppliers in obtaining facilities, as well as other factors of an operational nature, including, for example, environmental authorization/ licensing processes, may compromise the entry into operation of assets within the deadlines set out in the various projects.

REN develops a set of actions to permanently monitor and mitigate all factors which could increase this risk.

Some indicators for monitoring this risk are being reviewed.

Occurrence of serious work accidents
Non-compliance with safety and operational procedures for equipment could result in the occurrence of serious work accidents with damage to people and property during work organized by REN.

REN manages this risk through the safety management system, with specific training for operations involving risks and training for employees of REN's service providers on safety awareness. The detailed analysis of major impact incidences reflected in the preparation of proposals for improvement action should also be highlighted.

Unavailability of information systems
REN's activities rely heavily on the information systems and technologies used within the Group. Therefore, the availability of information systems and their capacity to meet Company needs are crucial to REN's good performance.

To manage this risk, REN maintains its communication systems and the respective support services up to date by performing periodic inspections of the configurations of network and security equipment. At the same time, security measures remain in place for systems deemed to be critical, such as the existence of redundant communications and the shielding of such systems from potentially dangerous traffic.

Specific indicators for monitoring/controlling in order to take corrective action if required entered into force during 2020, and remain adequate in 2022.

Occurrence of cybersecurity events
The current context of profound technological disruption, to which REN is no stranger, implies a reinforcement of existing information security capabilities, resulting not only from the increased complexity of system architectures and the perimeters in which they operate, but also from the speed at which they may change.

In this sense, REN has been training in the management of the resulting risks, investing in good practices in cyber security matters, both in terms of resilience and prevention, using specific systems, processes and controls.

III.54. Description of the risk identification, assessment, monitoring, control and management process

It is considered that a risk management and internal control system — as implemented by REN – should meet the following objectives:

- Guarantee and supervise compliance with the objectives set by the Board of Directors;
- Identify the risk factors, the consequences of the occurrence of risk and the mechanisms for dealing with and minimizing risk;
- Align admissible risk with REN Group strategy;
- Ensure that information is reliable and complete;
- Ensure the complete, reliable and timely preparation, processing, reporting and disclosure of all information, including financial and accounting information and apply an appropriate management information system;
- Guarantee the safeguarding of assets;
- Ensure prudent, appropriate valuation of assets and liabilities;
- Improve the quality of decisions; and
- Promote the rational and efficient use of resources.

As such, in pursuing the objectives stated above, REN's Risk Management Committee is responsible for identifying and evaluating the inherent risks involved in REN's activities stated in III. 53., also seeking to support the monitoring of significant risks and REN's general risk profile.

Hence, at a first stage, the Risk Management Committee, with the collaboration of its members who are the heads of the different departments and with the assistance of all other department heads within the Company, analysed aspects related to REN's business that could constitute a risk to its activity.

The Risk Management Committee then assesses existing risks (severity and probability of occurrence for each potential risk) and classifies them by order of importance and by categories and subcategories. The assessment of risks inherent to REN's activities, as well as to the Internal Control System, is carried out according to the following principles:

- To strengthen and improve effectiveness and efficiency in the use of resources;
- To safeguard assets;
- To analyse the information producing, treating and processing system;
- To check the reliability and accuracy of financial, accounting and other kinds of information;

- To prevent and detect fraud and errors;
- To check for compliance of the Group's operations and business with applicable legal and regulatory provisions, as well as with general policies and Company regulations; and
- To promote operational effectiveness and efficiency.

Following the identification and assessment of inherent risks, the Risk Management Committee identifies the relevant measures to eliminate, mitigate or control the risks and reports the result of the analysis to the Board of Directors. The Risk Management Committee further seeks to apply preventive and protective measures, through the formulation of a priority plan, and communicates risk management best practices internally.

Risk assessment is reviewed regularly in order to ensure that it is always up to date. Therefore, within the scope of the Group risk management system, the following activities were undertaken in 2022:

- Review and updating of the list of greatest risks which is in progress; and
- Optimisation of the technological solution which will improve the functioning of the risk management process – SAP GRC RM.

As part of risk monitoring, control and management,an amendment to the internal regulations "Applicable Procedures for Processing Communications Regarding Irregularities and the Assessment of Irregularities" was approved in 2021, with the purpose of better adjusting its content to the new Corporate Governance requirements as reflected in the 2020 revision of the IPCG Code and the Shareholders Rights Directive II.

It should further be noted that REN has implemented a series of changes to its internal control and risk management systems, involving the components previously provided for in CMVM Recommendations and currently provided for in the IPCG Code. It has also been guided by the rules of the International Organization for Standardization (ISO).

In 2022, the company continued to implement a homogeneous and integrated corporate risk management strategy across the entire organization, aligned and structured in accordance with the specific priorities and features of each of the company's areas.

III.55. Main elements in the internal control and risk management systems implemented at the Company with regard to the financial information disclosure process (Art. 29-H(1)(m))

REN regularly provides information, including financial information, to strictly monitor its operations. In this regard, all management information provided both for internal use and for disclosure to other organizations and to the market, is prepared on the basis of sophisticated IT systems. REN carries out initiatives that seek to continually improve the support information processes and systems that produce financial and management information and other information, as better described in the previous section.

It is the Audit Committee's responsibility to supervise the process for the preparation and disclosure of financial information. As such, the Audit Committee held meetings to monitor these processes with the members of the Executive Committee, the Statutory Auditor and External Auditor and with those responsible for accounts and management planning and control.

In addition, it is the responsibility of the Ethics and Corporate Governance Committee to promote the adoption of guidelines regarding information disclosed to the market. It is the responsibility of the Investor Relations Office (IRO) to coordinate, prepare and disclose all the information made available by the REN Group regarding the disclosure of inside information and other communications to the market. IRO is also responsible for the publication of the periodic financial statements, as well as developing and maintaining the investor relations page on the company's website.

IV. Investor support

IV.56. Service responsible for investor support, composition, functions, information provided by this service and contact information

The service responsible for investor support is the IRO. It was founded in July 2007 and works exclusively in the preparation, management and coordination of all activities necessary to achieve REN's objectives in its relations with shareholders, investors and analysts. This office ensures communication that offers a full, coherent and comprehensive vision of REN, thereby facilitating investment decisions and creating sustained value for shareholders. It also provides clarification on information published by REN.

IRO contacts:

E-mail: ir@ren.pt

Madalena Garrido (Head of Department):
madalena.garrido@ren.pt

Alexandra Martins:
alexandra.martins@ren.pt

Telma Mendes:
telma.mendes@ren.pt

Address: REN — Redes Energéticas Nacionais, SGPS, S.A.
A/ C: Direção Relações com Investidores

Avenida dos Estados Unidos da América, 55
1749-061 Lisboa – Portugal

Telephone: 21 001 35 46

The IRO has the following main duties:

a) Act on REN's behalf with shareholders, investors and financial analysts, ensuring equality of service for shareholders and preventing information asymmetries;

b) Ensure that feedback from institutional investors is communicated to the Executive Committee;

c) Guarantee timely compliance with CMVM obligations and other financial authorities;

d) Coordinate, prepare and disclose all information made available by the REN Group with regard to disclosure of privileged information and other communications to the market, and in relation to the publication of periodic financial statements;

e) Systematically monitor the content of analyst research work with the aim of contributing to a correct evaluation of the Company's strategy and results;

f) Prepare and continuously monitor the financial and operational benchmark of competitors and peer group;

g) Attract the interest of potential institutional investors, as well as a greater number of financial analysts;

h) Draw up an annual activities plan for the IRO, including road-shows, visits to investors and the organization of Capital Markets Day; and

i) Develop and maintain the Investor Relations page on the Company's website/ Investors APP.

IV.57. Representative for market relations

Since 28 March 2012, the REN Representative for Market Relations has been the Director Gonçalo Morais Soares who is also the Chief Financial Officer (CFO) of the REN Group.

IV.58. Information on the proportion of, and response time to, requests for information received this year or in previous years and still pending

Investor requests were responded to in a timely manner, generally on the same day or, in cases where the request required the receipt of information from third parties, as soon as it was received. Therefore, 2022 was marked by the return of face-to-face meetings, conferences and roadshows. Within the scope of the DRI office's activity, 310 e-mails were received and answered, 60 meetings with investors (both debt and equity) were held, 45 conferences were attended, and 50 meetings/ interactions with our analysts were carried out during the year.

Another form of contact with capital markets was through conference calls commenting on the results of each quarter of the year, in which both analysts and institutional investors participated.

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. Internet site

V.59. Address(es)

The Company's website is available in Portuguese and English.

V.60. Place where information on the firm can be found, the quality of open company, its registered office and all other information mentioned in article 171 of the Portuguese Companies Code

On the REN website, under the tab marked 'Investors', there is a tab marked 'Corporate Information', where information published on the firm, status as open capital company ("sociedade aberta"), the registered office and other information mentioned in Article 171 of the Portuguese Companies Code may be found.

V.61. Place where the Articles of Association and operating regulations for the bodies and/ or committees can be found

On the REN website, under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the Articles of Association, as well as the following regulations and documents:

- Articles of Association;
- Board of Directors Regulations;
- Audit Committee Regulations;
- Executive Committee Regulations;
- Etichs and Corporate Governance Committee Regulations;
- Nominations and Appraisals Committee Regulations;
- Remuneration Committee Regulations;
- Sustainability Committee Regulations;
- Regulations on transactions with related parties;
- Regulations on transactions of financial instruments by REN directors;
- Regulations on Applicable Procedures for Processing Communications Regardin Irregularities and the Assessment of Irregularities;
- Regulations on procedures relating to the compliance with the Market Abuse Regulation; and
- Integrity Policy of the Group.

V.62. Place where information is made available on the identity of members of the corporate bodies, the Representative for Market Relations, the Investor Support department or similar structure, their respective functions and means of access

On the REN website, under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which the composition of the corporate bodies can be found.

Furthermore, on the REN website, under the tab marked 'Investors', there is a tab marked 'Investor Relations' which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers.

V.63. Place where accounting records are made available, which must be accessible for at least ten years[81], as well as a half-yearly calendar of company events, announced at the start of each semester, including, amongst others, General Meetings, publishing of annual, half yearly and, where applicable, quarterly reports

On the REN website, under the tab marked 'Investors', there is a tab marked 'Investors' where there is a further tab marked 'Results'. Here it is possible to find documents on accounting records, which will be accessible for a minimum of 10 years.

On the same website, a calendar of company events is also available.

V.64. Place where the notice to convene a General Meeting is published as well as all the preparatory documents and documents resulting from said meeting

On the REN website, under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings, where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website, REN provides extracts from the minutes of General Meetings.

On the website REN maintains an historic record of notices to convene, agendas and resolutions adopted at General Meetings, as well as information on the represented share capital and voting results for the respective meetings, going back a minimum of five years.

See V.64. with regard to where this information is provided.

[81] In accordance with the CMVM Regulation No 4/2013 which approves the model of the corporate governance report, accounting documents may be accessible for five years. Nevertheless, under the current version of Article 29-G of the Securities Code, those documents must by available for 10 years.

7.1.4. Remuneration

I. Competence to determine remuneration

I.66. Indication with regard to competence to determine the remuneration of corporate bodies, members of the Executive Committee or delegated director and the Company's directors

The REN General Meeting is responsible for the appointment of the members of the Remunerations Committee[82], which is responsible for setting the remuneration and for submitting a proposal to the General Meeting on the remuneration policy for members of management and supervisory bodies. The Remunerations Committee is responsible for presenting and submitting to the shareholders of the remuneration policy for corporate bodies, as well as for determining the respective remunerations, including the respective complements to the policy approved at the General Meeting.

The aforementioned remuneration policy covers all company officers (within the meaning of Article 3(1)(25) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), by reference to Article 29-R of the Securities Code. The Board of Directors of REN understands that these officers are only members of the company's management and supervisory bodies, since only those, having regular access to privileged information, also have the power to take management decisions likely to affect the evolution and future prospects of REN.

The Nominations and Appraisals Committee does not have any duties concerning the definition of remuneration of the Board of Directors, but the assessment performed by this Committee may potentially and indirectly impact on such remuneration.

II. Remuneration Committee

II.67. Composition of the Remuneration Committee, including identification of natural or legal persons hired to provide support and declaration on the independence of each of the members and consultants

On 31 December 2022, the following three members, appointed at the annual General Meeting of 23 April 2021, were on the Remunerations Committee (three-year period of 2021-2023):

Name	Position
João Duque (independent)	Chairman
José Galamba de Oliveira (independent)	Member
Fernando Neves de Almeida (independent)	Member

Information on the composition of the Remuneration Committee and the number of meetings held annually can be found at website.

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of other corporate bodies for which it determines the respective remuneration. Its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides, without its prior authorisation, or has provided in the last three years, services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract.

In any case, the Remunerations Committee may, in accordance with its regulations, freely decide on the contracting, by the Company, of the consulting services necessary or convenient for the performance of its functions, within the budgetary limits of the Company, ensuring that the services are provided independently and that the respective providers will not be contracted for the provision of any other services to the Company itself or to others that are in a domain or group relationship without its express authorization.

The Remunerations Committee Regulations, approved in January 2019, which establish, inter alia, the performance of the respective duties, chairing, frequency of meetings, functioning and framework of duties of its members are available at website.

As set out in its Regulations, and as was already the case prior to the adoption of these regulations, detailed minutes are drawn up, approved and signed by all the members present at the meetings.

At the Annual General Meeting of 2022, João Duque was present, on behalf of the Remunerations Committee. In addition, the Remunerations Committee Regulations provide for the obligation of the Chairman of the Remunerations Committee or, if not possible, another member of the Remunerations Committee, to be present and to provide information or clarifications requested by the shareholders at the Annual General Meeting. Such presence is also required in any other case where the agenda includes a matter related to the remuneration of the members of the company's bodies and committees or when requested by shareholders.

[82] See Article 8(2)(d) of the Articles of Association.

II.68. Expertise and experience of the Remunerations Committee in matters or remuneration policy

All members of the Remunerations Committee have the necessary knowledge, acquired through their academic training and professional experience required to reflect and decide upon all matters under the Remuneration Committee remit, taking into account that set out below.

Each member of the Remunerations Committee has a specific academic background in management, and one of the members (Fernando Neves de Almeida), holds a degree in human resource management. This training provides them with the necessary and relevant theoretical expertise to perform their duties. It should also be noted that Fernando Neves de Almeida continues his academic work in the field of human resources, being executive coordinator of Ph.D., master and bachelor programmes in the fields of strategic management and human resources areas and has published several papers and books on this area.

Moreover, the Remunerations Committee consists of three members with vast professional experience, working for consultancies, the government and in numerous different sectors of activity, both in Portugal and abroad. Therefore, all the members of the Remunerations Committee have continued to perform duties as (i) members of the management body of several national and international entities in highly varied sectors of activity, (ii) positions of management and consulting in financial regulators, and (iii) positions of management at consultancies in the fields of management, technology and human resources, thus consolidating relevant practical knowledge with regard to remunerations policy, performance assessment systems and complementary areas.

III. Remuneration structure

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in Article 26-C of the Securities Code

As an issuer of shares admitted to trading on the regulated market, REN is subject to Portuguese Securities Code as amended by Law 50/2020 of 25 August, as well as to the recommendations of the IPCG Code of 2018, as amended in 2020. With regard to the modifications made by Law no. 50/2020, of 25 August, the report on remuneration for the purposes of the Article 26-G of the Securities Code, as it stands, is attached to this document.

Therefore, on one hand, in the interest of transparency and legitimacy of the setting of the remuneration policy (according to the say-on-pay principle, internationally recognized with regard to good corporate governance) and, on the other hand, for purposes of compliance with legal provisions and recommendations, the Remuneration Committee submitted the remuneration policy for corporate bodies for the term of office of 2021-2023.

On April 23, 2021, the remuneration policy of the members of the corporate bodies was approved by a majority of 98.36% at the General Meeting, which includes the elements described in article 2 of article 26-C of the Securities Code.

The remuneration policy of REN's corporate bodies follows the guidelines set out below:

- To be simple clear, transparent and aligned with REN culture;
- To be suitable and fitting to the size, nature, scope and specificity of REN's activity;
- To ensure total remuneration which is competitive and equitable and in line with the best practices and latest trends seen in Portugal and in Europe, particularly with regard to REN's peers, that attracts, at an economically justifiable cost, qualified professionals, that induces the alignment of interests with those of shareholders – taking into consideration the wealth effectively created by society, the economic situation and that of the market – and to constitute a factor for the development of a culture of professionalisation, and to promote merit and transparency in REN;
- To be evolutionary, but not disruptive; and
- To incorporate a fixed remuneration adjusted to functions, availability, competence and responsabilities of the Board of Directors' Members.

Regarding the components of the remuneration of the executive members of the Board of Directors, including of the CEO, the remuneration policy is mainly determined based on the following principles: (i) competitiveness, taking into consideration the practices of the Portuguese market; (ii) uniform, consistent, fair and balanced criteria, that award performance; (iii) assessment of performance, in accordance with duties and responsibilities, as well as real performance, the assumption of suitable levels of risk and compliance with the rules applicable to REN activity, also taking into account compliance with the strategic plan and REN's budget, risk management, the internal functioning of the Board of Directors and the contribution of each member for this purpose, as well as the relationship between the Company's bodies and committees; (iv) incorporation of a variable remuneration component that is globally reasonable in relation to the fixed remuneration component, without encouraging the assumption of excessive risks; (v) alignment of executive directors' interests with the Company's and its sustainability and creation of long-term wealth, including by indexing the medium/ long term remuneration to the evolution of REN's share price; and (vi) the variable remuneration indexed to REN's actual performance, measured against specific, unambiguous and measurable objectives in line with the interests of REN's stakeholders.

The remuneration of the executive directors, including of the CEO, includes a fixed component, superior in the case of the CEO (by comparison to the other Directors), and a variable component. The variable component consists of a parcel which aims to remunerate short-term performance and another with the same purpose based on medium/ long-term performance, as described in further detail below. In the case of unfair dismissal and termination of duties of an executive member of the board of directors, no compensation, other than that legally owed, is due if the director performs below the standards required by REN.

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in line with the best practices observed at large-scale companies in the Portuguese market. The remuneration policy for non executive members of the Board of Directors is guided by the main purpose of compensating the dedication and responsibility required for the performance of their duties.

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed sum.

Currently, there are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), without prejudice to the method of calculating medium/ long-term variable remuneration (MLTVR), as described below.

Furthermore, there is no system of retirement benefits for the members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014).

III.70. Information on how remuneration is structured so as to allow alignment of the interests of members of the management body with the Company's long-term interests, as well as how it is based on performance assessment and discourages taking on excessive risk

As mentioned in III.69. above, non-executive directors' remuneration (including the members of the Audit Committee) consists exclusively of a fixed component, paid in 12 monthly instalments over the year, and is not connected to the performance or value of REN, meeting the applicable recommendations on this matter.

The remuneration structure of executive directors consists of a fixed component and a variable component. There is adequate proportionality between both components, as explained in III.69. above and in greater detail described in Point 7 of Annex 1 of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

The remuneration structure of the Executive Committee consists of fixed and variable components, and in accordance with the remuneration policy in force, the variable component of remuneration for 2022 may include short and medium-term parcels – STVR and MLTVR[83].

For further detail on the principles inherent to the attribution of the STVR and the MLTVR, definition and metrics inherent to the Key Performance Indicators indexed to metrics of REN's strategic plan and operationalization of the remuneration policy see Points 7 and 10 of Annex 1 of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

III.72. Deferral of the payment of the variable remuneration component, with mention of the deferral period

The awarding of variable remuneration is divided into two components, each corresponding to 50% of the total variable remuneration granted for the relevant annual period, as follows.

Regarding the mechanisms inherent to the payment and deferral of the cash payment of variable remuneration see Point 10 of Annex 1 of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

[83] See points III.69. and III.70. above.

III.73. Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated, members of the board of directors of the Company have not entered into agreements either with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the strike price

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

III.75. Main parameters and basis of any system of annual bonuses and any other non-monetary benefits

In 2022, Executive Directors were entitled to transport intended for the regular performance of their duties, and were also provided with health and life insurance and personal accident insurance for the performance of their duties. It is estimated that the value of these benefits is approximately 25,000 euros/ director.

There is no system of annual bonuses or any other non-monetary benefits, beyond the variable component of remuneration described above and in the previous paragraph.

III.76. Main characteristics of the complementary pensions or early retirement schemes for directors and the date on which they were approved at the General Meeting, in individual terms

There is no system of retirement benefits or pensions for the members of the management and supervisory bodies.

IV. Disclosure of remuneration

IV.77. Indication of the annual amount of remuneration earned, jointly and individually, by the members of Company management bodies, paid by the Company, including fixed and variable remuneration and, with regard to the latter, mention of the different components where it originated

As regards, remuneration paid in 2022 to members of REN's management body, individually and collectively, please see Point 11 of Annex 1 of this Governance Report.

IV.78. Sums paid for any reason by other companies in a controlling or group relationship or which are subject to common control

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

IV.79. Remuneration paid in the form of profit sharing and/ or payment of bonuses and the reasons why such bonuses and/ or profit sharing were granted

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

IV.80. Compensation paid or due to Ex-Executive Directors for the termination of their duties during the term of office

In 2022, there were no amounts due or paid in the form of compensation to Ex-Executive Directors for the termination of their duties during office.

IV.81. Indication of the annual amount of remuneration earned, jointly and individually, by the members of the Company's supervisory bodies, for the purposes of Article 26-C of the Securities Code, as it stands

With regard to the members of the Audit Committee, please see IV.77. above, and with regard to the Statutory Auditor, please see V.47. above.

IV.82. Indication of the remuneration in the relevant year of the Chairman of the General Meeting

In 2022, the Chairman of the General Meeting received the fixed annual amount of 15,000 euros for carrying out the respective duties.

V. Agreements with remuneration implications

V.83. Contractual limitations for compensation to be paid for unfair dismissal of a director and its relation to the variable remuneration component

In accordance with the remuneration policy approved by the Remunerations Committee with regard to the financial year of 2022, which REN considers to be the adequate legal instrument for these purposes, if a director performs below the standards required by REN in the event of dismissal without just cause or termination of duties of an executive member of the Board of Directors through agreement, no compensation will be due, beyond that legally required. The consequences of the termination of the agreement are previously defined in accordance with the reasons for that termination. No other provision exists in the REN remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the elected term.

V.84. Reference to the existence and description, with indication of the amounts involved, of agreements between the Company and the members of the management body or other officers, in the meaning of Article 3(1)(23) of the of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014, that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company (Article 29-H(1)(k))

There are no agreements between REN and the members of the management body or other officers (in the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), that would award compensation in the event of resignation or unfair dismissal or termination of the employment relationship, following a change in control over the Company.

VI. Plans to allocate shares or stock options

VI.85. Identification of the plan and the respective recipients

There are no variable remuneration plans or programmes that consist of the awarding of shares, options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MLTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

VI.86. Characteristics of the plan (conditions of allocation, shares non-transferability clauses, criteria relating to the share price and exercise price, period during which options can be exercised, characteristics of the allocated shares or options to be awarded, existence of incentives for the acquisition of shares and/ or the exercising of options)

See VI.85. above.

VI.87. Stock option rights allocated for the acquisition of shares where beneficiaries are the Company workers or employees

See VI.85. above.

VI.88. Control Mechanisms available in a possible scheme for worker participation in the share capital where voting rights shall not be directly exercised by said workers (Art. 29-H(1)(e))

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

7.1.5. Transactions with related parties

I. Control mechanisms and procedures

I.89. Mechanisms implemented by the Company for purposes of controlling transactions with related parties (please see the concept resulting from IAS 24)

So as to provide for monitoring by the Audit Committee of transactions concluded or to be concluded by REN or its subsidiaries with related parties and the methodology to be adopted in the event of potential conflict of interests, the REN Audit Committee proposed to the Board of Directors an internal regulations for the Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflict of Interest', which were approved by the Board of Directors on 11 November 2021 and remain in effect.

Under the internal regulation on "Assessing and Monitoring Transactions with Related Parties and Preventing Situations of Conflicts of Interest", which is in line with IAS 24 and recommendation I.5.1. of the IPCG Code, the transactions entered into between a related party[84] and, on the other hand, REN or its subsidiaries, which are comprised in the situations provided for therein, and which include, inter alia, all the situations provided for in Law no. 50/2020, are subject to prior or subsequent control, as provided therein, by the Audit Committee.

If the Audit Committee issues an unfavourable prior expert opinion, approval of the transaction by the Board of Directors is required to and must be particularly well-grounded so as to demonstrate that the completion of the transaction is in line with pursuing the corporate interest of REN or that of its subsidiaries and that the resulting advantages for them outweigh in a positive manner the disadvantages identified by the Audit Committee[85].

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest[86].

