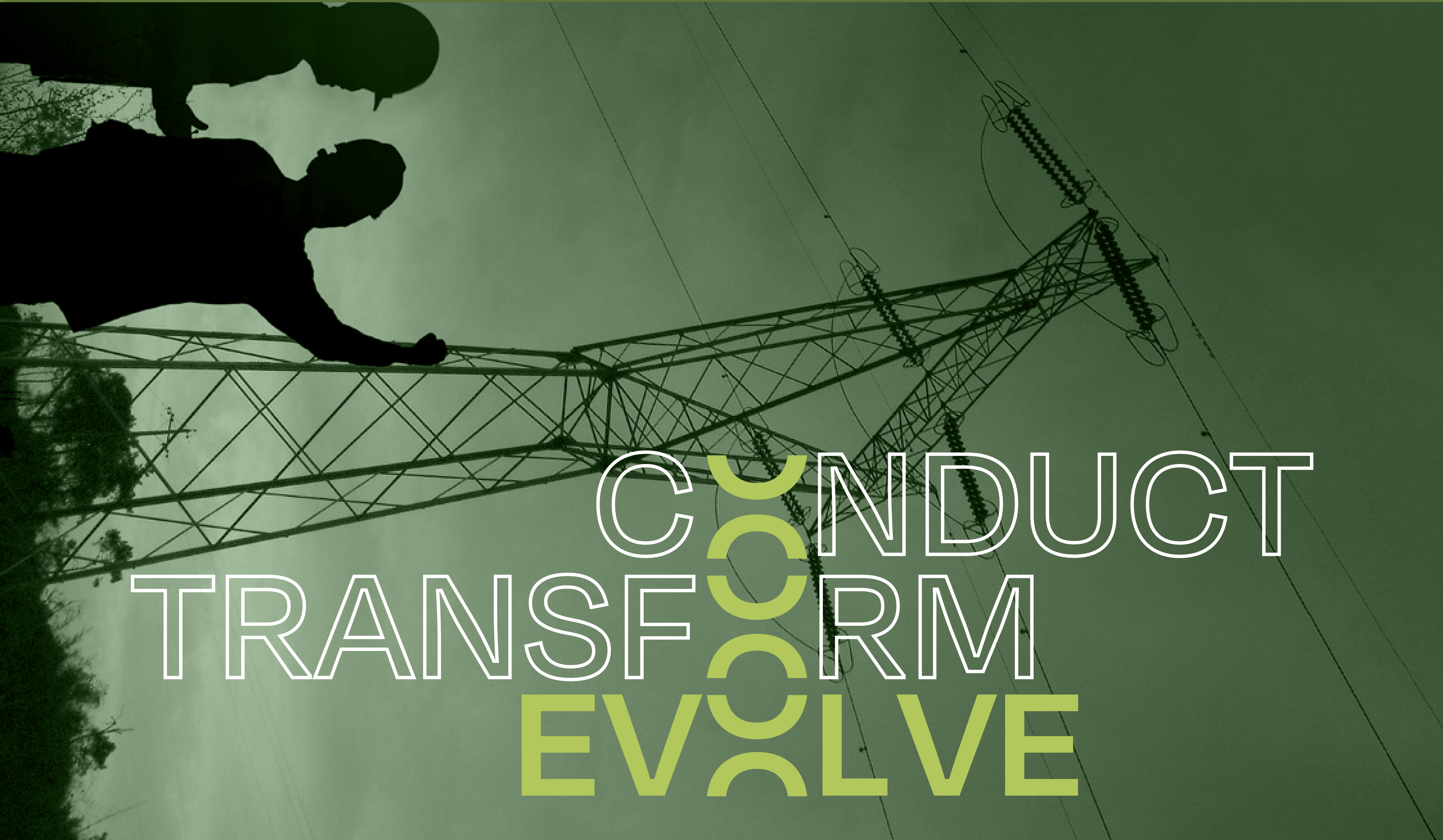
REN ANNUAL REPORT **2021**



THE NETWORK OF ALL NETWORKS

WWW.REN.PT

REN

CONDUCT
TRANSFORM
EVOLVE

ANNUAL REPORT **2021**

2021

in numbers

This document is an unofficial and unaudited version of the REN Group's official accountability document, submitted at the CMVM website on March 29th, 2022. Notwithstanding, it corresponds to a faithful copy of the aforementioned financial information reporting system, which can also be found at REN Group's website. In case of discrepancy, the official financial information submitted to CMVM on March 29th, 2022 prevails.

Electricity and natural gas indicators

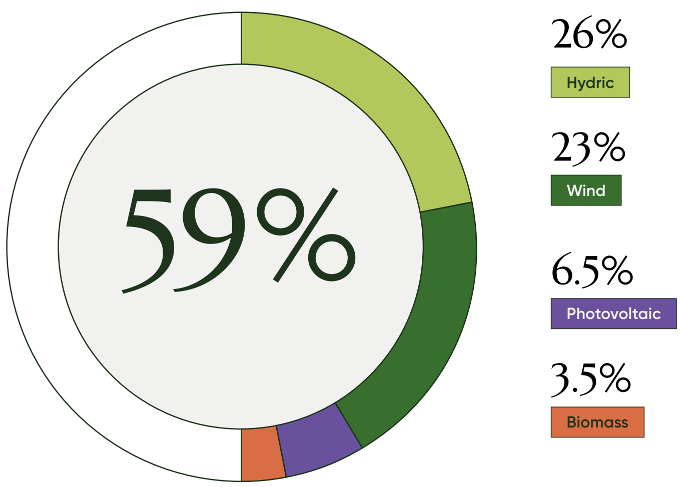
49.5 TWh
Electricity consumption

63.8 TWh
Natural gas consumption

A philosophy which transforms our challenges into energy.

Renewable production

National supply from renewable production in 2021



Financial indicators

97.2 M€
Net income

247.1 M€
Investment

3,602.8 M€
Average RAB

Performance indicators

701
Employees

28%
Women in management positions

723 ha
(Re)forested area

28%
Fleet electrified

REN

CONDUCT
TRANSFORM
EVOLVE

Different times provide us with the starting point towards a different future. A future we believe could be even better than our dreams before all of these challenges appeared: because we are more united, more aware of our responsibilities as a society and because we have become more resilient, more ambitious and are committed to being even more sustainable. Today, we know that it is not enough just to change.

The time has come for us all to evolve together.

ANNUAL REPORT 2021

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MORE THAN A COMMITMENT

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United in a
greater mission.

Message from the Chairman

1

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

At the start of 2020, we were taken by surprise by the COVID-19 pandemic. One year later, when we finally thought that the virus was under control, we saw the situation worsen. And 2021 was once again, a difficult year.

At a time when hope was re-emerging, we find ourselves facing a serious armed conflict in Europe, with outcomes which are far from predictable. I am writing these words on the morning of 24 February – the day Russia invaded Ukraine.

Recent years have been difficult, but we managed to overcome the challenges we were faced with. Seen in this light, 2021 was no different: we did a good job, and again, we were able to fulfil our mission. Today, we are concentrating on the tasks at hand, and this is the approach we must always have.

We finished 2021 with a vast amount of work done and no fatal accidents were recorded among our employees. Like everyone, we suffered tremendously and it was with great sadness that we saw the pain caused by the loss of family and friends.

We would like to highlight our reinforced focus on energy transition, with the firm aim of achieving carbon neutrality by 2040.

We changed how we managed our day-to-day lives, but we maintained our operational focus, with efficiency and safety as our core concerns. Results were good in all areas, both in Portugal as well as in Chile.

Our teams were always able to meet the daily routine requirements as well as react effectively to emergency situations, both in the development of new projects as well as in areas of operational management. The measures we implemented to protect ourselves from the effects of the pandemic proved to be efficient and were met with approval and recognition by everyone involved.

In 2021, we presented a new multi-annual strategic plan for the 2021-2024 period (https://.www.ren.pt/files/cmd2021.pdf). We have maintained the main previous strategic objectives and we are confident that the diligence and discipline, together with the sense of responsibility with which we manage all our teams, will continue to produce the results we want.

The new plan clearly shows that we have further reinforced our focus on an especially important area today: Environmental, Social and Corporate Governance Sustainability. The ESG goals we have defined and the progress we have achieved will be made public, and we are certain that this strategic option will create new value for REN and for the communities where we work.

Among the different initiatives we have undertaken, we would like to highlight our reinforced focus on energy transition, with the firm aim of achieving carbon neutrality by 2040. A further focus has been on diversity, including the target of having 1/3 of top management positions filled by women by 2030.

We continued to invest in actions which seek to provide an effective contribution to the Sustainable Development Goals (SDGs) for 2030, particularly in projects that foster education and innovation, promote the preservation of biodiversity and forests, and are in line with goals for decarbonization. Also of note is our commitment to sustainable development, reflecting the ten principles of the United Nations Global Compact initiative (UNGC) on human rights, labour practices, environmental protection and anti-corruption.

In order to ensure ongoing monitoring of ESG issues, we have also formed a Sustainability Committee within the Board of Directors.

2021 was marked by worldwide acceptance of the urgency required in the fight against climate change.

This situation has put the energy sector under enormous pressure. All over the world, we are witnessing a decline in the use of fossil fuels for generating electricity, an increase in renewable generation, and the search for new energy solutions, where we believe hydrogen will play a particularly important role in our sector.

As is public knowledge, REN has actively participated in the energy transition effort, making important contributions in the areas of planning and management of the National Energy System. We continue to actively collaborate with all public and private entities that form part of this complex system. Our contribution is widely recognized and we take great pride in the critical role played by our technical teams.

In 2021, we also presented the development and investment plans for the electricity transmission network and the gas transmission and infrastructure network for the 2022-2031 period. Ahead of us, we have major energy policy goals that reflect the Portuguese Government's National Energy and Climate Plan (NCEP) 2030.

2021

We issued our first "green" bond in the euro market, aligning the Company's financing and sustainability strategies.

We are also in a race against time where the biggest barrier is the complexity of the solutions, their cost and the time needed to implement the projects. Our networks are prepared to continue to evolve, and projects are being made and executed within demanding but achievable schedules. Over the coming decade, we will continue to see exponential growth in renewable energy, and this evolution will continue to require significant investment. We are well prepared for this challenge, from both operational as well as financial perspectives.

In the financial sphere, I would like to mention that in April 2021, we issued our first “green” bond in the euro market, thus taking an important step towards aligning the company's financing and sustainability strategies, clearly reinforced in our new strategic plan. All the ratings agencies reacted positively to the criteria of financial prudence governing the process, maintaining our rating at “investment grade”. Our commitment for the future is to finance our operations solely through the issue of green debt.

In the Chilean market, 2021 was a year of growth for Transemel, with the completion of yet another important expansion project – the expansion of the Calama substation – and the end of the transition process, with company operations now fully integrated into the REN Group. For Electrogas, it was a year of stability, with the infrastructure managed by the company once again showing full availability throughout the year. As in previous years, REN maintained a productive and cordial relationship with its local partners, Colbún and ENAP.

2022

We will maintain our company-wide digitization programme and invest in new technologies.

With respect to regulation, the Energy Services Regulatory Authority (ERSE) published the new tariff regulations for the Electricity Sector, which set out the new rules for the regulatory period starting in 2022 and which will remain in effect for four years. These changes are part of an international movement and were expected. The regulation of the sector in Portugal is admittedly demanding, but we believe that we are in a position to continue our work and be able to meet the standards of quality and efficiency that we have maintained for many years.

Our biggest concern is the Extraordinary Levy on the Energy Sector, which has been in place for eight years. The weighting of this levy (around 30% of our net profit) significantly reduces the company's profitability, where we operate under regulated costs for the benefit of the country, and are one of the best operators under any international comparison.

In the shareholder structure, it is worth highlighting the disposal of shares by Mazoon BV (part of the Oman Oil Company). Over more than nine years, this shareholder always provided REN with great support on the Board of Directors and their departure was seen with genuine sadness. Their holdings of 12% were acquired by the company Pontegadea Inversiones. The profile sought by this new shareholder is one of solid stability and long-term strategy, and is thus a recognition of REN's value.

A final word by way of a summary:

The main challenges we are expecting will follow events seen at the end of last year. 2021 ended with a worrying trend towards increased energy prices worldwide. These rises are the result of geopolitical crises in North Africa and Eastern Europe. We will be closely following the evolution of the war in Ukraine, working with our European counterparts and drawing up contingency plans to deal with possible disruptions in the European energy system. This will take place against a backdrop of worsening drought conditions, limiting the full operation of hydroelectric power plants in Portugal.

2022 will therefore be a year where we will have to manage the operational challenges mentioned above, which could worsen. We will continue with the investment plan for the development of our infrastructure, thus meeting the Portuguese Government's energy policy plans. We will maintain our company-wide digitization programme and invest in new technologies and methodologies to ensure that our levels of efficiency and safety continue to be benchmarks in our industry.

As always, the Board of Directors would like to acknowledge the commitment made by all our employees and partners in the constant effort to fulfil our mission.

Thank you,
Rodrigo Costa

BEYOND TRUST

2

The certainty
that only ongoing
success provides.

Approach to Report

2
APPROACH TO THE REPORT

Full commitment
every day which,
more than just a
promise, is our identity.

This report brings together the information required to meet our commitments and legal and financial reporting obligations as well as our commitments to sustainability reporting.

This report brings together the information required to meet our commitments and legal and financial reporting obligations as well as our commitments to sustainability reporting. The aim of the report is to provide transparent information on economic, social and environmental issues which have been identified as most relevant to the company and its stakeholders as well corporate governance and ethics during 2021. Since 2010, REN has combined financial and sustainability reporting in a single document issued every year. The consolidated and individual financial statements for the financial year ending 31 December 2021 were approved by the Board of Directors at their meeting of 24 March 2022. The remainder of this report was also generally approved by the Board on the same date. It is the Board of Directors' opinion that the information in this report accurately reflects the financial position of the Group and its different subsidiary companies and provides a balanced overview of its present situation, policies, organization, practices and operating results in areas of sustainability considered to be most relevant in compliance with the reference Standards and Directives as implemented.

This report is complemented by the following publicly available information:

- Sustainability brochure 2021
- Company Website

Sustainability reporting

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

REN respects the commitment arising from having joined the United Nations Global Compact (UNGC) initiative in 2005 to provide information on its progress in implementing the ten principles regarding human rights, employment protection, environmental protection and anti-corruption measures This report is also the vehicle for this information and as such, the correspondence table between the content of this report and the GRI and UNGC references is included. Further information on the UNGC initiative can be consulted on the REN website (www.ren.pt).

In addition, REN prepared the report on the proportion of eligible economic activities under the European Union Taxonomy (Regulation 2020/852).

The sustainability information was audited by PwC (PricewaterhouseCoopers), in accordance with the principles of ISAE 3000 (International Standard on Assurance Engagements 3000) and with reference to the GRI Standards and AA1000AP (Accountability Principles - 2018), for a limited assurance level of reliability.

Financial reporting

The consolidated financial statements have been drawn up on the assumption that operations are to continue using the accounting books and records of the companies included in the consolidation (Note 6). This accounting information is maintained in accordance with accountancy standards in effect in Portugal, adjusted during the consolidation process so that the consolidated financial statements are in accordance with International Standards on Financial Reporting as implemented throughout the European Union, in effect for financial years starting on 01 January 2021. Both the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC) and respective interpretations – SIC and IFRIC, issued by the International Financial Reporting Interpretation Committee (IFRIC) and Standard Interpretation Committee (SIC), which have been implemented in the EU, should be understood as forming part of those standards.

The attached financial statements were drawn up in accordance with Portuguese law, including Decree-Law No 158/2009 of 13 July 2009, updated by Decree-Law No 98/2015 of 2 June and by Ministerial Implementing Order No 220/2015 of 24 July, and also in accordance with the structural concept, accountancy, reporting and other requirements applicable to the financial year ending 31 December 2021.

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

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

Context of the Corporate Governance Report

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

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

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

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

Coverage

This report covers the financial and sustainability performance of all REN Group companies from 1 January 2021 to 31 December 2021.

Material Aspects

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

List of materially relevant topics

Environmental policy/ Environmental management systems

Energy Efficiency
Biodiversity
Awareness and environmental training

Governance model

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

Health and safety at work

Employee satisfaction and welfare

Management of human capital and diversity

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

Impact on communities

Support for local communities

Safety, reliability, quality and guarantee of supply

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

A CHALLENGE ABOVE GROWTH

3

The excellence of a network that delivers, at the service of people.

REN at a Glance

3
REN AT A GLANCE

A philosophy which transforms
our challenges into energy.

REN operates in the transmission of very high voltage electricity and high-pressure natural gas.

3.1. REN PROFILE

3.1.1. OUR WORLD

REN is one of the few operators in Europe with the following characteristic:

- In electricity, REN operates through the transmission of very high voltage (VHV) and the general technical management (GTM) of the national electricity system, under a 50-year public concession service, which REN – Rede Eléctrica Nacional, S.A., a company wholly owned by REN, has held since 2007;

- In natural gas, REN operates through the high-pressure (HP) transmission and the GTM of the national natural gas system, from the reception, storage and regasification of liquefied natural gas to the underground storage of gas, under a 40-year public service concession which the REN Group companies, REN Gasodutos, S.A., REN Atlântico – Terminal de GNL, S.A. and REN Armazenagem, S.A., (respectively), have held since 2006.

Through REN Trading, S.A., REN manages the energy to be acquired from two electrical power producing centres, as part of energy acquisition contracts which were not subject to early cancellation.

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

In November 2010, the Portuguese state awarded Enondas, Energia das Ondas, S.A., a company wholly owned by REN, a concession for wave energy production in a pilot area to the north of 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.

Group business functions are conducted by REN Serviços, S.A. (REN Serviços), more specifically, this includes support functions for the concession holders and with regard to back-office services. In addition to this support, REN Serviços manages the holdings which the company owns in other companies.

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

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

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

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

This operation represented the second investment which the REN Group made in Chile (after the acquisition, in 2017, of relevant holdings of 42.5% in Electrogas, S.A.).

Holdings

REN maintained its holdings in the following companies:

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

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

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

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

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

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

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

c) Coreso, S.A., a company operated under Belgian law, with registered office in Brussels, which is one of the European Regional Security Coordinators (RSCs) performing the functions attributed to the entities by the European market codes and also operating of electrical systems. REN - Rede Eletrica Nacional, S.A. Currently has holdings of 7.90%.

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

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

f) Electrogas, S.A., a Chilean company which operates a key gas pipeline in central Chile, in which REN has had a 42.5% stake in capital since February 2017. The operation was finalized through a company with registered office in Chile (Aerio Chile SpA), in which REN, through its subsidiary REN Serviços, S.A., owns 100%. This acquisition was an important milestone in REN's internationalization process (this was followed in 2019 by the acquisition of all of the equity capital in the Chilean company Empresa de Transmisión Eléctrica Transemel S.A.).

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

3.2. CORPORATE BODIES, DEPARTMENTS AND OTHER MANAGING BODIES (31.12.2021)

CORPORATE BODIES

Board of the General Meeting
Pedro Rebelo de Sousa, **chairman**
Rui Pereira Dias, vice-**chairman**

The Board of Directors
Rodrigo Costa, **chairman**
João Faria Conceição, **member**
Gonçalo Morais Soares, **member**
Guangchao Zhu, **vice-chairman**
Mengrong Cheng, **member**
Lequan Li, **member**
Jorge Magalhães Correia, **member**
Manuel Ramos de Sebastião, **member**
Gonçalo Gil Mata, **member**
Rosa Freitas Soares, **member**
Maria Estela Barbot, **member**
Ana Pinho, **member**
Ana da Cunha Barros, **member**
José Luis Arnaut, **member**

Executive Committee
Rodrigo Costa, **chairman**
João Faria Conceição, **member**
Gonçalo Morais Soares, **member**

Audit Committee

Manuel Sebastião, **chairman**
Gonçalo Gil Mata, **member**
Rosa Freitas Soares, **member**

Remunerations Committee
João Duque, **chairman**
José Galamba de Oliveira, **member**
Fernando Neves de Almeida, **member**
Ethics and Corporate Governance Committee
José Luís Arnaut, **chairman**
Maria Estela Barbot, **member**
Lequan Li, **member**

Nominations and Appraisals Committee
Manuel Sebastião, **chairman**
Lequan Li, **member**
Rosa Freitas Soares, **member**

Sustainability Committee
Rodrigo Costa, **chairman**
João Faria Conceição, **member**
Gonçalo Morais Soares, **member**
Ana Pinho, **member**
Ana da Cunha Barros, **member**

Statutory Auditor
Ernst & Young, Audit & Associados, SROC, S.A., **effective**
Ricardo Miguel Barrocas André, ROC, **alternate**

Company Secretary
Marta Almeida Afonso, **effective**
Diogo Macedo Graça, **alternate**

DEPARTMENTS AND OTHER MANAGERS

Internal audit:
Hugo Domingos

Chief Technical Officer:
Zhang Xin

Electricity Unit
Holding:
Albertino Meneses

Exploração:
Albertino Meneses

System Management:
Albino Marques

UN Natural Gas Transmission

Holding:
Paulo Ferreira

System Management:
Fernando Valter Diniz

UN Natural Gas Distribution

REN Portgás Distribuição:
Maria José Clara, **chair**
Victor Baptista, **member**
Nuno Fitas Mendes, **director**

Concession Support

Network Plannings:
Rui Marmota

Asset Management:
João Afonso

Investment:
Nuno Ribeiro

Regulation and Statistics:
Pedro Furtado

Operational Services:
Isabel Figueira

European Energy Agenda:
Maria José Clara

Operational studies and innovation:
Pedro Ávila

Support Duties

Investor Relations:
Nuno Rosário[1]

Control, Accounting and Taxation:
Brígida Palma

Human Resources:
Teresa Barreiros

Institutional Relations:
Maria José Clara

Information Systems:
Inês Lucas

Purchasing:
João Correia Botelho

Buildings and General Services:
João Correia Botelho

Legal Services:
Marta Almeida Afonso

Financial Management:
Nuno Rosário

UN REN PRO

Business Planning and Development:
João Pedro Pires

Communication and Sustainability:
Margarida Ferreirinha

Commercial Management:
Isabel Fernandes

I.T. Consultancy and Project Management:
Inês Lucas

REMAINING UNS

RENTELECOM:
Rui Franco

ENONDAS:
Albertino Meneses

REN Finance:
Nuno Rosário

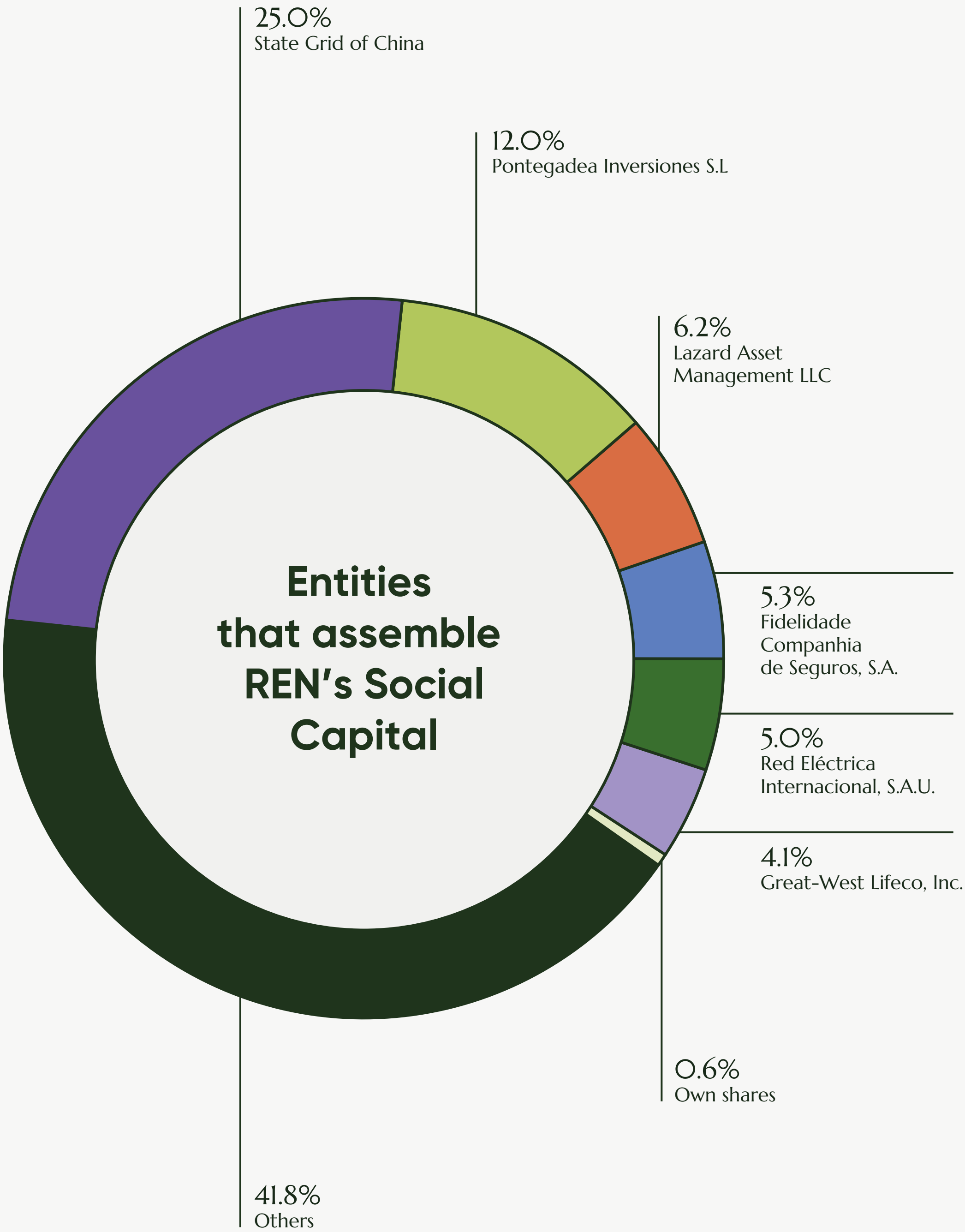
Transemel:
Rodrigo Guerrero

REN Trading:
Nelson Cardoso
Tiago Andrade e Sousa

[1] Nuno Rosário replaced Ana Fernandes on 1st December 2021.