Moreover, in accordance with the Board of Directors internal regulations, transactions with related parties for sums exceeding 500,000 euros or, regardless of the sum, any transaction which may be considered as not being executed under market conditions or as outside the scope of the Company's ordinary course of business are matters which may not be delegated to the Executive Committee.

Furthermore, the internal regulation on "Assessing and Monitoring Transactions with Related Parties and Preventing Situations of Conflicts of Interest" provides for the adoption of procedures in line with Recommendations I.4.1. and I.4.2. of the IPCG Governance Code, which ensure that the member with a conflict of interest does not interfere with the decision-making process, without prejudice to the duty to provide information and clarifications requested. In particular, the member in conflict of interest (i) must not receive any information regarding the matter; (ii) must abstain from discussing the matter with other members of a management or supervisory body of REN or any of REN's affiliated companies; and (iii) must not participate nor be present in the discussion and voting on the matter in question.

I.90. Indication of the transactions which were subject to control in the reference year

Pursuant to the internal regulations on "Assessing and Monitoring Transactions with Related Parties and Preventing Situations of Conflicts of Interest", the Audit Committee had prior intervention in the following transactions, carried out between companies of REN Group and a holder of qualifying shareholdings or entities with which it is in a relationship pursuant Article 20 of the Securities Code:

a) Awarding of extra works for the Connection of Offshore Power Plants to the (Very) High Voltage Public Power Grid – EPC &M:

Approved on November 30, 2021, by the executive committee of the company REN – Redes Energéticas Nacionais, SGPS, S.A., having obtained a favourable opinion at the meeting of the Audit Committee on January 21, 2022;

Agreement entered into between the Hengtong Group, which declares to be related, and REN SGPS, S.A.'s subsidiary: REN – Rede Eléctrica Nacional, S.A.;

Maximum value of the award: EUR 1,142,352.63 (the total value of the contract is ¤54,499,369.89).

b) Award of the contract for Services for the Regulation Reserve Band Auction:

Approved on February 8, 2022, by the Board of Directors of REN – Rede Eléctrica Nacional, S.A.;

Agreement entered into between OMIP – Pólo Português, S.G.M.R., S.A., which declares to be related, and REN SGPS, S.A.'s subsidiary:

[84] In accordance with the meaning of international accounting standards adopted in accordance with European Regulation, in particular Regulation (EC) no. 1606/2002. For the purposes of the internal regulations, a related party is: (a) any shareholder who has a qualified shareholding of the share capital of REN or any affiliated company; (b) a person or his family member who holds control 1 or joint control over REN or an affiliated company, or who has a significant influence over REN or an affiliated company, or who is a "key" element of the management of REN or an affiliated company; (c) an entity that is a member of the REN group; (d) an entity that is associated or has a joint venture with REN or an affiliated company; (e) an entity that is associated or has a joint venture with an entity with which REN or an affiliated company is associated or has a joint venture; (f) an entity which manages or somehow administers the post-employment benefits of REN's employees or of an entity related to REN; (g) an entity which is controlled or jointly controlled by a person identified in paragraph a); (h) an entity in which a person (or a relative) controlling or jointly controlling REN has significant influence or is a key element of the management of that entity (or of the parent company of that entity); (i) an entity, or any entity of the same group, providing management services to REN or an affiliated company or its parent company.

[85] See Points 4 and 5 of point VI of the abovementioned internal regulation.

[86] See Point X(I)(a) of the abovementioned internal regulation.

REN – Rede Eléctrica Nacional, S.A.; Maximum value of the award: EUR 66,085,44 (plus applicable taxes and fees).

c) Contracting of Health Insurance and Complementary Brokerage Services for the REN Group:

Approved on 20 June 2022, by the executive committee of the company REN – Redes Energéticas Nacionais, SGPS, S.A., and by the boards of directors of the group companies;

Agreement entered into with a related party, Costa Duarte / Fidelidade (shareholder of REN – Redes Energéticas Nacionais, SGPS, S.A.) / Multicare, and the following companies of the REN Group: REN – Redes Energéticas Nacionais, SGPS, S.A., REN Serviços, S.A., REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Atlântico, Terminal do GNL, S.A., REN Armazenagem, S.A., REN PRO, S.A., REN Telecom – Comunicações, S.A., REN Portgás Distribuição, S.A. and Centro de Investigação em Energia REN – State Grid, S.A.;–

Maximum award value: EUR 702,609,00 (plus applicable taxes and fees).

d) Contracting of the auction service for Gas Capacity Usage Rights relative to transport and storage in the National Natural Gas Transport Network:

Approved on August 30, 2022, by the Board of Directors of REN Gasodutos, S.A., having been acknowledged by the Audit Committee in its meeting of September 13, 2022;

Agreement entered into between OMIP – Pólo Português, S.G.M.R., S.A., which declares to be related, and REN SGPS, S.A.'s subsidiary: REN Gasodutos,S.A.;

Maximum award value: EUR 435,120,00 (plus applicable taxes and fees).

e) Objective amendment of the contract of insurance for property damage and operating losses and maritime liability:

Approved on October 13, 2022, by the boards of directors of REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A. and REN Atlântico – Terminal de GNL, S.A., of which the Audit Committee has knowledge in its meeting of December 21, 2022;;

Agreement entered into with a related party, grouping AON Portugal, S.A. and Fidelidade – Companhias de Seguros, S.A. (shareholder of REN – Redes Energéticas Nacionais, SGPS, S.A.;

Value after amendment: EUR -9,457.39.

f) Awarding additional work under the contract for legal services in the area of public procurement:

Approved on the November 16, 2022, by the Board of Directors of REN Serviços, S.A.;

Agreement entered into with a related party, CMS Rui Pena & Arnaut – Sociedade de Advogados R.L. and subsidiary company of REN SGPS, S.A.: REN Serviços, S.A.;

Maximum award value: EUR 60,000.00 (plus applicable taxes and fees).

I.91. Description of the procedures and criteria applicable to the intervention of the supervisory bodies for the purposes of assessing business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Portuguese Securities Code

See I.89. above. The procedures and criteria outlined herein are applicable to transactions with the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code, given that these are by definition considered to be related parties in accordance with internal regulations for the "Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflict of Interest".

II. Information relating to business

II.92. Indication of the location of accounting documents providing information regarding business with Related Parties, in accordance with IAS 24 or, alternatively, reproductions of this information

Point 34 of the Appendix to the financial statements of the 2022 Integrated Report, in accordance with IAS 24, includes a description of the principal elements of business with Related Parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations.

7.2. Assessment of corporate governance

1. Identification of the Code of Corporate Governance adopted

With regard to the disclosure of information on corporate governance, as an issuer of shares that are admitted to trading on the Euronext Lisbon regulated market, REN is subject to the regime established in the Securities Code and CMVM Regulation No 4/2013 (the latter was approved in 2013 and is applicable to government reports for this year).

In accordance with Article 2 of CMVM Regulation No 4/2013, the Corporate Governance Code which the company is subject to or has voluntarily decided to implement must be identified.

The place where the Corporate Governance Code(s) to which the Company is subject is made available to the public shall also be indicated (Article 29-H(1)(o)).

When preparing this report, REN referred to the Portuguese Institute of Corporate Governance Code, approved in 2018, and reviewed in 2020, available at website, as well as its rules of interpretation, available at the same address.

2. Analysis of compliance with the Corporate Governance Code adopted

Pursuant to Article 29-H(1)(n) of the Securities Code, as it stands, a statement shall be included on the acceptance of the Corporate Governance Code to which the issuer is subject, stating any divergence from the said code and the reasons for the divergence.

In accordance with Regulation 4/2013, in conjunction with the Corporate Governance Code of the Portuguese Institute of Corporate Governance and its respective interpretative rules, the information submitted should include, for each recommendation:

a) Information that enables the verification of compliance with the recommendation or referring to the part of the report where the issue is discussed in detail (chapter, title, paragraph, page);

b) Grounds for the potential non-compliance or partial compliance thereof (i.e. compliance with only part of the sub-recommendations, where applicable); and

c) In the event of non-compliance or partial compliance (i.e. compliance with only part of the sub-recommendations, where applicable), the details of any alternative mechanism adopted by the company for the purpose of pursuing the same objective of the recommendation, in this case, the company's judgment as to the existence of equivalence to compliance may be included.

As mentioned above, REN took the decision to adopt all recommendations laid out in the IPCG Code.

Therefore, REN hereby declares that it fully adopts all the abovementioned Portuguese Institute of Corporate Governance recommendations on corporate governance matters laid down in said Code, except for Recommendations III.1., IV.1. and VII.2.1., which are not adopted for the reasons described below, Recommendations I.5.2., II.5., III.5., V.2.9., V.3.2. and V.3.4., which are not applicable to REN, Recommendations II.2., II.3. and III.6., which should be considered materially adopted taking into account the explanation included below and Recommendation V.3.3., which is partly not applicable and partly not adopted.

The chart below identifies IPCG Code recommendations and individually mentions those that have been adopted by REN and those that have not. It also indicates the chapters in this report where a more detailed description of measures taken for their adoption may be found with the aim of complying with the said recommendations.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
I.	**General provisions**		
General Principle: Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies			
I.1.	***Company's relationship with investors and disclosure*** ***Principle:*** Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.		
I.1.1.	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	Adopted	Part I, chapters 7.1.2. ss. II.18. and III.38. and 7.1.3. ss. III.54., III.55. and IV.56.
I.2.	***Diversity in the composition and functioning of the company's governing bodies*** ***Principle I.2.A:***Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders. ***Principle I.2.B:*** Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions ***Principle I.2.C:*** Companies ensure that the functioning of their bodies and committees is duly recorded, namely in minutes, which allow to know only the direction of the decisions taken, but also their grounds and the opinions expressed by their members		
I.2.1.	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	Adopted	Part I, chapter 7.1.2. s. II.16., II.27., II.29. and Part II, chapter 3
I.2.2.	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members — disclose in full on the company's website, and detailed minutes of the meetings of each of these bodies should be carried out.	Adopted	Part 1, chapter 7.1.2. ss. II.22., II.27., II.29., III.34. and chapters 7.1.3, s. V.61. and 7.1.4. s. II.67.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
I.2.3.	The composition and the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Part 1 chapter 7.1.2. ss. II.23., III.35. and chapter 7.1.4. s. II.67.
I.2.4.	A whistleblowing policy should be adopted to ensure adequate means of communication and treatment of irregularities, safeguarding the confidentiality of the information transmitted and the identity of the notifier when requested.	Adopted	Part 1, chapter 7.1.3. s. II.49., III.54. and Part II, chapter 3
I.3.	***Relationships between the company bodies*** ***Principle:*** Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.		
I.3.1.	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	Adopted	Part 1, chapter 7.1.2. ss. II.18. II.23. and III.38.
I.3.2.	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	Adopted	Part 1, chapter 7.1.2. ss. II.18. II.23. and III.38.
I.4.	***Conflicts of interest*** ***Principle:*** The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.		
I.4.1.	By internal regulation or equivalent, the members of the management and supervisory bodies and internal committees shall be bound to inform their respective bodies or committees whenever there are facts which may constitute or give rise to a conflict between their interests and the company's interest.	Adopted	Part 1, chapter 7.1.2. ss. II.18. and II.29.
I.4.2.	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	Adopted	Part 1, Chapter 7.1.2. s. II.18., Chapter 7.1.5. s., I.89

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
I.5.	***Related party transactions*** ***Principle:*** Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.		
I.5.1.	The management body shall disclose, in the government report or otherwise publicly available, the internal procedure for verification of transactions with related parties.	Adopted	Part 1, chapters 7.1.1. s. II.10. and 7.1.5. s. I.89.
I.5.2.	The management body shall report to the supervisory body the results of the internal procedure for verification of transactions with related parties, including the transactions under review, at least every six months.	N/A[86]	
II.	**Shareholders and general meetings**		
II.A	***Principle:*** *As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.*		
II.B	***Principle:*** *The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.*		
II.C	***Principle:*** *The company should implement adequate means for shareholders to participate and vote at a distance at the meeting.*		
II.1.	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	Adopted	Part 1, chapter 7.1.2. s. II.12.
II.2.	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	Adopted *(equivalent explain)*	Part 1, chapter 7.1.2. s. II.14. The company deems that the majorities provided for in Articles 11(2) and (3) of the Bylaws, which are more strict than those defined by law, are justified by the fact that the matters in question are strategic and of structural importance, and as such requiring a broader consensus from shareholders. With regard to the majority me to in Article 11(3), this is justified by the fact that the articles in question are aimed at enabling the company to monitor compliance with several legal obligations and ERSE (Energy Services Regulatory Authority) Decision on the full unbundling regime.

[87] According to CAEM's Interpretative Note no. 3, "the wording of Recommendation I.5.2. at the time of the approval of the new text of the Code by CAM, in July 2020, was based on the proposal to transpose Directive (EU) no. 2017/828, then pending in Parliament as Draft Law 12/XIV. In view of the changes introduced in the meantime during the legislative process, culminating in the new Article 249-A(1) (now 29-S) of the Securities Code, added by Law no. 50/2020, of 25 August, which carried out that transposition, and unless there is a subsequent amendment to the provision in question in a different direction, Recommendation I.5.2 should be considered as not applicable, as it is the supervisory body itself (and no longer the management body, as stated in the Proposed Law) that is responsible for the periodic verification of transactions with related parties".

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
II.3.	The company should implement adequate means for shareholders to participate in the General Meeting at a distance, in terms proportional to its size.	Adopted *(equivalent explain)*	Part 1, chapter 7.1.2. s. II.12.
II.4.	The company should also implement appropriate means for the exercise of voting rights at a distance, including by correspondence and by electronic means.	Adopted	Part I, chapter 7.1.2. s. II.12.
II.5.	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution – without increased quorum in comparison to the legally established – and in that resolution, all votes cast will be counted without observation of the imposed limits.	N/A	Part 1, chapter 7.1.1. ss. I.2. e I.5 There is no mechanism in the Articles of Association to renew or repeal these statutory rules, as they exist in compliance with legal and administrative requirements. Therefore, this recommendation must be considered not applicable to REN.
II.6.	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	Adopted	Part 1, chapter 7.1.1. s. I.4.
III.	**Non executive management, monitoring and supervision**		
III.A	***Principle:*** *The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.*		
III.B	***Principle:*** *The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.*		
III.C	***Principle:*** *The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.*		
III.1.	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator, from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.	Not adopted	Part 1 chapter 7.1.2. s. II.18. Under the terms of the BoD Regulation, a number of mechanisms were adopted in 2021 for the efficient coordination and performance of the members with non-executive functions, in particular with a view to facilitating the exercise of their right to information and ensuring the necessary conditions and means to the performance of their duties, in the terms best described in the above section of this report. In addition, some of the independent board members are also members of board committees, thus the development of their functions therein should be preserved.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
III.2.	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	Adopted	Part 1, chapter 7.1.2. ss. II.18., III.31.
III.3.	In any case, the number of non-executive directors should be higher than the number of executive directors and the government's report should include the formulation of this adequacy assessment.	Adopted	Part 1, chapter 7.1.2. s. II.18.
III.4	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/ her impartiality of analysis or decision, namely due to: (i) having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; (ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; (iii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; (iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; (v) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or (vi) having been a qualified holder or representative of a shareholder of qualifying holding.	Adopted	Part 1, chapter 7.1.2. s. II.18.
III.5.	The provisions of (i) of recommendation III.4. does not inhibit the qualification of a new director as independent if, between the termination of his/ her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	N/A	There is no REN director in this situation.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
III.6.	With regard to the powers conferred on it by law, the supervisory body shall assess and decide on strategic lines and risk policy prior to their final approval by the management body.	Adopted *(equivalent explain)*	Part 1, chapter 7.1.2. s. III.38., chapter 7.1.3. s. III.50. et seq. as regards the risk policy. The members of the supervisory body are also members of the Board of Directors. The Audit Committee, made up of non-executive members, evaluates and pronounces itself on the strategic lines and risk policy, prior to its final approval, including evaluating the execution of the strategic plan by the executive members, within the management body, which it considers to be the competent body in these matters, being the supervision in casu carried out by the non-executive directors. In fact, the Audit Committee, after evaluating the recommendation, considered that it was not appropriate to have an autonomous opinion on a matter that is eminently management-related.
III.7.	Companies must have specialised committees for corporate governance, appointments and performance evaluation, separately or cumulatively. If the remuneration committee provided for in article 399 of the Companies Code has been set up, and this is not prohibited by law, this recommendation can be complied with by attributing to this committee competence in the said matters.	Adopted	Part 1, chapter 7.1.2. s. II.27., II.29.
IV.	Executive management		
IV.A	***Principle:*** *As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.*		
IV.B	***Principle:*** *In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.*		
IV.1.	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.	Not adopted	Part 1, chapter 7.1.2. s. II.26. REN's executive directors serve exclusively on the governing bodies of subsidiaries and companies in which REN has an interest. Thus, and despite the fact that there are no internal regulations specifically directed to executive directors on this matter, the directors' availability to perform their duties is total, ensuring at all times the pursuit of the interests of the company and the Group to its full potential.
IV.2.	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: (i) the definition of the strategy and main policies of the company; (ii) the organisation and coordination of the business structure; (iii) matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	Adopted	Part 1, chapter 7.1.2. s. II.21.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
IV.3.	In the annual report, the management body sets out in what terms the strategy and the main policies defined seek to ensure the long-term success of society and what the main contributions this will make to the wider community are.	Adopted	Chapter 5 of the 2021 Integrated Re-port, Part 2, Chapter 3.
V.	Evaluation of performance, remuneration and appointment		
V.1.	*Annual evaluation of performance* ***Principle:*** The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.		
V.1.1.	The managing body should annually evaluate its performance as well as the performance of its committees and executive directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	Adopted	Part 1, chapter 7.1.2. s. II.24.
V.2.A	*Remuneration* ***Principle:*** The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders – taking into account the wealth effectively created by the company, its financial situation and the market's – and constitute a factor of development of a culture of professionalization, sustainability, promotion of merit and transparency within the company.		
V.2.B	***Principle:*** Directors must receive compensation: (i) that adequately contributes to the responsibility assumed, availability and competence placed at the service of the society; (ii) that guarantees an operation aligned with the long-term interests of shareholders and promotes the sustainable performance of the society; and (iii) that rewards performance.		
V.2.1.	The company shall set up a remuneration committee, whose composition shall ensure its independence from the management, which may be the remuneration committee appointed under the terms of Article 399 of the Portuguese Companies Code.	Adopted	Part 1, chapter 7.1.4. s. I.66., I.67.
V.2.2.	The remuneration shall be fixed by the remuneration committee or the general meeting, on a proposal from that committee.	Adopted	Part 1, chapter 7.1.4. s. I.66.
V.2.3.	For each mandate, the remuneration committee or the general meeting, on a proposal from that committee, shall also approve the maximum amount of all compensation to be paid to the mem-ber of any body or committee of the company due to the termination of their functions, and shall dis-close such situation and amounts in the government report or remuneration report.	Adopted	Part 1, chapter 7.1.4. s. III.76. and IV.80. e V.83.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
V.2.4.	In order to provide information or clarifications to shareholders, the chair or, in case of his/ her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	Part 1, chapter 7.1.4. ss. II.67.
V.2.5.	Within the company's limited budget, the remuneration committee should be free to decide whether the company should hire the consultancy services necessary or convenient for the performance of its duties.	Adopted	Part 1, chapter 7.1.4. ss. II.67.
V.2.6.	The remuneration committee shall ensure that these services are provided independently and that the respective providers are not engaged to provide any other services to the company itself or to others in a control or group relationship with it without the express authorisation of the committee.	Adopted	Part 1, chapter 7.1.4. ss. II, 67., III.69. ss.
V.2.7.	In order to align interests between the company and the executive directors, a part of their remuneration should be of a variable nature that reflects the sustained performance of the company and does not encourage excessive risk taking.	Adopted	Part 1, chapter 7.1.4. ss. III.69., III.70., III.71.
V.2.8.	A significant part of the variable component should be partially deferred over time, for a period of not less than three years, necessarily linked to the confirmation of the sustainability of performance, as defined in the company's internal regulations.	Adopted	Part 1, chapter 7.1.4. ss. III.71., III.72.
V.2.9	When the variable remuneration comprises options or other instruments, directly or indirectly, dependent on the value of the shares, the start of the exercise period shall be deferred for a period of not less than three years.	N/A	Part 1, chapter 7.1.4. ss. III.74. The variable remuneration does not have the relevant characteristics for the application of the Recommendation
V.2.10.	The remuneration of non-executive directors should not include any component whose value depends on the performance of the company or its value.	Adopted	Part 1, chapter 7.1.4. ss. III.69. and III.60.
V.3.	***Appointments*** ***Principle:*** Regardless of the method of appointment, the profile, knowledge and curriculum of the members of the governing bodies and senior management should suit the function to be performed.		
V.3.1.	The company shall, as it deems appropriate, but in a demonstrable manner, promote that proposals for the election of members of the corporate bodies are accompanied by reasons as to whether the profile, knowledge and curriculum are appropriate to the function to be performed by each candidate.	Adopted	Part 1, chapter 7.1.2. s. II.16.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	N/A	Part 1, chapter 7.1.2. s. II.27. and 29. REN understands that the definition of senior management only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body.
V.3.3.	This committee includes a majority of independent non-executive members.	N/A/ Adopted	Part 1, Chapter 7.1.2. s., II.29. REN understands that the definition of senior management only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body. As for the Nominations and Appraisals Committee, it has three non-executive directors, two of whom are independent (one of whom acts as Chairman). Thus, the recommendation is adopted.
V.3.4.	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	N/A	REN understands that the definition of senior management[87] only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body.
VI.	**Internal control**		
	Principle: *The managing body should debate and approve the company's strategic plan and risk policy, which should include the establishment of limits on risk-taking.*		
VI.1.	The Board of Directors should discuss and approve the company's strategic plan a nd risk policy, including the setting of risk taking limits.	Adopted	Part 1, Chapter 7.1.2.s II.21. and II.24.; Chapter 7.1.3. s. III.50. ss.
VI.2.	The supervisory body should organise itself internally, implementing mechanisms and procedures of periodic control in order to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body.	Adopted	Part 1, Chapter 7.1.3. s. III.50., III.51. and III.54.

88 In accordance with the Note on the Interpretation of the IPCG Code — note 3, recommendation V.3.4 should be interpreted as referring only to the commission provided in recommendation V.3.2.

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
VI.3.	The internal control system, comprising the risk management, compliance and internal audit func-tions, must be structured in terms appropriate to the size of the company and the complexity of the risks inherent to its activity, and the supervisory body must assess it and, within the scope of its competence to supervise the effectiveness of this system, propose any adjustments that prove necessary.	Adopted	Part 1, Chapters 7.1.2. s. III.38. and 7.1.3. s. III.50. ss.
VI.4.	The supervisory body shall give an opinion on the work plans and resources allocated to the internal control system services, including risk management, compliance and internal audit functions, and may propose any adjustments that may be necessary.	Adopted	Part 1, Chapters 7.1.2. s. III.38. and 7.1.3. s. III.50.
VI.5	The supervisory body should receive reports from internal control services, including risk management, compliance and internal audit functions, at least when matters relating to the rendering of accounts, identification or resolution of conflicts of interest and the detection of potential irregularities are concerned.	Adopted	Part 1, Chapters 7.1.2. s. III.38. and 7.1.3. s. III.50.
VI.6.	Based on its risk policy, the company should establish a risk management function, identifying (i) the main risks to which it is subject in the development of its activity, (ii) the probability of their occurrence and their impact, (iii) the instruments and measures to be adopted with a view to their mitigation, and (iv) the monitoring procedures, with a view to monitoring them.	Adopted	Part 1, Chapters 7.1.3. s. III.50., III.53. and III.54.
VI.7.	The company should establish procedures for monitoring, periodic evaluation and adjustment of the internal control system, including an annual assessment of the degree of internal compliance and of the performance of that system, as well as the prospect of a change in the risk framework previously defined.	Adopted	Part 1, Chapters 7.1.2. s. III.38. and 7.1.3. s. III.50., III.53., III.54.
VII.	**Financial statements**		
VII.1.	***Financial information*** ***Principle VII.A***: The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit. ***Principle VII.B:*** The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.		
VII.1.1.	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	Adopted	Part 1, Chapter 7.1.3. ss. III.38. and III.55.
VII.2.	***Statutory audit of accounts and supervision*** ***Principle:*** The supervisory body should establish and monitor clear and transparent formal procedures on the company's their relationship with the statutory auditor as well as on the supervision of compliance, by the auditor with rules regarding independence imposed by law and professional regulations.		

Corporate Governance Code		Assessment	Reference to the Corporate Governance Report/ Comments
VII.2.1.	The supervisory body shall, in accordance with the applicable legal framework, define the supervisory procedures to ensure the statutory auditor's independence.	Not Adopted	Part 1, Chapter 7.1.2. s. III.38., V.46. The Audit Committee supervises the independence of the Statutory Auditor, particularly with regard to the render-ing of non-audit or additional services, and also his suitability for the exercise of his functions. The supervision of the independence of the Statutory Auditor is based on a regular contact with him, through which it requests him to indicate the absence of circumstances that may hinder his independence, as well as the due treatment of any in-formation that may be obtained by the Audit Committee on the matter, within the scope of its functions.
VII.2.2.	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	Adopted	Part 1, chapter 7.1.2. s. III.38., V.45.
VII.2.3.	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	Adopted	Part 1, chapter 7.1.2. s. III.38., V.45.

3. Other information

The company shall provide any additional information which, not covered by the previous points, is relevant for understanding the governance model and practices implemented.

3.1. Equality

In relation to 2022, for the purpose of paragraph q) of Article 29-H of the Securities Code, it should be highlighted that REN has in force (i) a Code of Conduct for the REN Group, which establishes a rule of equal treatment and non-discrimination, in particular, based on race, gender, age, physical disability, sexual orientation, political views or religious beliefs; (ii) a "Plan for Equal Gender Equal Treatment" applicable to the REN Group; and (iii) a Selection and Diversity Policy, which establishes the guiding principles considered by the Nominations and Appraisals Committee in the process of identifying and selecting potential candidates for the Board of Directors. In addition, REN formalised a strategic objective for the REN Group, in accordance with the ESG policy in progress, which aims to promote gender equality and according to which it is intended that 1/3 of 1st line management positions be occupied by women by 2030 (see chapter 4.6. Human capital).

REN considers diversity as a value that encourages efficiency, creativity and innovation, in selection of candidates for members of the corporate bodies, as a cross-pilar. As such, diversity has been adequately promoted in relation to qualifications and skills required for the exercise of those functions, as well as an adequate gender representation without negative discrimination of any kind.

In addition, in this respect, in 2015 REN also endorsed the commitment agreement with the Portuguese Government for gender equality in the corporate bodies of listed companies.

3.2. Relations with Stakeholders

In 2022, REN formalized its Stakeholder Relations Policy, with the aim of maintain a mutually positive relationship, with integrity and ethics with key stakeholders. This Policy lists the main principles to which REN is committed in all its activities in its relations with stakeholders.

In addition, REN conducts a stakeholder consultation every two years. The last consultation was held in 2021 and the results of this consultation have been progressively integrated into REN's sustainability strategy, as well as in the establishment of the company's communication priorities (see chapter 4.1. Stakeholder engagement and satisfaction).

3.3. Regulatory Compliance Program

With the aim of achieving excellence in preventing and combating illegal acts, namely those which may constitute the practice of crimes of money laundering, financing of terrorism, corruption and related offences, REN approved its compliance program that reflects this commitment, through the definition of fundamental principles and rules that must be complied with in this area, both by employees and stakeholders.

Within the scope of the regulatory compliance program, is included REN Group Integrity Policy, establishing the principles of action and duties of Group companies and other parties, in order to prevent the practice of illicit acts, namely crimes of corruption, money laundering and financing of terrorism, and to promote ethics, integrity and transparency in doing business, ensuring compliance with current legislation and regulations. Among other matters, in its current version, the REN Group Integrity Policy covers the priorities set out in the National Anti-Corruption Strategy.

Internal communication was also reinforced, particularly with regard to whistleblowing, namely with reminders on the intranet, in order to make employees aware of the existence of this whistleblowing mechanism. In addition, in 2022 the course that covered the topics related to Code of Conduct was revised, and now also covers the aspects and tests related to the Group's Integrity Policy, as well as, in general, the policies and procedures for the prevention of corruption.

For the same purpose, understanding and compliance mechanisms were reinforced in relation to REN employees, who, from the moment they are hired, and regardless of their contractual relationship, declare that they are aware of and fully accept the provisions of the REN Group Code of Conduct, the procedures applicable to the treatment of communications and investigation of irregularities and the REN Group Integrity Policy. The content of said regulations and policies is made available to all employees and is permanently available at REN's buildings and on its websites (internet and intranet), and is the object of regular training and testing.

Also in this regard, it is worth noting that since 2021 the powers and duties of the Corporate Governance Committee have been extended to also and expressly cover ethics issues, in particular, strengthening the management of ethics risks and monitoring the implementation of the Code of Conduct and internal rules and policies, having amended the name of the Committee to be the Ethics and Corporate Governance Committee.

3.4. Sustainability

Sustainability is one of the cornerstones of REN's strategic plan for the next three years. The company has defined a sustainability strategy aligned with the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations. The materially relevant issues for REN are identified in the section About the 2022 Integrated Report of the 2021 Report and Accounts. Transforming the defined goals into reality implies that all REN activities are guided by sustainability principles (see chapter 2.2. Commitments).

REN's Sustainability Strategy is based on four pillars: Promotion of internal well-being; Stakeholder involvement and satisfaction; Protection of the environment; and Governance and ethics. For all of them, actions are defined and implemented, as can be seen in chapter 2.1. Strategy.

Considering the objectives set out in REN's Strategic Plan, REN's Board of Directors established a governance structure for the ESG priorities, aiming at a broader organisation on the execution of an action and communication plan. In this context, a Sustainability Committee was created, whose main objective is to carry out actions within the Board of Directors related to ESG objectives and to supervise their implementation.

REN does not possess any other additional information which is relevant for understanding the governance model and practices implemented (for information about performance in this area see chapter 4. Our contribution).

Annex 1 to the governance report

Annual Report on the Remuneration of the Corporate Bodies of REN – Redes Energéticas Nacionais

trensition

A new word for the future.

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1. Presentation of the report

The Board of Directors of REN – Redes Energéticas Nacionais, SGPS, S.A. ("**REN**" or the "**Company**") approved the remuneration report for the members of the Board of Directors, the Audit Committee and the Board of the General Meeting, as well as the Statutory Auditor (that is, REN's management and supervisory bodies, for the purposes of this report defined as "Corporate Bodies") of REN, prepared under the terms and for the purposes set out in Article 26-G of the Portuguese Securities Code, with the support of the Remuneration Committee.

In the 2020 fiscal year, REN included for the first time, as an annex to the Governance Report, the Annual Remuneration Report for its Corporate Bodies. The step then taken, which continues to be strengthened each year, provides in a transparent manner the remuneration policy, its principles, criteria, operation and also provides a comparative overview of how it can be assessed in a relative manner. In summary, all the elements for a clear understanding of the philosophy that underlies it.

The remuneration policy is a privileged instrument for aligning incentives with the corporate strategy. The objectives, both for 2022 and 2023, in total compliance with the approved Plan for the 2021-2024 period, ensure the path for the global compliance of this Plan.

An additional note to mention the concern that has always existed in the preparation of the remuneration policy both with internal fairness and as well as with the creation of shareholder value.

Attention is drawn to the topic of sustainability, which is becoming increasingly acute and is emphasized in this report, as its weight will be increased in the Key Performance Indicators (KPIs) of the Executive Committee.

As it is a good market practice, including it in the remuneration policy is not only a present responsibility, but also a future commitment.

The good results achieved once again this year are largely due to the effort and commitment of all employees who, imbued with a clear purpose of continuing to position REN as a reference in its market.

A final word of thanks to everyone who has collaborated with the Board of Directors, in particular the Remuneration Committee, which has helped the Board to fulfil its mission.

2. The Remuneration Committee

Members of the Remuneration Committee in the 2021-2023 triennium

João Duque
Chairman

José Galamba de Oliveira
Member

Fernando Neves de Almeida
Member

The Remuneration Committee, which is responsible for setting the specific remuneration and for submitting a proposal to the General Meeting of a remuneration policy for members of the management and supervisory bodies.

It should be noted that, within the scope of internal committees, the Nominations and Appraisals Committee, in accordance with its regulation, is responsible for supporting the Board of Directors in the annual assessment of its executive members and for submitting the respective report to the Remuneration Committee by March of each year. The Nominations and Appraisals Committee has no powers with regard to setting the remuneration of the Board of Directors, notwithstanding the fact that the assessment made by this Committee may indirectly influence such remuneration.

The current Remuneration Committee is composed of members who are independent from management. To this extent, the Remuneration Committee does not include any member of another corporate body for which it defines the respective remuneration, and the three members in office do not have any family relationship with members of these other corporate bodies, as their spouses, relatives or kin in a direct line up to the third degree, inclusive.

Profile of the members of the Remuneration Committee

All members of the Remuneration Committee have the appropriate knowledge, acquired through their academic training and/or professional experience, to reflect, process and decide on all matters within the remit of the Remuneration Committee.

The members of the Remuneration Committee have academic training in the areas of management, except for one of its members whose specific training is in human resources management, which provides them with the necessary and appropriate theoretical knowledge to carry out their functions.

It should also be noted that the Remuneration Committee is composed of three members with vast professional experience in consultancy firms, the government, in higher education and companies, in various sectors of activity, in Portugal and abroad. In fact, all members of the Remuneration Committee have continuously performed functions as members of the management body of several national and international entities, from the most varied sectors of activity, (i) management and consultancy positions in financial regulators, and (ii) management positions in consultancies in the areas of management, technology and human resources, thus consolidating relevant and complementary practical knowledge regarding remuneration policy, performance assessment systems and related matters, and they complement each other.

External Consultants

The Remuneration Committee may, under the terms of its regulations, freely decide on the hiring, by the Company, of the consultancy services necessary or appropriate for the exercise of its functions, within the budgetary limits of the Company, ensuring that the services are provided independently and that the respective providers will not be hired to provide any other services to the Company itself or to other companies that are in a control or group relationship with it without its express authorisation.

Obligations of the Remuneration Committee

The regulation of the Remuneration Committee, approved in January 2019, is available on REN's institutional website.

The Remuneration Committee is always represented at annual General Meetings, and at the 2022 General Meeting, its Chairman, in accordance with the provisions of its regulation, was available to provide information or clarification as requested by shareholders at that Meeting and at any other meetings if the respective agenda includes a matter related to the remuneration of members of the company's bodies and committees or if such presence was requested by shareholders.

The most relevant activities carried out by the Remuneration Committee over the course of 2022, in its meetings are indicated below.

Activities	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Assessment of the 2021 KPI's of the Executive Committee (EC)				
Assessment of the members of the EC				
Definition of the 2021 variable remuneration of the EC				
Approval of the KPIs and their metrics for the 2022 assessment of the EC				
Approval of the 2022 remuneration policy				
Monitoring of the evolution of the Company's activity				
Monitoring of the evolution of the KPIs relevant for the assessment of the EC				

3. Strategy 2021–24

REN operates in a sector with tremendous challenges in energy transition, namely in the construction of hydrogen and green gas interconnections.

Generally this is an ambitious plan, approved for the 2021–24 period, based on 3 vectors:

Electrification

a) Grid expansion to accommodate energy from renewable sources;
b) Ensure a solid and resilient service; and
c) Invest in the maintenance network to optimize the respective efficiency and quality.

Modernization of the gas network

Ensure a gas network prepared to accommodate hydrogen

Organic growth in Chile

Take advantage of the momentum to capture organic opportunities

This plan will also presuppose a clear orientation towards:

- the carbon neutrality targets by 2040-2050;
- digital operations, cybersecurity and innovation;
- reinforcing gender diversity in management positions; and
- the requalification of the necessary skills for the new future that is coming.

The strategic plan further clarifies the need to continue developing unique assets that are seen as a set of distinctive skills allowing the search for new opportunities within and outside borders, thus redefining the logic of value creation in the sector.

4. Objectives for 2023

Good objective setting is recognized as a powerful management tool if it has the ability to translate the long-term strategy into short-term objectives through both financial and non-financial indicators.

In the current phase of the corporate lifecycle, it is essential to continue to develop the set of indicators that allow for an appropriate monitoring of the operationalization of the new strategic plan approved for the 2021-24 period.

In the definition of KPIs (Key Performance Indicators), in addition to monitoring the explicit goals of the strategic plan and the main resources and skills, it is important to bear in mind the ability to transform data into strategic assets in order to sustain competitive advantages, namely through innovation, with the consequent creation of value to be distributed among stakeholders.

The objectives, being a facilitator for a positioning oriented towards the sustained development/growth of the business, must also become a vehicle for communicating the strategy to all levels of the organization.

All the objectives for the assessment of the EC for the year 2023 will continue to be quantitative.

In 2023 there will be a new objective within the aggregate ESG (environmental, social and governance), called rating performance, which will assess the evolution of REN's performance in the main ESG indices, as well as its performance compared to that of the sector and its peers.

In summary, the assessment will be based on three macro clusters, financial, operational and ESG, that in view of the diversity of the objectives pursued, will be fragmented into specific objectives, in order to ensure complete alignment with the challenges set out in the strategic plan, as detailed below:

Clusters	KPI's	Weighting (%)
Financial	Average cost of debt	10
	ROIC (Return on Invested Capital)	10
	Operational cash flow	25
	Earning per share	25
Operational	Service quality	15
ESG	Health & safety	3,75
	Gender diversity	3,75
	Reduction in GHG emissions[1]	3,75
	Rating performance	3,75

[1] GHG – Greenhouse gas.

5. Remuneration Principles and Policy

Principles of the Remuneration Policy
The remuneration policy of REN follows the guidelines set out below:

a) To be simple, clear, transparent and in line with REN interest and culture;

b) To be suitable and adjusted to the size, economic conditions, nature, scope and specificity of REN's business;

c) To ensure total remuneration which is competitive and equitable and in line with the best practices in Portugal and in Europe, particularly regarding REN's peers and that, while attracting qualified professionals, induces the alignment of interests with those of shareholders, constituting a factor for the development of a culture of professionalization and to promote merit and transparency at REN;

d) To be evolutionary, but not disruptive; and

e) To incorporate a fixed remuneration component adjusted to functions, availability, competence and responsibilities of the Members of the Board of Directors.

The remuneration of the executive members of the Board of Directors is also based on the following principles:

(i) Competitiveness, taking into consideration the practice of the Portuguese market;

(ii) Based on objective, uniform, consistent, fair and balance criteria that reward performance;

(iii) Performance assessment in accordance with the duties and level of responsibility, as well as the effective performance, assumption of suitable levels of risk and compliance with rules applicable to REN's activity, taking into account the compliance with REN's strategic plan and budget, risk management, the internal functioning of the Board of Directors and the contribution of each member for this purpose, as well as the relationship between the Company's bodies and committees;

(iv) Incorporating a variable remuneration component which is reasonable overall in relation to the fixed remuneration component, without encouraging excessive risk taking;

(v) Alignment of the interests of the executive members of the Board and those of the Company, its sustainability and creation of long-term value, including by indexing medium/long-term remuneration to the evolution of REN's share price; and

(vi) Variable remuneration indexed to the effective performance of REN, measured against specific, objective and measurable goals which are in line with the interests of REN stakeholders.

Non-executive directors (including the members of the Audit Committee) earn a fixed remuneration, monthly paid and defined in line with the best practices of large companies in the Portuguese market. The remuneration policy for these members of the Board of Directors is guided by the core objective of compensating dedication and responsibility required for the performance of their functions. The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed amount.

Remuneration Policy

Fixed component
The fixed component of the remuneration is exclusively composed of the base remuneration, as there is no other remuneration or payment of any costs or allowances (e.g., travel expenses or meal allowance), without prejudice to "Other monetary and non-monetary benefits" described below. This component is paid monthly, in cash.

The Fixed Remuneration of the executive directors shall be updated according to the Consumer Price Index (CPI) whenever there has been no nominal change in relation to the Fixed Remuneration paid at the end of the previous term of office. The update according to the CPI shall be carried out provided that it has not presented negative values and is applied from the first year of the term of office in which there was no nominal change in the remuneration. That is, if in the first year of the term of office started in year t there was no change in the nominal value of the fixed remuneration compared to the fixed remuneration paid at the end of the term of office of the previous year, then the update shall follow the equation below, which will be maintained year after year until new nominal update of the fixed remuneration:

$$\textit{Fixed Remuneration}_{t+1} = \textit{Fixed Remuneration}_t * CPI_t$$

Where:

CPI_t =
Consumer Price Index for year t

Variable component
For payment purposes, the Variable Remuneration is divided into two components, each of them corresponding to 50% of the total Variable Remuneration, granted with reference to the relevant annual period, as follows:

- A short-term variable remuneration (STVR), which is awarded and paid in cash within 30 days following the annual shareholders' meeting which approves the relevant annual accounts; and

- A medium/ long term variable remuneration (MLTVR), which is awarded and paid under the terms and conditions established hereunder.

The MLTVR is attributed in remuneration units (RU), and the number of RU is calculated by dividing the value attributed to the MLTVR by the unit value of the RU.

Each RU has an initial value corresponding to the average closing price of REN shares on the Euronext Lisbon market in the 30 days prior to the date of the General Meeting approving the accounts for the respective year. This value is subsequently adjusted over time by an amount equal to the total shareholder return (TSR) of the REN shares. The number or value of RUs attributed may be subject to occasional adjustments in accordance with corporate facts/events which affect, namely, the number or nominal value of REN shares or equity.

The proportionality between the fixed and variable components and the limits on variable remuneration (namely, between a minimum of 0% and a maximum of 120% of the fixed annual remuneration, in a gradual manner, without prejudice to the evolution of the value of the RU) have the main objective of discouraging excessive risk-taking and stimulating the pursuit of an adequate risk-management strategy.

The MLTVR serves the purpose of strengthening the alignment of the interests of REN's executive directors with those of the company and shareholders, varying according to the annual performance assessment (already specified above) and according to the same matrix as the STVR, detailed below.

In addition, the MLTVR is structured to ensure the deferral of its payment in cash during a period of three years after the award date, with one third being paid each year, starting in the year following its award.

However, the right of each Executive Director to receive payment of MLTVR is subject to compliance with three principles:

1. REN's positive performance during the period in question, which means that the consolidated net position in years t+1, t+2 and t+3, excluding any extraordinary movements occurring after the end of year t, and reduced, for each year, by an amount corresponding to a 40% payout on the net income determined in the consolidated accounts for each deferral period (regardless of the effective payout), must be higher than that determined at the end of year t.

   For these purposes, are considered extraordinary movements, in the period between year t and t+3, namely, capital increases, purchase or sale of own shares, extraordinary profit distribution, annual payout different from 40% of the consolidated profit for the respective year, or other movements that, affecting the net situation, are not derived from the operating results of the Company.

   The net situation for years t+1, t+2 and t+3 must be established on the basis of the accounting rules applicable to financial year t in order to ensure comparability.

2. The Executive Director's non-compliance with any mandatory rules applicable to REN, whether legal, regulatory or internal; and

3. The non-occurrence of any termination event leading the Executive Director to cease his mandate or to terminate his professional relationship with REN, taking into consideration what is referred to below.

Termination Events

a) If any Executive Director terminates their mandate before its term of office and during an assessment period, the proportional Variable Remuneration for the economic period in which they performed their duties to which the assessment refers shall be due, except if the termination is caused by or imputable to that Executive Director;

b) If any Executive Director terminates their mandate after the end of the period to which the assessment relates, but before the date of attribution, the Variable Remuneration shall be due, except if the termination results from a Termination Event;

c) If an Executive Director terminates his professional relationship with REN due to other facts that do not qualify as a Termination Event, the termination shall not lead to the loss of the MLTVR already granted but not yet paid. REN may then agree with the Executive Director that the MLTVR will be paid upon termination of the professional relationship, in which case the positive performance condition of REN above shall be based on the company's performance up to that moment; and

d) The following events are considered as Termination Events for the purpose of this Policy: (i) termination of employment by reason of dismissal with cause of the Executive Director; and (ii) material breach or default by the Executive Director.

Without prejudice to what is stated in this report and to the provisions of the legislation applicable to this matter, there are no situations in which it is possible to request the restitution of variable remuneration already paid.

The degree of achievement of the established goals is measured through the annual performance assessment, which is based on a predefined matrix. Thus, if the achievement of objectives is below 80% (minimum performance level), no variable remuneration is awarded. On the other hand, if the achievement of objectives is between 80% and 120% or higher, the total variable remuneration attributable shall be between 20% and 120% of the fixed remuneration. In the case of objectives achieved between

100% and 119%, the percentage of fixed remuneration to be awarded as global variable remuneration is totally proportional to the level of achievement (instead of being indexed to steps).

The table below summarizes the philosophy behind the measure of achievement of the objectives:

Level of achievement of the objective	% of Fixed Remuneration to be awarded as Global Variable Remuneration
≤ 79.99%	0
80% - 89.99%	20
90% - 94.99%	40
95% - 99.99%	80
100% - 119.99%	Proportional to the level of compliance
≥120%	120

Non-executive directors
The non-executive directors (including the members of the Audit Committee) receive a fixed remuneration paid on a monthly basis and defined in line with the best practices observed in large companies, mainly in the Portuguese market.

The remuneration of non-executive directors shall be updated in accordance with the IPC whenever there has been no nominal alteration to the Fixed Remuneration paid at the end of a previous term of office and shall follow the same rules as those applicable to executive directors and already expressed.

The remuneration of non-executive members of the Board of Directors does not include the payment of any bonuses related to REN's performance, or the payment of any allowances, subsidies or benefits.

Agreements with remuneration implications
In the event of unfair dismissal or resignation by agreement of an Executive Director, no compensation, other than that legally owed, shall be due in the event of inadequate performance of that Executive Director.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the period for which he/ she was elected.

6. Remuneration of the Governing Bodies

As already noted, the remuneration of the members of the Board of Directors includes a fixed component and, in the case of the executives, a variable component decomposed into short and medium/ long term.

Fixed component
The fixed component of the remuneration is exclusively composed of the base remuneration, as there is no other remuneration or payment of any costs or allowances (e.g., travel expenses or meal allowance), without prejudice to "Other monetary and non-monetary benefits" described above, with a total annual cost of around €25,000 per director).

The fixed remuneration of the Company's executive directors corresponded, in 2022, to an annual gross amount of €392,258.48 (three hundred and ninety-two thousand two hundred and fifty-eight euros and forty-eight cents), in the case of the Chief Executive Director, and €310,750.20 (three hundred and ten thousand seven hundred and fifty euros and twenty cents), in the case of the other executive directors.

Variable component
For payment purposes, the Variable Remuneration is divided into two components, each corresponding to 50% of the total Variable Remuneration, granted by reference to the relevant annual period.

Considering the requirements and criteria applicable to the variable component of the remuneration and the value of the fixed remuneration referred to above, the maximum potential amount (gross annual value) of the variable remuneration may reach €470,710 (four hundred and seventy thousand seven hundred and ten euros), in the case of the Chief Executive Director, and €372,900 (three hundred and seventy two thousand nine hundred euros), in the case of the other executive directors, notwithstanding the evolution of the value of the remuneration units awarded, as described above. The said amount corresponds to a potential maximum value established according to maximum performance goals intended, essentially, to stimulate the management team. As mentioned, these values are dependent on the level of achievement of the objectives for a three-year mandate and on the performance evaluation to be carried out annually, as well as subject to imponderable aspects related to the sector and country conjuncture or the specificities of the business and of the company.

Non-executive directors
The non-executive directors (including the members of the Audit Committee) receive a fixed remuneration paid on a monthly basis and defined in line with the best practices observed in large companies in the Portuguese market, as described herein:

- A gross annual amount of €81,508.20 (eighty one thousand five hundred and eight euros and twenty cents) for the Vice-Chairman of the Board of Directors;

- An annual gross amount of €76,414.00 (seventy six thousand four hundred and fourteen euros) for the Chairman of the Audit Committee;
- A gross annual amount of €61,131.28 (sixty-one thousand one hundred and thirty-one euros and twenty-eight cents) for the remaining members of the Audit Committee;
- A gross annual amount of €45,000.00 (forty-five thousand euros) for the remaining non-executive directors; and
- The members of the Ethics and Corporate Governance, Nomination and Evaluation and Sustainability Committees earned the following additional remuneration (except for the Chairman and members of the Executive Committee, who do not receive any additional remuneration for performing these duties):
  (i) Chairman: €7,000.00 (seven thousand euros) per year;
  (ii) Other members: €4,500.00 (four thousand and five hundred euros) per year.

As already noted, the remuneration of non-executive members of the Board of Directors does not include the payment of any bonuses related to REN's performance, or the payment of any allowances, subsidies or benefits.