3.3. VOTING RIGHTS

Shareholder Structure on December 31, 2021



3.4. MILESTONES IN 2021

MAIN REN GROUP EVENTS

01 Jan

The consumption of electricity and gas hit new maximums. The new maximum consumption of electricity was reached on 12 January with 9,888 MW, exceeding the previous maximum of

9,403 MW on 11 January 2010. In relation to gas, the previous maximum of 13,539 MW, reached on 7 January 2020, was exceeded by the 15,127 MW, recorded on 5 January 2021.

9,888 MW

The new maximum consumption of electricity was reached on 12 January

15,127 MWh

The new maximum consumption of gas was reached on 5 January

02 Feb

REN joined Hydrogen Europe, an institution representing the hydrogen sector on a European level with more than 150 member companies, including the main TSOs.

REN obtained the certification necessary to issue "green bonds", after having been classified with the rating B ("Prime"), by the highly regarded international certifier ISS - Institutional Shareholder Services, considering that the company provides a significant contribution to reaching sustainable development targets.

03 Mar

Start-up of the Organized Natural Gas Market in Portugal, managed by MIBGÁS.

The entry of MIBGAS into Portugal marked an important step in the development of the Iberian natural gas market, not only helping increase the level of competition and business transparency, but also promoting a rise in the number of participants and the liquidity of the gas market.

REN obtained a patent from the European Patent Office (EPO) for an innovative solution for charging electric vehicles using the Very High Voltage Network.

04 Apr

REN agreed the terms of the first issue on the Euro Bonds market, in a value of 300 million euros, under the respective EMTN (European Medium-Term Notes) programme of REN and REN Finance B.V., with a maturity of eight years and an interest rate corresponding to the eight-year mid swap rate plus 0.6%. This was REN's first issue of green bonds and reflects the company's alignment of financing policies and sustainability.

The first REN green bond issue was for 300 million euros.

05 May

REN presented its strategic plan for the 2021 to 2024 period, reinforcing the focus on the contribution of company infrastructure to the energy transition and which aims to achieve carbon neutrality by 2040.

REN launched a new App for investors with the aim of providing up-to-date financial information, and a more intuitive experience for users.

06 Jun

Moody's, the ratings agency kept REN's rating at 'Baa3' and reviewed the outlook from stable to positive.

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

07 Jul

The first auction of Guarantees of Origin issued by REN was held in its capacity as a Guarantees of Origin Issuing Body (EEGO). Four more auctions were held before the end of the year which resulted in a contribution of around 9.2M€ to the National Electricity System (SEN).

The company Pontegadea Inversiones S.L. acquired from Mazoon B.V., a company held by OQ S.A.O.C. (Oman Oil), all of the shares it held in REN, corresponding to holdings of 12.006% in REN' share capital.

12 Dec

REN was awarded the Gold Standard by OGMP (Oil & Gas Methane Partnership) which forms part of the United Nations Environmental Program, corresponding to the commitment to reduce methane emissions by at least 20% by 2025, in comparison to figures for 2018.

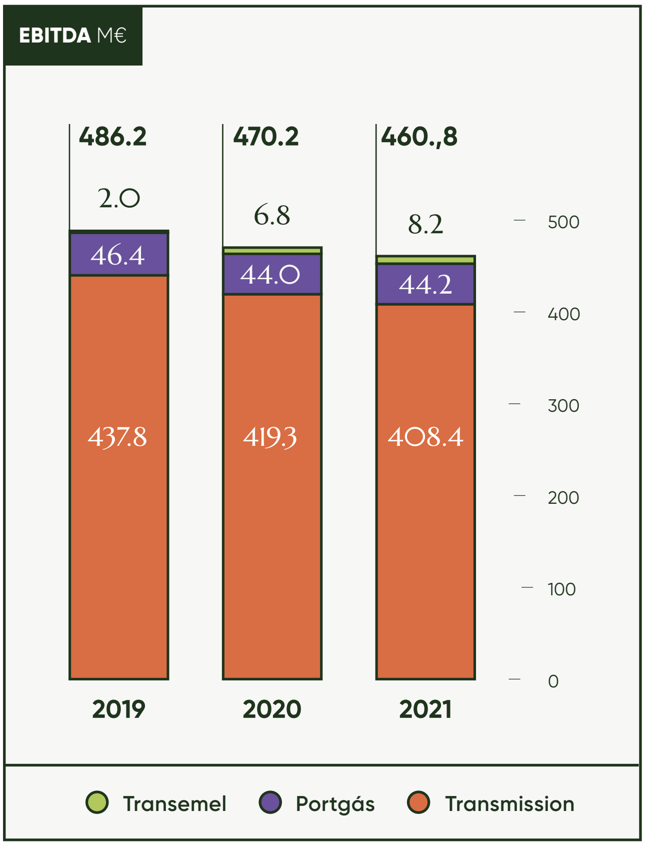
REN joined Eurobar, an initiative which brings together some of the biggest European energy transmission operators and which seeks to interconnect Europa's offshore wind farms in a safe and efficient manner.

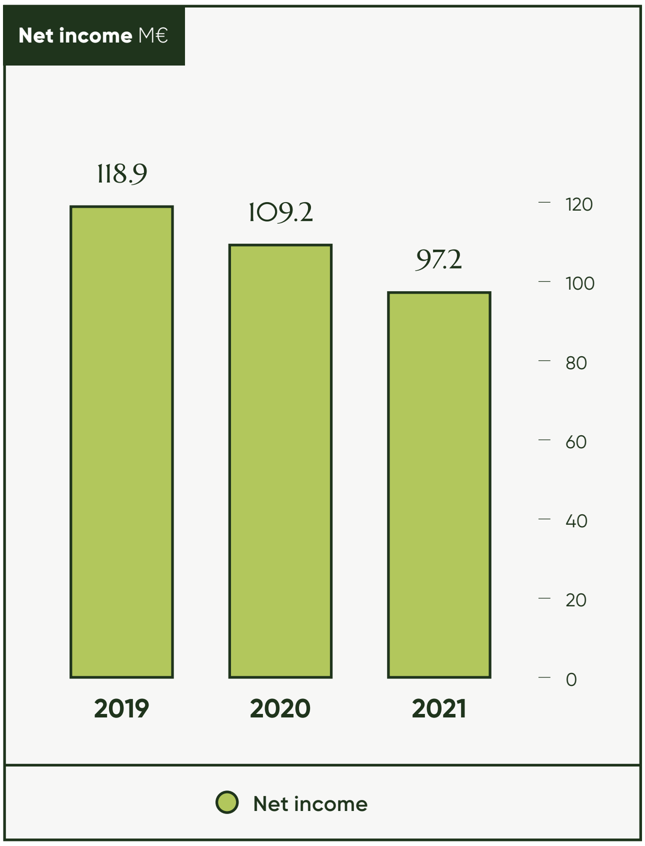
The Energetic Services Regulatory Authority (ERSE) published the final documents on electricity tariffs and prices in 2022 and parameters for the regulatory period of 2022 to 2025, introducing into electricity transmission activity a revenue-type incentives cap regulation which apples to the total costs of the activity.

3.5. MAIN PERFORMANCE INDICATORS

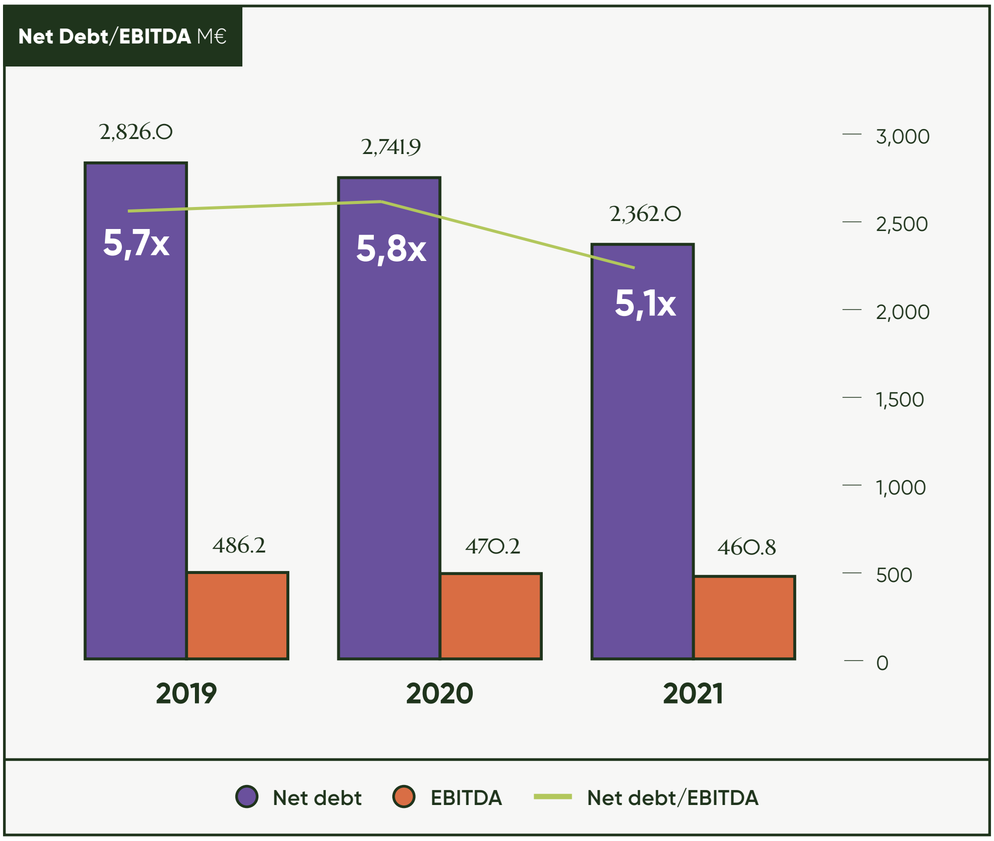
3.5.1. Financial indicators

Operating profits (millions of euros)	**2021**	2020	2019	2018	2017	Δ% 2021-2020
EBITDA	460.8	470.2	486.2	492.3	487.5	-2.0%
EBIT	218.9	229.0	250.6	257.2	265.5	-4.4%
Financial profits	-42.6	-46.8	-52.5	-57.8	-61.2	-8.9%
Pre-tax profits	176.3	182.2	198.1	199.5	204.3	-3.3%
Net profit	97.2	109.2	118.9	115.7	125.9	-11.1%
Recurrent net income	121.8	131.7	144.8	137.2	154.8	-7.5%





Net debt in 2021 was € 2,362 millions.

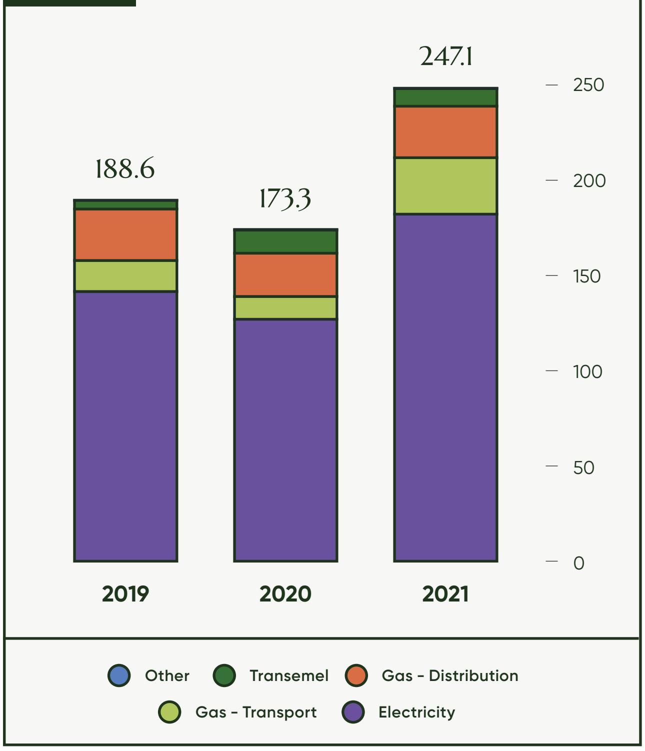


Assets, investment and debt (millions of euros)	**2021**	2020	2019	2018	2017	Δ% 2021-2020
RAB Average rate of return, %	4.5%	4.6%	5.1%	5.3%	6.1%	-0.1p.p.
Investment (CAPEX), millions of euros	247.1	173.3	188.6	121.9	155.6	42.6%
Net debt, millions of euros	2,362.0	2,741.9	2,826.0	2,653.1	2,756.2	-13.9%
Net debt/EBITDA, x	5.13 X	5.83 x	5.74 x	5.39 x	5.30 x	-0.71 x

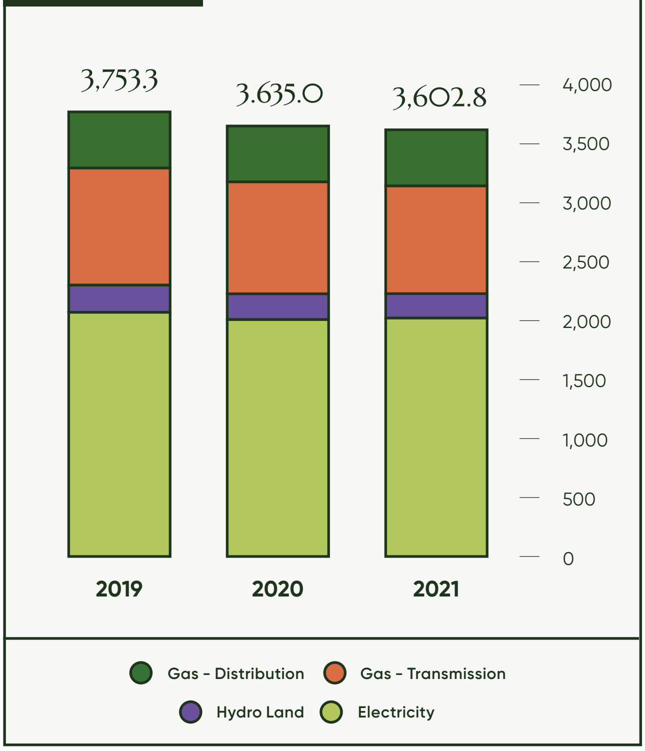
Capex (millions of euros)	**2021**	2020	2019	2018	2017
Electricity	181.3	126.4	140.9	85.6	134.8
Gas - Transport	29.5	11.9	16.2	11.3	14.2
Gas - Distribution	26.9	22.6	26.9	24.9	6.3
International (Transemel)	9.2	12.1	4.5	-	-
Other	0.2	0.3	0.1	0.1	0.3
Total Investment	247.1	173.3	188.6	121.9	155.6

Average RAB (millions of euros)	**2021**	2020	2019	2018	2017
Electricity	2,013.0	2,000.0	2,061.4	2,091.9	2,138.4
Hydro Land	205.6	217.9	230.4	242.9	255.6
Gas - Transmission	910.8	945.5	988.5	1 032.6	1 075.5
Gas - Distribution	473.4	471.6	473.0	464.5	455.2
Total average RAB	3,602.8	3,635.0	3,753.3	3,832.0	3,924.7

Capex M€



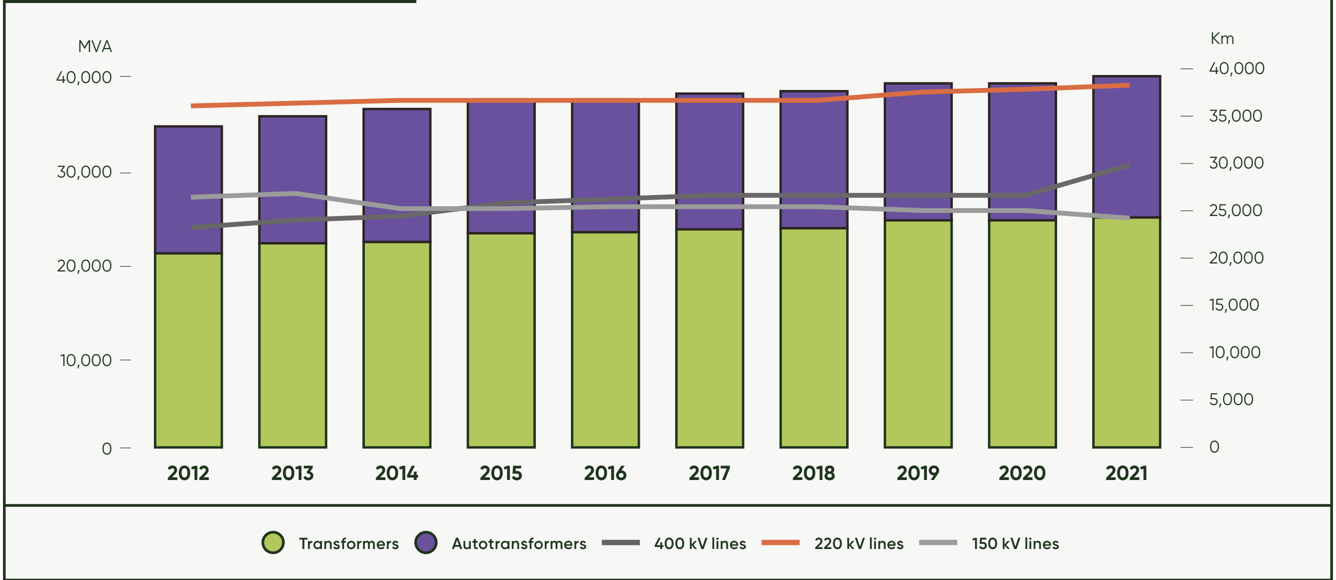
Average RAB M€



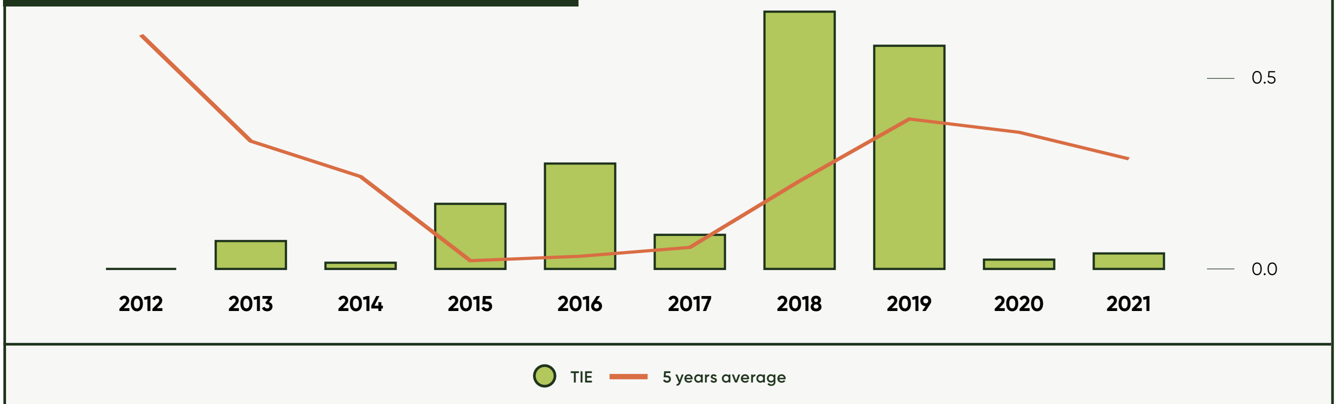
3.5.2. Electricity Indicators

Technical indicators electricity	2021	2020	2019	2018	2017
Consumption, TWh	49.5	48.8	50.3	50.9	49.6
Annual variaton in electricity Consumption, %	1.4%	-3.0%	-1.1%	2.6%	0.7%
Installed capacity, MW	19.231	20.417	20.220	19.974	19.790
Power transmitted on the RNT, TWh	42.3	42.8	43.0	47.2	47.2
Length of lines, km	9348	9.036	9.002	8.907	8.907
Transformer capacity, MVA	39.221	38.463	38.463	37.638	37382
Energy transmission losses, %	1.98%	1.84%	1.71%	1.66%	1.51%
Equivalent interruption time, minutes	0.05	0.03	0.72	0.83	0.11

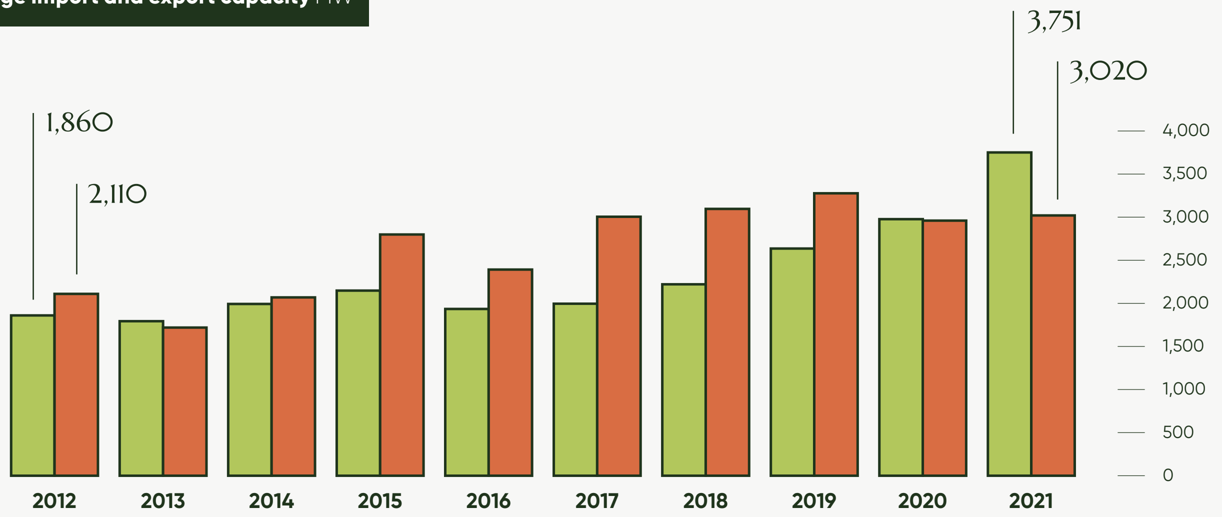
Line length and transformation power



Evolution of equivalent interruption time (AIT) minutes



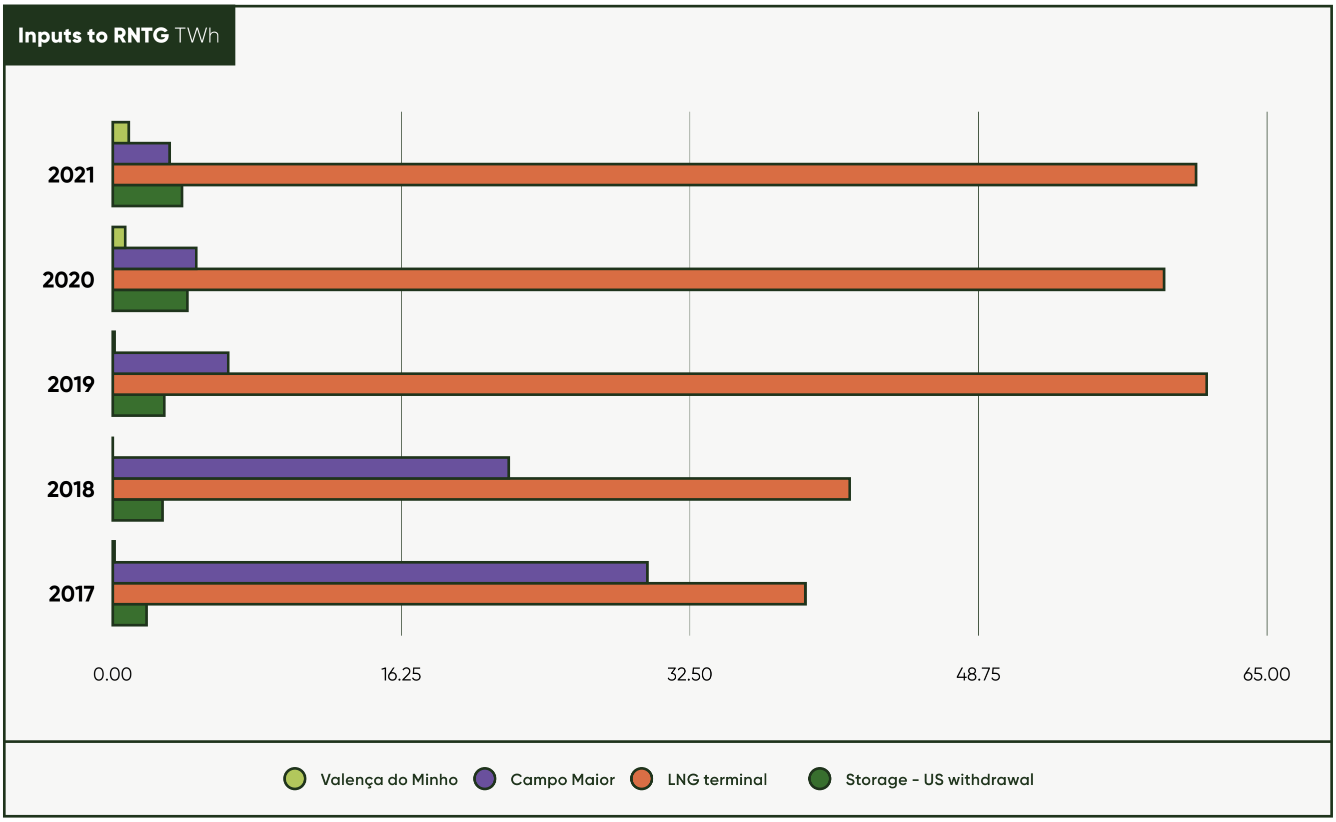
Average import and export capacity MW

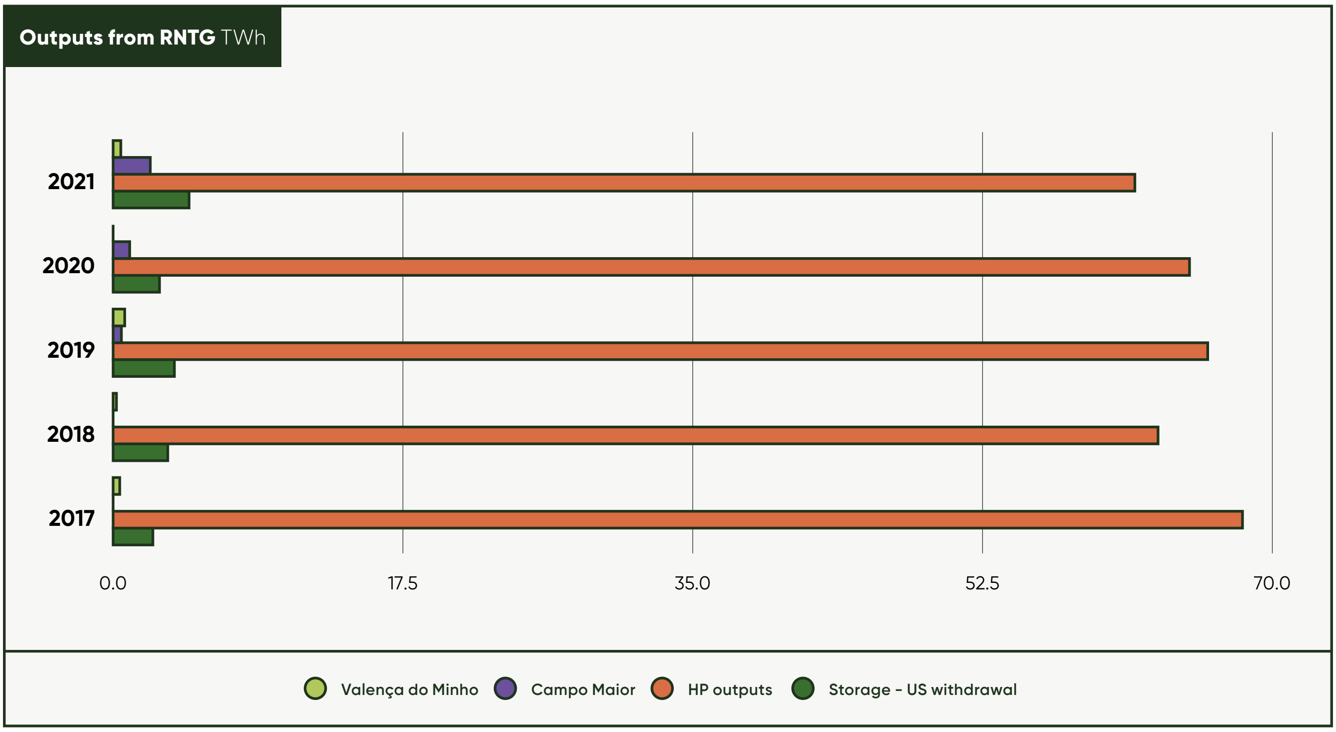


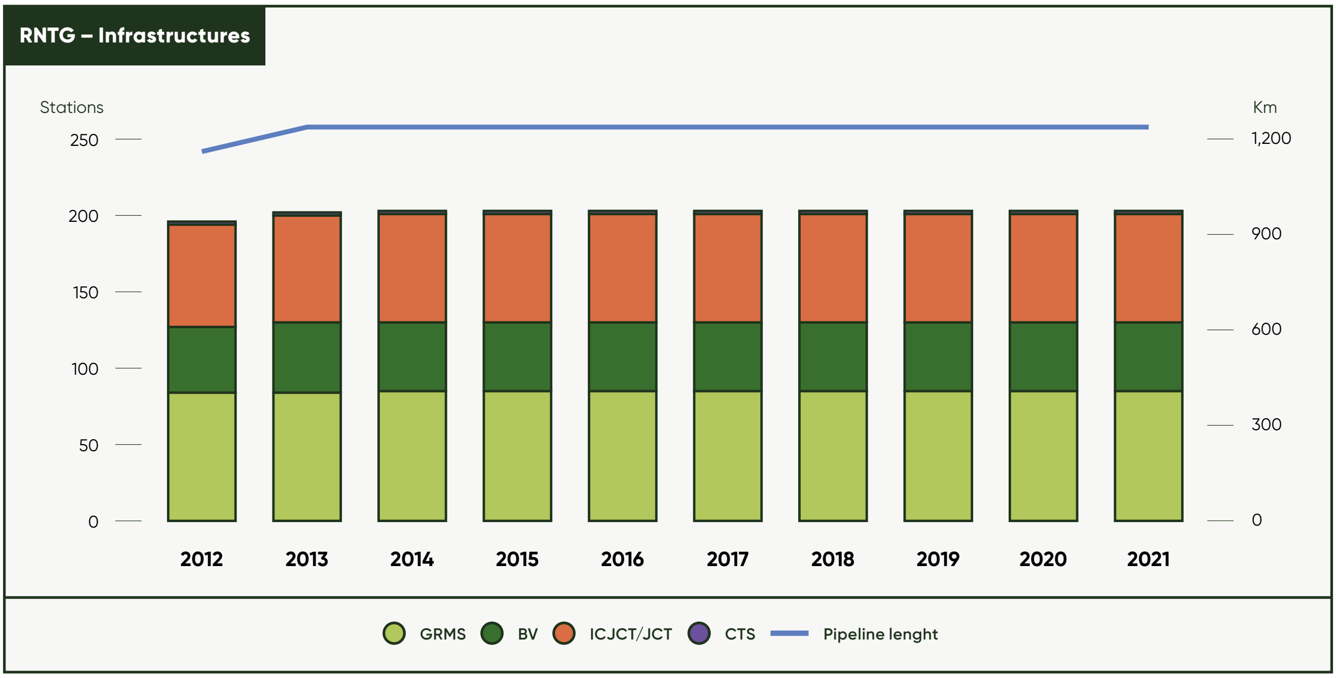
3.5.3. Natural Gas Indicators

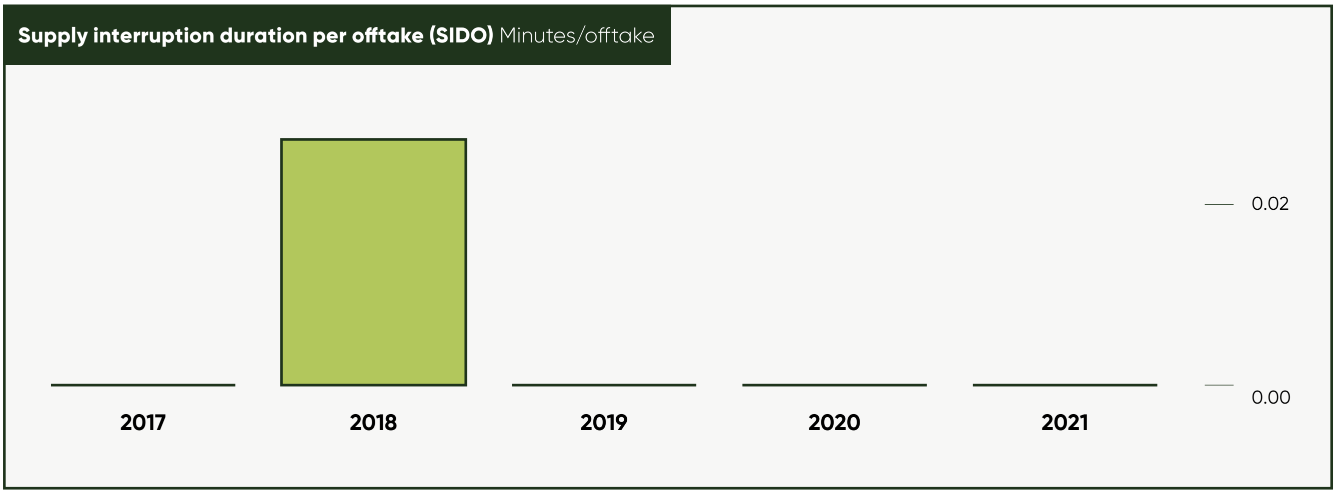
Technical indicators natural gas	2021	2020	2019	2018	2017
Consumption, TWh	63.8	66.9	67.9	64.9	69.7
Annual variaton in natural gas consumption, %	-4.6%	-1.6%	4.8%	-6.8%	24.8%
Outputs from RNTG, TWh	69.0	68.9	71.1	66.6	71.1
Length of high-pressure gas pipelines, km	1,375	1,375	1,375	1,375	1,375
Underground gas storage capacity, Mm³(*)	300.0	300.0	300.0	300.0	300.0
Supply interruption duration per offtake (sido), Minutes/Offtake	0.00	0.00	0.00	0.02	0.00
Consumption supplied by REN Portgás distribuição, TWh	7.6	7.3	7.3	7.3	7.2
Length of distribution network REN Portgás distribuição, km	6,118	5,897	5,705	5,486	5,267
Supply interruption duration per client REN Portgás distribuição, minutes/client	3.88	3.85	10.55	1.92	1.73

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


Inputs to RNTG TWh
2021
2020
2019
2018
2017
0.00
16.25
32.50
48.75
65.00
Valença do Minho
Campo Maior
LNG terminal
Storage - US withdrawal


Outputs from RNTG TWh
2021
2020
2019
2018
2017
0.0
17.5
35.0
52.5
70.0
Valença do Minho
Campo Maior
HP outputs
Storage - US withdrawal





3.5.4. Social and environmental indicators

Our commitment to the entire country means that all our activities are guided by sustainability principles. Both on a social as well as environmental level, we promote active corporate citizenship, where there is extensive involvement with the communities in which we operate.

Our Sustainability strategy reflects our commitment to sustainable development and directly reflects the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations, and where we have defined nine of these goals as priorities: Quality Education; Gender Equality; Renewable and Accessible Energy; Dignified Work and Economic Growth; Industry, Innovation and Infrastructures; Sustainable Cities and Communities; Climate Action; Protecting Life on Earth and Partnerships for Implementing these Goals.

When carrying out our work, we respect demanding standards of excellence, comply with strict and measurable criteria and monitor our performance. In order to realize our commitment, we carry out, participate in and promote numerous collaborative actions and projects, more specifically in the area of energy transition and the decarbonization of infrastructure.

In the field of promoting internal well-being, the different initiatives in the Corporate Volunteer Programme, Share, and the initiatives of the NÓS Programme should be emphasised. The ever-greater involvement of employees in our Social Responsibility decisions is also a key principle in our strategy and which, every quarter since 2019, has been seen through the voting of employees to select projects to be supported by the REN Participatory Budget. This is an important instrument for Corporate Social Responsibility that financially aids projects through direct support and by providing greater proximity to local communities and/or environmental protection. We have already supported more than 50 projects and social, cultural and environmental initiatives from the north to the south of the country.

Moreover, in 2021, we consolidated and strengthened the path we have taken towards promoting gender equality and a culture of diversity and inclusion, by joining the United Nations programmes #TargetGenderEquality and WEP - Women's Empowerment Principles, with the integration of the "Alliance for Equality in ICT" - Information and Communication Technologies (ICT) and our inclusion in the Bloomberg Gender-Equality Index (GEI).

With respect to stakeholder involvement and satisfaction, we promoted the Heroes of All Kind programme, the MEDEA project, the AGIR Award, the REN Award and the Medals of Scientific Merit, among many others.

In 2021, the eighth edition of the AGIR REN Award, dedicated to the theme of Social Innovation in the response to Covid-19, and from the 100 applications submitted, first prize was won by the social project "SPEAK", by Share Your World (https://www.speak.social/en/). This is a platform that promotes the social inclusion of migrants and refugees through language learning and the setting up of an informal social support network. Due to the pandemic, instead of face-to-face training, sessions are now digital, and in 2021, a mobile application was introduced that made it possible to democratize access to "SPEAK", thus reaching a much wider audience. Second place went to the initiative "CoAction Against Covid-19", a Prochild project (http://prochildcolab.pt/), in Guimarães, which promotes child and family welfare and mental health, while also simultaneously assessing, the impact of the pandemic. The Aveiro Professional School (https://www.epa.edu.pt/pt), with the integration of students from problematic backgrounds in a "First-Aid Team", won third-place.

With regard to innovation and development in the Portuguese energy sector, in cooperation with educational institutions, a special mention should be made of the REN Award, the oldest scientific award in Portugal, which is now in its 26th year, with 37 applications submitted last year (27 relating to Master's Degrees and 10 to PhDs). Created in 1995, the REN Award continues to demonstrate REN's full commitment to accompany the transformations and developments which have shaped the energy sector, to foresee challenges, identify problems and propose innovative solutions. (https://www.ren.pt/en-GB/sustentabilidade/premios_ren).

In 2021, inspired by the REN Award, we created and awarded, together with the Centro Ciência LP and the Foundation for Science and Technology, the REN - Ciência LP Medals of Scientific Merit, to research work carried out by young people from African countries with Portuguese as the Official Language (PALOPs), in the areas of energy and energy transition.

Taking place twice a year, in this first edition, the REN - Ciência LP Medals of Scientific Merit received 16 applications (https://www.ren.pt/en-GB/sustentabilidade/medalhas_de_merito_cientifico). The winning projects in the Young Students category addressed the movement of power and renewable energies. In the category of Women Researchers, the winning topics focused on PWM three-phase regenerative rectifiers and public energy policies.

With respect to environmental protection, biodiversity and the decarbonization of infrastructure, we would like to emphasise the fact that we were the first Portuguese company to implement the European Transport4nature initiative. This initiative aims to encourage companies working in the transport of goods, people and energy on a European level to protect, promote and restore biodiversity. It also follows and subscribes to the principles of the Act4nature International initiative (http://www.act4nature.com/en/), which we have been committed to since 2020. During 2021, we also subscribed to the open letter "The Greenest Choice", with a commitment to make even more environmentally responsible choices.

We are the first Portuguese company to join the European Transport4nature initiative.

Recognizing the decisive role of companies in climate action, we signed the manifesto “Towards COP26” promoted by BCSD Portugal, a document that came about as a result of the 26th United Nations Conference on Climate Change (COP26) and which sets out 11 goals to stop climate change. Also in this regard, we maintained our partnership with the ECO Movement – Companies against Fires (www.movimentoeco.pt). The aim of this programme is to promote the prevention of forest fires and raise awareness among the public in relation to activities that could lead to fires. We also remain committed to the objectives of the letter of commitment “Business Ambition for 1.5º”, which we signed in 2020, and which seeks to lead companies worldwide to create measures to combat climate change.

We have taken on the role of facilitator with regard to energy transition in Portugal and, to achieve this objective, we have an ambitious annual investment programme to carry out a wide range of initiatives, with the goal of increasing Renewable Energy Sources (RES) in the National Electricity System (SEN), the decarbonization of the National Gas System (SNG) and ensuring the supply security of both systems.

We would also like to highlight the initiatives developed concerning the decarbonization of Gas infrastructures, more specifically the promotion and integration of our company into HyLab – Collaborative Laboratory for the implementation of the green hydrogen economy (), which obtained a favourable opinion from the FCT (Foundation for Science and Technology) in 2021 (). The target is to accelerate energy transition throughout the hydrogen value chain and promote electric mobility through the development of an innovative and patented solution on a European level (registered in 32 countries and currently being analysed in Canada and the United States) for charging electric vehicles using the Extra High Voltage Network. This solution will complement current solutions, helping accelerate mobility, on a path towards more sustainable solutions.

Our commitment to the development of Green Hydrogen has also been seen in our bid to join and subsequent acceptance as a member of both Hydrogen Europe and the European Clean Hydrogen Alliance (https://www.ech2a.eu). Considering the potential development of offshore wind power generation and the need to build interconnections to these wind farms, we joined Eurobar (https://eurobar.org).

Moreover, with regard to methane emission reductions, of note is our participation in the OGMP (Oil & Gas Methane Partnership) (https://www.ogmpartnership.com/) which is part of the United Nations Environmental Programme, where we obtained the Gold Standard for our commitment to reduce methane emissions by at least 20% in 2025, in comparison to 2018.

Our commitment to reducing methane emissions was recognized when we were awarded the Gold Standard in the OGMP initiative of the United Nations Environmental Program.

In relation to the Recovery and Resilience Plan (PRR), we presented or were involved in a number of mobilizing agendas, demonstrating our solid commitment regarding the contribution of our infrastructures to energy transition (hydrogen infrastructure, infrastructure for charging electric vehicles from the Extra High Voltage network and the digital transformation of forestry value chains, increasing resilience and implementing a low-carbon vision in the sector). With respect to the Protection of Forests and Ecosystems, we would like to highlight our application to join the Renewable Grid Initiative (https://renewables-grid.eu) and the development of important stages of the mobilizing rePLANT project, supported by Compete Portugal 2020. This project aims to implement Collaborative Strategies for Integrated Forestry and Fire Management. A further initiative involves Link4Sustainability, a programme which will allow the granular sensing of electricity and gas assets to be tested, with special focus on monitoring methane in the gas distribution infrastructure.

In terms of governance and ethics, in 2021 we presented of a new strategic plan for 2021-2024, where sustainability is one of the central pillars. This strategic plan reinforces our commitment to energy transition, with the firm objective of achieving carbon neutrality by 2040.

In 2021, a Sustainability Committee was also set up, whose main objective is the strategic analysis of the evolution of commitments to ESG (Environmental, Social and Governance) objectives, supervision of the respective implementation and decisions on new actions within the Board of Directors.

Greater detail on our initiatives can be found in Chapter 5. Sustainability - 5.2 Main actions undertaken.

Human Resource Profile

	2021	2020	2019
Full-time employees	697	692	670
Men	524	523	508
Women	173	169	162
Fixed term contracts / Internships	4	5	14
Men	4	5	10
Women	0	0	4
Total No of Employees	701	697	684
Gender Diversity - % Women	24.7%	24.3%	24.3%

At the end of 2021, REN had 701 employees, four more than in December 2020.

Average Age and Length of Service

	2021	2020	2019
Average age (overall)	45.8	45.4	45.4
Men	46.4	46.0	46.2
Women	44.2	43.6	43.0
Average length of service (overall)	17.2	16.9	17.1
Men	17.8	17.6	18.0
Women	15.3	14.9	14.4

Average age continues to be 45 and average length of service is 17 years.

Rotation Rate

	2021	2020	2019
Overall	3.3%	4.8%	3.6%
Men	2.8%	4.7%	2.8%
Women	4.7%	5.1%	5.8%

The rotation rate has fallen in recent years as a result of fewer natural departures of staff and respective replacement.

		2021	2020	2019
Management	**Managers**	26	27	27
	Men	18	18	18
	Women	8	9	9
	Management	48	50	50
	Men	35	38	38
	Women	13	12	12
Team	**Senior Managers**	392	385	375
	Men	281	278	270
	Women	111	107	105
	Field / Administrative	235	235	232
	Men	194	194	192
	Women	41	41	40
	Total No of Employees	701	697	684
	Gender Diversity - % Women (Board/Management)	28.4%	27.3%	27.3%

REN's organizational structure has remained stable in recent years, demonstrating full alignment with current needs and suitability for the challenges of the business.

Evolution in the weighting of female workers is also visible when considering only Directors / Group Management, demonstrating the company's full commitment to promoting gender equality.

The company is fully committed to achieving gender equality and equal opportunities for all.

Employee Distribution by Age Group

	2021	2020	2019
Up to 29 years old	51	57	60
Men	33	37	36
Women	18	20	24
From 30 to 49 years old	392	394	382
Men	289	291	284
Women	103	103	98
50 or older	258	246	242
Men	206	200	198
Women	52	46	44
Total No of Employees	701	697	684

REN employees are aged mostly between 30 and 50. A small increase was seen in the above 50 group, demonstrating the challenges of succession and passing on of knowledge in coming years.

Employee Distribution by Academic Qualifications

	2021	2020	2019
Advanced Training	168	162	146
Men	112	108	96
Women	56	54	50
Higher Education	308	307	309
Men	220	221	222
Women	88	86	87
Secondary education	185	185	181
Men	163	163	159
Women	22	22	22
Primary education	40	43	48
Men	33	36	41
Women	7	7	7
Total No of Employees	701	697	684
Higher Education (overall)	67.9%	67.3%	66.5%
Men	62.9%	62.3%	61.4%
Women	83.2%	82.8%	82.5%

The weighting of degree holders at REN (67%) demonstrates the company's sustained focus on the academic qualifications of our personnel. Of note is the higher average level of academic qualification among our female employees, illustrating focus on higher education for women.

Training

	2021	2020	2019
No of Hours of Training (overall)	24,415.9	25,325.1	29,858.0
Men	18,476.0	19,432.5	21,423.0
Women	5,939.9	5,892.6	8,435.0
No of Participants (overall)	4,460.0	3,432.0	3,959.0
Men	2,959	2,470	2,933
Women	1,501	962	1,026
No of Hours of Training per Employee	34.8	36.4	43.5
Men	34.9	36.9	41.6
Women	34.5	35.1	49.0

Among the different training programmes, REN offers workers development and growth opportunities through training in technical, behavioural and management areas.

Area of training (n.º of hours)	2021	2020	2019
Behavioural	3,486.2	7,064.8	4,877.0
Technical	14,625.6	10,565.9	16,594.1
Quality. environment and safety	2,092.0	4,337.4	4,520.4
Management	4,212.1	3,357.0	3,866.5
Total	24,415.9	25,325.1	29,858.0

Absenteeism rate	2021	2020	2019
Overall	2.1%	2.1%	2.2%
Men	2.2%	2.1%	1.9%
Women	1.6%	2.1%	3.2%

Absenteeism at REN remains stable at around 2%.