The individual and aggregate remuneration of the members of the Board of Directors paid in 2022 is detailed in the table below:

Name	Position	Fixed Rem.	Corporate Committees Rem.	Variable Short Term Rem.	Medium Term Variable Rem. for the years 2018, 2019 and 2020, paid in 2022	Total
Rodrigo Costa	Chairman of the Board of Directors and Executive Committee	392,258.48€	-	208,055.12€	272,863.96€	873,177.56€
João Faria Conceição	Executive Committee	310,750.20€	-	164,822.91€	216,164.97€	691,738.08€
Gonçalo Morais Soares	Executive Committee	310,750.20€	-	164,822.91€	216,164.97€	691,738.08€
Guangchao Zhu	Vice-Chairman of the Board of Directors	81,508.20€	-	-	-	81,508.20€
Mengrong Cheng	Board of Directors	45,000.00€	-	-	-	45,000.00€
Lequan Li	Board of Directors	45,000.00€	9,000.00€	-	-	54,000.00€
Maria Estela Barbot	Board of Directors	45,000.00€	4,500.00€	-	-	49,500.00€
Jorge Magalhães Correia	Board of Directors	45,000.00€	-	-	-	45,000.00€
José Luís Arnaut	Board of Directors	45,000.00€	6,999.96€	-	-	51,999.96€
Ana Barros[2]	Board of Directors	45,000.00€	5,125.00€	-	-	50,125.00€
Ana Pinho[2]	Board of Directors	45,000.00€	5,125.00€	-	-	50,125.00€
Manuel Sebastião	Board of Directors	76,414.00€	6,999.96€	-	-	83,413.96€
Gonçalo Gil Mata	Board of Directors	61,131.28€	-	-	-	61,131.28€
Rosa Freitas	Board of Directors	61,131.28€	4,500.00€	-	-	65,631.28€
Total		1,608,943.64€	42,249.92€	537,700.94€	705,193.90€	2,894,088.40€

[2] A remuneração da Comissão Societária integra um valor de 625€ referente a 2021.

The STVR paid in 2022 relates to the 2021 financial year.

The members of the Executive Committee were also attributed (but not paid) an additional remuneration parcel, as MLTVR referring to the financial year of 2021, set in RU, and to be paid over three years from 2023, in accordance with the terms and conditions set out in the previous chapter.

Taking into account that the REN share price on the date the MLVTR was set at 2.8785 euros, the number of RUs attributed to each member of the Executive Committee was as follows:

(i) Rodrigo Costa – 72,279.01 UR;

(ii) João Faria Conceição – 57,260 UR; and

(iii) Gonçalo Morais Soares – 57,260 UR.

The participation of members of the Board of Directors in the respective Corporate Governance Committees (excluding the Audit Committee) is also detailed:

Corporate Committees	Name
Sustainability Committee	Rodrigo Costa (Chairman)
	João Faria Conceição
	Gonçalo Morais Soares
	Ana Barros
	Ana Pinho
Ethics and Corporate Governance Committee	José Luís Arnaut (Chairman)
	Maria Estela Barbot
	Lequan Li
Nominations and Appraisals Committee	Manuel Sebastião (Chairman)
	Lequan Li
	Rosa Freitas

The KPI's of the executive members, defined on a consolidated basis, are naturally related to REN's objectives and for 2022 were as follows:

KPI's	Weighting (%)	Description
Average of debt	10	Comparison between the Group's average cost for financing and the budgeted amount
ROIC (Return on Invested Capital)	10	Comparison between the percentage of return generated by the actual invested capital and the budgeted amount
Operational cash flow	25	Comparison between the cash flow generated by the Group's operating activities and the budgeted amount
Earning per share	25	Comparison between net profit per share and the budgeted amount
Service quality	15	Performance based on network availability indicators, supply interruption and other quality of service indicators of the different Business Units, in light of the pre-established objectives
Health & safety	5	Performance based on work accident indicators in relation to previously established objectives
Gender diversity	5	Comparison with the proportion of women in management positions with the objectives previously established
Reduction of GHG[3] emissions	5	Performance based on fleet electrification indicators and on the implementation of initiatives aimed at reducing GHG emissions in relation to previously established goals

[3] GHG – Greenhouse gas.

Other sums paid for any reason

The members of REN's corporate bodies did not receive any amounts paid by other companies in a controlling or group relationship with REN, as defined in paragraph g) of no. 1 of article 2 of Decree-Law no. 158/2009, of 13 July, in accordance with the provisions of paragraph d) of no. 2 of article 26-G of the CVM.

Remuneration paid in the form of profit sharing

There were no, nor are expected any, payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

Compensation paid or due to former executive directors

In 2022, there were no amounts due or paid in the form of compensation to former executive directors for the termination of their duties during such financial year.

Remuneration of the Members of the Board of the General Meeting

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed amount with the following values:

- For the Chairman, an amount of €15,000.00 (fifteen thousand euros);
- For the Vice-Chairman, an amount of €5,000.00 (five thousand euros);
- For the Secretary, an amount of €3,000.00 (three thousand euros).

Remuneration of the Statutory Auditor

The remuneration of the Statutory Auditor, proposed by the Audit Committee, is defined taking into account the criteria and remuneration practices for this type of service under normal market conditions and is not related to REN's performance.

Other Benefits

During 2022, the executive directors were provided with the use of a vehicle to perform their duties, as well as health insurance, life insurance and personal accident insurance for the performance of their functions. The value of these benefits is estimated to be around 25 thousand euros/ director.

Agreements with remuneration implications

There are no agreements between REN and the members of the management body or officers (in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014) that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company.

Plans to allocate shares or stock options

There are no variable remuneration programmes or plans that consist of the awarding of shares, options to acquire shares or other incentive scheme based on a variation of the price of shares, notwithstanding the method for calculating the medium/long-term variable remuneration (MLTVR) for members of the management or supervisory bodies or officers, in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

Retirement Benefits or equivalent

There is no retirement benefit system for the members of the management or supervisory bodies (or officers, in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014).

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, members of the management body of the Company have not entered into agreements either with the Company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

Control mechanisms available in a possible scheme for employee participation in the share capital

There are no schemes for employee participation in the Company's share capital.

7. Alignment of remuneration with the Remuneration Policy

The principles

In accordance with the principles established in point 5, the "(...) total remuneration must be competitive and equitable and in line with the best practices in Portugal and in Europe, (...) based on objective criteria that reward performance, (...) incorporating a reasonable variable component in relation to the fixed component, without encouraging excessive risk-taking and, (...) fostering the alignment of the executive members' interests with those of the Company".

The market study conducted in late 2020, by a well-known international entity, with 77 companies in the national market and 385 in the European market, from various sectors of activity, and which is detailed in the 2020 and 2021 Compensation Reports, and is still valid, in view of the stability of the salary policy, showed that in relation to:

Executive Members

The remuneration policy followed by REN has a conservative profile compared to European executives, with the respective remunerations corresponding to values below the median for functions at comparable companies, although they are more aligned with the value of equivalent functions on the national market.

This study also corroborated the alignment of the REN compensation model, based on three factors, one fixed, another short-term variable and a third medium and long-term variable, with that of most comparable companies. However, at REN, the relative importance of each of the three components showed better alignment with what is happening in the European market compared to the national market. In the last market, on average the importance of the fixed component is superior than the two variable components, which is not the case at REN or at most comparable European companies.

Non-executive members
The remuneration of these elements has only a fixed component and in the case of REN it is noted that within this group of non-executives the remuneration of the Vice-Chairman and the Audit Committee are more aligned, in comparison to peers in Portugal, than that of the other members.

Still in relation to the "Principles", the Variable Remuneration is determined based on objective and measurable criteria, based on eight KPI's, duly detailed in the previous section, and including i) financial ii) operational and iii) ESG aggregates.

In turn, the proportionality between the fixed and variable components and the limits on variable remuneration (that is, between a minimum of 0% and a maximum of 120% of the fixed annual remuneration, in a gradual manner, without prejudice to the evolution of the value of the RU) discourages excessive risk-taking, while encouraging the pursuit of an appropriate risk management strategy.

Finally, it should also be mentioned that the MLTVR brings the interests of the executive directors closer to the long-term interests of REN, deferring payment over three years and also making its payment conditional on the future sustainability of the Company. In addition, it also contributes towards aligning the interests of executive directors with those of shareholders, given that the value of this component, through the UR attributed, evolves over time in an amount equal to the total shareholder return (TSR) of REN shares.

Remuneration Policy
As mentioned, the remuneration of non-executive directors (including the members of the Audit Committee) was composed exclusively of a fixed component, thus not depending on the performance or value of REN, thus meeting the recommendations applicable to this matter.

The remuneration structure for executive directors included a fixed component and a variable component, with an adequate proportionality between the two components.

It should be noted that the performance assessment of the executive directors was carried out by the Remuneration Committee, based on the opinion of the major shareholders of the Company, as well as of the non-executive directors, and also taking into consideration the report prepared by the Appointments and Assessment Committee. The Audit Committee also validated the results that served as reference to the quantitative evaluation process.

If the performance assessment of the executive body takes into consideration the fulfilment of the KPIs defined annually, that of its individual members takes into account the contribution of each one:

(i) in the execution of the Company's strategic plan and budget;

(ii) in the internal performance of the respective units;

(iii) in their role in good articulation between organs of company; and

(iv) on the role of the desired culture, sustainability and "work life balance" in the respective areas.

In short, the value of the variable remuneration proposed by the Remuneration Committee to the shareholders depends on the individual assessment of each executive member and also on the respective alignment with the results achieved. Furthermore, the individual performance assessment of an Executive Director will only be taken into account when negative, in which case the variable remuneration will not be awarded to that Executive Director.

In 2022, the Short Term Incentive Plan paid and the MLTVR awarded took into consideration the respective degree of achievement of the objectives of 107.0%, which, according to the respective matrix (see point 5) corresponds, for this level of achievement of objectives between 100% and 120%, to an equivalent variable remuneration based on the fixed annual remuneration.

Each of the variable remuneration components (short-term and long-term) corresponded to 50% of the total variable remuneration awarded, with reference to the respective annual period.

It should also be noted that payment of the short-term variable component only occurred after approval of the accounts, and payment of the medium and long-term component only after compliance with all the conditions and requirements established in the respective policy, explained in the chapter on Remuneration Principles and Policy.

In short, as has been shown, there was no departure from either the Principles or the Remuneration Policy, nor were any derogations applied.

8. Changes in remuneration and employment

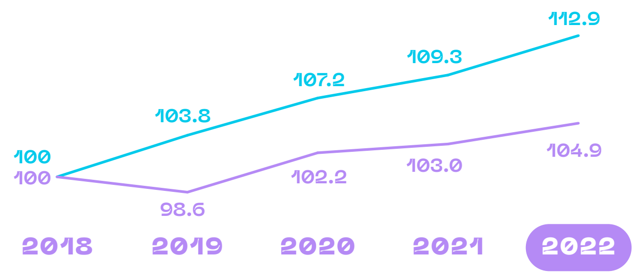
The remuneration policy has been conducted in such a way that ensures a balance between the Company's Corporate Bodies and employees, taking into consideration the variations in the salary mass paid by the Board of directors and the evolution in the remuneration of the employees over the last 5 years.

Employees (excluding OS)	2018	2019	2020	2021	2022
Salary mass[4] (€)	33,211,182	33,955,756	34,546,294	35,049,549	36,338,682
Variation (compared to 2018)	–	2.2%	4.0%	5.5%	9.4%
Average salary increases (compared to 2018)	–	3.8%	7.2%	9.3%	12.9%

BoD	2018	2019	2020	2021	2022
Salary mass allocated to BoD[5] (€) (compared to 2018)	2,598,051	2,562,756	2,654,618	2,677,140	2,726,595
Variation (compared to 2018)	–	-1.4%	2.2%	3.0%	4.9%

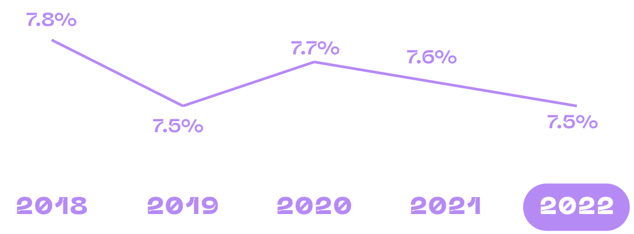
However, it should be noted that as the Company has been rejuvenating its staff, replacing senior employees with more junior ones, the respective average cost naturally decreases. It is therefore relevant to analyse not only the evolution of the respective wage bill but also the average increases agreed by the Company over the five years under review, with variations in BoD costs.

Evolution of compensation awarded[6] to BoD *vs.* evolution of average compound increases for employees (2018 = 100)



Comparing the importance of the total remuneration attributed to the BoD in relation to the employees' payroll, we can also see that the values have remained stable over the last five years, with a tendency to decrease.

Compensation attributed[6] to the BoD vis-à-vis the employees



[4] Excluding SS and other personnel costs.
[5] Salary mass attributed excluding SS and other personnel costs.
[6] The compensation attributed to the BoD, each year, does not take into account the evolution of the MLTVR as a function of the TSR.

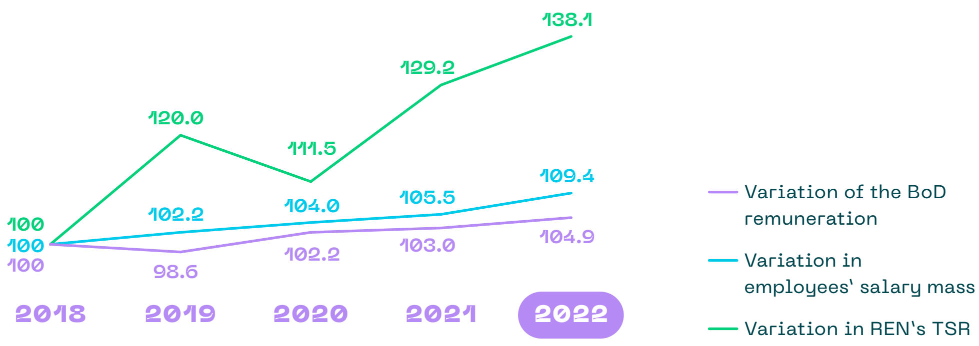
As already mentioned, REN has also been implementing a policy to rejuvenate its workforce which, in addition to improving the average remuneration of employees who remain, has enabled it to play an active role in the creation of quality employment in Portugal, absorbing in the national labour market a net stock of employees of more than 13% compared to its starting workforce in 2018, as shown below:

Employment creation	2018	2019	2020	2021	2022
Employees on January 1[7, 8]	683	687	684	697	701
Retired employees[9]	9	9	15	10	12
Employees on December 31[7]	687	684	697	701	719
Employment creation[10]	13	6	28	14	30
Cumulative employment creation	13	19	47	61	91

9. Sustainability of the Remuneration Policy

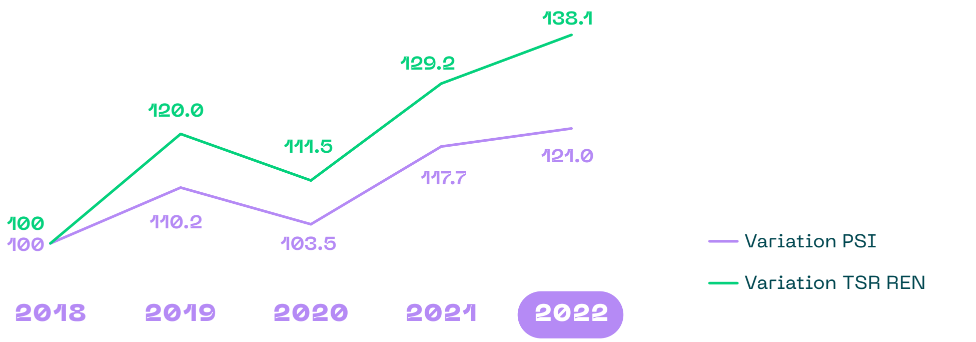
Analysing both the variation in total compensation attributed, in each year, to the BoD and the variation in the salary mass of employees with TSR (total shareholder return), we can see that the evolution of those components is fully justified by the value creation of the Company during the period under analysis.

Evolution of compensation attributed[11] to the BoD and employee salaries vs REN's TSR (2018 = 100)



It is also worth highlighting REN's capacity to create value for shareholders, measured by TSR, when compared with the performance of the main national stock market index – PSI.

Evolution of REN's TSR *vs.* the PSI index (2018 = 100)



7 Does not include interns.
8 Does not include employees who start working on that day.
9 Besides retirees, it includes pre-retirees and other comparable situations.
10 Employment creation in a broad sense: number of absorbed labour market elements (net balance of headcount + retirees).
11 The compensation attributed to the BoD, each year, does not take into account the evolution of the MLTVR as a function of the TSR.

From what has been explained, it may be concluded that the remuneration policy has contributed towards the Company's business strategy, its long-term interests and, consequently, its future sustainability.

What we do to ensure sustainability

- Variable remuneration dependent on objectives.
- Objectives linked to the Strategic Plan.
- Objectives include sustainability KPIs.
- 50% of variable remuneration is deferred over time.
- Malus clause in the long-term variable remuneration.
- Long-term variable remuneration in line with the creation of shareholder value.
- Variable remuneration limited to 120% of fixed remuneration.
- Remuneration policy following the best market practices.
- Balance in the evolution of the salary mass of the BoD compared to that of employees.
- Moderation in the weight of the salary mass of the BoD *vis-à-vis* that of employees.
- Regular benchmark on remuneration policies.

What we do not to ensure sustainability

- Non-existence of discretionary variable remuneration.
- Non-existence of contracts aiming to guarantee remuneration.
- Non-existence of objectives that promote excessive risk taking.
- Non-existence of advance payments of future remuneration.

A final note to mention that the ESG dimension is not new for REN, as it is increasingly present. As mentioned above in the section on Objectives for 2023, the Company has already considered ESG KPIs in the previous years that fit into an ESG vision. Nevertheless, there is a growing awareness that Corporate Social Responsibility is a priority for companies committed to the communities where they operate. it is also crucial to achieve a green recovery that promotes sustainable economic growth, accelerating the transition towards decarbonised societies. In this sense, ESG criteria, which include indicators related to the environment, the society and corporate governance are essential when making investments that are more responsible with the planet.

And, for REN, it is clear that thinking ESG in a systematic and integrated way additionally increases the potential for value creation through:

1. Operating efficiency compared to the benchmark
ESG practices help to reduce operational costs by improving resource efficiency and consequently financial performance.

2. Constructive relations with Regulators and Grantors
Sound ESG practices help to reduce the risk of adverse policies by national authorities.

3. Increased productivity
Appropriate ESG proposals help in attracting and retaining talent, in addition to improving employee motivation through a sense of purpose. The positive correlation between employee satisfaction and shareholder return being peaceful, the positive impact of ESG on productivity can be concluded.

4. Asset and investment optimization
A robust ESG proposal can improve return on investment by allocating capital to more promising and sustainable opportunities, particularly in regulated sectors.

It is also for these reasons that the Company's Objectives for 2023 include four KPIs from this ESG dimension, out of a total of nine.

10. Alignment of the General Meeting with the Remuneration Policy

On April 28, 2022, the Remuneration Committee's proposal on the remuneration policy of the members of the governing bodies for 2021 and the one they intend to adopt in 2022 was approved by a majority of 99.98% at the Annual General Meeting.

The level of approval obtained over the years for both the Remuneration Committee's statement on the remuneration policies for members of the Corporate Bodies, as well as the Remuneration Policy, proves that the remuneration policy designed and presented by the Remuneration

Committee has earned the consensus of its shareholders, taking into account the percentage of approval obtained and expressed in the table below, which is adequate in a perspective of creating sustained value for stakeholders.

GSM voting regarding the Proposal on the Remuneration Policy of the MGB

Date of GSM	In favor	Against
28 April 2022	99,98%	0,02%
24 April 2021	98,36%	1,64%
7 May 2020	99,61%	0,39%
3 May 2019	99,80%	0,20%
3 May 2018	99,88%	0,12%
11 May 2017	99,25%	0,75%
13 April 2016	99,73%	0,27%

11. Conclusion

The Remuneration Committees, in general, face today a considerable number of challenges often expressed through General Meetings and even the media. The value of their respective remuneration, the clarity of the relationship between compensation and performance, among others, are issues discussed outside the narrower scope of the Remuneration Committees.

The vectors of REN's compensation policy, set out in detail throughout this report, are based on clear principles that ensure both the transparency and intelligibility of the model.

Prior clarification of the role of each member of the Board of Directors is an important element in defining this policy. Additionally, the awareness that compensation, although very relevant, is only one of the elements that influence the behaviour of the executive members, via variable remuneration, and that other aspects such as career and individual satisfaction of success should not be neglected.

The weight of the remuneration of the Board of Directors in relation to that of the employees reaches a low percentage.

REN's model, foreseeing a relationship between performance and compensation, seeks to guarantee that the pursuit of KPIs depends, as far as possible, on the direct action of the respective executive members.

There is a concern for alignment between executive remuneration and the creation of shareholder value, without prejudice to the understanding that this analysis should be relative, since the evolution of the share price depends on several other forces exogenous to the company.

The Company's compensation model bears in mind that there is a specific market for executives and that their attraction/ retention presupposes alignment with this same market.

The remuneration of the executive members has incorporated the risk associated to compliance with KPIs, and may fluctuate positively or negatively over the years.

The Remuneration Committee, besides being composed of independent members, has the full power to propose to the shareholders the respective remuneration policy for the governing bodies and any revisions thereof. However, as the independent members that they are, they have to ensure the monitoring of the activity, meeting regularly throughout the year with members of the Board of Directors, as well as being able to use the support of external consultants whenever they consider appropriate.

The Remuneration Committee, as the body responsible for designing the compensation plan, has been able to guarantee, over time, full alignment with shareholders, which is reflected in the almost unanimous votes in the General Meeting regarding the sanctioning of this policy.

In short, REN's compensation model, as shown, respects all the good practices instituted by Corporate Governance bodies in the vectors of:

- Transparency of compensation amounts and their business context;
- Independence of the body responsible for defining the compensation policy;
- Alignment with shareholders;
- Objectives adjusted to the strategic plan, guaranteeing medium and long-term sustainability; and
- Executive accountability in the medium and long term, namely through the malus clause.

Annex 2 to the governance report

trensition

A new word
for the future.

List of holders of qualified shareholdings

[article 8.°, no. 1, paragraph b) of the CMVM Regulation no. 5/2008]

In accordance with the provisions of article 20 of the Portuguese Securities Code, with reference to 31 December 2022 and according to the information provided by shareholders and/or managers, the qualified shareholdings to whom voting rights are attributable corresponding to at least 5% of the voting rights attached to the share capital of REN are as follows:

	No. of shares	Voting rights %
State Grid Corporation of China (through State Grid Europe Limited (SGEL), controlled by State Grid International Development Limited (SGID), which is controlled by State Grid Corporation of China)	166,797,815	25.0
Pontegadea Inversiones S.L.	80,100,000	12.0
Lazard Asset Management LLC (shares held on behalf of Clients, and imputable to it for having agreed with them to exercise the respective voting rights)	49,568,307	7.4
Fidelidade – Companhia de Seguros, S.A. (includes 119,889 shares held by Via Directa, 37,537 shares held by CPR, 98,732 held by Fidelidade Assistência and 63,470 held by Multicare)	35,496,424	5.32
Red Eléctrica Corporatión, S.A. (through Red Eléctrica Internacional, S.A.U.)	33,359,563	5,0

List of shares and bonds covered by numbers 1 and 2 of article 447 of the Portuguese Companies Code

The list of shares and bonds held, as well as transactions made, by members of the management and supervisory bodies, and the persons referred to in article 447(2) of the Portuguese Companies Code, is provided in section II.8 of the Corporate Governance Report.

We renew our approach to change

We approach a constantly changing Future
in which we can act as agents for positive change.

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A new word
for the future.

Annexes

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Annex 1. Legislation on energy published in 2022

1.1. Electricity

Regulation (EU) 2022/2577 of the Council of 22 December
Establishes arrangements to speed up the introduction of renewable energies.

ERSE Directive 23/2022 of 13 December
Approves the Manual for Overall Management of the Electricity Sector.

Decree-Law 84/2022 of 9 December
Sets targets for the consumption of energy from renewable sources and partially incorporates Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources into Portuguese law.

Order 14064/2022 of 6 December
Approves the schedule for the installation of smart meters and their integration into the smart grid infrastructures.

Commission Implementing Regulation (EU) 2022/2299 of 15 November
Establishes rules implementing Regulation (EU) 2018/1999 of the European Parliament and of the Council with regard to the structure, format, technical details and process applicable to integrated national energy and climate progress reports.

Rectification Declaration 29/2022 of 15 November
Rectifies Resolution of the Council of Ministers 82/2022, which defines the preventive measures to address the current situation and possible future disruptions, always with a view to ensuring the security of energy supply.

Decree-Law 72/2022 of 19 October
Amends the exceptional measures to implement projects to produce and store energy from renewable sources.

Resolution of the Council of Ministers 87/2022 of 4 October
Establishes support measures for companies in the face of rising energy prices.

Ministerial Order 248/2022 of 29 September
Regulates the model for the transfer of ownership and possession of land of the concessionary entity of the National Electricity Transmission Grid assigned to the power generating centres that supply the public service electricity system, later reorganised as the National Electricity System.