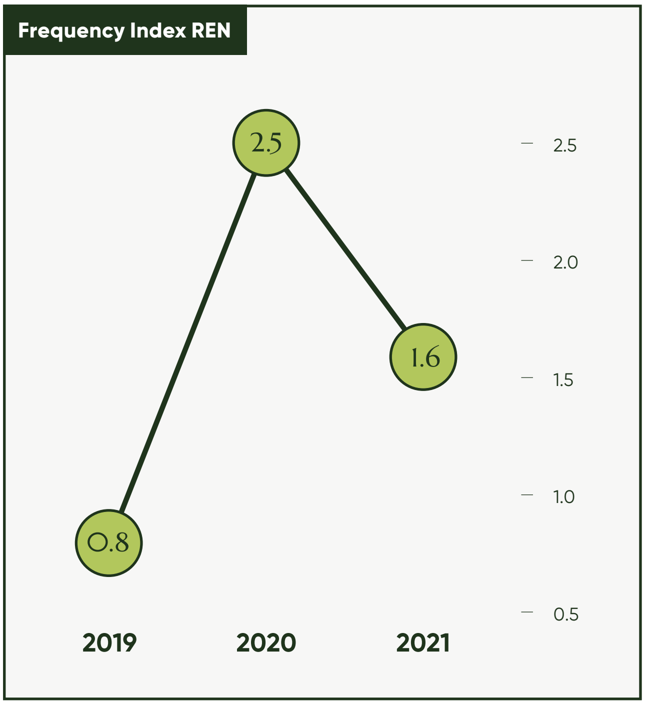
Safety

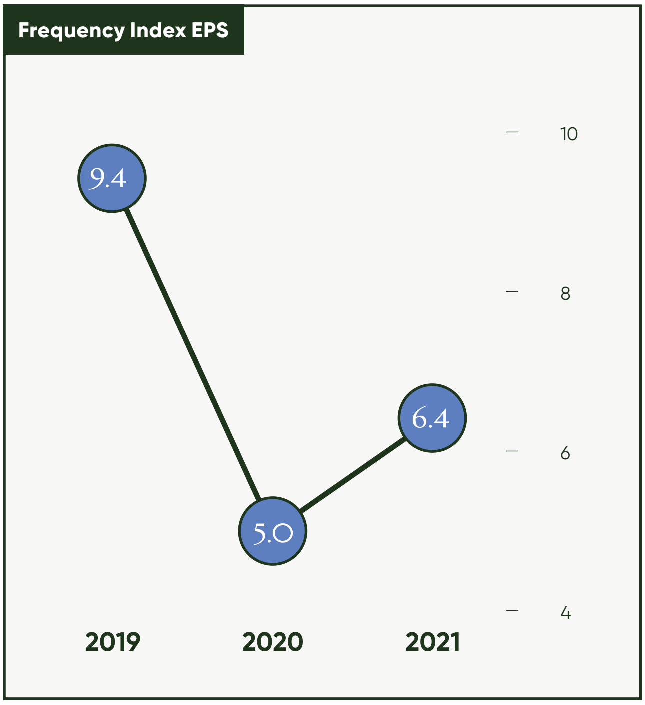
Incidence and severity indexes - REN

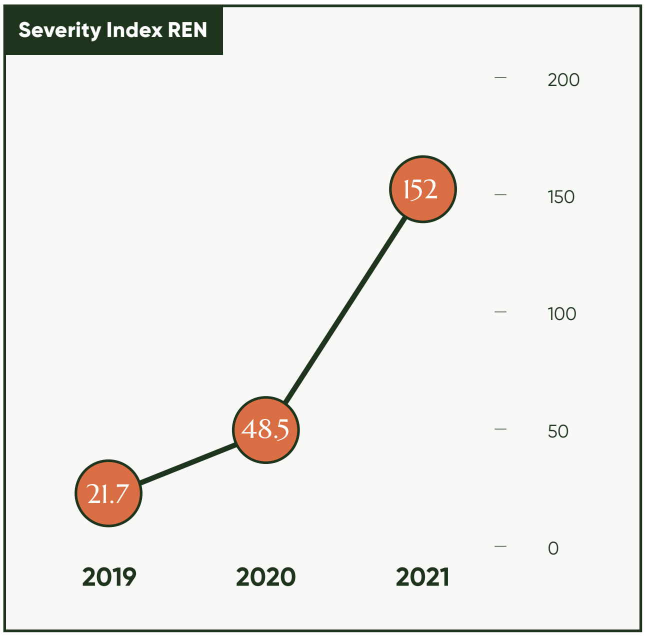
With regard to REN workers in 2021 when compared to 2020, the frequency index evolved favourably, but the severity index worsened. It should be noted, however, that targets were met for both indicators (figures less or equal to eight accidents per million hours worked and less or equal to 200 days lost per million hours worked, respectively).

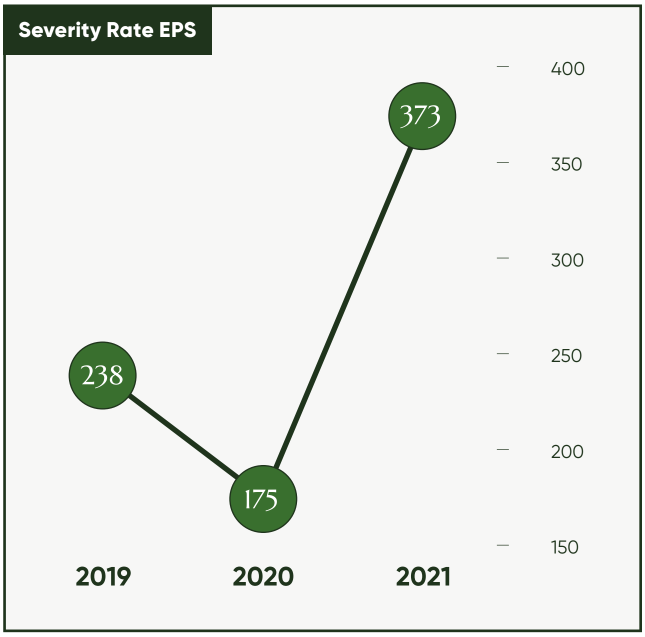
Incidence and severity indexes – EPS

In relation to contractors and service providers (EPS), in 2021 both indicators worsened over figures for 2020. Although the frequency index met the established target (figure less or equal to eight accidents per million hours worked), the severity and total severity indices fell far short of targets, particularly the latter, as a consequence of a fatal accident.









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

Energy Consumption

Generally, an increase of 6% in 2021 was seen in power consumption compared to 2020. This increase was mainly due to the increases in losses in the Electricity Grid (6%), fundamentally as a result of the increase in the percentage of losses in the RNT (1.98% in 2021 and 1.84% in 2020), and due to having calculated the methane emissions and corresponding power (increase of +1,013% when compared to 2020), for the four gas companies. This is based on OGMP references and international benchmarks, meaning that this parcel saw a significant rise.

Energy consumption (GJ)	**2021**	2020	2019
Electrical Power (administrative buildings)	73,367	72,653	71,802
Electrical Power (technical and process facilities)	314,556	296,418	301,006
Natural Gas (administrative buildings)	4,771	2,821	7,095
Natural Gas (technical and process facilities)	334,861	321,852	337,004
Propane Gas and Diesel (technical and process facilities)	893	1,030	30
Electrical Power (fleet)	174	---	---
Natural Gas (fleet)	1,051	---	---
Other fuels: diesel and petrol (fleet)	21,109	21,006	27,768
Losses in the electricity transmission network	3,009,600	2,842,758	2,647,516
Losses in the gas transmission and distribution network, storage and LNG Terminal	27,328	2,457	2,290
Total	3,787,710	3,561,015	3,394,511

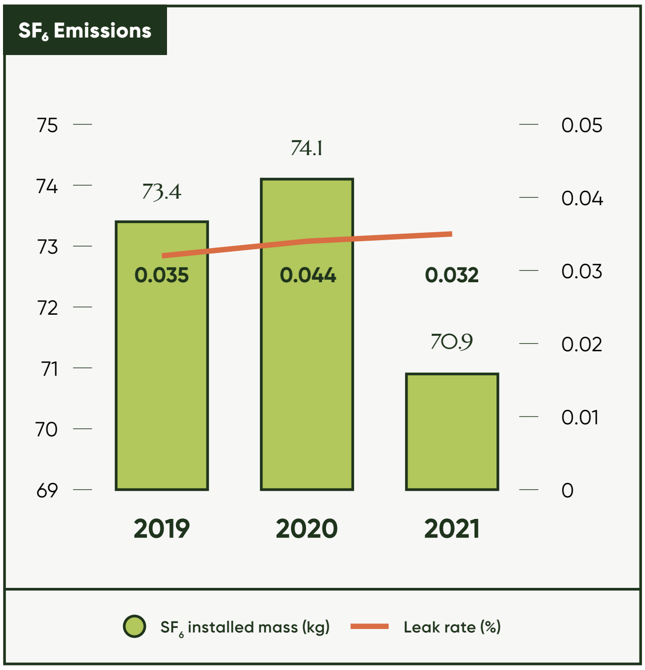
Emissions

Greenhouse gas emissions (TCO_2EQ)	2021	2020	2019
Scope 1			
Natural Gas (administrative buildings)	269	158	398
Natural Gas (technical and process facilities)	18,786	18,056	18,906
Natural Gas (fleet)	59	---	---
Natural Gas (losses)	12,893	1,159	1,080
Propane Gas (technical and process facilities)	4	6	2
Diesel (technical and process facilities)	62	69	93
Diesel and petrol (fleet)	1,550	1,551	1,959
Sulphur hexafluoride (SF_6) (technical and process facilities)	566	738	567
Scope 1	34,187	21,737	23,005
Scope 2			
Electricity (administrative buildings)	4,182	3,976	5,604
Electricity (technical and process facilities)	17,930	16,211	23,492
Electricity (losses)	92,127	155,571	206,624
Electricity (fleet)	10	---	---
Scope 2	114,249	175,758	235,720
Scope 3			
Air Travel	35	106	557
Train travel	0	0	0
Scope 3	36	106	557
Total (scope 1 + 2 + 3)	148,472	197,601	259,282
Total	3,787,710	3,561,015	3,394,511

SF_6 Emissions

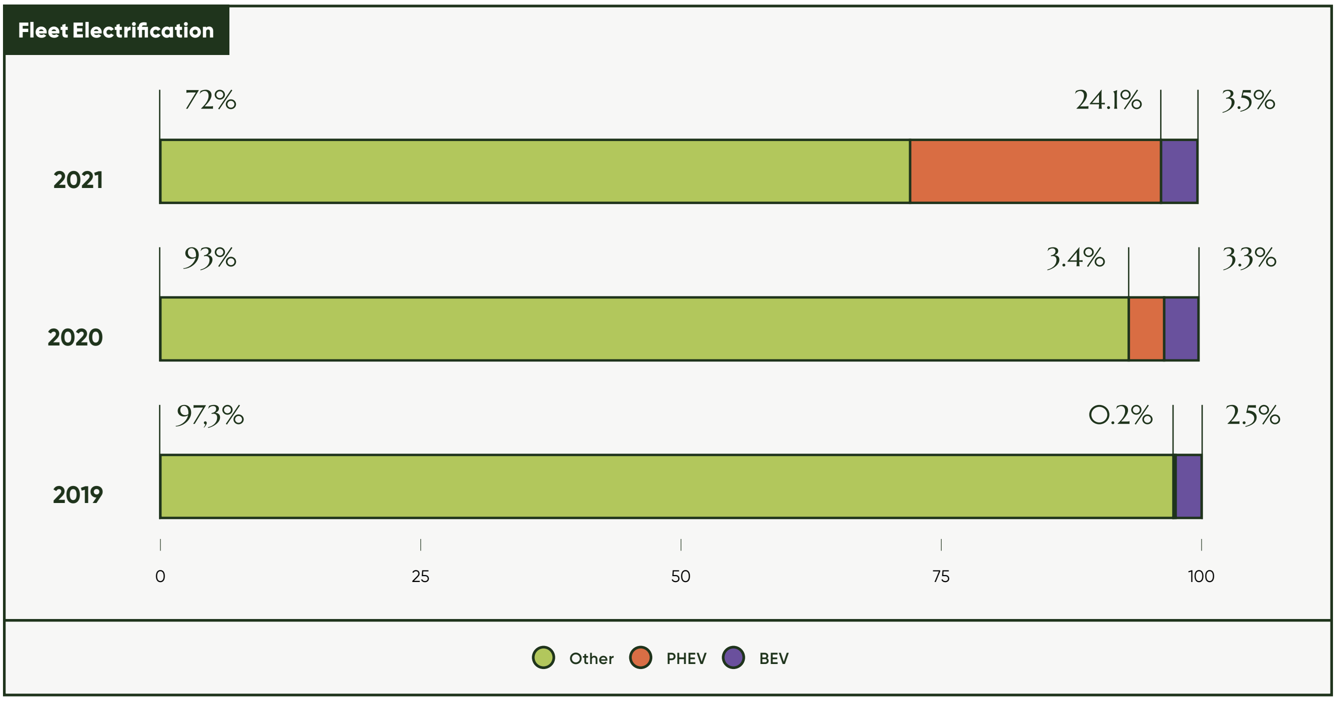
With regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in various high and extra high voltage equipment, the figure for 2021 remained at low levels, as in previous years.

Sulphur hexafluoride emissions remained low.



Fleet Emissions

The fleet electrification policy which aims to reduce emissions from this type of asset, continues the process of consolidation, and in 2021, 56% of new vehicles purchased were electric (BEV – battery electric vehicle or PHEV – plug in hybrid electric vehicle), currently representing 28% of the total fleet. With the change in market purchase specifications, most types of new vehicles acquired are now electric, with only a small number of segments which, for operational reasons, are still unable to find a suitable solution in terms of market supply.



The increase in total emissions recorded in 2021, of 4%, is a result of the increase in mobility (+17% of km travelled), against a background of a less serious pandemic, in comparison to 2020. However, despite the increase in km travelled, we recorded a decrease in emissions per km travelled of 11%, which reveals the positive results of the gradual electrification of the fleet.

3.6. REGULATED ASSETS

3.6.1. Electricity

Electricity business

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

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

The current regulatory period started in 2018 and should have terminated in 2020, however, due to the crisis caused by the pandemic, the regulatory period was extended for one more year until 2021, and the established parameters applied to 2021 with due adaptations.

In 2021, the incentive model for the 2018-2020 period was maintained as was the indexing of the annual remuneration rate to the annual arithmetic mean (1 Oct of year n-1 to 30 Sep of year n) on the daily trading yield of Portuguese Republic 10-Year Treasury Bonds. The starting point was kept at 270 b.p. for an initial base-remuneration rate of 5.5% and the base-remuneration rate variation limits were maintained between 4.50% and 9.50%. For 2021, the value of the remuneration rate was 4.51%.

Regulation of Activities

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

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

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

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

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

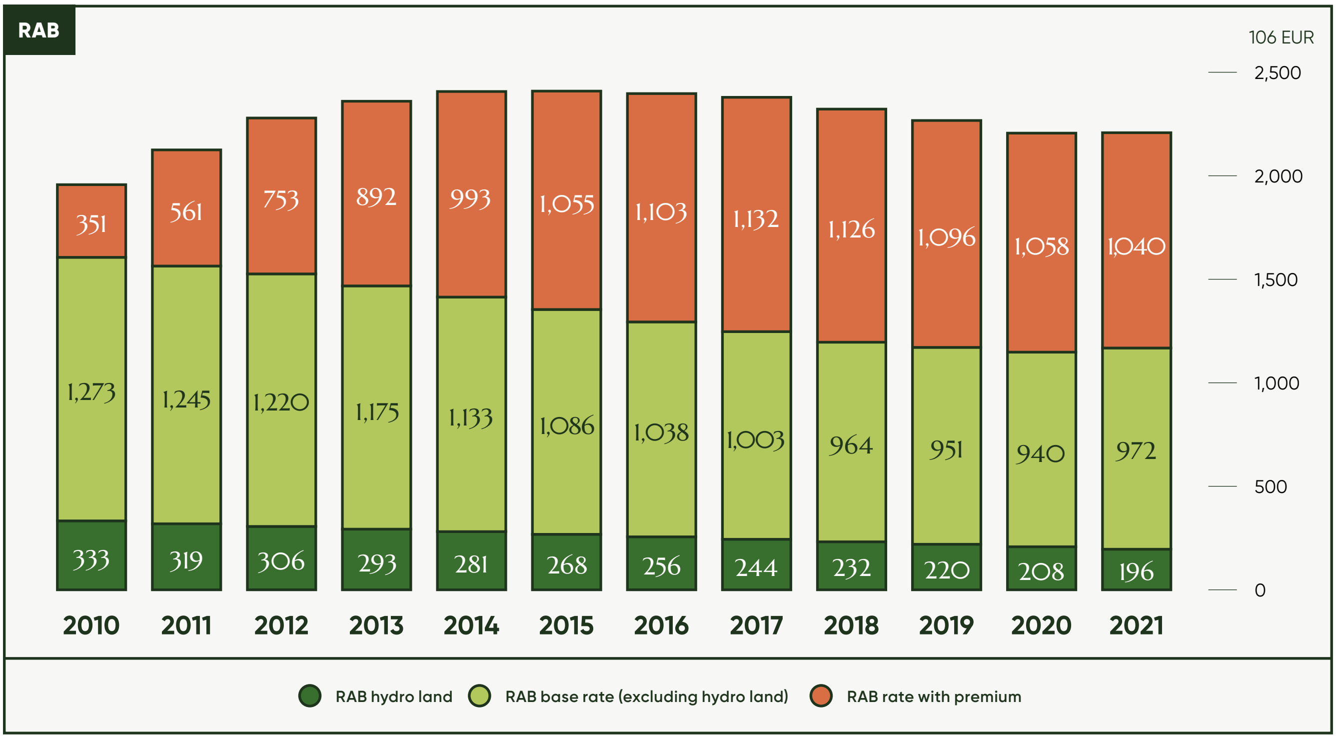
The incentive for economic rationalization of RNT operator investment seeks to: (i) stimulate deferral of investment to replace fully amortized assets still displaying suitable functional performance – seeking to be technologically neutral and flexible in investment decisions and in the choice of the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

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

In GSM activity, the principle of RAB valuation is based on historical costs. In these cases, the abovementioned indexed remuneration rate is applied. In 2021, the average RAB for GSM activity stood at 39 million euros. Assets used in this activity also include land in the public water domain used in hydro power production, in the sum of 196 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 2019 was 0%.

With regard to Electrical Power Transmission, with the aim of promoting more efficient behaviour by the transmission system operator in investment, the reference costs mechanism was introduced into the 2009-2011 regulatory period. This mechanism was published in September 2010 through Official Order No 14 430/2010 of 15 September, with 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 2021, the average RAB on which the premium rate of 5.26% is applied, was 1.040 billion euros, while the remaining 933 million euros is remunerated at a non-premium base rate of 4.51%.

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 2021, the balance of regulated activity differences was 86.4 million euros to be recovered by REN Rede Eléctrica Nacional, SA.

REN Trading

REN Trading places production from non-terminated Power Purchase Agreements (PPA) relating to the Tejo Energia and Turbogás thermal power plants on the market (MIBEL). Tejo Energia ceased trading in November 2021.

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

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

In 2021, the balance of the tariff difference account from the purchase and sale of electrical power, within the scope of PPA management, was 218 million euros to be recoverd by REN Trading.

3.6.2. Gas

Gas Business

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

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

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

The main changes introduced by the regulator were: (i) extension of the regulatory period to four years, (ii) definition of parameters for the calendar year; (iii) change of the gas year to the period 1 Oct year n-1 to 30 Sep year n, which now coincides with the capacity year; (iv) the extension of the regulation by incentives to the overall use of the system, excluding expenditure which cannot be controlled by the company,

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

Regulation of Activities

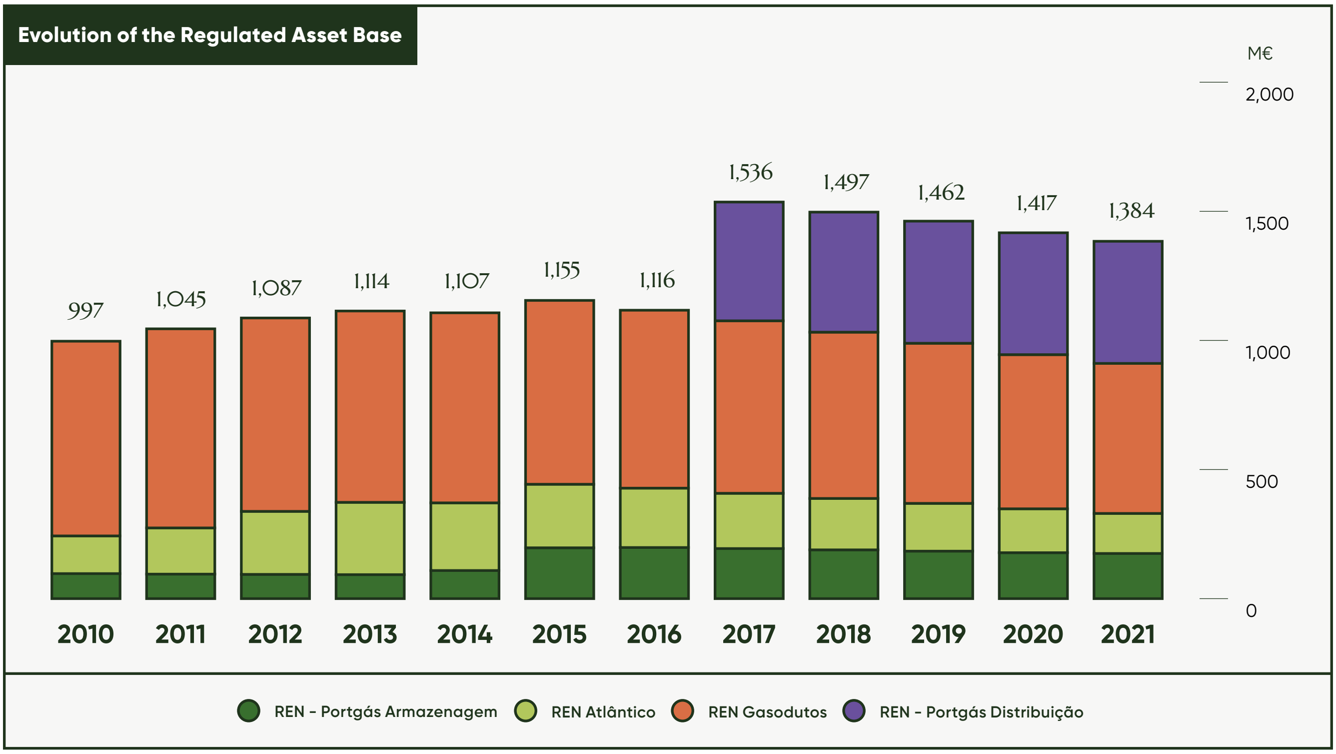
Currently, the level of operating costs accepted for calculating revenue on activities subject to regulation by incentives, has an allowed value which includes a fixed parcel and one or more other variable parcels, which are dependent on cost drivers recognized by the regulator and are characteristic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

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

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

Income relating to invested capital stems from the return on fixed assets in operation, net of amortisations and subsidies (RAB), at a rate set by the Regulator at the start of every regulatory period, plus the corresponding amortisations. In 2021, the remuneration rate applied to the regulated asset base was 4.72% in Gas Distribution activity and 4.52% in remaining activities.

Up to the end of 2021, the RAB for the natural gas companies had the following evolution:



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

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

At the end of 2021, the balance of differences was 135 million Euros to be recovered by REN.

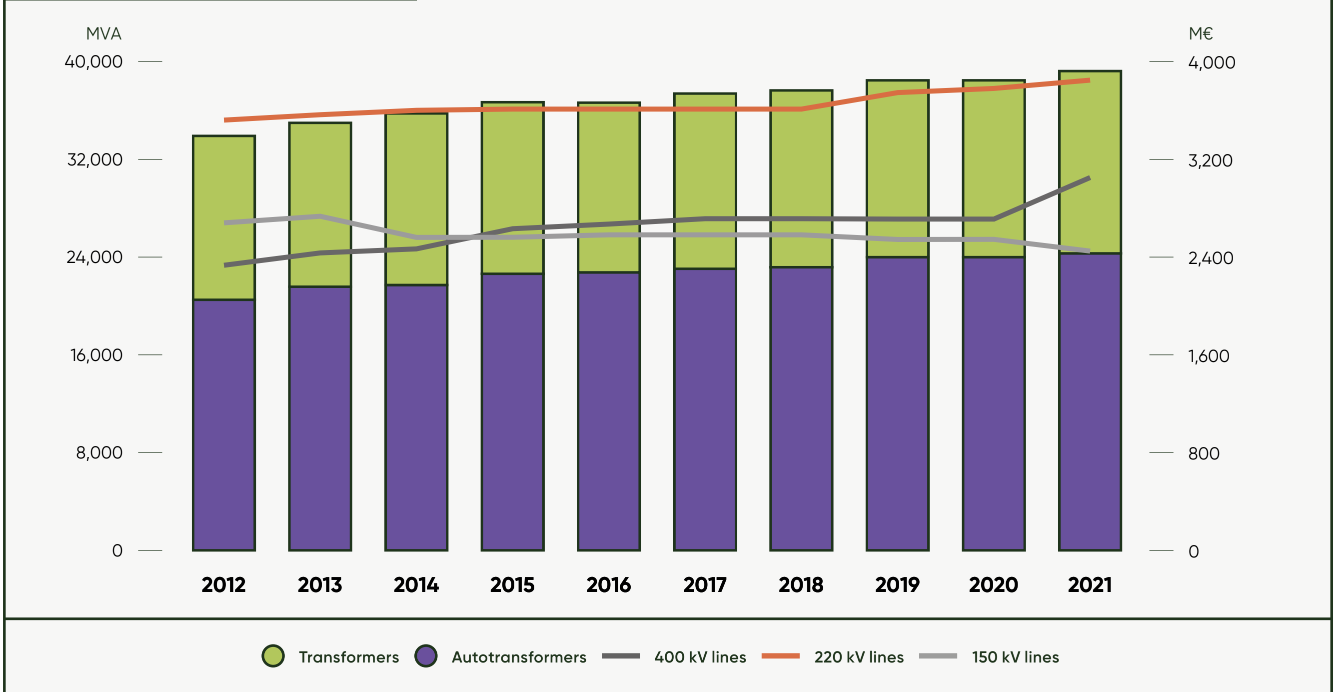
3.7. TECHNICAL INFRASTRUCTURES

3.7.1. Electricity

At the end of 2021, the National Electricity Transmission System (RNT) consisted of 8,907 km in lines and 70 transformer substations and 17 step-down, switching and transition substations. The RNT ensures the flow of electrical power from power plants to the transformer substations where connections exist directly to EHV consumers and at 60 kV between the national transmission system and the national distribution network.

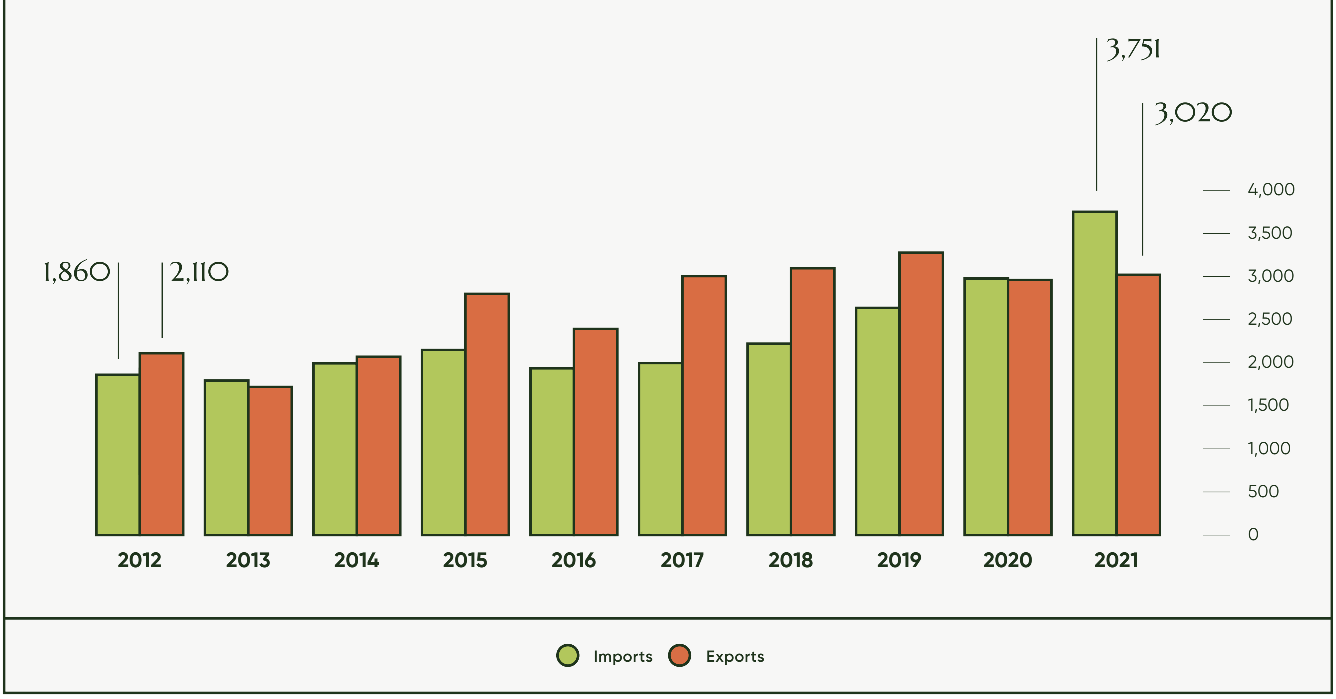
The National Electricity Transmission Network	31/12/2021	31/12/2020	Change
Length of lines in service (km)	9,348	9,036	3.5%
400 kV	3,051	2,711	12.5%
220 kV	3,848	3,780	1.8%
150 kV	2,449	2,545	-3.7%
Transformation power in service (km)	39,221	38,463	2.0%
Autotransformation (MVA)	14,920	14,470	3.1%
400/220 kV	7,650	7,200	6.3%
400/150 kV	6,440	6,440	0.0%
220/150 kV	830	830	0.0%
Transformation (MVA)	24,301	23,993	1.3%
400/60 kV	4,590	4,250	8.0%
220/60 kV	13,071	12,977	0.7%
150/60 kV	6,180	6,306	-2.0%
150/130 kV	140	140	0.0%
220/30 kV	320	320	0.0%

Line length and transformation power



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

Average import and export capacity MW

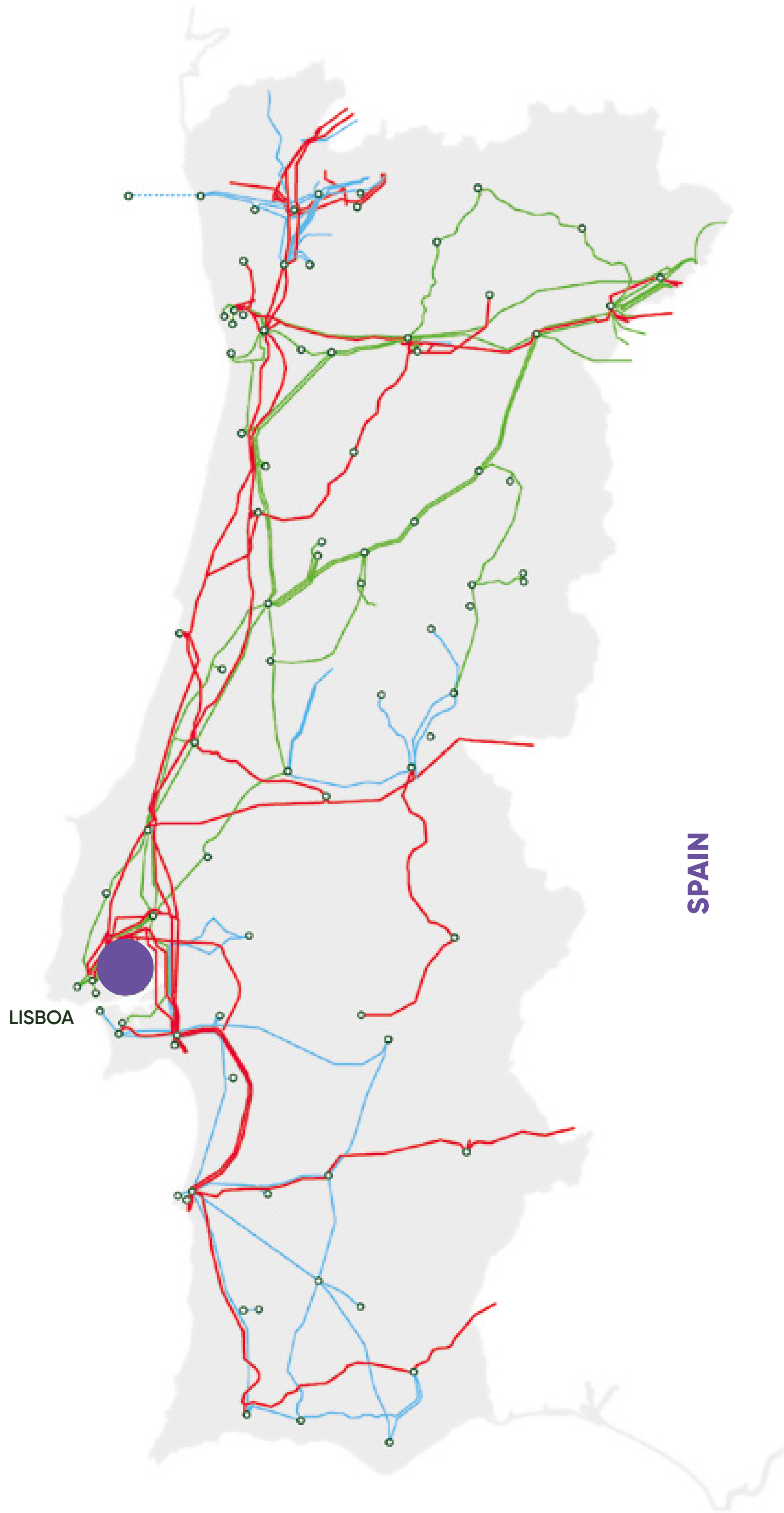


The National Electricity Transmission Network

Electricity

National transmission grid

Very high-voltage network



2021 PORTUGAL MAINLAND

- 400 kV line
- 220 kV line
- 150 kV line
- Offshore line
- National dispatch

3.7.2. GAS

Transmission, storage and LNG terminal

REN's natural gas infrastructures include:

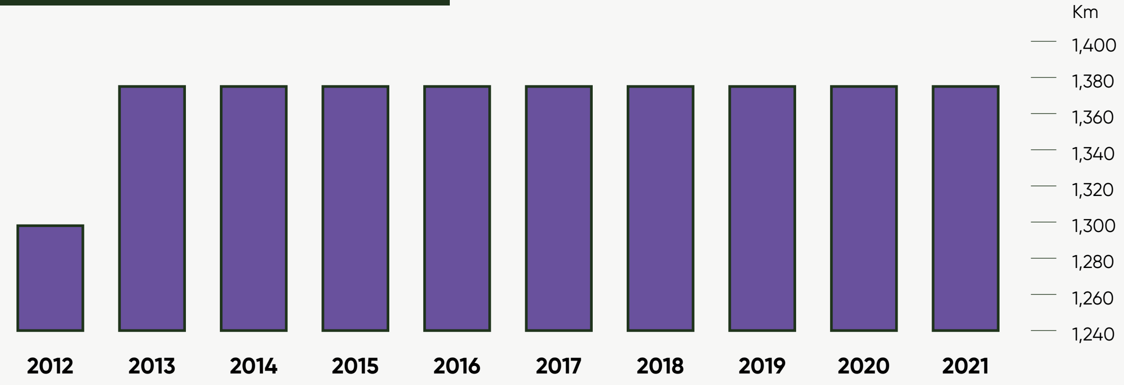
- The National Gas Transmission Network (RNTG);
- The Sines Natural Gas Liquefaction terminal (NGL);
- The Carriço natural gas underground storage facilities (6 caverns and 1 surface station).

Therefore, at the end of 2021, the RNTG consisted of the following infrastructures:

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

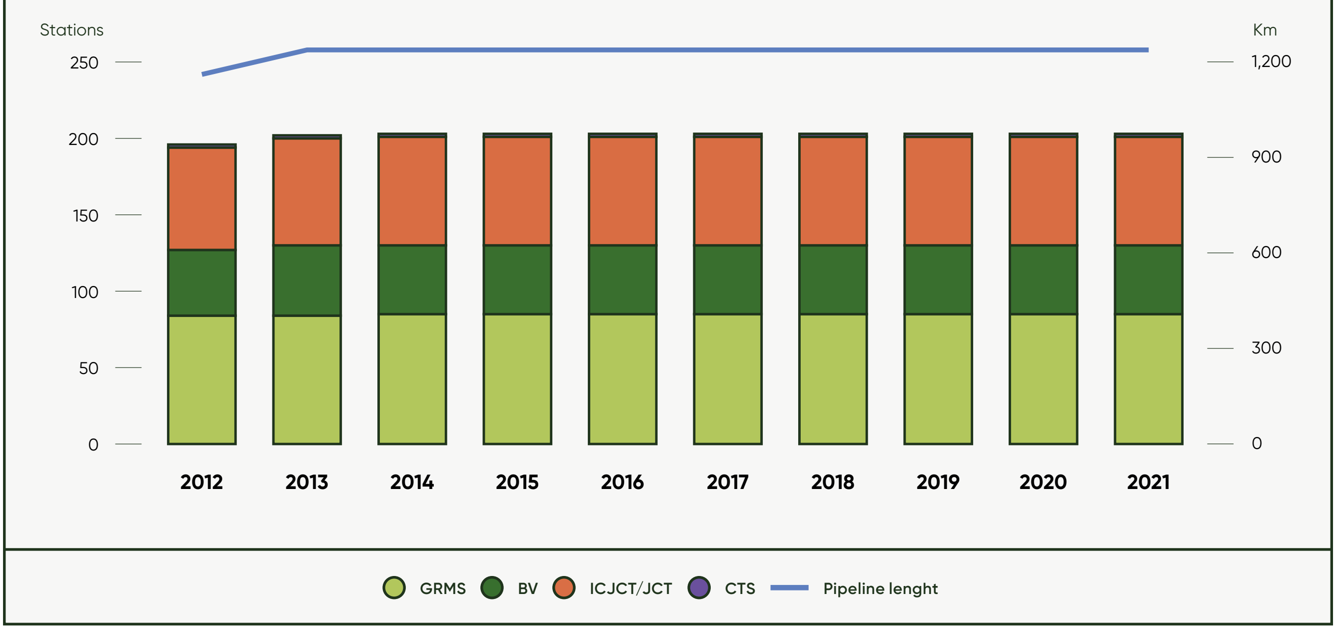
Since the start of operations in 1997, the high-pressure (HP) natural gas transmission network has undergone the following developments:

Length of the HP Natural Gas Transmission Network



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

RNTG - Characteristics



In 2021, the maximum values of available capacities for commercial purposes at the relevant points of the RNTG were as follows:

Available capacity of relevant points for commercial purposes	GWh per day	$Mm^3(n)$ per day
Opening		
Sines	200	17
Carriço (Withdrawal US)	85.70	7
VIP - Iberian(*)	144	12
Output		
Sines(**)		
Carriço (Injection US)	24	2
VIP - Iberian(*)	80	7
Delivery points (total)	93	-

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

(**) – Daily stated capacity, considering the forecast operating conditions for each day.

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

The Sines LNG Terminal operating capacities are as follows:

- Annual natural gas regasification capacity of 8 bcm, corresponding to a daily capacity of 200 GWh;
- Storage capacity of 390,000 m^3 (2.5 TWh);
- Mooring adapted for methane tankers with capacities ranging from 40,000 to 216,000 m^3;
- Maximum output to the RNTG of 1,350,000 m^3(n)/h;
- Tanker loading capacity: 36 tankers/day.

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

At the end of 2021, the natural gas underground storage facilities were as follows:

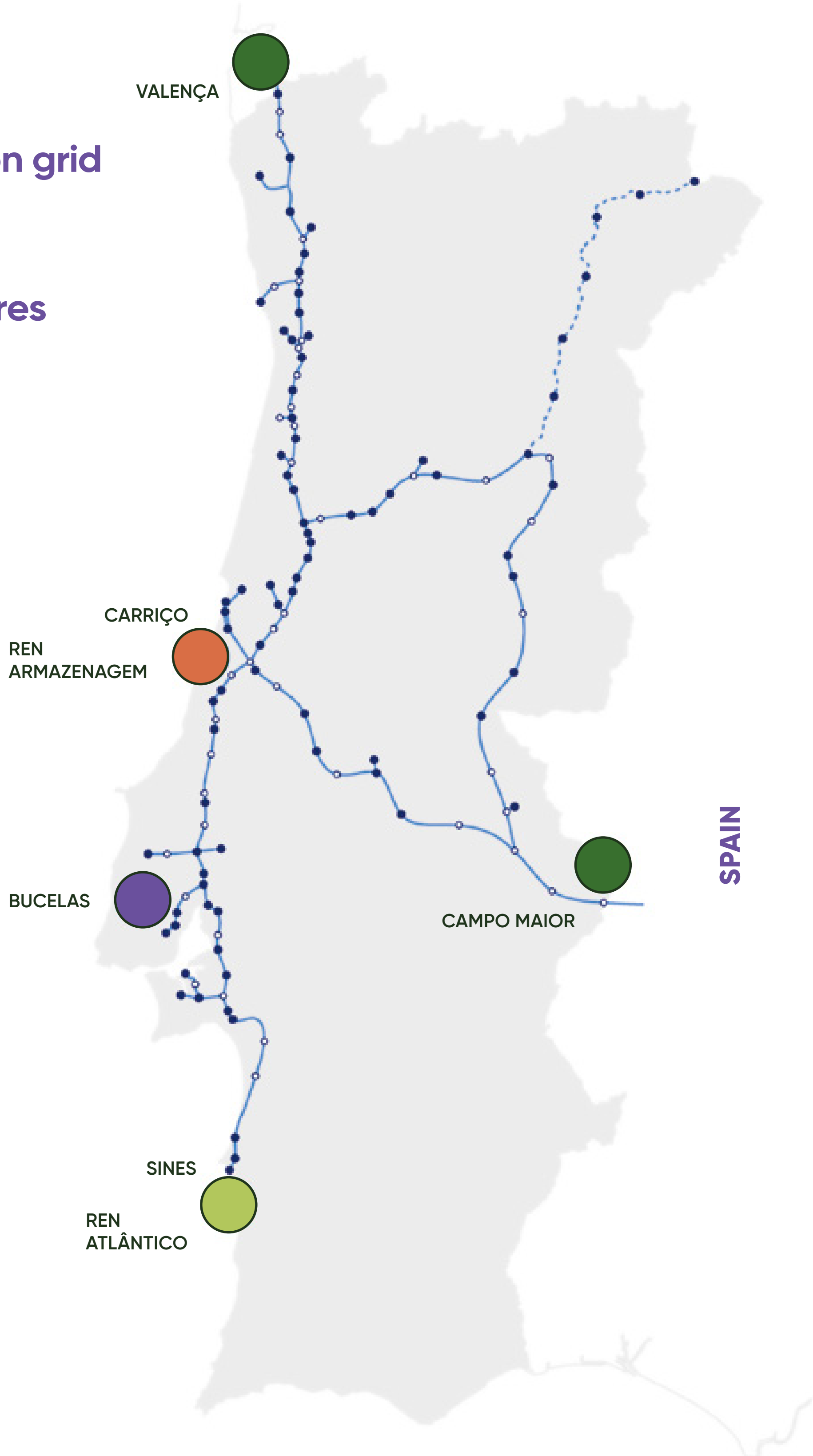
- Six operational caverns;
- Maximum capacity: 3,967 TWh <> 333 Mm^3(n);
- Nominal capacities of the surface station:
  – Injection: 84,000 m^3(n)/h (24 GWh/day);
  – Withdrawal: 300,000 m^3(n)/h (85.7 GWh/day);
- REN Armazenagem is responsible for the operation of the surface station.

The National Gas Transmission Network

Gas

National transmission grid

Underground storage infrastructures and lng terminals



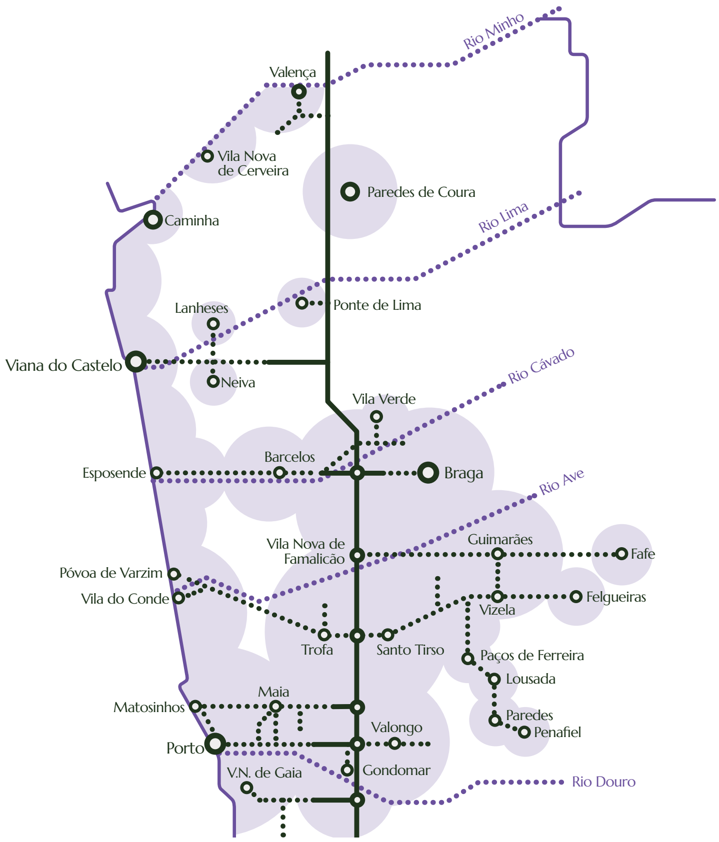
2021 PORTUGAL MAINLAND

- Infrastructures in operation
- RNTG - in project
- Gas regulating and metering sations (GRMS)
- Block valve station (BV)
- National dispatch
- Underground storage
- LNG terminal
- Interconnection point

REN Portgás Distribuição

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 km2 in area, divided into 29 municipalities, which have a resident population of approximately 2,569,000 people living in around 1,245,000 dwellings. It is important to note that REN Portgás Distribuição works in all the municipalities of the concession area, and 2021 saw the arrival of natural gas in Paredes de Coura, the final municipality in the concession area.



In 2021, REN Portgás provided the safe and continuous supply of natural gas to the municipalities in the concession area, supported by a distribution network with a total length of 6,118 km and with 395,000 active supply points, corresponding to a penetration rate of 32%, having transmitted around 7.6 TWh of natural gas during the year, as summarized in the table below.

Technical indicators	2021	2020	2019	2018
Gas distributed	7.6	7.3	7.3	7.3
Network length, Km	6,118	5,897	5,705	5,486
Number of supply branch line, #	141,457	135,115	128,468	121,132
Active supply points #	395,353	385,969	377,747	366,141
Active penetration rate (%)	31.7%	31.1%	30.5%	29.6%
Supply points/km secondary network, accumulated	77.0	78.1	79.1	79.9

Growth in the Portgás infrastructure is essentially based on two pillars: guaranteeing the distribution of the required volumes of natural gas, over time and under suitable pressure conditions in the network, and the optimization of investment to capture new supply points in order to ensure the profitability and sustainability of the natural gas distribution system.

At the end of 2021, the REN Portgás Distribuição natural gas distribution infrastructure included assets consisting of:

- 11 interconnection points with the transmission network (GRMS);
- 407 km of medium-pressure gas pipelines;
- 644 block valve stations in the medium-pressure network;
- 89 regulating and METERING POSTS (R&Ms);
- 5,711 km of low-pressure network;
- 48,097 block valve stations in the low-pressure network;

REN Portgás infrastructures is interconnected with the transmission network through 11 gas regulating and metering stations (GRMS), where gas pressure is reduced for the medium-pressure distribution network, also known as the primary network, allowing the transmission of natural gas of greater capacity. Of the 11 GRMS, six are interconnected by primary network ring systems and the remaining five GRMS are isolated, ensuring the supply of the secondary network sub-systems.

The six interconnected GRMS supply the following systems:

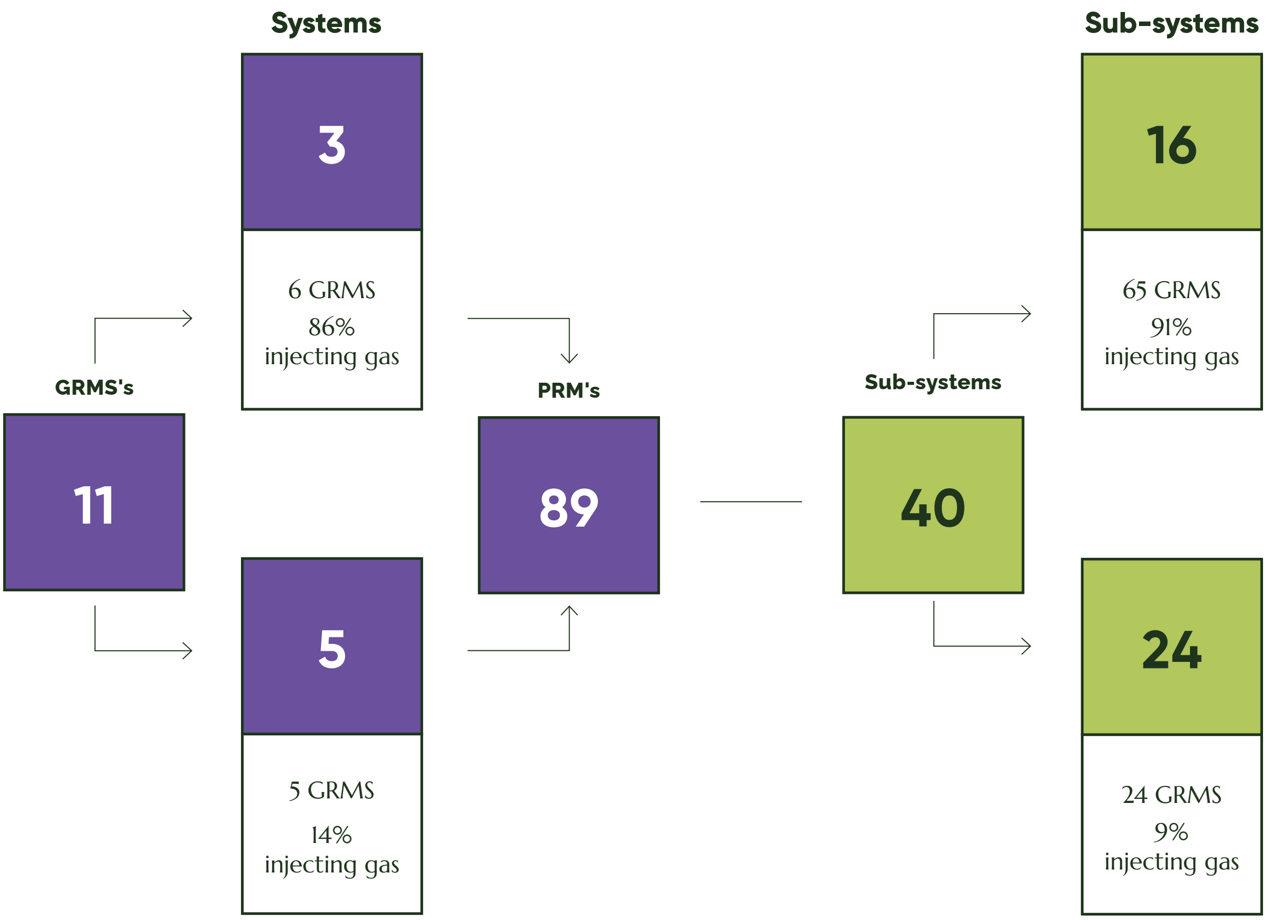
- Metropolitan Port Area Network;
- Vale do Ave Network;
- Vale do Cavado Network;

In addition to these three systems which consist of two GRMS each, there are a further two sub-systems in Valença and Ponte de Lima. which are fed directly by the REN Gasodutos high-pressure network, as there is practically no medium-pressure distribution network.