Resolution of the Council of Ministers 82/2022 of 27 September
Defines the preventive measures to address the current situation and possible future disruptions, always with a view to ensuring the security of energy supply.

ERSE Directive 21/2022 of 26 September
Approves the update of the energy tariff for the electricity sector to be in force from 1 October 2022.

IERSE Instruction 6/2022 of 16 August
Establishes an exceptional and temporary mechanism to adjust the electricity production costs in the scope of the Iberian Electricity Market (MIBEL).

Order 9838/2022 of 9 August
Defines the parameter corresponding to the impact of off-market measures and events registered within the European Union on average electricity wholesale market prices in Portugal, to be applied between 1 July and 31 December 2022.

ERSE Directive 18/2022 of 11 July
Approves the extraordinary amendment in the scope of risk and guarantee management in the National Electricity System.

ERSE Directive 17/2022 of 6 July
Approves the tariffs and prices for electrical energy from July to December in 2022.

ERSE Directive 13-A/2022 of 21 June
Approves the implementation of the exceptional mechanism to adjust electricity generation costs.

DGEG Order 15/2022 of 2 June
Defines the technical rules and procedures to ensure the correct sizing and carrying out of inspections applicable to collective electrical facilities with associated UPACs (self-consumption production units).

Regulation (EU) 2022/869 of the European Parliament and of the Council of 30 May
On guidelines for trans-European energy infrastructure, amending Regulations (EC) 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/ EC and (EU) 2019/944 and repealing Regulation (EU) 347/2013.

Decree-Law 36/2022 of 20 May
Establishes exceptional and temporary arrangements in the context of price increases impacting public procurement.

Directive 12/2022 of 19 May
Approves the general conditions of contracts for the use of networks for self-consumption through the RESP (Public Service Electricity Network).

Commission Recommendation (EU) 2022/822 of 18 May
On speeding up permit granting procedures for renewable energy projects and facilitating power purchase agreements.

Directive 11/2022 of 14 May
Approves the reporting obligations under the cost adjustment mechanism in the Iberian Electricity Market.

Decree-Law 33/2022 of 14 May
Provides for exceptional and temporary arrangements to fix prices in the MIBEL, by setting a reference price for natural gas consumed in the production of electricity traded in the MIBEL, to reduce those prices.

Order 05/2022, corrected version 21 April
Defines the specific procedures for licensing interconnection infrastructures in private service.

Directive 10/2022 of 19 April
Approves the extension of the supplementary supply under Regulation 951/2021 of 2 November. This regulation provides for extraordinary measures to mitigate the impact of the historic maximum prices recorded in the Iberian wholesale electricity and gas market.

Decree-Law 30-A/2022 of 18 April
Approves exceptional measures to ensure the simplification of procedures for producing energy from renewable sources.

ERSE Directive 8/2022 of 11 April
Approves the update of the energy tariff for the electricity sector to be in force from 1 April 2022.

ERSE Directive 6/2022 of 25 February
Approves the general conditions of the agreements for the use of networks for self-consumption through the public network.

Decree-Law 15/2022 of 14 January
Establishes the organisation and functioning of the National Electricity System, incorporating into Portuguese law (i) Directive (EU) 2019/944 on common rules for the internal electricity market, and (ii) Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources.

ERSE Directive 3/2022 of 7 January
Approves the tariffs and prices for electrical energy and other services in -2025.

1.2. Gas

Directive 27/2022 of 26 December
Approves the General Conditions of the Contract for Use of Underground Storage and repeals Order 24145/2007 of 22 August.

Directive 26/2022 of 23 December
Approves the General Conditions of the Contract for Use of Gas Distribution Networks and repeals Order 3/2011 of 7 October.

Directive 25/2022 of 23 December
Approves the General Conditions of the Contract for Use of the Liquefied Natural Gas Terminal and repeals Order 24 145/2007 of 22 October.

Directive 24/2022 of 23 December
Approves the General Conditions of the Contract for Use of the Natural Gas Transport Network and repeals Order 3/2011 of 7 October.

Regulation (EU) 2022/2578 of the Council of 22 May
Creates a market correction mechanism to protect EU citizens and the economy from excessively high prices.

Regulation (EU) 2022/2576 of the Council of 19 December
On strengthening solidarity through better coordination of gas purchases, reliable price reference indices and cross-border gas transfers.

Decree-Law 84-D/2022 of 9 December
Approves the creation of the transitional arrangements to stabilise gas prices for legal entities with a consumption of more than 10,000 m^3.

Decree-Law 78-A/2022 of 15 November
Reinforces the incentive system "Support for Gas Intensive Industries", creates a financing line for the social sector and regulates the payment of extraordinary support to those receiving social benefits and income.

Decree-Law 70/2022 of 14 October
Creates a strategic natural gas reserve belonging to the Portuguese State and establishes extraordinary and temporary measures for reporting information and ensuring the security of gas supply.

Regulation (EU) 2022/1854 of the Council of 6 October
On emergency intervention to deal with high energy prices.

Decree-Law 57-B/2022 of 6 September
Allows the return of end customers with annual consumption of 10,000 m^3 or less to the regulated tariff system for the sale of natural gas.

Regulation (EU) 2022/1369 of the Council of 5 August
On coordinated measures to reduce the demand for gas.

Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June
Amends Regulations (EU) 2017/1938 and (EC) 715/2019 with regard to gas storage.

ERSE Directive 15/2022 of 28 June
Approves the gas tariffs and prices for the 2022-2023 gas year.

ERSE Directive 14/2022 of 27 June
Approves the update of the energy tariff for the gas to be in force from 1 July 2022.

ERSE Directive 13/2022 of 8 June
Approves the first amendment to the Procedures Manual for the Overall Technical Management of the National Gas System, approved by Directive 9/2021 of 12 May.

Regulation (EU) 2022/869 of the European Parliament and of the Council of 30 May
On guidelines for trans-European energy infrastructure, amending Regulations (EC) 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944 and repealing Regulation (EU) 347/2013.

Decree-Law 30-B/2022 of 18 April
Approves the incentive system "Supporting Gas-intensive Industries".

ERSE Directive 9/2022 of 11 April
Approves the update of the energy tariff for the gas to be in force from 1 April 2022.

Order 4049/2022 of 7 April
Establishes the discount to be applied in natural gas network access tariffs.

Ministerial Order 98-A/2022 of 18 February
Approves the Regulations on the Incentive System to Support the Production of Renewable Hydrogen and Other Renewable Gases.

Regulation 806-B/2022 of 19 January
Establishes the Regulations on the National Gas Distribution Network.

Regulation 806-C/2022 of 19 January
Establishes the Regulations on the National Gas Transport Network.

Annex 2: GRI table

Statement of use
REN has reported in accordance with the GRI Standards for the period of 1 January 2022 and 31 December 2022.

GRI 1 used
GRI 1: Foundation 2021.

Applicable GRI sector standard
GRI 11: Oil and Gas Sector 2021.

GRI Standard	Location	Omission			GRI sector standard ref. no.
		Requirements omitted	Reason	Explanation	
GRI 2: General disclosures 2021					
2-1 Organizational details	REN — Redes Energéticas Nacionais, SGPS, S.A.	–	–	–	–
2-2 Entities included in the organization's sustainability reporting	About the report	–	–	–	–
2-3 Reporting period, frequency and contact point	About the report	–	–	–	–
2-4 Restatements of information	About the report	–	–	–	–
2-5 External assurance	About the report	–	–	–	–
2-6 Activities, value chain and other business relationships	1. Our activity 4.3. Supply chain management	–	–	–	–
2-7 Employees	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme REN has three part-time female employees.	b. iii. non-guaranteed hours employees, and a breakdown by gender and by region.	Not applicable	REN does not have employees without a guaranteed workload.	–

GRI Standard	Location	Omission: Requirements omitted	Reason	Explanation	GRI sector standard ref. no.
2-8 Workers who are not employees	No of FTE: 1,328	a. i. most common types of worker and their contractual relationship. a. ii. type of work performed. b. Describe the methodologies and assumptions used to compile the data. c. Describe significant fluctuations in the number of workers who are not employees.	Information unavailable/ incomplete	Information not available as workers who are not employees are managed at the level of the areas responsible for hiring.	–
2-9 Governance structure and composition	3.1. Governance structure III- Corporate Governance Report	–	–	–	–
2-10 Nomination and selection of the highest governance body	III- Corporate Governance Report	–	–	–	–
2-11 Chair of the highest governance body	3.1. Governance structure III- Corporate Governance Report	–	–	–	–
2-12 Role of the highest governance body in overseeing the management of impacts	3.1. Governance structure – Sustainability governance III- Corporate Governance Report	–	–	–	–
2-13 Delegation of responsibility for managing impacts	3.1 Governance structure – Sustainability governance III- Corporate Governance Report	–	–	–	–
2-14 Role of the highest governance body in sustainability reporting	3.1. Governance structure – Sustainability governance	–	–	–	–
2-15 Conflicts of interest	3.3. Ethical culture and fight against corruption – Prevention of situations of conflicts of interests	–	–	–	–
2-16 Communication of critical concerns	The Board of Directors of REN SGPS (holding company) meets periodically throughout the year. At all meetings, the Executive Committee addresses, presents, informs and proposes for decision the most critical issues and the following agenda items are typically addressed: general information, normally from the CEO, on issues relevant to the company, the sector, the country and the markets, presentation, normally by the CFO and COO, on the key indicators which include presentation on the major risks and control, health, safety and environment status, as well as a detailed presentation of management notes and report control by the members of the Executive Committee and front line directors of the relevant areas in each topic.	–	–	–	–

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
2-17 Collective knowledge of the highest governance body	3.1. Governance structure – Sustainability governance III – Corporate Governance Report	–	–	–	–
2-18 Evaluation of the performance of the highest governance body	3.1. Governance structure – Remuneration policy III – Corporate Governance Report	–	–	–	–
2-19 Remuneration policies	3.1. Governance structure – Remuneration policy III – Corporate Governance Report	–	–	–	–
2-20 Process to determine remuneration	3.1. Governance structure – Remuneration policy III – Corporate Governance Report	–	–	–	–
2-21 Annual total compensation ratio	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme	–	–	–	–
2-22 Statement on sustainable development strategy	Message from the Chairman	–	–	–	–
2-23 Policy commitments	3.3. Ethical culture and fight against corruption REN's website – Codes and principles	–	–	–	–
2-24 Embedding policy commitments	3.3. Ethical culture and fight against corruption – Governance	–	–	–	–
2-25 Processes to remediate negative impacts	2.3. Risk management – Main risks and opportunities 4.1. Stakeholder engagement and satisfaction – Engagement with the community 4.7. Natural capital	–	–	–	–
2-26 Mechanisms for seeking advice and raising concerns	3.3 Ethical culture and fight against corruption – Communication of irregularities	–	–	–	–
2-27 Compliance with laws and regulations	REN's website – Audit Committee – Activity Report In 2022, there were 0 new environmental administrative offence proceedings; 1 proceeding was concluded; 15 proceedings were transferred from previous years. Amount paid in fines: 0 euros.	–	–	–	–
2-28 Membership associations	4.4. Innovation and development	–	–	–	–
2-29 Approach to stakeholder engagement	4.1. Stakeholder engagement and satisfaction	–	–	–	–
2-30 Collective bargaining agreements	4.6. Human capital – Social dialogue and benefits	–	–	–	–

GRI Standard	Location	Omission			GRI sector standard ref. no.
		Requirements omitted	Reason	Explanation	
GRI 3: Material topics 2021					
3-1 Process to determine material topics	4.1. Stakeholder engagement and satisfaction – Stakeholder consultation process REN's website – Stakeholder engagement	–	–	–	–
3-2 List of material topics	About the report	–	–	–	–
Energy efficiency					
3-3 Management of material topics	4.7. Natural capital — Decarbonization and energy transition REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 302-1 to 302-5.	–	–	–	11.1.1 11.2.1
Biodiversity					
3-3 Management of material topics	4.7. Natural capital — Biodiversity protection REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 304-1 to 304-4.	–	–	–	11.4.1
Environmental policy					
3-3 Management of material topics	4.5. Communities — Social responsibility and sustainable communities 4.7. Natural capital	–	–	–	–
Corporate governance					
3-3 Management of material topics	3.1. Governance structure REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 2-9 to 2-20.	–	–	–	–
Ethics and conduct					
3-3 Management of material topics	3.3. Ethical culture and fight against corruption REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 2-23 to 2-27 and 205-1 to 205-3.	–	–	–	–

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
Risk and crisis management					
3-3 Management of material topics	2.3. Risk management REN monitors the information associated with this topic and reports it annually, namely through GRI indicator 2-25.	–	–	–	–
Stakeholder engagement					
3-3 Management of material topics	4.1. Stakeholder engagement and satisfaction REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 2-29 and 3-1.	–	–	–	–
Anti-corruption					
3-3 Management of material topics	3.3. Ethical culture and fight against corruption 2.1. Strategy REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 205-1 to 205-3.	–	–	–	11.20.1
Employee satisfaction and welfare					
3-3 Management of material topics	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme 4.6. Human capital – Social dialogue and benefits REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 2-29, 2-30, 401-2 and 403-1 to 403-10.	–	–	–	11.9.1
Respect for human rights					
3-3 Management of material topics	4.3. Supply chain management — Responsible management of the supply chain REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 2-23 and 410-1.	–	–	–	11.12.1

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
Retention and development of human capital					
3-3 Management of material topics	4.6. Human capital – Talent management 4.6. Human capital – Performance management 4.6. Human capital – Training and development REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 2-7, 2-30, 202-1, 401-1. 401-3, 404-1 to 404-3, 407-1 408-1 and 409-1.	–	–	–	11.10.1 11.13.1
Diversity and equal opportunities					
3-3 Management of material topics	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 2-21, 405-1, 405-2 and 406-1.	–	–	–	11.11.1
Support for local communities					
3-3 Management of material topics	4.5. Communities REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: 413-1, 413-2, 203-1 and 203-2.	–	–	–	11.15.1
Innovation, research and technology					
3-3 Management of material topics	4.4. Innovation and development	–	–	–	–
Integration of energy markets					
3-3 Management of material topics	1. Our activity	–	–	–	–
Integration of renewable energies					
3-3 Management of material topics	4.7. Natural capital – Decarbonization and energy transition REN monitors the information associated with this topic and reports it annually.	–	–	–	11.1.1 11.2.1

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
Quality of information on service					
3-3 Management of material topics	1. Our activity REN monitors the information associated with this topic and reports it annually, namely through GRI indicators: GRI: 416-1 and 416-2.	–	–	–	–
Topic specific					
GRI 201: Economic performance 2016					
201-1 Direct economic value generated and distributed	Economic value generted: 671.3 M€ ● Revenues: 588.2 M€ ● Others: 83.1 M€ Economic value distributed: 408.7 M€ ● Employees: 58.5 M€ ● Suppliers: 97.0 M€ ● Shareholders: 102.1 M€ ● Financial sector: 67.4 M€ ● Community: 0.4 M€ ● Government: 83.3 M€ Economic value retained: 262.6 M€	–	–	–	–
201-2 Financial implications and other risks and opportunities due to climate change	2.3. Risk management 4.7. Natural capital – Decarbonization and energy transition	–	–	–	11.2.2
201-3 Defined benefit plan obligations and other retirement plans	Pension plan: 7,122,736 euros Medical assistance plan: 360,151 euros	–	–	–	–
201-4 Financial assistance received from government	1,082,272 euros	–	–	–	–
GRI 202: Market presence 2016					
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	The lowest salaries paid by REN are in line with and/or higher than the average cost of living in Portugal, according to Eurostat data, marker "fairly easily able to make ends meet". The lowest salary paid at REN was 1,000€ for men and 1,120€ for women, corresponding respectively to ratios of 1.42 and 1.59 in relation to the national minimum wage (705€).	–	–	–	–
GRI 203: Indirect economic impacts 2016					
203-1 Infrastructure investments and services supported	4.5. Communities – Support for local communities	–	–	–	–

GRI Standard	Location	Omission: Requirements omitted	Reason	Explanation	GRI sector standard ref. no.
203-2 Significant indirect economic impacts	4.5. Communities – Social responsibility and sustainable communities 4.7. Natural capital – Biodiversity protection	–	–	–	–
GRI 204: Procurement practices 2016					
204-1 Proportion of spending on local suppliers	4.3. Supply chain management — Characterization of purchases Local suppliers means national suppliers.	–	–	–	–
GRI 205: Anti-corruption 2016					
205-1 Operations assessed for risks related to corruption	2.3. Risk management	–	–	–	11.20.2
205-2 Communication and training about anti-corruption policies and procedures	3.3. Ethical culture and fight against corruption — Training and awareness 100%. Training available to all employees, through various training courses addressing this issue, including training on "Ethics, Code of Conduct and Prevention of Corruption Risks", "REN Sustainability" and "REN Cybersecurity".	–	–	–	11.20.3
205-3 Confirmed incidents of corruption and actions taken	3.3. Ethical culture and fight against corruption REN recorded no cases of corruption in 2022.	–	–	–	11.20.4
Additional sector disclosures					
Describe the approach to contract transparency	–	Approach to contract transparency	Confidentiality constraints	Confidentiality constraints	11.20.5
Beneficial owners	–	Beneficial owners	Confidentiality constraints	Confidentiality constraints	11.20.6
GRI 302: Energy 2016					
302-1 Energy consumption within the organization	4.7. Natural capital – Decarbonization and energy transition	–	–	–	11.1.2

GRI Standard	Location	Omission: Requirements omitted	Reason	Explanation	GRI sector standard ref. no.
302-2 Energy consumption outside of the organization	–	a. Energy consumption outsider of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/ or calculation tools used. c. Source of the conversion factors used.	Information unavailable/ incomplete	The consumption of energy outside the organization subject to measurement is associated with transporting workers on business trips by airplane. REN does not have tools to calculate this consumption; however, CO_2 emissions related to this travel are reported in the emissions chapter.	
302-3 Energy intensity	4.7. Natural capital – Decarbonization and energy transition	–	–	–	11.1.4
302-4 Reduction of energy consumption	4.7. Natural capital – Decarbonization and energy transition	–	–	–	–
302-5 Reductions in energy requirements of products and services	The Decree-Law No. 71/2008, which regulates the Intensive Energy Consumption Management System (SGCIE), constitutes an obligation of energy-intensive consumers, which is the case of REN — Armazenagem and REN Atlântico, to comply with certain goals, with a view to reducing their energy consumption, particularly in what concerns to Specific Consumption indicators and Energy and Carbon Intensity. Thus, integrated into the SGCIE system, the two companies are currently fulfilling an Energy Consumption Rationalization Plan, for the period between 2015/ 2022. Regarding REN Armazenagem, worthwhile mentioning the development, during the 1st quarter of 2021, of the third Report of progress for the biennium 2019/ 2020. Also of note, for the year 2021, is the renovation project and technological readjustment of the power factor compensation system of the facility, which will bring benefits in terms of the reactive energy consumption in the facility. Regarding REN Atlântico, it will also be prepared, during the 1st quarter of 2021, the third Progress report for the biennium 2019/ 2020.	–	–	–	–
GRI 303: Water and effluents 2018					
303-3 Water withdrawal	Total water withdrawal (excluding seawater): 109,673 m^3 Surface water: 20,234 m^3 Third-party water: 89,439 m^3 Seawater: 127,935,431 m^3 (the seawater is returned in its entirety)	–	–	–	–

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
GRI 304: Biodiversity 2016					
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.7. Natural capital – Biodiversity protection	–	–	–	11.4.2
304-2 Significant impacts of activities, products, and services on biodiversity	4.7. Natural capital – Biodiversity protection	–	–	–	11.4.3
304-3 Habitats protected or restored	4.7. Natural capital – Biodiversity protection	–	–	–	11.4.4
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	4.7. Natural capital – Biodiversity protection	–	–	–	11.4.5
GRI 305: Emissions 2016					
305-1 Direct (scope 1) GHG emissions	4.7. Natural capital – Decarbonization and energy transition	–	–	–	11.1.5
305-2 Indirect (scope 2) GHG emissions	4.7. Natural capital – Decarbonization and energy transition	–	–	–	11.1.6
305-3 Other indirect (scope 3) GHG emissions	4.7. Natural capital – Decarbonization and energy transition	–	–	–	11.1.7
305-4 GHG emissions intensity	Emissions intensity (scope 1 and 2): 1.41 tCO_2/GWh Emissions intensity (scope 1, 2 and 3): 2.12 tCO_2/GWh	–	–	–	11.1.8
305-5 Reduction of GHG emissions	4.7. Natural capital – Decarbonization and energy transition	–	–	–	11.2.3
305-6 Emissions of ozone-depleting substances (ODS)	–	a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent.	Not applicable	REN has no products or services that use ozone depleting substances. Over time, climate control equipment containing ozone depleting gases has been replaced, in accordance with REN's equipment replacement plan.	–
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	NOx: 22,568 tCO_2eq SOx: 482 tCO_2eq CO: 7,122 tCO_2eq COVNM: 186 tCO_2eq PM: 179 tCO_2eq	–	–	–	–

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
Additional sector disclosures					
Approach to public policy development and lobbying on climate change	1.1. Context	–	–	–	11.2.4
GRI 306: Waste 2020					
306-3 Waste generated	Total waste generated: 5,236 ton Hazardous waste: 269 ton (86 ton disposed; 183 ton recovered) Non-hazardous waste: 4,967 ton (100% recovered)	–	–	–	–
GRI 308: Supplier environmental assessment 2016					
308-1 New suppliers that were screened using environmental criteria	4.3. Supply chain management – Supplier qualification and assessment Compliance with legislation is validated during the supervision of subcontracting and during audits. REN complies with Portuguese legislation, guaranteeing the human rights mirrored in the company's Code of Conduct.	–	–	–	–
308-2 Negative environmental impacts in the supply chain and actions taken	4.3. Supply chain management – ESG risks and impacts relating to the supply chain In 2022, REN was not aware of any real or potential significant environmental impacts in its supply chain.	–	–	–	–
GRI 401: Employment 2016					
401-1 New employee hires and employee turnover	4.6. Human capital – Description of human resources	–	–	–	11.10.2
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.6. Human capital - Well-being, Equality and Inclusion - NÓS Programme 4.6. Human capital - Social dialogue and benefits	–	–	–	11.10.3
401-3 Parental leave	In 2022, 23 employees, of whom 7 are women and 16 are men, were entitled to and took parental leave. Of these employees, those who have already finished their leave have returned to work, and the return rate is 100%. With regard to employees who took parental leave in 2021, they remain active at REN 12 months after their return (2 employees left on their own initiative). The retention rate, with reference to 2021, remains at 100%.	–	–	–	11.10.4 11.11.3
GRI 402: Labour relations 2016					
402-1 Minimum notice periods regarding operational changes	Minimum notice periods regarding operational changes.	–	–	–	11.10.5

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
GRI 403: Occupational health and safety 2018					
403-1 Occupational health and safety management system	4.6. Human capital – Work safety REN has implemented an Occupational Health and Safety Management System certified under standard ISO 45001:2018, covering 100% of the employees of REN SGPS, REN Eléctrica, REN Serviços, REN Gasodutos, REN Atlântico, REN Armazenagem, REN Telecom, RD Nester, Enondas and REN PRO (except for commercial management activities). Information related to this system is described in the Integrated System (SIG) Manual.	–	–	–	11.9.2
403-2 Hazard identification, risk assessment, and incident investigation	4.6. Human capital – Work safety	–	–	–	11.9.3
403-3 Occupational health services	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme 4.6. Human capital – Work safety	–	–	–	11.9.4
403-4 Worker participation, consultation, and communication on occupational health and safety	4.6. Human capital — Engagement with employees	–	–	–	11.9.5
403-5 Worker training on occupational health and safety	Specific consultations are carried out for employees belonging to risk groups within the scope of Covid-19. An awareness and information campaign was conducted on mental health, personal development and nutrition and the dissemination of a guide for personal development. Participation in the mental health guide for companies and consolidation of the protocol for intervention by occupational doctors and provision of psychology consultations with access for all employees. Within the scope of employee training in Occupational Health and Safety, 3,694 hours of training were provided.	–	–	–	11.9.6

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
403-6 Promotion of worker health	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme Internal occupational medicine services are organized taking into account the geographical dispersal of REN and the number of employees. The legal obligation to consult occupational medicine focuses all the monitoring provided to employees who are formally summoned for consultations and auxiliary nursing exams and analyses and referred to the services of curative medicine, nutritionist, psychologist and social worker following a diagnosis or on their own initiative. Other initiatives such as labor gymnastics are aimed at employees with specific functions who have been diagnosed at risk. Yoga, functional training, and conscious breaks are free activities available to employees. The initiatives are publicized on the intranet and promoted through internal communication campaigns. The curative medicine consultation is accessible to permanent service providers at the workplace. All employees have a health plan for themselves and their families. Only employees on REN staff are covered by REN's health activities.	–	–	–	11.9.7
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.6. Human capital – Work safety	–	–	–	11.9.8
403-8 Workers covered by an occupational health and safety management system	4.6. Human capital – Work safety 100% of the employees of REN SGPS, REN Eléctrica, REN Serviços, REN Gasodutos, REN Atlântico, REN Armazenagem, REN Telecom, RD Nester, Enondas, REN PRO 100% of non-employee workers serving at these companies.	–	–	–	11.9.9
403-9 Work-related injuries	Table 1: GRI 403-9 Work-related injuries	–	–	–	11.9.10
403-10 Work-related ill health	No of work-related ill health: 1	–	–	–	11.9.11
GRI 404: Training and education 2016					
404-1 Average hours of training per year per employee	4.6. Human capital – Training and development	–	–	–	11.10.6 11.11.4

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
404-2 Programs for upgrading employee skills and transition assistance programs	4.6. Human capital – Training and development No of internal training courses: 70 No of sabbaticals with guaranteed job reintegration: 0 No of retirement or dismissal transition support programs: 7	–	–	–	11.10.7
404-3 Percentage of employees receiving regular performance and career development reviews	4.6. Human capital – Talent management 4.6. Human capital – Training and development In 2022, 100% of eligible employees received regular performance and career development reviews.	–	–	–	–
GRI 405: Diversity and equal opportunity 2016					
405-1 Diversity of governance bodies and employees	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme Table 2: GRI 405-1 Diversity of employees In the universe of REN employees, there are 13 employees with a degree of disability equal to or greater than 60%.	–	–	–	11.11.5
405-2 Ratio of basic salary and remuneration of women to men	4.6. Human capital – Well-being, Equality and Inclusion – NÓS Programme	–	–	–	11.11.6
GRI 406: Non discrimination 2016					
406-1 Incidents of discrimination and corrective actions taken	REN complies with Portuguese legislation with regard to guaranteeing human rights and is a signatory to the principles of the United Nations Global Compact. In 2022, no cases of discrimination were recorded. However, complaints about cases of discrimination are addressed immediately and the respective treatment and corrective actions are ensured, in accordance with the procedures in place.	–	–	–	11.11.7
GRI 407: Freedom of association and collective 2016					
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	REN guarantees the right to freedom of association and collective bargaining in accordance with the law, ethical principles and standards of conduct established in the Code of Conduct. In 2022, no situations were identified in which the right to freedom of association and collective bargaining was at risk. The mechanisms for managing the right to strike are guaranteed by the national legislation in effect.	–	–	–	11.13.2

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
GRI 408: Child labour 2016					
408-1 Operations and suppliers at significant risk for incidents of child labour	In compliance with Portuguese legislation and its Code of Conduct, REN prohibits the practice of child labor. Compliance with legislation and the Code is validated during supervision and audits. The company is also a signatory to the principles of the United Nations Global Compact initiative.	–	–	–	–
GRI 409: Force dor compulsory labour 2016					
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	REN complies with Portuguese legislation prohibiting forced labour, and is a signatory to the principles of the United Nations Global Compact. Compliance with legislation is validated at the time of supervising and conducting audits.	–	–	–	11.12.2
GRI 410: Security practices 2016					
410-1 Security personnel trained in human rights policies or procedures	For all employees (100%) with security/ safety functions, the same human rights training is provided as for the rest of the organization.	–	–	–	–
GRI 413: Local communities 2016					
413-1 Operations with local community engagement, impact assessments, and development programs	4.1. Stakeholder engagement and satisfaction – Engagement with the community 4.5. Communities – Support for local communities 4.7. Natural capital – Biodiversity protection				11.15.2
413-2 Operations with significant actual and potential negative impacts on local communities	4.1 .Stakeholder engagement and satisfaction – Engagement with the community 4.5. Communities 4.7. Natural capital – Biodiversity protection	–	–	–	11.15.3
Additional sector disclosures					
Number and type of grievances from local communities	–	Number and type of grievances	Information unavailable/ incomplete	Information unavailable/ incomplete	11.15.4
GRI 414: Supplier social assessment 2016					
414-1 New suppliers that were screened using social criteria	4.3. Supply chain management — Supplier qualification and assessment	–	–	–	11.10.8 11.12.3

GRI Standard	Location	Omission: Requirements omitted	Omission: Reason	Omission: Explanation	GRI sector standard ref. no.
414-2 Negative social impacts in the supply chain and actions taken	4.3. Supply chain management — ESG risks and impacts relating to the supply chain In 2022, REN was not aware of any findings of actual or potential significant human rights impacts in its supply chain.	–	–	–	11.10.9
GRI 416: Customer health and safety 2016					
416-1 Assessment of the health and safety impacts of product and service categories	REN assesses the impacts on health and safety in 100% of its significant service categories.	–	–	–	–
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	In 2022, in the audit of 1st Follow-up (ISO 9001:2015 and ISO 14001:2015) and 2nd Follow-up (ISO 45001:2018) of the certification of the Integrated Quality, Environment and Occupational Health and Safety Management System, conducted by APCER, a non-conformity was identified related to the operational control of equipment (ISO 45001:2018 – Requirement 8.1.1 – Operational planning and control. Generalities).	–	–	–	–
GRI 417: Marketing and labeling 2016					
417-2 Incidents of non-compliance concerning product and service information and labeling	No cases of non-compliance were registered in relation to the information made available in 2022.	–	–	–	–

Topics from the Sector Standard applicable but identified as non-materials

Topic	Explanation
GRI 11: Oil and Gas Sector 2021	
11.3 Air emissions	These topics were not identified as material for REN, according to the stakeholder consultation and materiality review process carried out in 2021.
11.5 Waste	
11.6 Water and effluents	
11.7 Closure and rehabilitation	
11.8 Asset integrity and critical incident management	
11.14 Economic impacts	
11.16 Land and resource rights	
11.17 Rights of indigenous peoples	
11.18 Conflict and security	
11.19 Anti-competitive behaviour	
11.21 Payments to governments	
11.22 Public policy	

Other content	Location
EU1 Installed capacity, broken down by primary energy source and by regulatory regime	REN's activities do not include the production of energy, and as so this indicator does not apply.
EU2 Net energy output, broken down by primary energy source and by regulatory regime	REN's activities do not include the production of energy, and as so this indicator does not apply.
EU3 Number of residential, industrial, institutional and commercial customer accounts	REN's activities do not include the production of energy, and as so this indicator does not apply.
EU4 Length of above and underground transmission and distribution lines by regulatory regime	1.2. Electricity – Technical infrastructure
EU5 Allocation of CO_2 emissions licenses, in accordance with the carbon trading act	1.4. Other business – REN Trading
EU10 Coverage of long-term demand (including reserve)	REN cooperates with the Directorate-General of Energy and Geology (DGEG) in monitoring the reliability of the national electrical system (SEN) and the national natural gas system (SNGN) supply. Based on forward-looking references on medium and long-term developments in the electricity production system and national natural gas system, monitoring the reliability of the supply entails gauging the supply/demand balance based on scenarios of changing demand and the available supply, including capacity increases planned or in progress, items needed to prepare proposed monitoring reports on electricity and natural gas supply reliability.
EU11 Efficiency of average generation, by energy source and by country or regulatory regime	REN's activities do not include the production of energy, and as so this indicator does not apply.
EU12 Efficiency in energy transport and distribution	1.2. Electricity 1.3. Gas
EU13 Comparison between biodiversity of recovered versus original habitats	REN does not have the means to gauge the original status of habitats, since this involves older facilities for which REN has no information on their original status.
EU15 Percentage of employees who will retire in the next 5-10 years by category and region	5 years: 13% 10 years: 23%
EU17 Days worked by contractor and subcontractor employees involved in construction, maintenance and operational activities	No of FTE: 1,328 Hours worked: 2,762,552
EU18 Percentage of contractor and subcontractor employees involved in health and safety training	Information not available.
EU19 Decision-making processes with community participation	4.1. Stakeholder engagement and satisfaction - Engagement with the community REN's website – Local community impact
EU22 Displacement of people due to the expansion or construction of production centers and transport lines, from an economic and physical standpoint	Infrastructure construction on a national scale has a strong component supported by outside subcontracting, the majority done locally.
EU25 Number of injuries and deaths, including illnesses, caused by REN infrastructures to persons outside the company	No occurrences were recorded in 2022.
EU26 Percentage of population not supplied in concessioned distribution zones, by rural and urban area	REN's activities do not include the production of energy, and as so this indicator does not apply.
EU27 Domestic supply cuts and their duration due to non-payment	REN's activities do not include the production of energy, and as so this indicator does not apply.
EU28 Supply interruption	1.2. Electricity 1.3. Gas
EU29 Average duration of supply interruptions	1.2. Electricity 1.3. Gas
EU30 Average availability coefficient of a plant by energy source, country and regulatory regime	REN's activity does not include production of energy, so this indicator is not applicable.

Complementary information

Table 1: GRI 403-9 Work-related injuries

	2022
Employees	
Fatalities resulting from work-related injury	0
High-consequence work-related injuries	1
Recordable work-related injuries	4
Hours worked	1,223,245
Main types of work-related injury	Hit, cut
Employee rates	
Fatalities resulting from work-related injury	0
High-consequence work-related injuries	0.8
Recordable work-related injuries	3.3
Workers who are not employees but whose work and/ or workplace is controlled by the organization	
Fatalities resulting from work-related injury	0
High-consequence work-related injuries	1
Recordable work-related injuries	20
Hours worked	2,762,552
Main types of work-related injury	Hit, cut, fall, entrapment, overexertion
Workers who are not employees but whose work and/ or workplace is controlled by the organization rates	
Fatalities resulting from work-related injury	0
High-consequence work-related injuries	0.4
Recordable work-related injuries	7.2
Work-related hazards that pose a risk of high-consequence injury	
How these hazards have been determined	The hazards were contemplated in the Matrix for Hazard Identification, Assessment and Risk Control (MIPACR), which is part of the Safety and Health Plan (PSS) of the construction sites.
Which of these hazards have caused or contributed to high-consequence injuries during the reporting period	Work that required manipulation of tools/ equipment.
Actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls	All contracts have a Health and Safety Plan (HSP) or a Safety Procedures Sheet (SPF), as applicable. There are other jobs that have a Safety Procedures Guide (GPS). In any case, there is a Safety Coordinator on site or a Safety Technician, or a team composed of both, as applicable. All workers involved are subject to awareness / training before starting work.

Table 2: GRI 405-1 Diversity of employees

	2022		
	< 29 years	30-49 years	≥ 50 years
Senior management	0%	30%	70%
Men	0%	16%	84%
Women	0%	63%	38%
Middle management	0%	62%	38%
Men	0%	58%	42%
Women	0%	73%	27%
Specialists/ experts	11%	59%	30%
Men	9%	56%	35%
Women	16%	67%	17%
Technicians/ administratives	5%	43%	52%
Men	5%	46%	48%
Women	2%	29%	69%
Total	8%	53%	39%
Men	7%	51%	42%
Women	11%	58%	31%

Annex 3: Alignment table with the Integrated Reporting Framework

Content elements	Location/ response
Organizational overview and external environment	Message from the Chairman Our year 1. Our activity
Governance	2.1. Strategy 2.2. Commitments 3.1. Governance structure
Business model	1. Our activity
Risk and opportunities	2.3. Risk management
Strategy and resource allocation	2.1. Strategy 2.2. Commitments
Performance	2.2. Commitments 4. Our contribution Annex: GRI table
Outlook	1.1. Context 2.1. Strategy 2.2. Commitments 2.3. Risk management
Base of preparation	About the report

Annex 4: Sustainability Accounting Standards Board (SASB table)

Topic	Indicator	Metric	Category	Unit	Location/ response
Greenhouse Gas Emissions & Energy Resource Planning	EM-MD-110a.1	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Quantitative	tons (t) CO_2e, percentage (%)	4.7. Natural capital
	IF-EU-110a.1	(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	Quantitative	tons (t) CO_2e, percentage (%)	4.7. Natural capital
	EM-MD-110a.2 & IF-EU-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and analysis	n.a.	2.1. Strategy 2.2. Commitments 4.7. Natural capital > Decarbonization and energy
Ecological Impacts	EM-MD-160a.1	Description of environmental management policies and practices for active operations	Discussion and analysis	n.a.	4.7. Natural capital > Strategic Environmental Assessment
	EM-MD-160a.2	Percentage of land owned, leased, and/or operated within areas of protected conservation status or endangered species habitat	Quantitative	percentage (%) by hectare	4.7. Natural capital > Biodiversity protection
	EM-MD-160a.3	Terrestrial acreage disturbed, percentage of impacted area restored	Quantitative	hectares (ha), percentage (%)	4.7. Natural capital > Biodiversity protection
Water management	IF-EU-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	cubic meters (m^3), percentage (%)	GRI table > 303-3[1]
Competitive Behavior	EM-MD-520a.1	Total amount of monetary losses as a result of legal proceedings associated with federal pipeline and storage regulations	Quantitative	euros (€)	Information not publicly disclosed.
Workforce Health & Safety	IF-EU-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, e (3) near miss frequency rate (NMFR)	Quantitative	ratio	4.6. Human capital > Worker safety GRI table > 403 Occupational health and safety

[1]Reported partially.

Topic	Indicator	Metric	Category	Unit	Location/ response
Grid Resiliency	IF-EU-550a.1	Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	Quantitative	number	2.3. Risk management > Information security 1.2. Electricity > Operation
Integrity of Gas Delivery Infrastructure	IF-GU-540a.1	Number of (1) reportable pipeline incidents, (2) Corrective Action Orders (CAO), and (3) Notices of Probable Violation (NOPV)	Quantitative	number	1.3. Gas > Operation
	IF-GU-540a.3	Percentage of gas (1) transmission and (2) distribution pipelines inspected	Quantitative	percentage (%) by length	1.3. Gas > Operation
	EM-MD-540a.4	Discussion of management systems used to integrate a culture of safety and emergency preparedness throughout the value chain and throughout project lifecycles	Discussion and analysis	NA	1.2. Electricity > Operation 1.3. Gas > Operation 4.6. Human capital > Worker safety

Indicator	Activity metrics	Category	Unit	Location/ response
IF-EU-000.B	Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers	Quantitative	Megawatt-hour (MWh)	1.2. Electricity > Main performance indicators 1.2. Electricity > Operation
IF-EU-000.C	Length of transmission and distribution lines	Quantitative	kilometers (km)	1.2. Electricity > Main performance indicators 1.2. Electricity > Operation
IF-GU-000.C	Length of gas (1) transmission and (2) distribution pipelines	Quantitative	kilometers (km)	1.3. Gas > Main performance indicators 1.3. Gas > Technical infrastructures

Annex 5: Recommendations of the Task force on Climate-related Disclosures (TCFD)

Alignment with TCFD recommendations

Category	Recommendations	Location
GOVERNANCE	a) Describe the board's oversight of climate-related risks and opportunities.	2.3. Risk management CDP – Climate Change 2022[2] (C1.1a; C1.1b; C2.1a)
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	2.3. Risk management CDP – Climate Change 2022[2] (C1.2)
STRATEGY	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	2.3. Risk management Climate risks and opportunities CDP – Climate Change 2022[2] (C2.1a; C2.3; C2.3.a; C2.4; C2.4a)
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	2.3. Risk management Climate risks and opportunities CDP – Climate Change 2022[2] (C2.3.a; C2.4a; C3.1; C3.2a; C3.2b; C3.3; C3.4)
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	4.7. Natural capital CDP – Climate Change 2022[2] (C3.2; C3.2a; C3.2b)
RISK MANAGEMENT	a) Describe the organization's processes for identifying and assessing climate-related risks.	2.3. Risk management Climate risks and opportunities CDP – Climate Change 2022[2] (C2.1; C2.2; C2.2a)
	b) Describe the organization's processes for managing climate-related risks.	2.3. Risk management Climate risks and opportunities CDP – Climate Change 2022[2] (C2.1; C2.2)
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	2.3. Risk management Climate risks and opportunities CDP – Climate Change 2022[2] (C2.1; C2.2)

[2] Reply from REN – Redes Energéticas Nacionais to the CDP Climate Change Questionnaire 2022.

Category	Recommendations	Location
METRICS AND TARGETS	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2.1. Strategy 2.2. Commitments CDP – Climate Change 2022[3] (C4.2; C4.2a; C4.2b; C9.1)
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	4.6. Natural capital CDP – Climate Change 2022[3] (C6.1; C6.3; C6.5; C6.5a)
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2.1. Strategy 2.2. Commitments CDP – Climate Change 2022[3] (C4.1; C4.1.a; C4.1.b; C4.2; C4.2a; C4.2b)

Climate risks and opportunities

Climate risks

Category of risk	Risk agent and description	Potential impact	Stage of value chain	Mitigation and adaptation measures
Transition risks				
Policy/ legal Current/ emerging regulations **Area of business:** Electricity	**Regulating of existing products and services** The growing concern regarding fluorinated gases resulting from national and community legislation (e.g., Regulation on Fluorinated Gases), in particular, changes to regulations relating to the use of sulphur hexafluoride – SF_6 may pose a risk to REN. SF_6 is a gas used as an electrical insulator (dielectric) in various high and extra-high voltage equipment. This gas has very high Global Warming Potential (GWP) (22,800 times that of CO_2), and there is a proposal to gradually eliminate it from all new electricity transmission equipment by 2031, in accordance with European legislation. The risk of increased requirements arising from regulation may impact the implementation of criteria to reduce the leakage rates of assets containing SF_6, and the necessary Capex/ Opex to introduce improvements, changing maintenance/monitoring methodologies and/ or gradually replacing equipment.	Increase in operating costs/ increase in Capex	Direct operations	As in previous years, SF_6 emissions in 2022 remained at low levels. The effort to reduce SF_6 leakage is reflected in the evolution of the leakage rate, with results considered to be technically very positive on an international level. Despite this, REN's operations in Chile (Transemel) show higher values, and there is now a plan for monitoring and implementing actions to reduce the rate of SF_6 leakage. For the first time, REN carried out a process to send SF_6 to an incineration unit licensed on a European level for environmentally controlled disposal (see 4.7. Natural capital).

[3] Reply from REN – Redes Energéticas Nacionais to the CDP Climate Change Questionnaire 2022.

Category of risk	Risk agent and description	Potential impact	Stage of value chain	Mitigation and adaptation measures
Policy/ legal Emerging regulations **Area of business:** Gas	**Mandates and regulating of existing products and services** The EU is committed to achieving climate neutrality by 2050, through an economy with Net Zero Greenhouse Gas (GHG) emissions and Portugal recently announced this target for 2045. This objective is at the heart of the European Green Deal and in line with the EU's commitment to global climate action under the Paris Agreement. The main energy trends (e.g., IEA-WEO 2022) expect a reduction in the use of fossil fuels (including natural gas) in the long-term, especially in the Net Zero 2050 scenario. Accordingly, the risk of REN's gas infrastructure having a shortened useful life or lower usage rates is real, especially if the process of introducing renewable gases is not conducted quickly, given the financial planning projections, leading to depreciation or possible early withdrawal of assets currently in operation.	Reduction in the value/ useful life of assets leading to their depreciation or early withdrawal	Direct operations	The REN Portgás strategy is based on the national aim to adapt current gas transmission, storage and distribution infrastructures to act as vehicles for local resources of renewable origin, which can enable industrialization and generate value for the country, where gas distribution infrastructures can clearly play a relevant role in carbon neutrality. Based on this strategy, REN launched a project to ensure the compatibility of its infrastructures with growing percentages of hydrogen. It should be noted that the current infrastructure is already 100% compatible with biomethane. At the same time, we are working to ensure the management and operation of the gas system, simulating different operating conditions, and are seeking to encourage projects and increase our partner base, more specifically, scientific and technological partners. We are also participating on a European level in associations such as Hydrogen Europe, European Clean Hydrogen Alliance and the European Hydrogen Backbone (EHB) initiative (see 4.4. Innovation and development; and 4.7. Natural capital). REN has a theoretical and practical study underway on the technical limits of the infrastructure also seeking to identify the necessary investment, as well as the potential consequences for the operation and maintenance of the infrastructure and the impacts for different users arising from the incorporation of green hydrogen. Investment needs in transmission and distribution networks, as well as in underground storage, are identified in the respective development and investment plans.
Physical risks				
Severe: Extreme climate events **Area of business:** Electricity and gas	**Extreme climate events (wind, storms, frost, etc.)** According to the Intergovernmental Panel on Climate Change (IPCC) (6th Assessment Report), a generalized increase in the probability of occurrence, frequency and severity of impact of extreme (acute) climate events is expected. This is a risk with potential, relevant impact on REN assets, in particular in the electrical infrastructure. Strong winds and the formation of ice sleeves are the main factors that can affect the supports and cables of very high voltage lines, damaging these assets and potentially affecting the integrity and security of supply. In the past, we have already experienced this type of event, incurring economic and financial losses.	Increase in operating costs	Direct operations	In relation to adapting to climate change at REN, we have analysed the effects on the electricity and gas transmission and distribution infrastructures, especially with respect to vulnerability to extreme weather phenomena, minimizing the risks. As gas infrastructures are mostly underground, they are more immune to certain types of climate phenomena.

Category of risk	Risk agent and description	Potential impact	Stage of value chain	Mitigation and adaptation measures
Severe: Extreme climate events **Area of business:** Electricity and gas	**Extreme climate events (fires)** According to the IPCC (6th Assessment Report), changes in weather conditions (increased temperatures and water scarcity) are expected to intensify desertification in Portugal, leading to an increase in the probability of fires and the respective impacts. Furthermore, excessive temperature increases cause changes to the properties of the conductors, reducing their electrical transmission capacity, leading to a potential increase in the risk of fires on REN lines and at technical installations (e.g., electrical substations, regulating and metering stations and underground gas storage), with consequences in terms of repair costs and jeopardizing the quality and security of supply.	Increase in operating costs	Direct operations	REN has developed a series of instruments and practices for managing firebreaks and areas adjacent to technical facilities, in line with the new National Plan for the Integrated Management of Rural Fires. The aim is to provide greater security in the operation of our infrastructures, through greater resilience to rural fires. With the setting up of the National System of Forest Defence against Fires (SNDFCI), Fuel Management Firebreak Networks were also created, where our infrastructure is integrated into the so-called secondary network (see 4.7. Natural capital). As gas infrastructures are mostly underground, they are more immune to certain types of climate phenomena. In addition to the annual cleaning, REN also identifies trees with potential impact on the influence of power lines. this is achieved by developing an algorithm that worked on the LiDar (Light Detection and Ranging) data compiled by REN through monitoring campaigns on our assets using aerial photography. Moreover, REN has been a member of ForestWISE – Collaborative Laboratory for the Integrated Management of Forests and Fire since it was first set up and participates in the rePLANT project, which aims to provide improved protection, forecasting and warning of the impact of rural fires, whether in forestry assets or REN's infrastructure. With this in mind, an innovative project is being developed which consists of installing cameras on supports which, together with monitoring systems and algorithms, trigger alarms and allow the evolution of fires to be predicted (see 4.4. Innovation and development).

Climate Opportunities

Category of Risk	Risk agent and description	Potential impact	Stage of value chain	Mitigation and adaptation measures
Products and services **Area of business:** Electricity	**Development and/ or expansion of low-carbon products and services** The development of the existing network to facilitate energy transition, through new investments in the transmission network, is the most relevant opportunity for REN. More specifically, the possibility exists to invest in new installations and infrastructures with increasing sustainability criteria in the short, medium and long-term. REN has the public service concession for very high voltage (VHV) transmission and the Global Technical Management (GTM) of the national electricity system. As REN is a regulated entity, whose remuneration is set in accordance with our regulated asset base, the increase in investments through the construction and adaptation of new lines and substations is a relevant opportunity, seeking to integrate new Renewable Energy Sources (RES) into the National Electricity System (NES), and supporting the electrification and decarbonization of the economy. Cooperation with Spain in the implementation of the cross-border connections required for the proper functioning of energy markets is another opportunity in this area.	Increase in income from increase in demand for products and services	Direct operations	With regard to energy transition, REN plays the role of facilitator in Portugal and as such, we have an ambitious annual investment programme to carry out a wide range of initiatives with the goal of increasing RES in the NES, the decarbonization of the National Gas System (NGS) and ensure the supply security of both systems. In terms of investment, REN's focus is on energy transition, with an expected increase of 45% in average annual Capex (domestic and international) in the 2021/ 2024 period (compared to 22018/ 20), exceeding 900 million euros. This investment will be made in connection to the RES project network, in strengthening the quality and resilience of the current network and making the gas network compatible with the injection of gases from renewable sources. REN is also reinforcing the interconnection capacity between Portugal and Spain.