With a length of 407 km in 2021, the Portgás primary network supplies customers directly connected to the medium-pressure network (both with regard to pressure needs as well as for instantaneous consumption requirements). This network also distributes gas at higher pressures up to the surroundings of the areas with greatest demand, where the pressure is then reduced to the secondary low-pressure distribution networks through 89 2nd class regulating and metering stations.

The 89 regulating and metering stations 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 regulating and metering stations are interconnected, with a total of 40 network sub-systems, 24 of which are isolated and 16 in ring formation.

In terms of systems, it can be seen that around 86% of all gas in the primary network is transmitted in ring systems, with emphasis on the Vale do Ave, Grande Porto and Braga systems. In the isolated systems of Avintes, Valença, Viana do Castelo and Ponte de Lima, a total of around 14% of all gas is transmitted in the primary network. With respect to subsystems, around 91% of all gas in the secondary network is transmitted in ring subsystems and around 9% in isolated subsystems, over a total length of 5,711 km of low-pressure distribution network.



3.8. SUPPLY CHAIN

Supply Chain

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

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

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

Procurement is supported by specific I.T. systems to register suppliers, their qualification, the assessment of their performance and manage the purchasing process life cycle.

The main activities of the supply chain are as follows:

A	B	C	D
Annual plannig of purchases	Purchase	Contract management and payment	Supplier qualification and assessment

A. Annual planning of purchases

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

B. Purchase

1	2	3	4
Definition of requirements	Market consultation	Analysis of proposals, negotiation and award	Award proposal

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

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

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

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

In 2021, the REN Group had a total volume of purchases of around 264M€, corresponding to 1,519 purchasing processes. Corporate purchases by the Purchasing Department stood at approximately 245M€, corresponding to a total of 347 processes.

Note: includes purchases managed by the Purchasing Department for Transemel.

C. Contract Management and Payment

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

D. Supplier Qualification and Assessment

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

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

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

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

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

The Qualification System consists of the following steps:

1	2	3	4
Submission of applications	Receipt and analysis of applications	Clarifications between REN and applications	Notification of qualification decision

All our suppliers are required to pledge compliance with the principles set out in our Supplier Code of Conduct, which includes strict criteria to support and respect human rights, the environment, safety and health and high standards of corporate ethics and integrity.

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

REN suppliers are grouped as follows:

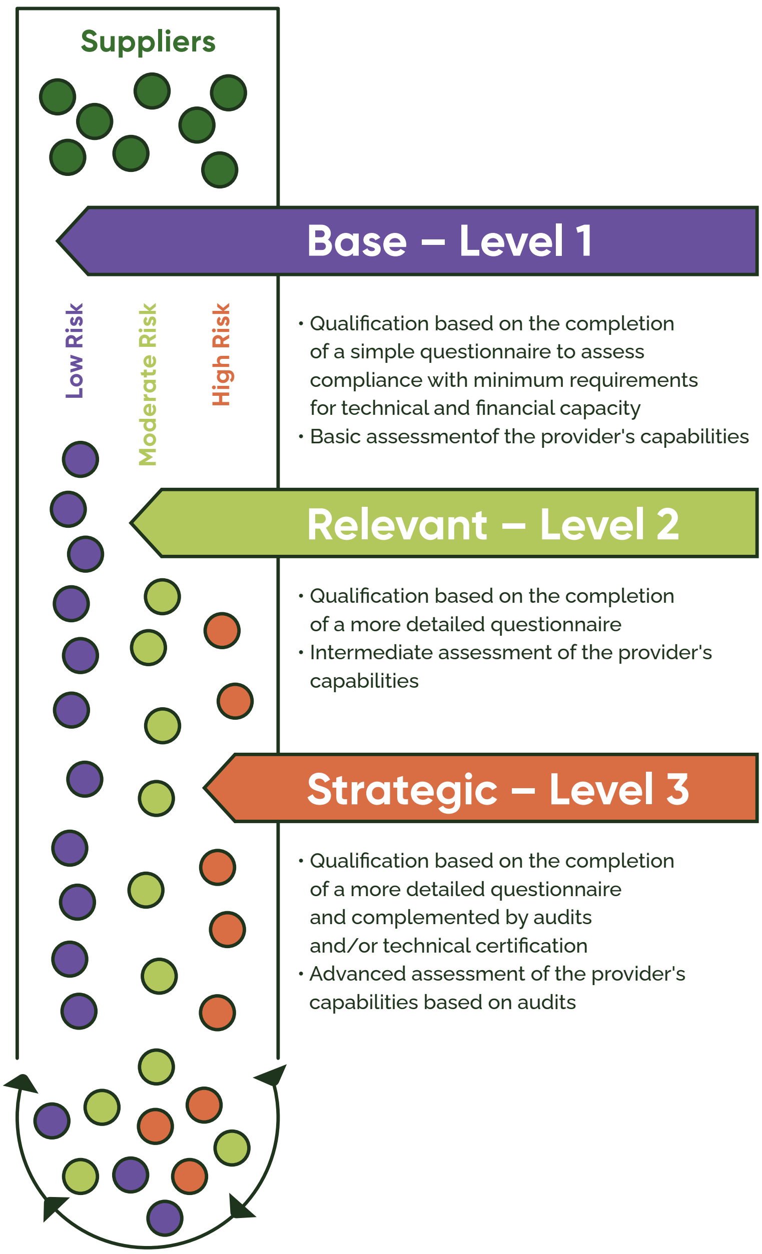
- **Specific Goods and Services of the Business**

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

- **Corporate Goods and Services**

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

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



Low Risk

This purchasing category **has no impact** on the **operation** or **safety** of the transmission infrastructure and has minimum representation in annual expenditure (e.g.: Professional Consultancy)

Moderate Risk

This purchasing category **may impact on the safety** and **operation** of the infrastructure and/or represent a **high annual expenditure** (e.g.: Specific Construction Projects)

Risco Elevado

This purchasing category may **impact on the safety and operation** of the infrastructure, has high **technical complexity** and/or represents a **high annual expenditure** (e.g.: Power Transformers; Control and Protection Systems)

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

Type and geographic origin of suppliers	LEVEL 1	LEVEL 2	LEVEL 3
Suppliers of Goods	Small, national companies supplying standardized, low-value goods	Medium and large European companies supplying standardized goods or goods with customer specific requirements of medium or high value	Multinationals supplying complex goods of very high value
Service Providers	Small, national companies providing standardized, low-value services	Small and medium-sized national companies providing specific, medium or high value services	Medium and large European companies providing complex high value services
Contractors	Small, national building companies with a single speciality, low value	Medium and large national construction companies with multiple specialities, medium or high value	Large Iberian construction companies with multiple specialities of very high value and complexity (turnkey)

Description of REN Group suppliers based on payment volume in 2021:

REN Group companies with registered offices in Portugal:

Geography of suppliers	% Volume expenditure (~298M€)	% Number (~1,200)
Extra-Community	1.4	1.2
Intra-Community	7.4	11.9
Domestic	91.2	86.9

Note: The volume of expenditure corresponds to payments made by REN, in euros, excluding the main payments derived from national regulations and European laws

REN Group company with registered office in Chile:

Geography of suppliers	% Volume expenditure (~13M€)	% Number (~300)
Chilean Nationals	100.0	100.0

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

Significant changes to the organisation or supply chain

The qualified supplier panel grew in 2021. With respect to the previous year, the number of qualifications increased by 14% and the number of qualified suppliers by 8%.

Also during 2021, and with regard to supply chain management, we developed a macro plan with ESG and cybersecurity initiatives and also designed the respective assessment to strengthen risk management in the value chain. The Purchasing Department is currently studying existing solutions on the market with a view to strengthening the decision-making process for selecting suppliers, as well as for monitoring the performance of current partners.

With a view to consolidating REN Group expenditure and simplifying recurrent purchases, the incentive to create electronic catalogues was maintained. At the end of 2021, more than 140 active catalogues existed.

The number of qualifications rose 14% and the number of qualified suppliers 8%.

The REN Group Supplier Qualification System also grew to support growing needs, using procedures set out in the Public Procurement Code. Seven new subcategories of purchases were published in the Portuguese Official Gazette and in the Official Journal of the European Union: (1) 100603 Electricity Network Primary Asset Monitoring Systems; (2) 100604 Updating of Network Access Systems for Third Parties (ATR); (3) 101401 Electricity Line Design Services; (4) 101406 Civil Engineering Design Services - Very High Voltage Lines; (5) 200106 Cartography/ Topography Services; (6) 200607 Project Application Management in SharePoint, K2, .NET and Outsystems; (7) 200704 Industrial Voice Systems.

With regard to commitments to our supply chain, the Supplier Code of Conduct was updated in 2021 to reinforce the commitment by suppliers to the new policies and commitments undertaken by REN. The new version of the code now includes clauses on (i.) respect for collective bargaining, (ii.) prevention of non-voluntary work situations, (iii.) information security. Additionally, the Code promote adherence to (iv) the REN Group Social Responsibility Policy (v.) REN's Code of Conduct, as well as (vi.) the REN Group Integrity Policy From its inception, the REN Supplier Code of Conduct, which is universally accepted by all REN suppliers, commits them to (i.) Support and respect for fundamental human rights in the workplace, (ii.) Respect for applicable standards and principles in terms of the environment, safety and health in the workplace, as well as (iii.) Ensuring that high standards of ethics and business integrity are maintained.

The digitization of Purchasing and Supplier Management activities has remained one of the pillars of the Purchasing Department, and 2021 was no exception. Of note is the maturity of the implementation of the new integrated supplier management support platform, entry into production for which is expected in 2022. Other important improvement projects which were ongoing or completed in 2021 include:

- technological migration of the Fluxo2GO electronic catalogue platform, which now delivers greater functionality and efficiency to internal clients and the respective suppliers
- 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
- provision of the purchasing platform for suppliers to answer SOURCE market inquiries, in Spanish
- technological migration of the information management platform (B.I.) allowing an increase in autonomy for the Purchasing Department and a significant evolution in analytical capacity

Proportion of expenditure at local suppliers in important operational units

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

With regard to companies based in Portugal, around 91% of expenditure is concentrated in Portuguese suppliers. Included in this group of suppliers are large multinational companies based in Portugal, with significant weighting in REN Group expenditure.

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

3.9. AWARDS AND RECOGNITIONS

In 2021, REN received the following awards and recognitions:

- Gold Standard, for the implementation program for quantification and reduction of methane emissions, Oil and Gas Methane Partnership (OGMP 2.0);
- Silver, best contact center in Portugal in the energy sector, Associação Portuguesa de Contact Centers;
- Silver, "Best Digital Annual Report 2019", Stevie Awards;
- Gold (Award of Excellence), "REN's Annual Digital Report 2019", The Communicator Awards;
- Silver (Award of Distinction), REN Portgás Website, The Communicator Awards.

EVOLVE IN EFFICIENCY

4

A benchmark in
resource management.

Management Report

4 MANAGEMENT REPORT

Efficiency through ongoing optimization is the compass which guides us in the right direction.

4.1. ENVIRONMENT

4.1.1. ECONOMIC ENVIRONMENT[1]

World Economy

2021 saw the recovery of economic activity in advanced economies, through the reopening of services and sustained support macroeconomic policies. This evolution proved to be contrary to that seen in emerging economies (with the exception of China), due to the new outbreaks caused by the COVID-19 virus and the respective repercussions. However, in the summer of 2021, economic activity appeared to have stabilized or declined, and this was found to be inversely related to the number of virus infections and country vaccination rates.

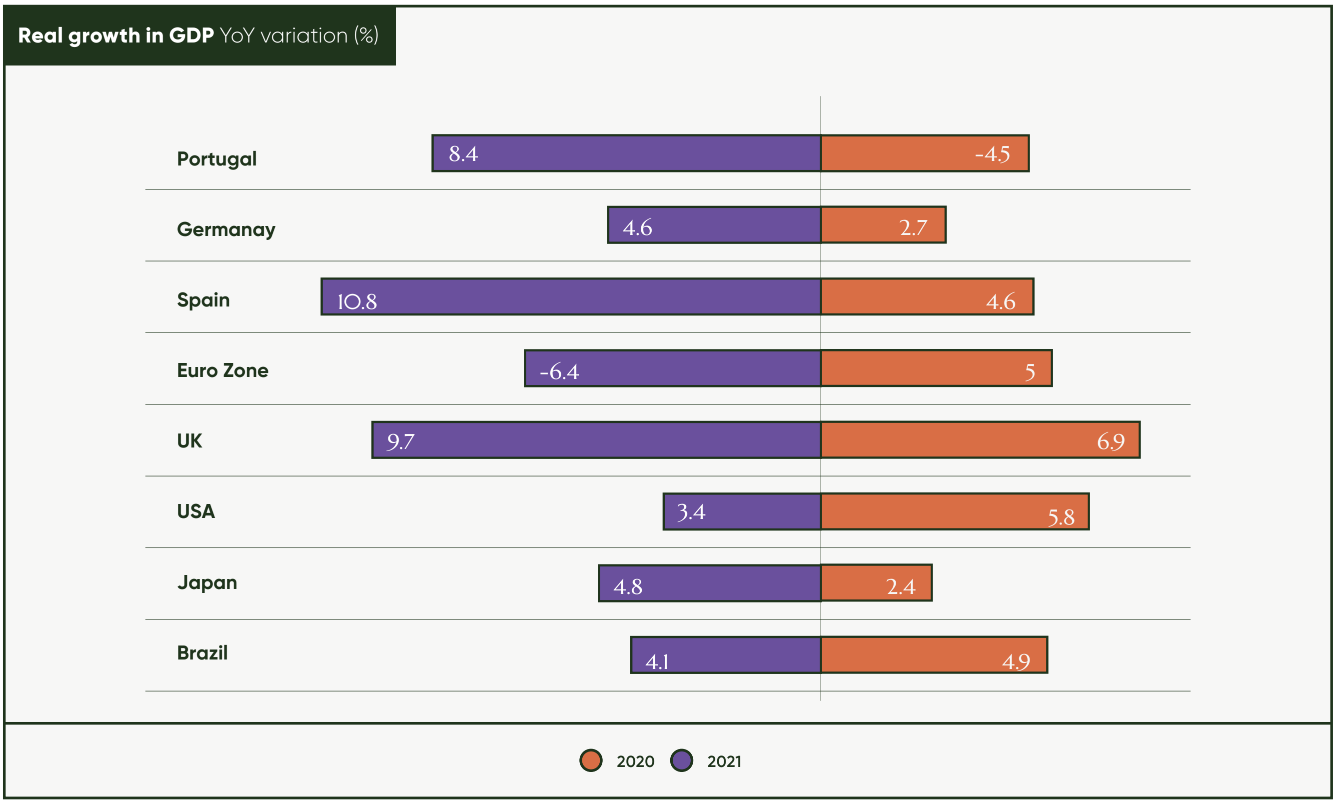
After the global recession which saw a fall of 3.4% in 2020, real global GDP is forecast to grow by 5.7% in 2021, stabilizing in the coming years as the cyclical recovery gradually runs down and support policies are cut back.

This picture is expected to continue to differentiate among advanced and emerging economies depending on the pace of vaccination implementation.

As such, the global recovery is experiencing ever greater divergence among countries, driven by the availability of vaccines and support policies.

2021

Advanced economies recovered through the reopening of services and sustained support for macroeconomic policies.



[1] Source: European Commission: European Economic Forecast, Autumn 2021, except when a different source is indicated. The economic statistics for 2021 mentioned in this chapter refer to the European Economic Autumn Forecast published on 11 November 2021, and should not be considered as final figures for the year.

Chile[2]

Currently, the Chilean economy is expanding, with GDP expected to grow by 12% in 2021 as a result of the rapid implementation of vaccination programmes, expansionary fiscal policies, rising commodity prices and the possibility for retired people to make withdrawals from their pension funds.

The rate of unemployment in Chile reached historic levels in 2020. Despite continued improvement in unemployment, it is expected that the country will only be able to reach pre-pandemic levels in early 2023. Inflation follows the same path as employment, and will only hit the target of 3% at the same time, with the deceleration of domestic activity.

Euro Zone

In the EU, economic recovery from the collapse brought about by the pandemic has turned out to be faster than expected, mainly due to the wave of household spending seen when restrictions were eased, which led to growth in private consumption. This recovery was also possible due to the significant increase in tourist travel within the EU in the summer of 2021, with the economy even having recovered to pre-pandemic levels, and moving from a recovery phase to one of economic expansion.

Annual inflation, as measured by the Harmonized Index of Consumer Prices (HICP), stood at 2.6% in the euro area in 2021, after several years of low inflation. This significant increase is mainly due to the rise in energy prices and, also, to general price increases, impacted by interruptions to supply.

General global economic forecasts indicate that the EU is expected to continue to expand, and that most Member States will reach pre-pandemic production levels by the end of 2021.

Financial Markets

Global financial conditions and financial markets have remained resilient and favourable in recent months, while liquidity provided by central banks has also remained ample. However, increasing uncertainty with regard to outlook for growth and inflation has led to increased volatility in financial markets and regional disparities.

Under the Pandemic Emergency Purchase Programme (PEPP) to combat the effects of COVID-19, the ECB announced that it would continue with asset purchases at a monthly rate of €20 billion, and provide liquidity to euro area banks to support the flow of credit to households and businesses. Additionally, in July 2021, the ECB confirmed that it will keep its key interest rates at or below their current level until inflation reaches 2%.

Global financial conditions and financial markets remained resilient and favourable in 2021.

In the second quarter of 2021, the level of unemployment improved significantly with the creation of 1.5 million jobs and a rapid recovery in hours worked. However, figures have not yet returned to pre-pandemic levels due to the high number of unemployed people who are available to work, but are not actively seeking employment. The investments financed by the European Commission Recovery and Resilience Facility (RRF) - the goal of which is to mitigate the economic and social impacts caused by the pandemic - together with structural reforms, are expected to have a positive impact on productivity levels.

The fall in public deficit did not prove to be significant (6.6% of GDP, in 2021, vs. 8.8% in 2020), due to extensive support through fiscal measures which continued to be provided to families and companies.

In general, Euribor rates have improved, although not significantly. On 31 December 2021, Euribor rates for 3, 6 and 12 months stood at -0.572% (vs. -0.526% in 2020), -0.546% (vs. -0.508% in 2020), and -0.501% (vs. -0.487 in 2020), respectively.

In July and August, yields on USA treasury bonds declined significantly to around 1.3%, owing to the increased risk of contagion from the Delta variant and persistent supply chain issues.

[2] OECD Economic Outlook, December 2021

[3] Eurostat

[4] Source: Euribor Rates (www.euribor-rates.eu)

Portuguese Economy

With the gradual elimination of measures, and the continued implementation of the RRF, the Portuguese economy recovered 4.2% in the third quarter of 2021, which compares to 16.1% in the previous quarter, a result influenced by the extensive impact of the pandemic in 2020 In the third quarter, there was a positive contribution from domestic demand, and a negative contribution from net foreign demand, where the increase in Imports of Goods and Services was more pronounced than in Exports of Goods and Services.

The increase in the prices of energy and industrial goods, together with tourism-related effects, contributed to the increase in the HICP to 0.9% in 2021 (vs. -0.1% in 2020). Prices are expected to continue to rise during the winter, mainly due to higher energy costs.

It is expected that the public deficit will fall to 4.5% of GDP (vs. 5.8% in 2020), as a result of an increase in tax income. Despite the history of low Portuguese public investment, this trend should be reversed through the new RRF projects. Public debt is also expected to reduce to 128.1% of GDP in 2021, after reaching 135.2% in 2020.

The rate of unemployment fell in 2021 to 6.7% (vs. 6.9% in 2020). Labour market indicators improved in 2021 and, due to the elimination of job retention schemes, they are expected to improve at a much slower pace than GDP, with a gradual and positive evolution of labour productivity.

4.1.2. Sectoral Environmentl

Electricity demand and production

In 2021, electricity consumption continued to be highly influenced by the effects of the pandemic. However, figures did recover by 1.4% over the previous year, or 1.7% when taking into consideration corrections relating to temperature effects and the number of working days. This consumption, which totalled 49.5 TWh, was still 1.7% lower than the figure recorded in 2019 and around 5% lower than the historical maximum which occurred in 2010.

TWh	Consumption	Variation	*Corrected*
2021	**49.5**	**1.4%**	**1.7%**
2020	48.8	-3.0%	-3.6%
2019	50.3	-1.1%	-0.2%
2018	50.9	2.6%	1.7%
2017	49.6	7.0%	1.5%

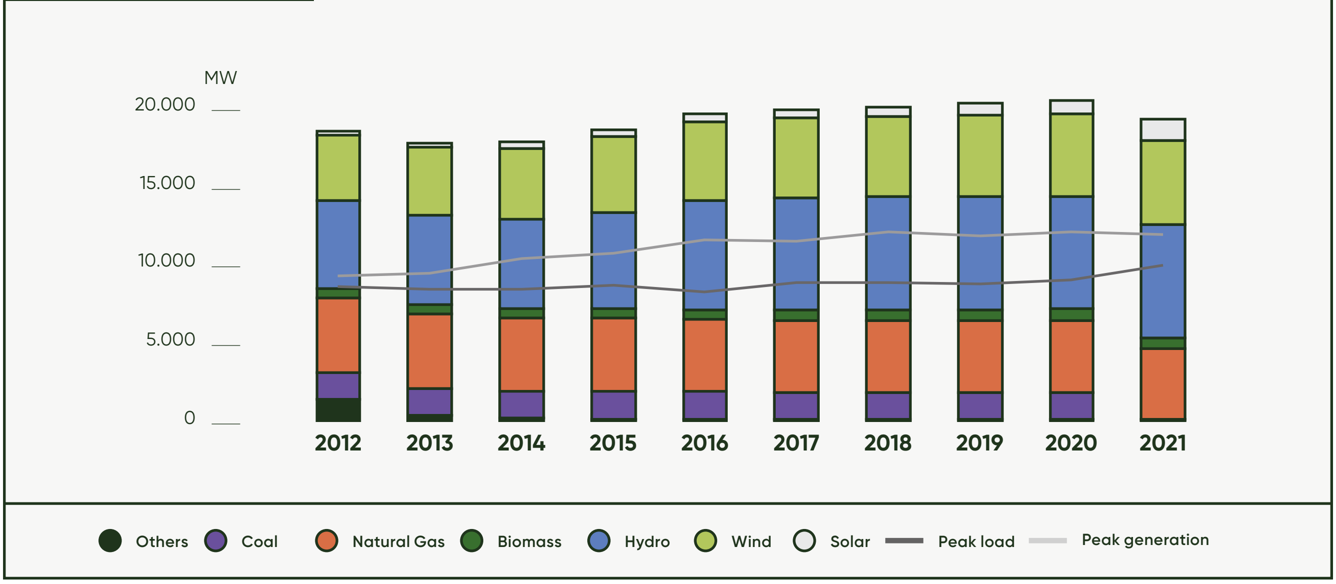
The maximum power recorded in the national electrical system occurred on 12 January at 19:30, with a figure of 9,888 MW, which was the highest value ever recorded. This was an exceptional situation causing increased consumption due to a prolonged period of days with temperatures far below normal, where the maximum power exceeded the previous historical peak in 2010 by almost 500 MW.

Peak production was seen on 19 January at 19:30, with a figure of 11,820 MW, just 170 MW lower than the highest ever figure recorded in 2018. This peak occurred at a time when the national system registered consumption of around 9,300 MW, and exports of 2,500 MW.

In 2021, the Portuguese electricity production system underwent a profound change, with the decommissioning of the two coal-fired power stations, Sines and Pego, which over the last 35 years have been one of the main sources of supply. Power from these plants totalled 1,756 MW. On the other hand, renewable installations continue to grow, with capacity increases of around 120 MW in wind farms and around 500 MW in new photovoltaic installations, with emphasis on the Alcoutim plant, which at 200 MW, has become the largest national photovoltaic installation. At the end of the year, the power connected to the public grid totalled 19,231 MW, broken down into 7,222 MW of hydro power, 5,378 MW of wind power and 1,383 MW of photovoltaic power, which is already beginning to have some weight in the national system. Most production facilities are connected to the transmission grid, with 13,548 MW, while the remaining 5,683 are connected to the distribution grid.

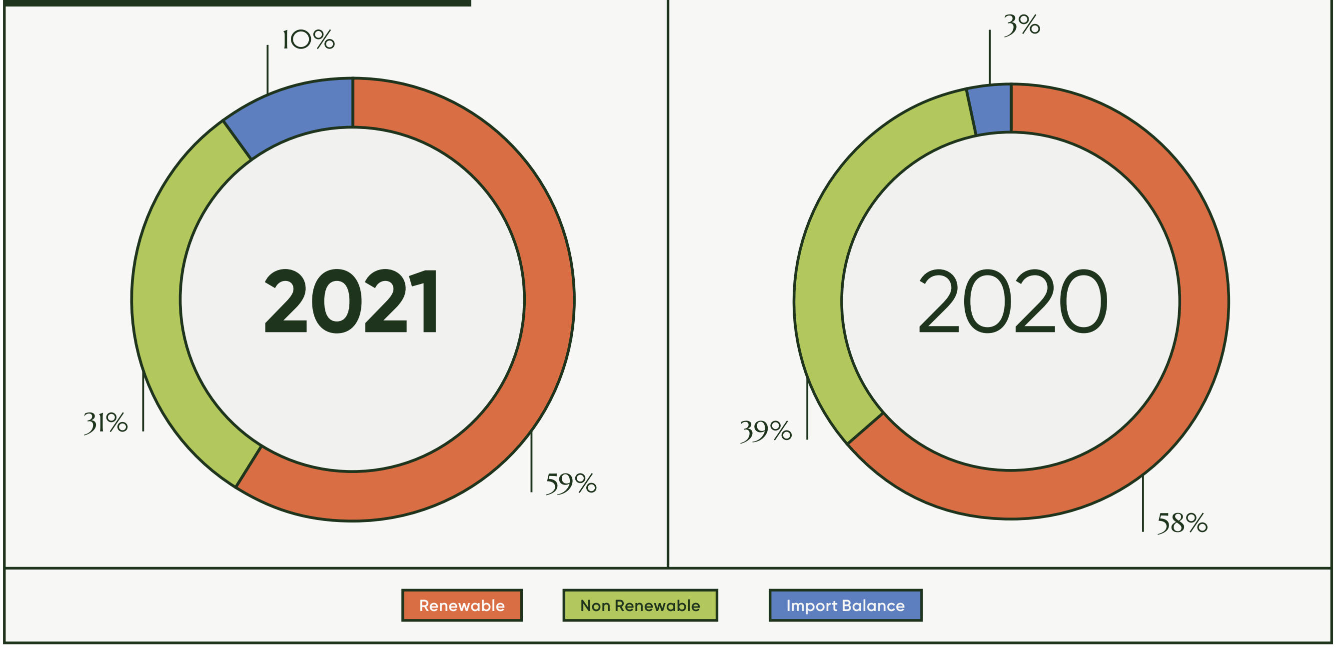
[5] INE-Portuguese Institute of Statistics.
[6] Eurostat.

Evolution of Installed Power



In 2021, renewable production supplied 59% of consumption, a figure identical to the previous year. Under average weather conditions, current renewable production accounts for around 62% of national consumption.

Renewable and non-renewable production



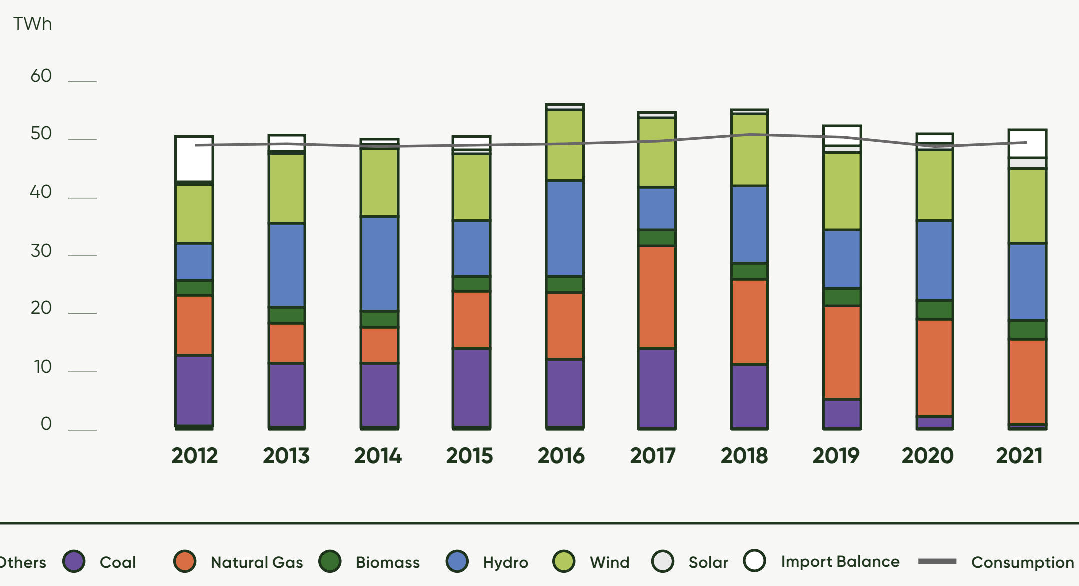
A hydroelectric production index of 0.93 was seen in 2020, compared to the 0.97 in the previous year. Wind and photovoltaic components were slightly higher than average, recording production indices of 1.01 and 1.03. In 2020, they were 0.94 and 0.97, respectively.

In 2021, wind was the main source of renewable energy with a share of 26%, while hydro represented 23% of consumption. Also with regard to renewable sources, biomass, including classic and cogeneration plants, had a share close to 7% of consumption, and finally, photovoltaics, which showed the highest percentage growth with 3.5%. In non-renewable production, coal only had residual share of 1.4%, while natural gas plants, including combined cycle and cogeneration, supplied 29% of consumption.

As in the previous two years, the national system once again this year had an import balance equivalent to 10% of national consumption, which is the highest value since 2012.

In consumption of 49.5 TWh, national production reached 46.7 TWh, with an import balance of 4.8 TWh, while pumping operations accounted for 2.0 TWh.

Meeting demand



Natural gas demand and supply

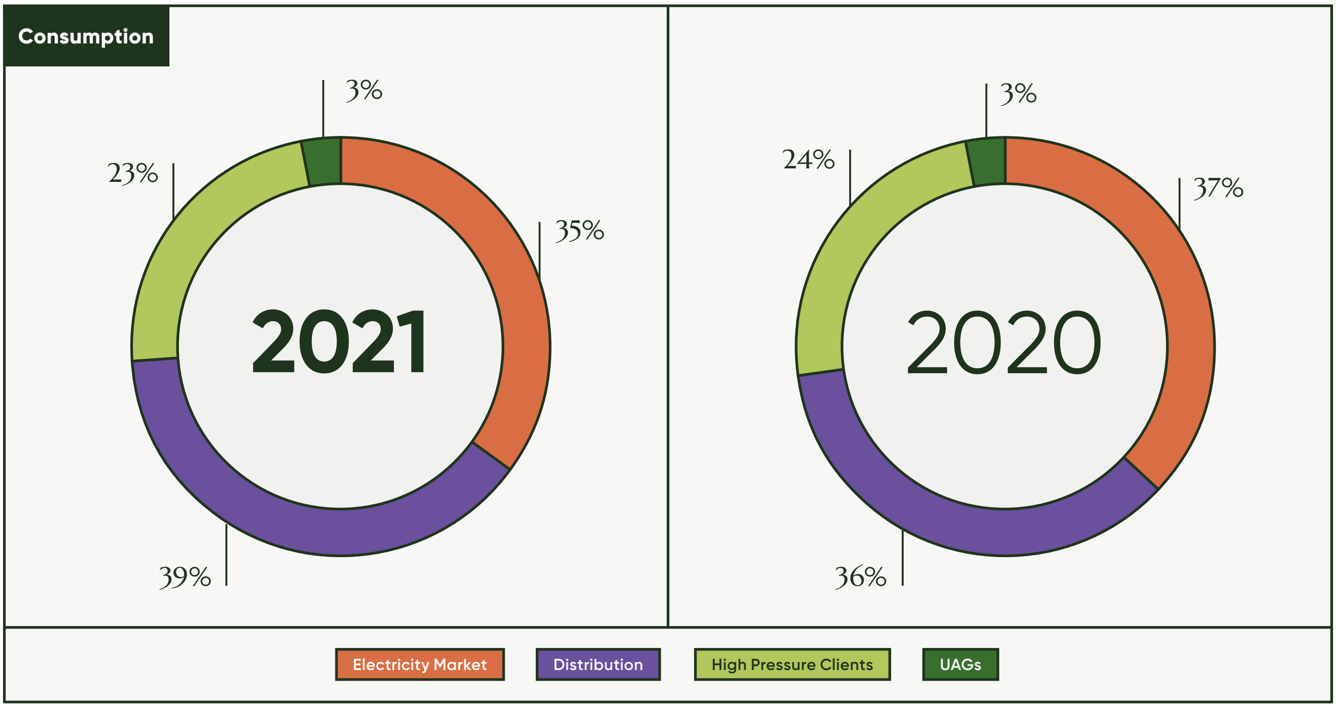
In 2021, consumption of natural gas totalled 63.8 TWh, a fall of 4.6% compared to the previous year. Constrains continued in the gas market caused both by the effects of the pandemic and, towards the end of the year, by the sharp rise in prices. This figure is around 8% lower than the historical maximum consumption recorded in 2017.

	Market				Consumption	
TWh	Conventional	*Change*	Electric	*Change*	Total	*Change*
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%
2017	42.1	4.1%	27.6	79.4%	69.7	24.8%

The conventional segment contracted by 1.5%, with consumption of 41.5 TWh, representing 65% of the total consumption of natural gas.

The electricity generation segment consumed 22.3 TWh, showing a reduction of 9.7% compared to the previous year, as a result of greater availability of renewable energy and a higher import balance of electricity. Consumption by electrical power stations represented 35% of the total consumption of natural gas.

The maximum hourly consumption recorded on 5 January at 20:00 was 15.1 GWh, which was 1.4 MWh more than the previous historic maximum of 24 January 2017. This was caused by a number of days with abnormally low temperatures where historical maximums were reached in both gas and electricity consumption.



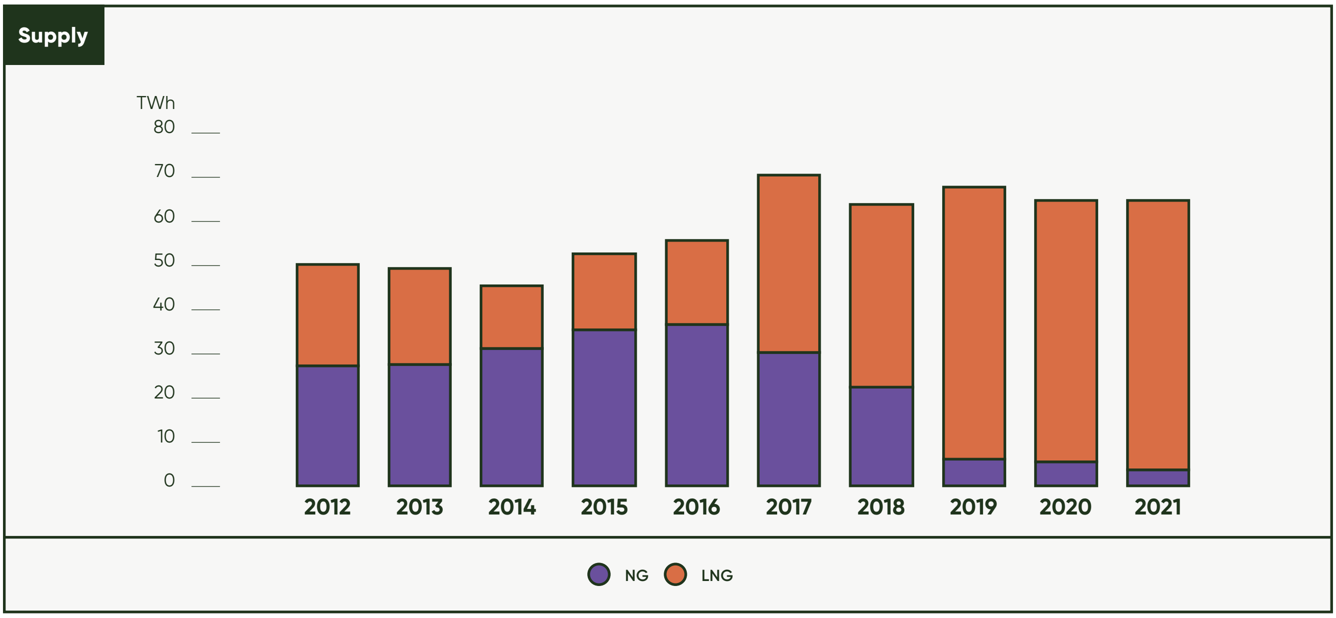
The Sines LNG terminal maintained the trend that has grown over the last five years as the main source of supply for the national system, with regasification of 61TWh, 3% above the previous year, providing 95% of all gas entering the system. This corresponded to the highest share ever and an occupancy rate of around 83.5%.

Movement at the Sines terminal of 64 vessels which unloaded 62.3 TWh, represented the second highest historic maximum, reached in 2019 with 62.7 TWh. 3.5 TWh was imported through the Campo Maior and Valença interconnections, which is 35% less than the previous year, corresponding to 5% of all natural gas entering the national system, the lowest quota ever.

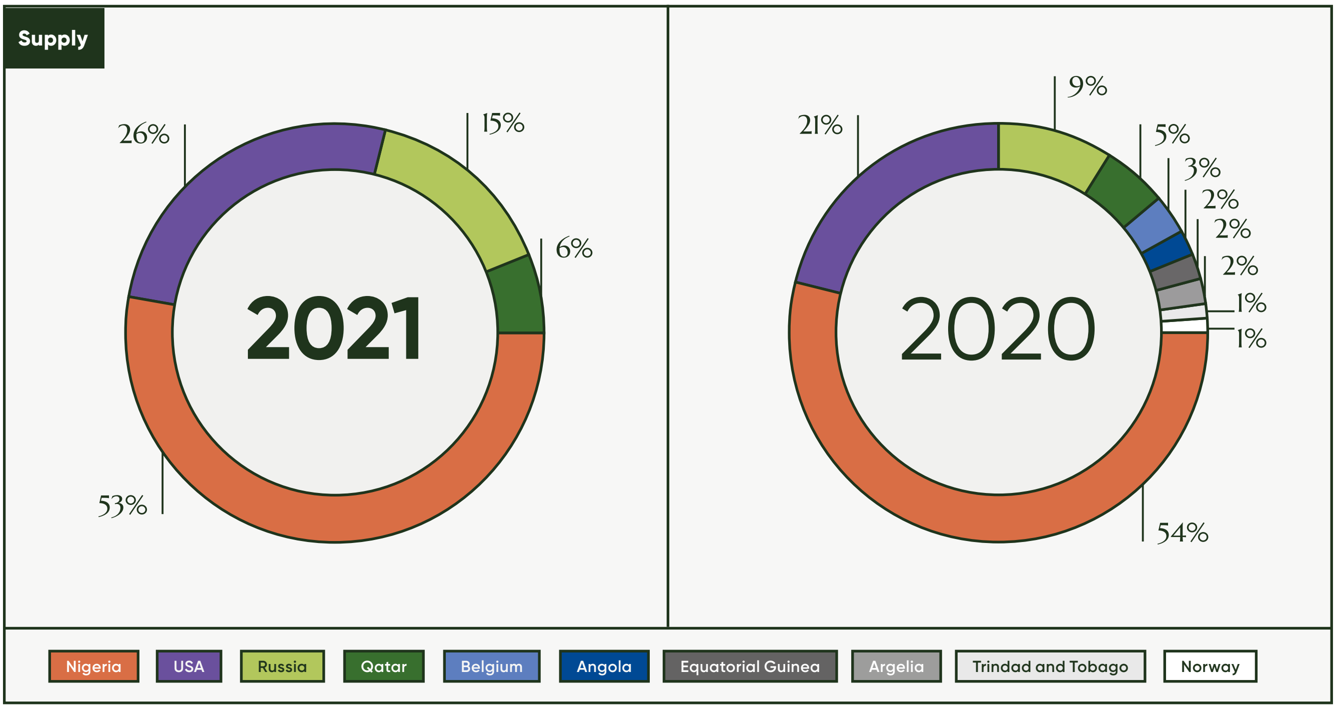
In the export direction, the interconnections also saw significant use with movement totalling 2.0 TWh, the highest figure ever recorded.

95%

The Sines LNG Terminal handled 95% of all gas intake to the national system.



Gas received through the Sines terminal was mostly from Algeria, representing 54% of energy unloaded. In 2021, the origins of gas were less diversified than has been usual and in addition to Nigeria, imports came from only three more countries, the USA with 26%, Russia with 15% and Qatar with 6% of the total received.



4.1.3. Regulatory Environment

European Energy Policy

After the changes caused in 2020 by the COVID-19 pandemic, the recovery of prospects for evolution in terms of supply and demand made 2021 a challenging year for the energy sector.

On a European level, the implementation of the European Climate Law reinforced the European Union's ambition to reduce net greenhouse gas emissions (at least 55% by 2030, compared to 1990 levels).

The Fit for 55 package – Implementation of the European Green Deal, proposed by the European Commission in mid-2021, provides a holistic and interconnected vision of measures. Together, they seek to increase in the use of Renewable Energy Sources (RES), strengthening low-emission transport, prevent carbon transfer to other regions and preserve and cultivate natural sinks. This package has a comprehensive and transversal series of legislative proposals (five new and eight reviews of existing legislation). Of note in the energy sector are:

- updating of the Renewable Energy Directive, proposing to increase the binding target for a new level of RES energy (from 32% to 40%) in the EU energy mix;
- updating of the Energy Efficiency Directive in order to achieve an overall reduction of 36% to 39% by 2030;
- the strengthening of the EU's Greenhouse Gas Emissions Trading System, extending its application to new sectors and integrating it into the updating of the Effort Sharing Regulation, and
- the promotion of low-emission transport and the implementation of supply infrastructures through the Alternative Fuels Infrastructure Regulation, encouraging take up and setting additional targets for the renewable fuels involved, such as hydrogen.

Published in October, the State of the Energy Union 2021 Report provides an assessment of progress in implementing EU energy and climate policies to achieve the 2030 and 2050 targets, against the backdrop of the emerging economic recovery following the COVID-19 pandemic and the exceptional situation of rising energy prices in the EU at the end of the year. Most trends are positive, but still below that needed to achieve the Energy Union goals in carbon neutrality by 2050. Member State recovery and resilience plans should promote the necessary reforms to support energy and climate transition.

Presented in December, the hydrogen and decarbonized gas package aims to follow up on the Fit for 55 proposals with regard to stimulating the demand and production of renewable and low-carbon gases, creating the conditions required for the gradual elimination of fossil gas. The objectives seek to remove obstacles to the decarbonization of consumption, present the necessary policy measures to support the creation of optimized and specific infrastructure and create conditions conducive to a more cost-effective transition. In the long-term, assuming that renewable gases will be produced in the internal market, they can help to reduce the EU's dependence on imports and increase the resilience and supply security of the European gas network.

2021

It was a challenging year for the energy sector as a result of the implementation of the European Climate Law and the “Fit for 55” package.

Additionally, the EU's innovation strategy for the development of a decarbonised economy was reinforced, with a focus on the value chain of renewable gases with emphasis on hydrogen and batteries.

Domestic Energy Policy

In Portugal, the decommissioning of the two coal-fired power plants (Sines and Pego), the basic law for the National Electricity System, the publication of the National Strategy for the Renovation of Buildings (ELPRE), the Basic Climate Law, the launch of the notice to support projects in the hydrogen sector and the sale of electric cars reaching a market share of 19%, are all important milestones in the Portuguese trajectory towards the decarbonization of the economy.

Council of Ministers Resolution No 8-A/2021 of 8 January, approved ELPRE and is based on Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May on the energy performance of buildings, which requires Member States to prepare a long-term strategy to support the renovation of their building stock by 2050. A roadmap must also be produced setting out measures and objectives and the respective connection to achieving EU objectives. This directive applies to the national stock of existing residential and non-residential, public and private buildings and its rationale is to transform them into buildings with nearly zero energy needs, NZEB (Nearly Zero Energy Buildings). Taking into account the guidelines of the National Energy and Climate Plan 2030 and the CNR 2050, ELPRE sets indicative targets for 2030, 2040 and 2050, develops the respective economic assessment and analyses the policies and actions necessary to achieve this renovation.

Further to the decommissioning of the Pego coal-fired power plant, Order No 9241-B/2021 of 17 September, which requires REN - Rede Elétrica Nacional, S.A. as the general system manager of the National Electrical System (SEN), to implement a pilot model for the dynamic management of the National Electricity Transmission Grid (RNT) at the injection point currently occupied by the plant. Also in this regard, considering that the respective injection capacity into the Public Service Electricity Grid (RESP) will be available for new allocation, Order No 9241-C/2021 of 17 September requires the opening of a competitive procedure to allocate this reserve of injection capacity into RESP of electricity produced exclusively from renewable energy sources at a power plant with or without integrated storage.

As the mechanism for allocating and remunerating the interruptibility service is not compatible with the guidelines on state aid or with the European rules and guidelines for the internal market, the Government undertook to carry out the evaluation and implementation of alternative mechanisms. Ministerial Implementing Order No 230-A/2021 of 29 October, repeals Ministerial Implementing Order No 592/2010 of 29 July, as republished, sets out a transitional mechanism and automatically extends until 31 December 2021, contracts to join the interruptibility service which were active on 31 October 2021.

Accordingly, in November 2011, the Regulation Reserve Band market was created via ERSE Directive No 14/2021, with the aim of helping to ensure regularity and stability in the supply of electricity to the National Electricity System. The Regulatory Reserve Band market was brought into operation through a competitive auction open to qualified electricity consumers and has been operating since 1 January 2022.

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 principles implemented in energy policy include a commitment to decarbonize electricity production, eliminating the role of fossil gas in the electricity production system by 2040, provided that supply security is ensured, together with energy efficiency, incorporation of RES into final energy consumption, electrification of energy consumption and the use of renewable gases. In addition to these principles, the State has also prohibited the production of nuclear energy in Portuguese territory. The development of electricity and gas transmission and distribution networks is ensured by the State, with a view to creating 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. Cooperation with Spain in the implementation of the interconnections required for the proper functioning of energy markets is another obligation of the Portuguese State.

The Decree-Law setting out the organization and functioning of the SEN with a view to adapting it to the needs and challenges posed by the strategic instruments that guide EU and Portuguese energy policy, was approved at the Council of Ministers meeting of 2 December and passed by the President of the Republic on 13 December. This law is currently awaiting publication. The amendments introduced are structured around five fundamental axes:

- concentration of the organization and functioning of the SEN into a single legislative document to simplify operation, eliminating the distinction between production under ordinary and special schemes;

- maximizing of the potential of RESP, allowing the allocation of injection capacity reserve with restrictions and driving evolution towards a probabilistic and innovative network planning and management model with dynamic and flexible management, limiting the construction of lines to those strictly necessary to ensure supply security and quality of service;

- Introduction of competitive mechanisms for SEN activities, not only those relating to production, but also those relating to suppliers, aggregators of last resort, logistics operators for switching suppliers, aggregators and the issuing of guarantees of origin; elimination of guaranteed remuneration schemes, moving to a single remuneration scheme based on a market determined price, while safeguarding the possibility of assigning support schemes to RES production, subject to competitive procedures;

- encouraging the active participation of consumers in production and markets by creating the figure of aggregator and requiring the installation of smart meters and networks, the elimination of barriers, the strengthening of information rights and the obligation to provide supply contracts at dynamic prices to promote the provision of flexible services;

- framing and legislative provision for new situations such as retrofitting, hybrid projects and storage, with emphasis on a legislative framework which is suitable for pilot projects involving innovation and development through the setting up of three Free Technological Zones (ZLT).

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

- the opening of a competitive procedure for the allocation of injection capacity reserve at RESP connection points for electricity from the conversion of solar energy by floating photovoltaic power plants to be installed in reservoirs;
- the signing of the Memorandum of Understanding on institutional cooperation for the hydrogen sector between the Government and the European Investment Bank (EIB), as an important aspect of the national strategy and decisive for strengthening projects in this sector;
- support for investment projects aimed at decarbonizing industry and the energy efficiency and improvement of environmental performance of buildings, both as part of the Recovery and Resilience Plan (PRR).