Category of Risk	Risk agent and description	Potential impact	Stage of value chain	Mitigation and adaptation measures
Products and services **Area of business:** Gas	**Development and/ or expansion of low-carbon products and services** With regard to the gas sector, the current reception, storage, transmission and distribution infrastructures will play an important role in allowing the introduction, distribution and consumption of renewable gases in the different sectors of the economy, allowing increasing levels of RES to be incorporated into final energy consumption. Included in plans for European cooperation in the creation of a green hydrogen transport infrastructure is the development of continent-wide initiatives such as H2MED which will make it possible to interconnect Portugal, Spain, France and Germany. The injection of renewable gases into current networks will help achieve energy transition objectives, more specifically, the gradual reduction of GHG emissions from the gas sector. On the other hand, the increasingly demanding rules for reducing methane emissions will require new investment in monitoring and control systems.	Increase in income from increase in demand for products and services	Direct operations	As mentioned, REN intends to invest more than 900 million euros in the 2021/24 period, part of which is earmarked for making the gas network compatible with the injection of renewable gases, namely hydrogen. With regard to distribution, REN Portgás launched a project to ensure the full compatibility of its infrastructures with 100% of renewable gases, more specifically, hydrogen and biomethane. At the same time, it is working to ensure the management and operation of gas distribution systems, with the injection of mixtures of renewable energy sources, while also searching for projects and increasing its partner base. On a European level, this company is taking part in the round tables of the European Clean Hydrogen Alliance, and as a member of Eurogas, Ready4H2 and Innoenergy (Gold Partner). REN is also part of the Oil and Gas Methane Partnership (OGMP 2.0) which aims to reduce methane emissions (see 4.4. Innovation and development and 4.7. Natural capital). REN is furthering the study of the technical limits of the infrastructure, identifying the necessary investment, as well as the potential consequences for the operation and maintenance of the infrastructure and the impacts for different users arising from the incorporation of green hydrogen. Investment needs in transmission and distribution networks, as well as in underground storage, are identified in the respective development and investment plans.
Markets: Access to new markets **Area of business:** Electricity	**Access to new markets (non-regulated business)** In accelerating energy transition, REN has the opportunity to promote electric mobility, entering this emerging market through the development of an innovative and patented solution on a European level (underway in other markets) for charging electric vehicles through the very high voltage (VHV) network. This solution aims to complement current solutions, helping to speed up electric mobility. REN can position itself as a promoter of energy transition, in a complementary manner, supporting the decarbonization of the transport sector, through the use of the existing transmission network, especially in situations where high power is essential, as is the case with fast charging, large car parks, and heavy electric vehicles for passengers and goods.	Increase in income from increase in demand for products and services	Direct operations	REN has developed an innovative solution that uses power voltage transformers to supply auxiliary power directly from VHV circuits to low voltage circuits. This concept (Speed-E Fast Power) is being tested with a partner (under a licensing agreement), in order to be able to supply high-power electric vehicle charging stations directly from the VHV grid. A pilot project has already been implemented at the Pontinha Transition Station (Lisbon). The Speed-E solution works in synergy with the NES and is positioned as a complement to the conventional charging infrastructure in urban centres. It can also be applied in other situations, such as the decarbonization of forest machines, river docks, energy supply to military installations, industrial or rural areas and remote temporary installations, through the development of a mobile solution (see 4.7. Natural capital).

Annex 6: CMVM non-financial disclosure

Requirement		Location/ response
Part I – Information on policies adopted		
A– Introduction	Description of the company's general policy on sustainability issues, indicating any changes to the policy previously approved.	2.1. Strategy 2.2. Commitment 4. Our contribution
	Description of the methodology and the reasons for its adoption in the reporting of non-financial information, as well as any changes that have occurred in relation to previous years and the reasons for these changes.	About the report
B– Business model	General description of the company/ group's business model and form of organization, indicating the main business areas and markets where it operates (if possible, using organizational diagrams, graphs or functional charts).	1. Our activity
C– Main risk factors	1. Identification of the main risks associated with the topics being reported on and arising from the Company's activities, products, services or business relations, including, where appropriate and whenever possible, the supply and subcontracting chains.	2.3. Risk management Annex – Recommendations of the Task force on Climate-related Disclosures (TCFD) > Climate risks and opportunities
	2. Indication of how these risks is identified and managed by the company.	2.3. Risk management
	3. Explanation of the internal functional division of powers, including the governing bodies, commissions, committees or departments responsible for identifying and managing/ monitoring risks.	2.3. Risk management
	4. Explicit indication of the new risks identified by the company in relation to those reported in previous years, as well as the risks no longer identified as such.	2.3. Risk management Annex – Recommendations of the Task force on Climate-related Disclosures (TCFD) > Climate risks and opportunities
	5. Indication and brief description of the main opportunities identified by the Company in the context of the topics being reported on.	2.3. Risk management Annex – Recommendations of the Task force on Climate-related Disclosures (TCFD) > Climate risks and opportunities

Requirement		Location/ response
D- Policies implemented		
i. Environmental policies	1. Description of the company's strategic objectives and the main actions to be undertaken to achieve them.	4.7. Natural capital Annex – Recommendations of the Task force on Climate-related Disclosures (TCFD)
	2. Description of the key performance indicators defined.	4.7. Natural capital
	3. Indication, in relation to the previous year, of the degree of achievement of those objectives, at least by reference to: i. Sustainable use of resource ii. Pollution and climate change iii. Circular economy and waste management iv. Biodiversity protection	4.7. Natural capital Annex – Recommendations of the Task force on Climate-related Disclosures (TCFD)
ii. Social and fiscal policies	1. Description of the company's strategic objectives and the main actions to be undertaken to achieve them.	4.2. Financial performance 4.3. Supply chain management 4.5. Communities 4.6. Human capital
	2. Description of the key performance indicators defined.	
	3. Indication, in relation to the previous year, of the degree of achievement of those objectives, at least by reference to: i. The company's commitment to society ii. Subcontracting and suppliers iii. Consumers iv. Responsible investment v. Stakeholders vi. Tax information	4.2. Financial performance 4.3. Supply chain management 4.5. Communities 4.6. Human capital Annex – European Environmental Taxonomy
iii. Workers and gender equality and non-discrimination	1. Description of the company's strategic objectives and the main actions to be undertaken to achieve them.	4.6. Human capital
	2. Description of the key performance indicators defined.	
	3. Indication, in relation to the previous year, of the degree of achievement of those objectives, at least by reference to: i. Employment ii. Organization of work iii. Health and safety iv. Corporate relations v. Training vi. Equality	

Requirement		Location/ response
iv. Human rights	1. Description of the company's strategic objectives and the main actions to be undertaken to achieve them.	4.3. Supply chain management 4.5. Communities 4.6. Human capital
	2. Description of the key performance indicators defined.	
	3. Indication, in relation to the previous year, of the degree of achievement of those objectives, at least by reference to: i. Due diligence procedures ii. Risk prevention measures iii. Legal proceedings	
v. Fight against corruption and attempted bribery	1. Prevention of corruption	3.3. Ethical culture and fight against corruption
	2. Prevention of money laundering (for issuing companies subject to this regime	
	3. Codes of ethics	
	4. Management of conflicts of interest	
Part II – Information on the standards/ guidelines followed		
1. Identification of standards/ guidelines followed in the reporting of non-financial information		About the report
2. Identification of the scope and method for calculating indicators		About the report

Annex 7: European Environmental Taxonomy

1. The framing of the European Environmental Taxonomy

At REN, sustainable development is a core value. Taking on this commitment means that all our activities are guided by sustainability principles, adhering to stringent and measurable criteria, and respecting standards of excellence. Our focus is on innovation, but without ever losing sight of the positive impact we wish to have on the communities and ecosystems where our Group works. Sustainability is one of the key pillars for the 2021-2024 Strategic Plan (see chapter 2.1. Strategy).

The EU's taxonomy of environmentally sustainable activities (Regulation 852/2020) is one of the most significant developments under this commitment in terms of sustainable financing. This taxonomy lists the economic activities considered environmentally sustainable in line with the EU's six environmental objectives.

The first two objectives are currently regulated through the Climate Delegated Act and, for the 2021 fiscal year, REN has published results on the eligibility analysis of economic activities. In 2022, REN conducted a three-level assessment on eligibility and alignment criteria, which include:

- analysis of substantial contribution to the mitigation of climate change;
- analysis of Do No Significant Harm (DNSH) criteria; and
- Minimum Safeguards.

2. Eligibility analysis

REN carried out an assessment of the Climate Delegated Act to identify the economic activities (for the environmental objective of mitigation) considered eligible for REN, having reached the following result:

No	Activity	Description of REN activity
4.9	Transmission and distribution of electricity	REN operates the RNT that connects generators to consumption centres at very high voltage, covering the entirety of mainland Portugal and with interconnections to the Spanish network, REE - Red Eléctrica de España.
4.14	Transport and distribution networks for renewable and low-carbon gases	REN has a series of projects to adapt the gas transport and storage infrastructure to hydrogen.
6.5	Transport by motorbikes, passenger cars and light commercial vehicles	Investment associated with the mobile fleet (light vehicles, mostly electric and/ or hybrid vehicles).
8.1	Data processing, hosting and related activities	Through RENTELECOM, housing services are provided at the Lisbon, Sacavém, Ermesinde and Riba de Ave datacentres.

Additionally, the following activities were analysed **4.12 – Storage of hydrogen, 5.2 – Renewal of water collection, treatment and supply systems, 7.2 Renovation of existing buildings and 7.5 – Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings.** However, during the 2022 fiscal year, it was considered that there was no relevant investment in these activities.

REN's natural gas transport activity, the technical management of the National Natural Gas System, as well as the underground storage of gas, were considered ineligible activities, given that they do not feature in the Climate Delegated Act and are not included in Regulation 2022/2014 as regards economic activities in certain energy sectors.

3. Alignment analysis

The result of the three-level analysis conducted by REN to identify the aligned activities under the EU taxonomy of environmentally sustainable activities was as follows:

a. Substantial contribution (SC) and Do No Significant Harm (DNSH)

REN analysed all the technical criteria of "Substantial Contribution" and "Do No Significant Harm" present in the Climate Delegated Act (Annex I – Mitigation) in accordance with the tables below:

Activity: 4.9 – Transmission and distribution of electricity

SC/DNSH criteria	Description of the criteria (non-exhaustive)	Alignment analysis
SC	The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: 1) It is part of the interconnected European system; 2) More than 67% of the new production capacity allowed in the system is below the production limit value of 100 g CO_2e/kWh (based on one life cycle); and 3) The average system grid emissions factor is below the limit value of 100 g CO_2e/kWh (measured on a lifecycle basis). Additionally, the consumption metering infrastructure complies with the requirements applicable to smart metering systems provided for in Article 20 of Directive (EU) 2019/944.	The entire REN transportation network is located in Portugal (connected to the European system). New infrastructure in Portugal is intended to connect new renewable capacity to the grid, with an average grid emission factor below 100g CO_2e/kWh (estimate). With regard to Transemel, the activities carried out had the objective of building/installing infrastructure with the main goal of increasing the production or use of electricity produced from renewable sources. **SC criteria complied with**.
DNSH	Climate change adaptation.	See analysis of application of **Appendix A** below.
DNSH	Transition to a circular economy.	REN follows the best waste management practices by applying a waste management plan that ensures maximum reuse or recycling at the end of life. In the Quality, Environment and Safety Policy Statement, we undertake to minimize the impacts arising from our work by promoting the rational use of natural resources. **DNSH criteria complied with**.
DNSH	Pollution prevention and control.	REN complies with the rules and regulations applicable to electromagnetic radiation. REN is certified in accordance with the ISO 45001 standard: Health and Safety Management Systems. REN activities do not involve PCBs. **DNSH criteria complied with**.
DNSH	Protection and restoration of biodiversity and ecosystems.	See analysis of application of **Appendix D** below.

Activity: 6.5 – Transport by motorbikes, passenger cars and light commercial vehicles

SC/DNSH criteria	Description of the criteria (non-exhaustive)	Alignment analysis
SC	For vehicles in categories M1 and N1, up to 31 December 2025, specific CO_2 emissions were less than 50 gCO_2/ km.	The mobile fleet acquired by REN essentially consists of hybrid and electric vehicles. **SC criteria complied with**.
DNSH	Climate change adaptation.	See analysis of application of **Appendix A** below.
DNSH	Transition to a circular economy.	Requirements associated with the reuse and recycling of vehicles, equipment and waste management. It was not possible to identify sufficient supporting information to reasonably assess this criterion. **DNSH criteria not complied with**.
DNSH	Pollution prevention and control.	Requirements associated with the approval of light vehicles with regard to emissions, requirements for external noise and the provisions of Regulation (EU) No 540/2014 of the European Parliament and of the Council. It was not possible to identify sufficient supporting information to reasonably assess this criterion. **DNSH criteria not complied with**.

Activity: 8.1 – Data processing, hosting and related activities

SC/DNSH criteria	Description of the criteria (non-exhaustive)	Alignment analysis
SC	Economic operators have adopted all the relevant practices listed in the "planned practices" list in the most recent version of the European code of conduct on datacentre energy efficiency. The global warming potential (GWP) of the coolants used in the datacentre cooling system is not greater than 675.	RENTELECOM operates the datacentres of REN — Rede Eléctrica Nacional, S.A., through hosting activities. As such, RENTELECOM only manages and controls such datacentres. The datacentres are owned by REN — Rede Eléctrica Nacional, S.A. and not by RENTELECOM, therefore, it is considered that **SC criteria are complied with**.
DNSH	Climate change adaptation.	See analysis of application of **Appendix A** below.
DNSH	Sustainable use and protection of water and marine resources.	See analysis of application of **Appendix B** below.
DNSH	Transition to a circular economy.	Requirements associated with Directive 2009/125/EC regarding servers and products for data storage and waste management plan. The datacentres are owned by REN — Rede Eléctrica Nacional, S.A. and not by RENTELECOM, therefore, it is considered that **SC criteria are complied with**.

Activity **4.14 – Transport and distribution networks for renewable and low-carbon gases** was considered non-aligned as the investment made during 2022 essentially corresponded to studies for adapting the gas transport and storage network to hydrogen. In this case, it is not possible to apply the technical evaluation criteria indicated in the Climate Delegated Act.

Application of Appendix A – Climate change adaptation

Risks
Relevant climate risks (acute and chronic physical risks) are periodically assessed by REN through a **Risk Management System** (further information on this subject can be seen in chapter 2.3. Risk management).

Acute physical risks relating to the weather (such as forest fires, heavy rain or floods) can affect transport lines, as well as other infrastructure managed by REN and the entire value chain, thus affecting the performance of economic activity. In the case of the acute risk "Forest Fires", the potential financial impact on the response to the CDP Climate Change 2022 was detailed and quantified. **Chronic physical risks** refer to long-term changes in weather patterns, such as rising sea levels or chronic heat waves, and can damage REN equipment (for example, the increase in average temperature can affect external equipment that has a certain maximum operating temperature defined by the manufacturer).

Scenario analysis
With regard to climate projections, REN analysed possible ways to reduce CO_2 emissions based on the evolution of Public Policy, namely materialized in the scenarios of the National Energy and Climate Plan (PNEC 2030), the scenarios in the Monitoring Reports on the Security of Electricity and Gas Supply and REN initiatives. A scenario analysis revealed that REN faces potential impacts associated with physical risks arising from the effects of climate change on its activity due to extreme weather conditions (for more detail on the scenario analysis, see chapter 4.7. Natural capital).

Currently, REN is undertaking work for the future integration of TCFD recommendations into processes for strategy and management of risks and opportunities relating to the climate, and in greater depth, in the analysis of climate scenarios, quantification of risks and formulation of adaptation plans. A first draft has been prepared, which is presented in the Annex to this Report.

Application of appendix B — Sustainable use and protection of water and marine resources

Environmental Impact Assessment (EIA) is a tool which applies to some of the public utility infrastructure projects promoted by REN, and is used to obtain an operating license (more details on EIA in chapter 4.7. Natural capital Strategic Environmental Assessment). With regard to the sustainable use and protection of water and marine resources, the EIA includes an assessment of the impact of projects on water resources. For new projects, REN assesses whether the physical changes in surface water bodies, or whether the change in water table levels in groundwater bodies, resulting from the implementation of the projects, are permanent and cause a change in the state of water bodies and allow the objectives of the Water Framework Directive as transposed by the Water Law (WFD/WL) to be achieved.

Application of appendix D — Protection and restoration of biodiversity and ecosystems

During network operation and maintenance, monitoring and supervision actions are carried out to ensure compliance with the attenuation, mitigation and monitoring measures provided for in the Environmental Impact Statement (EIS) and in the Execution Project Environmental Compliance Report (RECAPE). Since 2015, the Group has developed a research and knowledge transfer programme called the "**REN Chair in Biodiversity**" a partnership between CIBIO (University of Porto), the Foundation for Science and Technology (FCT), as part of the FCT Invited Chairs Programme. Further to the "REN Chair in Biodiversity" (2015-2020) initiative, in 2020 a new protocol was established between REN and the Research Centre in Biodiversity and Genetic Resources (CIBIO-InBIO) for the 2020-2023 period. (Further information on the REN Chair can be found in chapter 4.7. Natural capital — Protection of Biodiversity).

b. Minimum Safeguards

In accordance with Article 3 of the Taxonomy Regulation, published in 2020, for an activity to be considered sustainable it must comply with the minimum safeguard requirements. The Final Report on Minimum Safeguards, published by the European Commission's Sustainable Finance Platform in October 2022, identifies four main topics where compliance with minimum safeguards must be defined: Human Rights, Corruption, Taxation and Fair Competition. So far, the European Commission has not published official requirements. As such, compliance with the Minimum Safeguards is ensured by Article 18 of the Taxonomy Regulation and the Final Report on Minimum Safeguards.

Human Rights
REN recognizes the role it plays in respecting human rights, labour practices, environmental protection and anti-corruption measures. To ensure the protection and prevention of these issues, the Integrity Policy was approved in 2021, which aims to define the principles of action and duties applicable to the REN Group companies employees and other partners, in order to prevent the practice of illicit acts, such as crimes of corruption, money laundering and terrorist financing. It also seeks to promote ethics, integrity and transparency in our work, ensuring compliance with legislation and regulations in force. The Integrity Policy is also reflected in the REN Group Code of Conduct which establishes rules of ethics and professional conduct to be observed by all employees and members of governing bodies.

In its Code of Conduct, REN condemns all forms of child labour, forced labour, and seeks to promote respect for human rights, labour and freedom of association. REN also actively participates in social and cultural initiatives, promoting more active and responsible citizenship. Additional information on the commitments taken on in this regard can be found in chapter 3.3. Ethical culture and fight against corruption.

REN expects its suppliers to pledge to observe the Conventions of the International Labour Organization (ILO), declaring and guaranteeing that their workers fully enjoy all the rights and duties set out in national legislation and in International Conventions, without any restriction. No kind of abuse or violation of fundamental human rights by suppliers is tolerated, nor is any tolerance on their part for possible abuses or violations they witness. REN Group suppliers undertake to make their best efforts to implement sustainability policies and to promote levels of requirement equivalent to those of the Supplier Code of Conduct in relation to their suppliers, service providers and subcontracted entities. Failure to Comply with the Supplier Code of Conduct may result in the termination of our relationship with the supplier, depending on the severity of the violation and the specific circumstances. By adhering to this code, the supplier accepts REN's right to carry out audits at its facilities, both with regard to the Supplier Code of Conduct and the REN Groups Social Responsibility Policy (further detail can be found on suppliers in chapter 4.3. Supply chain management).

With regard to human rights, it should also be noted that, in 2023/24, REN will continue to work on **implementing a Due Diligence process**. This process will be drawn up in accordance with international guidelines, the guidelines already included in the European environmental taxonomy and the proposed Human Rights Due Diligence document published by the European Commission in 2022.

Corruption, Taxation and Fair Competition

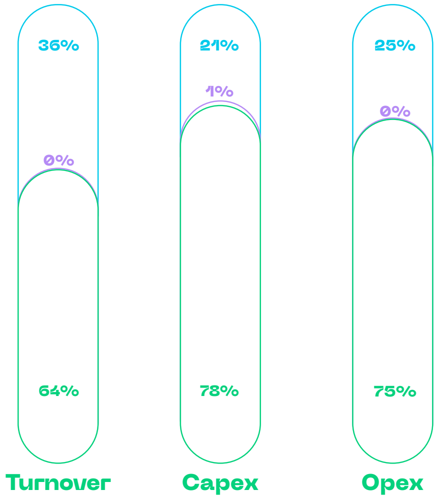
The REN Group believes in a free market with a competitive and transparent environment for the provision of our services. Accordingly, at REN there is zero tolerance for any situation of corruption, influence peddling, receiving undue advantages or paying any benefits contrary to the laws and regulations of the Group and the sector (further details on the commitment to comply with the Anti-Corruption, Taxation and Fair Competition policies can be found in chapter 3.3. Ethical culture and fight against corruption).

In none of these areas were identified cases or convictions that represented a failure in the way REN manages the risks associated with Human Rights, Corruption, Taxation and Fair Competition.

4. Disclosure of KPIs

The Taxonomy Regulation sets out a series of performance indicators (KPIs) associated with environmentally sustainable economic activities that non-financial corporations are required to disclose: the proportion of their turnover (Turnover KPI), the proportion of their capital expenditures (Capex KPI) and the proportion of their operating expenses (Opex KPI). Additionally, companies must also list the accounting policies used to calculate the respective KPIs.

The chart below summarizes the KPIs associated with REN's activities in 2022, which are later detailed in the tables required by Article 8 of the Delegated Act:



- Aligned proportion
- Eligible and non-aligned proportion
- Non-eligible proportion

The table below shows the weighting of eligible activities in the previously mentioned KPIs, in comparison with the previous year:

	Total (M€)		Proportion of Taxonomy eligible activities (%)		Proportion of Taxonomy non-eligible activities (%)	
	2022	2021	2022	2021	2022	2021
Turnover	588.2	565.8	64.3%	63.6%	35.7%	36.4%
Capex	201.5	247.1	79.1%	77.1%	20.9%	22.9%
Opex	17.8	20.3	74.7%	78.3%	25.3%	21.7%

a. Turnover KPI

				Substantial contribution						DNSH										
	Code	Absolute turnover	Proportion of turnover	(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)	(3)	(4)	(5)	(6)	Minimum safeguards	Taxonomy-aligned proportion of turnover, year N	Taxonomy-aligned proportion of turnover, year N-1	Category (enabling activity)	Category (transition activity)
Economic activities		€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
4.9. Transmission and distribution of electricity	35.12	373,599,777	64%	100%							Y	Y	Y	Y	Y	Y	64%		E	
8.1. Data processing, hosting and related activities	63.11	4,778,639	1%	100%							Y	Y	Y			Y	1%			T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A1)		**378,378,416**	**64%**																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A2)		**0**	**0%**																	
Total (A.1 + A.2)		**378,378,416**	**64%**																	
B. Taxonomy-non-eligible activities																				
Turnover of Taxonomy-non-eligible activities (B)		**209,847,992**	**36%**																	
Total (A + B)		**588,226,407**	**100%**																	

Key – Environmental objectives

(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Circular economy
(5) Pollution
(6) Biodiversity and ecossystems

Definition and reconciliation
The proportion of turnover is calculated as the part of annual net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned economic activities (numerator) divided by net turnover (denominator), as defined in Article 2(5) of Directive 2013/34/EU. The turnover shall cover the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by the Commission Regulation (EC) No 1126/2008.

In 2022, the denominator for the proportion of turnover consisted of our total sales and services as presented in the consolidated income statement, excluding construction income on concession assets. The denominator can be reconciled to the total income presented in Note 24 of the Notes to the consolidated financial statements, and the respective accounting policies are detailed in Note 3 (Revenue).

The numerator corresponds to the amount of the denominator resulting from Taxonomy-aligned economic activities, detailed in point 3. Alignment analysis.

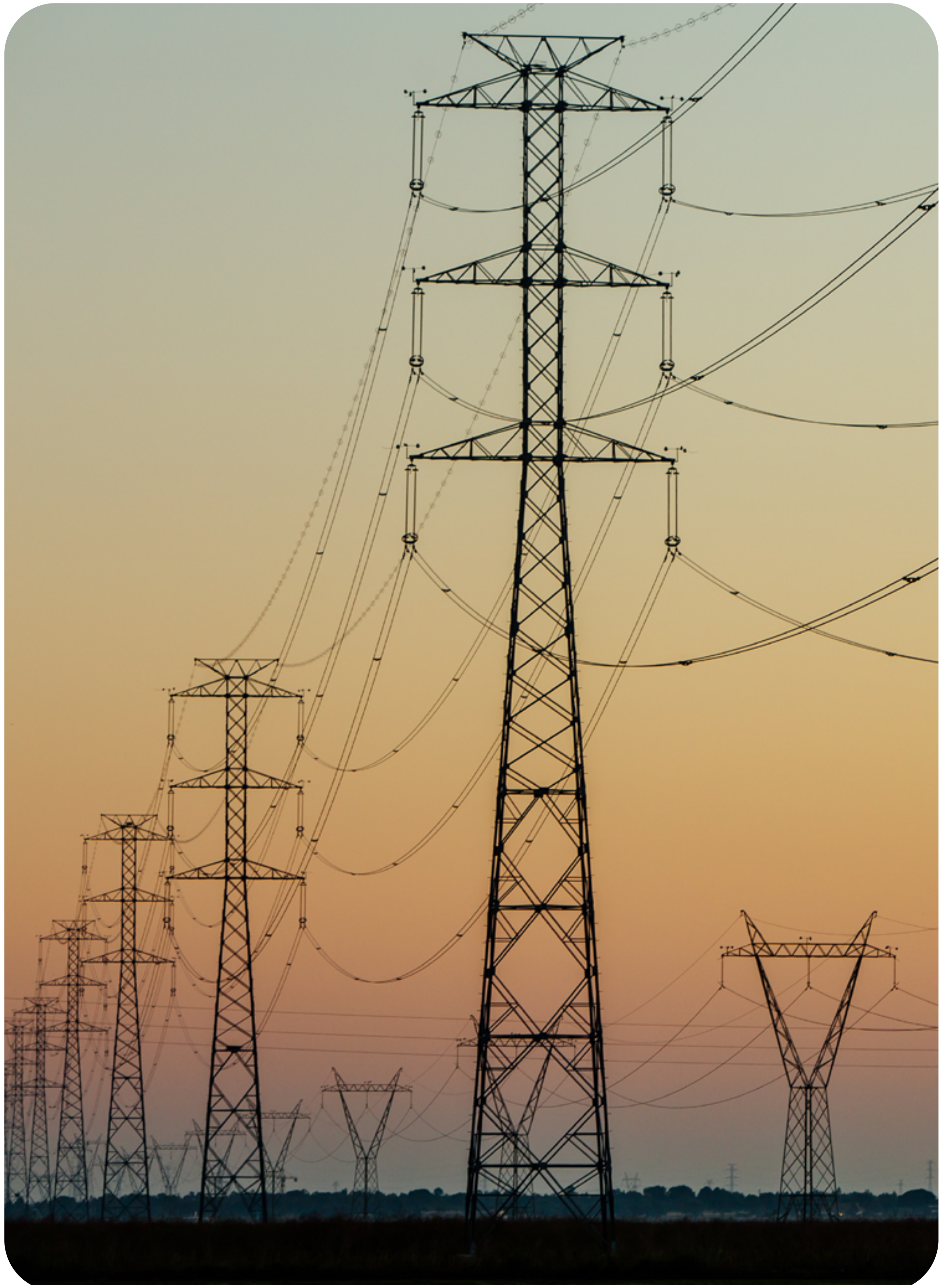
Additional information
Our annual turnover analysis covers only the economic activities associated with the revenue from sales and services provided to third parties, since intra-group transactions are removed when the consolidated accounts are prepared.

Annual turnover was allocated to Taxonomy-aligned economic activities as follows:

- The turnover of Group companies operating in electricity transmission more specifically, REN Eléctrica, which operates in Portugal, and Transemel, which operates in the Chilean market, was allocated to Activity 4.9. Electricity transmission and distribution; and

- RENTELECOM turnover relating to the provision of Hosting services was allocated to Activity 8.1. Data processing, information hosting and related activities.

As detailed in the table above, we have considered the amounts included in the numerator according to their contribution to Environmental Goal 1. Climate change mitigation. There were no additional amounts to be included in the numerator only according to Environmental Goal 2. Adaptation to climate change.



b. Capex KPI

				Substantial contribution						DNSH										
	Code	Absolute Capex	Proportion of Capex	(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)	(3)	(4)	(5)	(6)	Minimum safeguards	Taxonomy-aligned proportion of Capex, year N	Taxonomy-aligned proportion of Capex, year N-1	Category (enabling activity)	Category (transition activity)
Economic activities		€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	C	T
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
4.9. Transmission and distribution of electricity	35.12	158,008,955	78%	100%							Y	Y	Y	Y	Y	Y	78%		C	
Capex of environmentally sustainable activities (Taxonomy-aligned) (A1)		**158,008,955**	**78%**																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
4.14. Transmission and distribution networks for renewable and low-carbon gases	35.22	961,670	0%																	
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	49.32	546,095	0%																	
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A2)		**1,507,766**	**1%**																	
Total (A.1 + A.2)		**159,516,721**	**79%**																	
B. Taxonomy-non-eligible activities																				
Capex of Taxonomy-non-eligible activities (B)		**42,022,963**	**21%**																	
Total (A + B)		**201,539,683**	**100%**																	

Key – Environmental objectives

(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Circular economy
(5) Pollution
(6) Biodiversity and ecossystems

Definition and reconciliation
The proportion of capital expenditure is defined as Taxonomy-aligned Capex (numerator) divided by total Capex (denominator).

Pursuant to Taxonomy Delegated Act Article 8, total Capex consists of the value of additions to tangible and intangible assets during the year, including from business combinations, before considering depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, and excluding fair value changes. Additions of fixed tangible assets (IAS 16), fixed intangible assets (IAS 38), right-of-use assets (IFRS 16), investment property (IAS 40) and biological assets (IAS 41) are included. Goodwill additions are not included.

The numerator corresponds to the portion of capital expenditure included in the denominator that:

a. is related to assets or processes that are associated with Taxonomy-aligned economic activities;

b. is part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned; or

c. is related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, provided that these measures are implemented and operational within 18 months.

In 2022, the denominator of our Capex KPI consisted of total annual additions to tangible and intangible fixed assets, including right-of-use assets. The denominator can be reconciled to the total income presented in Note 8 of the Notes to the consolidated financial statements, and the respective accounting policies are detailed in Note 3 (fixed tangible and intangible assets and leasing operations).

In 2022, the numerator corresponded to the portion of the denominator associated with our Taxonomy-aligned economic activities detailed above in point 3, including activities for internal consumption by the Group, and also the purchase of output of Taxonomy-aligned economic activities.

Additional information
In order to be included in the numerator, the denominator values are first analysed with respect to our economic activities which are eligible or Taxonomy-aligned. Only when they do not qualify as such, are they assessed individually as to whether they result from the purchase of output from an economic activity which is eligible or Taxonomy-aligned, so as to avoid allocating them to more than one economic activity.

For eligible amounts resulting from the purchase of output of economic activities, we analysed the investment for which the suppliers provided us with the necessary information to confirm that the respective economic activity is Taxonomy-aligned, including compliance with NPS criteria and minimum safeguards, or otherwise we considered what could be directly assessed.

In 2022, annual Capex was allocated to Taxonomy-aligned economic activities as follows:

- Total Capex for Group companies operating in electricity transmission, more specifically, REN Eléctrica, which operates in Portugal, and Transemel, which operates in the Chilean market, was allocated to Activity 4.9. Electricity transmission and distribution.

Similarly, annual Capex was allocated to eligible economic activities which are non- Taxonomy-aligned, as follows:

- REN Portgás Capex regarding studies and platforms relating to projects for the preparation of infrastructure for the injection of renewable gases was allocated to Activity 4.14. Transmission and distribution networks for renewable and low-carbon gases; and

- Group Capex for the purchase of vehicles via leasing operation contracts, resulting from the purchase of output from eligible economic activities was allocated to Activity 6.5. Transport by motorbikes, passenger cars and light commercial vehicles. These figures exclude those that have already been considered in the abovementioned activities. Of the investment in this activity which is included in the numerator, it was not possible to determine alignment with the Taxonomy.

In 2022, the main investment included in the numerator of our Capex KPI associated with our aligned economic activities totals 158 M€ in Activity 4.9 (Transmission and distribution of electricity), where the main types of investment were the remodelling of existing lines and construction of new lines (78 M€).

c. Opex KPI

				Substantial contribution						DNSH										
	Code	Absolute Opex	Proportion of Opex	(1)	(2)	(3)	(4)	(5)	(6)	(1)	(2)	(3)	(4)	(5)	(6)	Minimum safeguards	Taxonomy-aligned proportion of Opex, year N	Taxonomy-aligned proportion of Opex, year N-1	Category (enabling activity)	Category (transition activity)
Economic activities		€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
4.9. Transmission and distribution of electricity	35.12	13,280,710	75%	100%							Y	Y	Y	Y	Y	Y	75%		E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A1)		**13,280,710**	**75%**																	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A2)		**0**	**0%**																	
Total (A.1 + A.2)		**13,280,710**	**75%**																	
B. Taxonomy-non-eligible activities																				
Opex of Taxonomy-non-eligible activities (B)		**4,492,663**	**25%**																	
Total (A + B)		**17,773,374**	**100%**																	

Key – Environmental objectives

(1) Climate change mitigation
(2) Climate change adaptation
(3) Water and marine resources
(4) Circular economy
(5) Pollution
(6) Biodiversity and ecossystems

Definition
The proportion of operating expenditure is defined as Taxonomy-aligned Opex (numerator) divided by total Opex: (denominator). Pursuant to the Taxonomy Delegated Act Article 8, total Opex consists of direct costs not capitalized during the year relating to research and development, building renovation measures, short-term leases, maintenance and repair, and other direct expenditure relating to the day-to-day servicing of tangible fixed assets necessary to ensure the continued and effective functioning of such assets.

The numerator corresponds to the portion of operating expenditure included in the denominator that:

a. is related to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs;

b. is part of a plan to expand Taxonomy-aligned economic activities or to enable Taxonomy-eligible economic activities to become Taxonomy-aligned; or

c. is related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, provided that these measures are implemented and operational within 18 months.

In 2022, our Opex KPI denominator includes 17.8 million euros in maintenance and repair costs, recognized in accordance with the accounting policy detailed in Note 3 (Fixed tangible and intangible assets) of the Notes to the consolidated financial statements.

The amounts above are included in our consolidated statement of income under "External supplies and services" (Note 27 of the Notes to the consolidated financial statements). Amounts under the heading "Staff costs" are not included, since they do not incorporate costs of natures that meet the definition of total Opex in the Taxonomy.

In 2022, the numerator corresponded to the portion of the denominator associated with our Taxonomy-aligned economic activities, detailed above in point 3, including activities for internal consumption by the Group. Training costs are not included in the Opex KPI as such inclusion is not provided for in the denominator.

Additional information
In order to be included in the numerator, the denominator values are first analysed with respect to our economic activities which are eligible or Taxonomy-aligned. Only when they do not qualify as such, are they assessed individually as to whether they result from the purchase of output from a Taxonomy-aligned economic activity, so as to avoid allocating them to more than one economic activity.

Annual Opex was allocated to Taxonomy-aligned economic activities as follows:

- The turnover of Group companies operating in electricity transmission, more specifically, REN Eléctrica, which operates in Portugal, and Transemel, which operates in the Chilean market, was allocated to Activity 4.9. Electricity transmission and distribution.

5. Next steps in the application of the Taxonomy

During 2023, REN will continue to closely monitor regulatory developments in European environmental taxonomy, more specifically, the publication of a new delegated act on the remaining environmental objectives.

With regard to minimum safeguards, efforts will be made to implement a Human Rights Due Diligence process in line with the proposal for the "**Corporate Sustainability Due Diligence**" Directive.

Also planned for 2023 is the effective implementation of the **TCFD project** to help identify climate related risks and opportunities, understand the company's exposure to such risks and create adaptation plans.

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(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails)

Independent Limited Assurance Report

To the Board of Directors of
REN – Redes Energéticas Nacionais, S.G.P.S., S.A.

Scope

We have been engaged by REN – Redes Energéticas Nacionais, S.G.P.S., S.A. ("REN") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, to report on the sustainability disclosures included in the Integrated Report 2022, identified in "Annex 2: GRI Table", "Annex 4: Sustainability Accounting Standards Board (SASB Table)" and "Annex 5: Recommendations of the Task Force on Climate-related Disclosures (TCFD)" (the "Sustainability Information"), for the year ended December 31, 2022.

Criteria applied

REN prepared the Sustainability Information in accordance with the sustainability reporting standards of the Global Reporting Initiative – GRI Standards, guidelines of the Sustainability Accounting Standards Boards (SASB), recommendations of the Task Force on Climate-Related Disclosures (TCFD) and with the principles of inclusivity, materiality, responsiveness and impact set by AA1000AP Standard (2018) (together the "Criteria").

Responsibilities of the Management

REN's management is responsible for selecting the Criteria, and for preparing the Sustainability Information in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining an appropriate internal control system, maintaining adequate records and making estimates that are relevant to the preparation of the Sustainability Information, such that it is free from material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to examine the Sustainability Information prepared by REN and to issue a limited assurance report based on the evidence obtained.

Our engagement was conducted in accordance with the International Standards for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information – ISAE 3000 (Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and other technical standards and recommendations issued by the Portuguese Institute of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*). These standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Sustainability Information is prepared in accordance with the Criteria.

Our work also considered the AA1000 Assurance Standard (AA1000AS v3) issued by AccountAbility for a type 2 process, with the aim of obtaining a moderate level of assurance on the alignment of REN with Standard AA1000AP (2018).

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Procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. In these circumstances, our independent review procedures comprised the following:

- Inquiries to management with the objective to understand the business context and the sustainability reporting process;
- Conducting interviews with personnel responsible for preparing the information in order to understand the processes for collecting, collating, reporting and validating of the Sustainability Information for the reporting period;
- Conducting analytical review procedures to support the reasonableness of the data;
- Execution, on a sample basis, of tests to the calculations carried out, as well as tests to prove the quantitative and qualitative information included in the report;
- Verification of the level of adherence to the principles of inclusivity, materiality, responsiveness and impact defined in AA1000AP Standard (2018), through the analysis of contents contained in the Sustainability Information and in the internal documentation of REN;
- Verification of the conformity of the Sustainability Information with the results of our work and with the Criteria applied.

We consider that the evidence obtained is sufficient and appropriate to provide the basis for our conclusion.

Quality and Independence

We apply the International Standard on Quality Control 1 and, accordingly, maintain a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the *Ordem dos Revisores Oficiais de Contas'* Code of ethics and of the International Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence, and due care, confidentially, and professional behavior.

Conclusion

Based on our work and evidence obtained, nothing has come to our attention that cause us to believe that the Sustainability Information, for the year ended 31 December 2022, has not been prepared, in all material respects, in accordance with the Criteria.

Other Matters

Without affecting the conclusion above, we also present the following aspects regarding REN's adherence to the principles of AA1000AP Standard (2018):

- Principle of inclusivity: internal and external stakeholders' engagement is one of the strategic priorities defined in REN's Sustainability Strategy, and the survey of topics, expectations and needs through stakeholder auscultation processes is a critical process for the operationalization of the Strategy. There are mechanisms in place to identify stakeholders as well as obtain information on their expectations.
- Principle of materiality: REN reviews biennially the relevance of the sustainability topics on which it should focus its management and reporting, using appropriate, explicit, and specifically defined processes and criteria. In 2021, REN held an auscultation with its stakeholders, to assess which sustainability topics are relevant to them. The crossing of this analysis with the exercise of sectoral benchmarking, allowed REN to update the material topics in 2021. REN intends to carry out a new

exercise of stakeholder auscultation and materiality assessment in 2023 from the perspective of the concept of double materiality, as defined in the Corporate Sustainability Reporting Directive.

- Principle of responsiveness: REN has the mechanisms to define, develop, evaluate, and communicate the necessary responses to meet the main expectations of its stakeholders. In addition, REN formalized in 2022 the Stakeholder Relations Policy in which it reinforces the commitments and respective responses to the concerns of the stakeholders.
- Principle of impact: REN monitors and reports, for each material topic, the main direct and indirect impacts of its activity. REN has defined a set of quantitative and qualitative indicators to monitor over time the operational, economic, environmental, social, and governance impacts in accordance with the Criteria.

Lisbon, 23 March 2023

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

Manuel Ladeiro de Carvalho Coelho da Mota - ROC nº 1410
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AA1000
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Glossary

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A new word
for the future.

Financial Glossary

ACRONYMS

Capex
Capital expenditure on acquisitions and upgrades of tangible fixed assets

Debt to equity ratio
Net Debt/ Equity

Dividend per share
Ordinary dividend/ total number of shares outstanding

Net debt
Short and long-term financial debt – cash balances

EBIT
Earnings Before Interest and Taxes (operating profit)

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortisation (operating profit, excluding amortisation and depreciation)

HICP
Harmonized Index of Consumer Prices

Opex
Operational expenditure (operational and maintenance spending)

TB
Treasury Bonds

GDP
Gross Domestic Product

RAB
Regulated Asset Base (Assets value net of depreciations and subsidies also net of depreciations)

TOTEX
Total expenditure (Capex + Opex)

Payout ratio
Ordinary dividend/ net profit

RCCP
Current ROE

ROA
Return on assets (EBIT/ total assets)

ROE
Return on equity (Net profit/ equity)

RoR
Rate of Return

VAT
Value Added Tax

Turnover
Sales plus services provided

TSR
Total Shareholder Return

Technical Glossary

ACRONYMS

A&P
Analysis and Performance

AA1000AP
AccountAbility Principles – 2018

ACAS
Avian Collision Avoidance System

AERC
Analysis of Environmental Risk of Corridors

AGC
Gas Consumption Management Agreement

AGU
Autonomous Gas Unit

AIB
Association of Issuing Bodies

AP
Accountability Principles

APCC
Portuguese Association of Contact Centers

APEE
Portuguese Association of Business Ethics

APOSC
Cabreira Mountains Land Management Association

APPDI
Portuguese Association for Diversity and Inclusion

APREN
Portuguese Association of Renewable Energy

BAU
Business As Usual

BD
Board of Directors

BEV
Battery Electric Vehicle

BRIDGE
Horizon 2020 Task Force for R&I Priorities

CCILC
Luso-Chinese Trade and Industry Chamber

CESE
Extraordinary Levy on the Energy Sector (Contribuição Extraordinária sobre o Sector Energético)

CIGRÉ
Conseil International des Grands Réseaux Électriques

CNR
Carbon Neutrality Roadmap

CORESO
Regional Coordinating Centre

COTEC
Business Association for Innovation

CPS
Control and Protection Systems

CRR
Capacity Reservation Rights

CSP
Contractors and Service Providers

CSRD
Corporate Sustainability Reporting Directive

CTS
Custody transfer station

CVP
Comunidade Vida e Paz – Life and Peace Community

CWA
Collective Work Agreement

DGEG
Directorate-General for Energy and Geology

EA
Environmental Assessments

EBGL
Electricity Balancing Guideline

EC
European Commission

EC
Executive Committee

EED
Energy Efficiency Directive

EEGO
Issuing Body for Guarantees of Origin

EERA
European Energy Research Alliance

EF
Emission Factors

EGIG
European Gas Pipeline Incident Data Group

EHB
European Hydrogen Backbone

EIA
Environmental Impact Assessment

EIS
Environmental Impact Statement

EIS
Environmental Impact Statement

EIT
Equivalent Interruption Time

EPBD
Energy Performance of Buildings Directive

EPIS
Associação Empresários pela Inclusão – Business for Incluir Association

ERSE
Energy Services Regulatory Authority

ESA
European Space Agency

ESG
Environmental, Social and Governance

ETIP-SNET
European Technology & Innovation Platforms

ETS
Emissions Trading Scheme

EU
European Union

EUA
European Unit Allowance

GDPR
General Data Protection Regulation

GEI
General Electrical Installation

GHG
Greenhouse Gas

GIC
Geomagnetically Induced Currents

GO
Guarantees of Origin

GRI
Global Reporting Foundation

GRMS
Gas Regulating and Meeting Stations

GSM
General System Management

GSU
General System Use

GTBI
Gas Transmission Benchmarking Initiative

GTMPM
General Technical Management Procedures Manual

GUS
General Use of the System

HCB
Hidroeléctrica de Cahora Bassa

HP
High-Pressure

HPI
Hydroelectric Productivity Index

HV
High Voltage Network

HVAC
High Voltage Alternating Current

HVDC
High Voltage Direct Current

ICT
Information and Communication Technologies

IEC
International Electrotechnical Commission

IEEE
Institute of Electrical and Electronics Engineers

IEQ
Interests and Expectations Questionnaire

IERI
Incentive for the Economic Rationalization of Investment

IGM
Integrated Guarantee Manager

IITP
Incentive to Improve Technical Performance

IMD
International Institute for Management Development

INEGI
Institute of Science and Innovation in Mechanical and Industrial Engineering

INEGI
Institute of Science and Innovation in Mechanical and Industrial Engineering

INESC TEC
Institute for Systems and Computer Engineering, Technology and Science

ICJCT
Junction station with a single branch

IPCG
Portuguese Institute of Corporate Governance

ISEL
Lisbon Higher School of Engineering

ISPS
Ship and Port Facility Security Protection

JAP
Junior Achievement Portugal

JCT
Junction station

LNG
Liquefied Natural Gas

LNGT
Liquefied Natural Gas Terminal

MGMES
Procedures Manual for the General Management of the Electricity System

MIBEL
Iberian Electricity Market

MIE
Internal Energy Market

NDGN
National Gas Distribution Network

NECP
National Energy and Climate Plan

NES
National Electricity System

NGN
National Gas Network

NGO
Non-Governanmental Organization

NGTN
National Gas Transmission Network

Nova SBE
Nova School of Business and Economics

NTN
National Electricity Transmission Network

NTNIST
National Transmission Network, Storage Infrastructure and Terminals

OGMP
Oil and Gas Methane Partnership

OMIE
Iberian Energy Market Operator

OPR
Orçamento Participativo REN – REN Participatory Budget

PBS
Porto Business School

PDIRG
Gas Transmission Network Development and Investment Plan

PDIRT
Transmission Network Development and Investment Plan

PEA
Portuguese Environmental Authority

PHEV
Plug in Hybrid Electric Vehicles

PIC
Projects of Common Interest

POP
Personal Opinion Programme

PPA
Power Purchase Agreement

PSEN
Public Service Electricity Network

PSEN
Public Service Electrical Network

PUSC
Production Units for Self-Consumption

PWN
Professional Women's Network

QES
Quality, Environment and Safety

QSR
Quality of Service Regulations

R&D
Research and Development

RCA
Root Cause Analysis

RD&I
Research, Development and Innovation

RDIC
Research, Development and Innovation Committee

RECAPE
Environmental Compliance Report on the Execution Project

RED
Renewable Energy Directive

RES
Renewable Sources

RESP
Public Service Electricity Network

RGI
Renewables Grid Initiative

RMS
Reduction and Metering Stations

RNT
National Electric Transmission Network

RNTG
National Gas Transmission Network

RNTIAT
National Gas Transmission Network, Storage Infrastructure and LNG Terminals (Rede Nacional de Transporte, Infraestruturas de Armazenamento e Terminais de GNL)

RRB
Regulation Reserve Band

RRP
Recovery and Resilience Plan

RTPSS
Real Time Power Systems Simulation

SASB
Sustainability Accounting Standards Board

SBT
Science Based Targets

SBTi
Science Based Targets initiative

SDG
Sustainable Development Goals

SEA
Strategic Environmental Assessment

SGIDI
Research, Development and Innovation Management System

SIFIDE
National System of Tax Incentives for Corporate R&D

SPA
Sines Port Authority

SWE
South West Europe

TCFD
Task Force on Climate Related Financial Disclosures

TEP
Transmission of Electrical Power

TFZ
Technological Free Zones

ToR
Terms of Reference

TSO
Transmission System Operators

TUTN
Use of the Transmission Network

UCP
Portuguese Catholic University

US
Underground Storage

USA
United States of America

VHV
Very High Voltage Network

WBCSD
World Business Council for Sustainable Development

WHO
World Trade Health Organization

WRI
World Resource Institute

ZCDRE
Zone Conducive to the Development of Renewable Energy

ACRONYMS

bcm	billion cubic meters
cent	cent
CO_2	carbon dioxide
EUR	euro
€	euro
GHz	gigahertz
GJ	gigajoule
GW	gigawatt
GWh	gigawatt hour
k€	thousands of euro
km	kilometre
kV	kilovolt
kWh	kilowatt-hour
m^3	cubic metre
$m^3(n)$	standard cubic metre (volume of gas measured at 0^0 celsius and at standard atmospheric pressure)
M€	millions of euros
mM€	billion euros
MVA	megavolt amperes
Mvar	millivolt-ampere reactive
MW	megawatt
MWh	megawatt hour
n.a.	not applicable/ not available
n.m.	not measurable
p.p.	percentage point
s	second
t	tonne
tcm	1x1.012 metros cúbicos
tCO_2eq	tonne of carbon dioxide equivalent
TWh	terawatt hour

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trensition

A new word
for the future.

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INTEGRATED
REPORT
2022

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