Liberalized Market in Portugal

Electricity

In general terms, in December 2021, in mainland Portugal the free market represented more than 85% of the total number of customers, a rise of 0.7 p.p., and around 94% of consumption, a decrease of 0.6 p.p. YoY. Almost all supply to heavy users remains on the free market.

The number of consumers in the free electricity market was around 5.4 million, an increase of approximately 1.9% compared to December 2020, while annualized consumption stood at 42,083 GWh, representing an increase of around 0.2 pp YoY.

Natural gas

In November 2021, in mainland Portugal, the free market represented more than 85% of all customers, a rise of 2.7 p.p., and around 98% of consumption, a decrease of 0.2 p.p. YoY. 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 2021 reached a figure of around 1.3 million, representing an increase of approximately 2.7% YoY. Annualised consumption in the free market stood at 39,150 GWh, a reduction of 2.0% was seen in YOY terms.

4.2. ELECTRICITY

4.2.1. RNT Operation

Use of Transmission System

In 2021, the National Transmission System (RNT) transmitted 42.3 TWh of power, a reduction of 1.2% over the previous year. Despite this slight reduction in electricity transmitted, network power reached a new historic maximum on 11 January at 19:45, with 9,682 MW. This was 64 MW above the previous maximum which occurred in 2020.

The power plants connected to the Transmission Network injected 30.2 TWh of power, 2.7 TWh less than the previous year. This reduction was due to lower national production seen this year, offset by an increase in imports. The power plants connected directly to the Distribution Network produced 15.8 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 was the highest ever recorded as well as the respective peak which reached 1,522 MW.

Transmission network losses totalled 836 GWh, representing 1.98% of energy transmitted, slightly higher than the 1.84% recorded in the previous year. Losses have shown a trend to grow in recent years due mainly to the greater geographical imbalance in production, a result of the decommissioning of the two large coal fired power plants in the centre and south of the country.

TWh	2021	2020
Energy Intake into the Network	42.3	42.8
Power plants	30.2	32.9
Interconnections	9.5	7.6
Distribution Network	2.5	2.4
Energy Output by the Network	41.5	42.0
Power plants / Direct Customers	4.0	4.1
Interconnections	4.8	6.1
Distribution Network	32.6	31.8
Own Consumption	0.0	0.0
Losses	0.8	0.8
Losses (%)	1.98	1.84

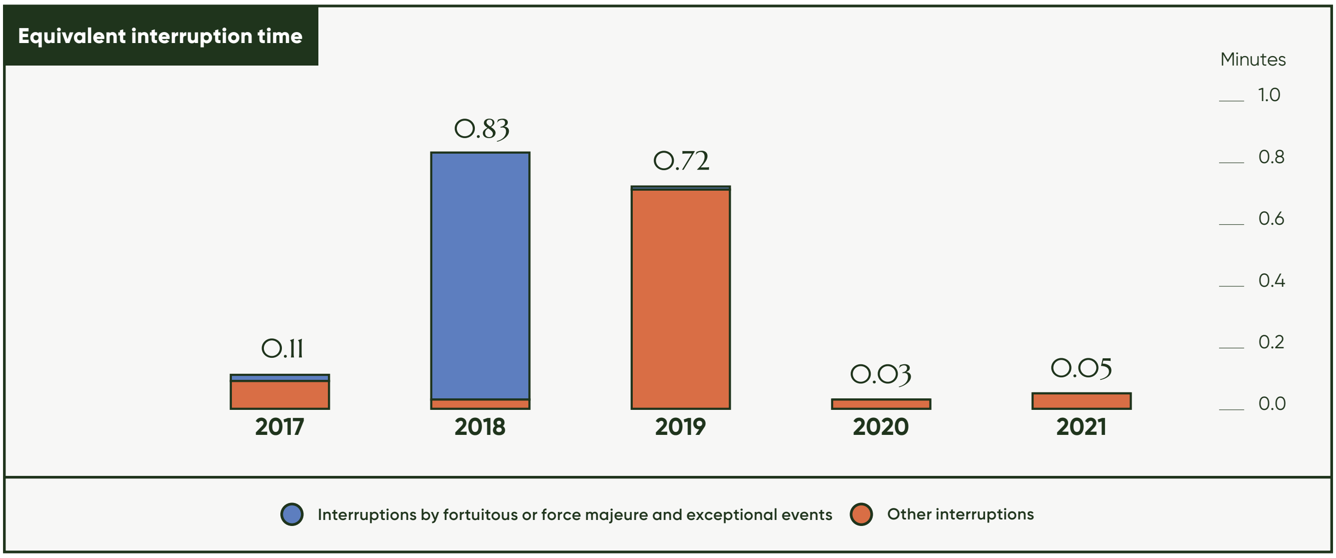
Average interconnection capacities offered to the daily wholesale market stood at 3,751 MW for import, which was a new maximum, and 3,020 MW for export. The national system continued to mainly import, with largely insignificant congestion occurring (after the daily market) in just 1.3% of periods in the import direction and in 1.3% of periods in the export direction.

Quality of Service

In 2021, the quality of service of the National Electricity Transmission Network (RNT) was marked by an interruption of service at the Alcochete delivery point of 6.6 minutes, corresponding to energy not supplied of 4.7 MWh. Despite this, the quality of technical service provided - understood as being security and continuity of supply of electrical power with the necessary technical characteristics - continues to consolidate the suitable performance of the RNT.

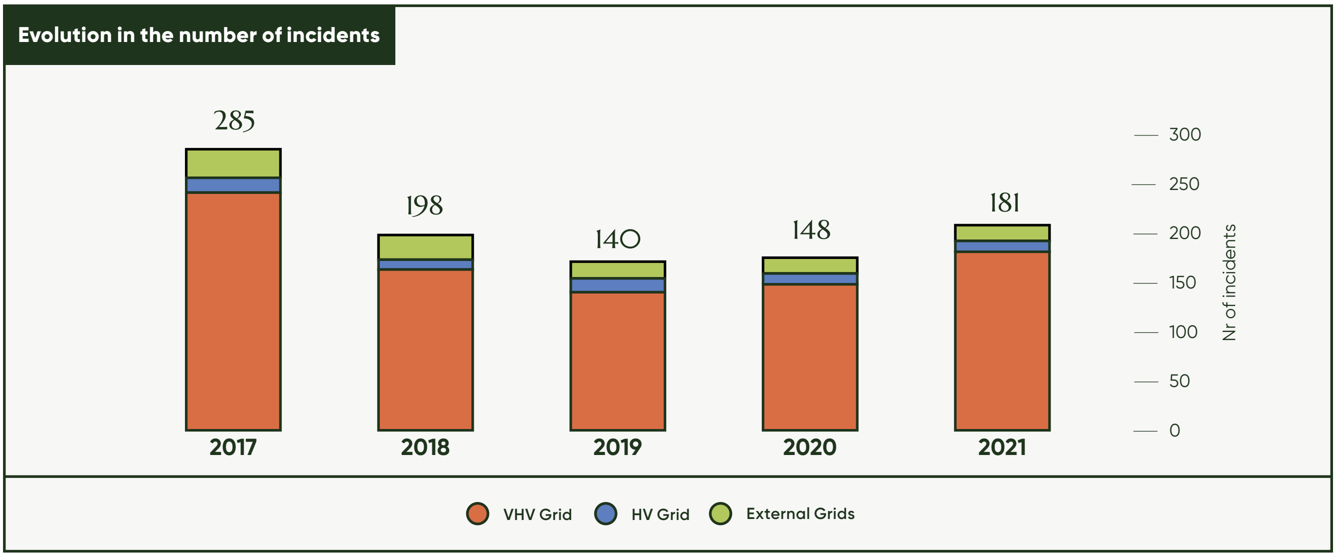
General continuity of service indicators, set out in the Quality of Service Regulations, recorded generally positive values, in line with that seen in the previous year. In this regard, the policies and strategies adopted for the activity of electrical power transmission have promoted the suitability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

Equivalent Interruption Time (EIT), an indicator of overall performance commonly used by electrical utility firms, attributed directly to REN, was only 3.0 seconds. This corresponds to energy not supplied of 4.7 MWh. This overall EIT value represents what would be a practically uninterrupted supply of electrical power (99.99999% of the time) to a single 'equivalent' consumer (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 2021, voltage waveform quality at delivery and interconnection points on the RNT was monitored. 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 electrical energy quality depends on the number of incidents recorded or which impact on the transmission grid. In 2021, the total number of incidents increased over figures for 2020, but below the average figure for the last five years. In 2021, there were a total of 181 incidents (22.2 % more than in 2020), 154 of which originated in the Extra High Voltage Network (EHV), 16 in the High Voltage Network (HV) and 11 in other networks but impacting on EHV networks and HV equipment in the grid. Only two incidents (1.1% of the total) actually caused interruptions to the supply of electricity to customers, having led to two interruptions at delivery points

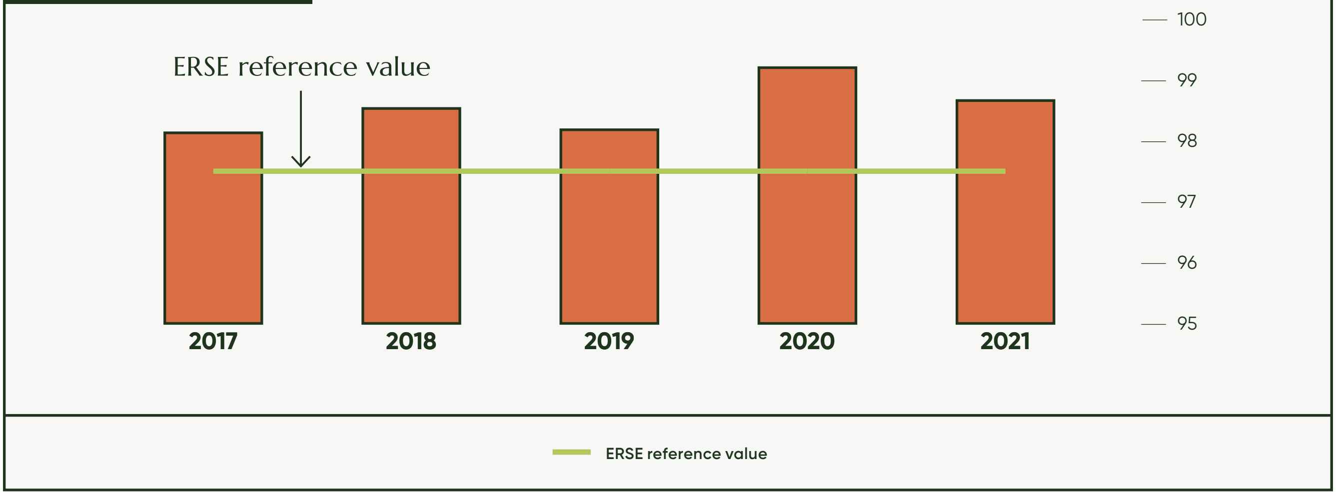


Performance of Transmission System Assets

Availability

The combined availability rate – an indicator defined by the Energy Services Regulator (ERSE) which analyses the availability of RNT transformers and lines – was 98.66% in 2021. This figure is above the average of the last five years, against an ongoing background caused by COVID-19, although of lesser impact than in 2020. The following graph shows the annual evolution of this indicator over the last five years. This performance represents effective coordination and programming of grid outages during the period in question and to a certain extent, the reliability of RNT assets.

Combined Availability Rate

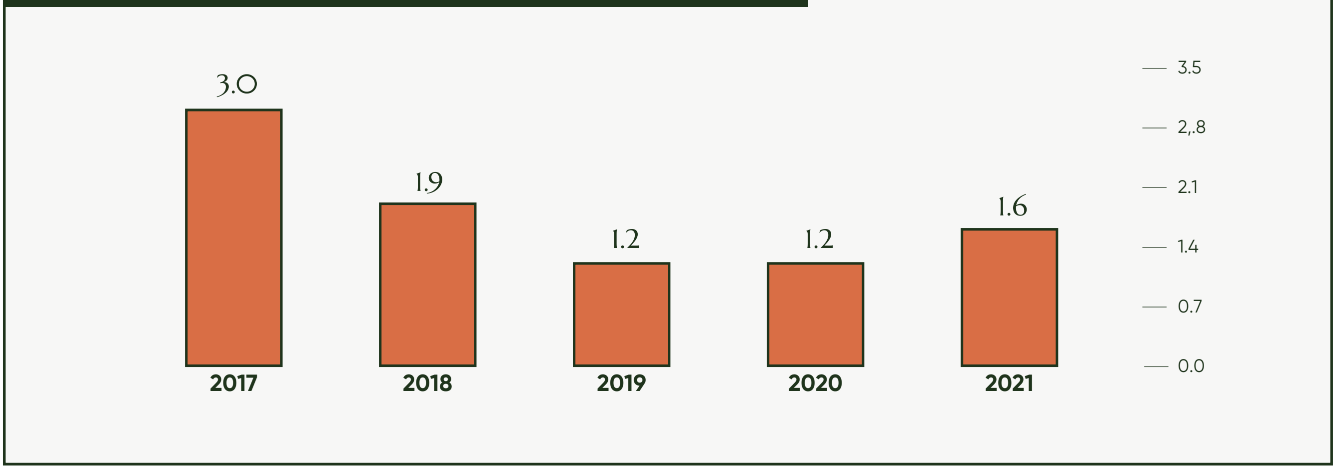


Performance of the lines and substation equipment

In general, substations and their respective equipment and systems recorded suitable performance. The number of breakdowns in power transformers and trip switches rose slightly in relation to figures for 2020. 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 2021, the number of faults per 100 km of circuit was higher than the figure for the previous year: 1.61 faults per 100 km of circuit. This increase was mainly due to defects caused by atmospheric discharges. This represents a rise of 86.8% over 2020.

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



Network Behaviour

RNT behaviour in 2021 was generally suitable, in a year where the COVID-19 pandemic was still evident. However, there was no impact on the National Electricity System (SEN), more specifically on network infrastructure maintenance and construction activities. During 2021, the major congestions that occurred in the RNT were associated with grid element outages, which were solved through generating and pumping restrictions or the introduction of topological changes to the network. In this regard, of special note were the outages which occurred in the 400 kV network in Minho which were the result of connection work from new power plants which required generating and pumping restrictions on the use of hydro power production in the same network area. Also of particular note were outages which occurred due to the remodelling of 220 kV lines in the Lisbon area which required special topological measures. These measures sought to minimize restrictions on power generation and maximize capacity.

System Operation

In 2021, consumption in mainland Portugal grew by +1.4 % over the previous year, totalling 49.5 TWh. It should also be noted that 59% of the abovementioned consumption was supplied from renewable energy sources representing an increase of around de 1% in comparison with 2020.

In March 2021, the service provided by the Regional Coordinator Centre (CORESO) for the Coordinated Interconnection Capacity Calculation in South West Europe, a region which includes Portugal, Spain and France, started to consider the possibility of coordinated re-dispatches for the border between Portugal and Spain, further to an agreement established between the Portuguese Transmission System Operator (REN) and the Spanish Transmission System Operator (REE), validated by the respective national regulators. In April 2021, the Coordinated Interconnection Capacity Calculation began to include the monitoring of compliance with the 70% rule set out in the Clean Energy Package approved by the Energy Union.

Market Operation

In 2021, four new market agents opened in the National Electricity System (SEN) while three closed down operations. At the end of the year, there were 51 market agents, four of which are producers.

In June, in accordance with that stipulated in Article 50(3) and Article 51(1) of Regulation (EU) 2017/2195 of 23 November, the TSO-TSO settlement rules were implemented in the synchronous area of Continental Europe, for the intended exchanges of energy and for the valuation of unintended exchanges of energy

A bilateral agreement was also established between REN - Rede Eléctrica Nacional (REN) and Red Eléctrica de España (REE) to increase available interconnection capacity for commercial purposes in the import direction.

The price limits were changed in the daily and intraday markets, further to approval by the MIBEL Council of Regulators of the proposal to change the operating rules for the electrical power daily and intraday markets.

In December, in accordance with the provisions of No 13-B of the Procedures Manual for General System Management, approved on 3 November 2021 by ERSE, the first auction of Regulation Reserve Band was held.

4.2.2. Investment in the RNT

Projects concluded in 2021

In addition to improving the internal safety and reliability of the network and the overall operation of the National Electricity System, RNT projects concluded in 2021 also helped reinforce feeding to the National Electricity Distribution Network (RND) and create new connections (reinforcing production reception capacity) for new production. Of note:

- In Minho, the conclusion of the 400 kV line between the 'Ponte de Lima area' and the Vila Nova de Famalicão substation allowed the 400 kV Pedralva - (Ponte de Lima) - Vila Nova de Famalicão connection to be established, ensuring the flow of power from the Cávado/Alto Minho region.
- Also in Minho, the construction of the Viana do Castelo step-down station, operating provisionally at 60 kV, a key element of the project which allows the Viana do Castelo offshore power producers to connect to the Public Service Electricity Network (RESP) .
- In the Minho / Trás-os-Montes confluence, the construction of the Ribeira de Pena substation and the Ribeira de Pena - Vieira do Minho 400 kV line, allowed the first stage of conditions to be created to connect the generator groups of the Tâmega electricity production system to the RNT.
- In the Beira Interior, the new 400 kV Falagueira Fundão axis entered service through the extension of the Falagueira Castelo Branco 3 line to the Fundão area and a new 400/220 kV/kV substation was built in Fundão.
- In the Alentejo, the construction of the Divor and Pegões substations, is already at the far point of the Montijo municipality, on the Divor - Pegões line and the entry into operation of the Falagueira Estremoz and Estremoz - Divor 400 kV lines allowed the Falagueira - Estremoz – Divor – Pegões 400 kV axis to be established, creating reception capacity for new power generation in the Alto Alentejo, while also improving the guarantee of supply to consumers dependent on the Estremoz and Évora substations.
- To receive new production through direct connection to the RNT, new panels were concluded at the following substations: Santarém, a 220 kV panel, Falagueira, a 150 kV panel and Alqueva, a 60 kV panel.

- In addition to the development projects mentioned above, modernization investment was also made in assets at end of working life. This work included the remodelling of the 220 kV Carregado – Fanhões 2 lines and the Porto Alto – Palmela 1 and the 150 kV Bouçã – Zêzere 1 lines, as well as the conclusion of remodelling of equipment and systems for protection and automation and control at the Vila Chã, Estoi and Alto de Mira substations.

Main investments underway

Connection of large hydro-plant to RNT

- 400 kV axis between the new Ribeira de Pena and Feira substations to create conditions for the 1st and 2nd stages for new power generation connection and reception capacity throughout the Alto Tâmega hydro area (around 1,150 MW of installed power) — the construction of the Northern stretch of this line is dependent on several environmental constraints being overcome and legal cases underway in the courts;.

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

- To create additional reception capacity for new solar photovoltaic production resulting from competitive procedures for connection power allocation to RESP launched by the Portuguese State and connection requests under agreements signed between the Transmission System Operator (TSO) and promoters of new power production plants, studies were started for new RNT infrastructure and the reinforcement of transmission capacity for some existing infrastructure.

Feeding of consumption centres in distribution networks and EHV clients.

- In the Setúbal Peninsula, the second 150 kV connection between the Fernão Ferro and Trafaria substations, with conclusion expected during 2022.

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

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

- Included in the reinforcement of the RNT in the Lisbon and southern mainland Portugal areas are technical-environmental studies are underway for 400 kV RNT axes which will contribute to the structural matching of network performance to deal with the decommissioning of the Sines coal-fired thermal power plant, where the Ferreira do Alentejo – (Ourique) – Tavira 400 kV axis is of note.

Reinforcement of the interconnection capacity between Portugal and Spain

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

Remodelling of equipment and systems at the end of working life

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

Transmission Network Development and Investment Plan (PDIRT)

In March 2021, REN submitted a draft version of the Electricity Transmission Network Development and Investment for 2022 2031 (PDIRT 2022-31) to the Directorate General of Energy and Geology (DGEG) and the Energy Services Regulatory Authority (ERSE). In May 2021, ERSE launched a public hearing for PDIRT 2022-31. When the public hearing concluded and opinions received from DGEG and ERSE, REN drew up and submitted the final proposal for PDIRT 2022-31, sending it to DGEG in November 2021.

With respect to the Strategic Environmental Assessment process (SEA), drawn up in collaboration with the Faculty of Engineering at the University of Porto, the draft PDIRT 2022-31 was accompanied by two documents relating to the said process: the

Environmental Report and the Non-Technical Summary. The Environmental Report was subject to a public hearing held by REN. The SEA process for PDIRT 2022-31 ended with the publication of the Environmental Statement, further to submitting of the final proposal for PDIRT 2022-31.

Projects of Common Interest for Electricity (PIC)

During 2021, a project application and selection process took place for the European Union 5th List of Projects of Common Interest (PCIs). In November 2021, the European Commission published the list of selected projects (List), which was submitted to the European Parliament and Council for approval or rejection. The RNT projects to integrate new renewable sources and increase interconnection capacity between Portugal and Spain (PCI 2.16.1, PCI 2.16.3 and PCI 2.17) once again saw their PCI status renewed on this list.

4.2.3. NETWORK CONNECTIONS

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

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

- The general Regime, to reserve existing reception capacity;
- The competitive procedure, under terms to be defined by the Portuguese State;
- The signing of an agreement between the applicant and the operator of RESP (Agreement) to build new infrastructure not provided for in the respective network development and investment plans, aiming to create reception capacity to enable connection by the power production plant in question (in this case, all the investment costs for the purpose, including those for the internal reinforcement of the network, will be borne by the applicant).

Under the new general regime framework, up to the end of December in 2021, REN issued 15 Capacity Reserve Rights (TRC), corresponding to 1,122 MVA.

In 2021, the Grantor 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 photovoltaic plants (Auction 2021 - Floating Solar), and it is expected that REN may issue, under Auction 2021 - Floating Solar, Capacity Reserve Rights, totalling 150 MVA.

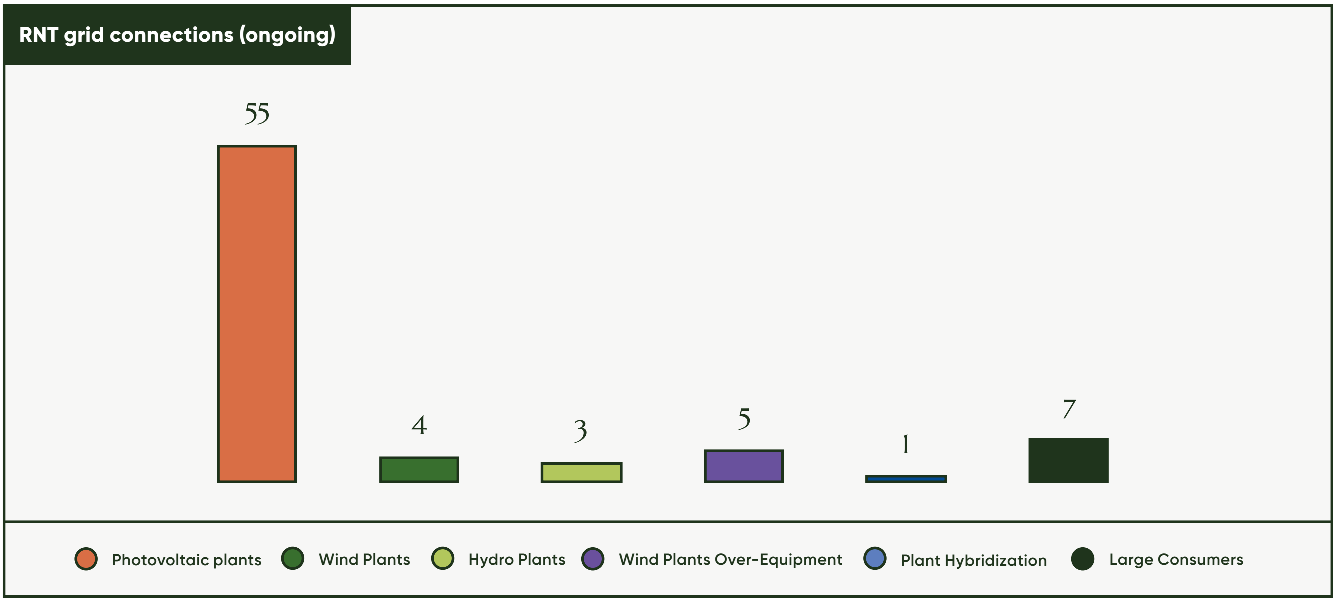
In February 2020, total capacity requested through the agreement scheme to connect photovoltaic plants stood at almost 129 GVA. In the same month, DGEG published the Terms of Reference (ToR) establishing the criteria to classify and order these requests, serializing the requests received under the ToR, so as to allow network reinforcements to be studied in blocks, maximizing their integration into RNT. The list with the classification and final ordering of the first group of Agreements, 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.

Prior to the publication of the ToR, a block of 14 requests was studied, corresponding to 3.5 GVA, and the formalization of the respective 14 agreements with REN was finalized in April 2021.

Connections underway in 2021

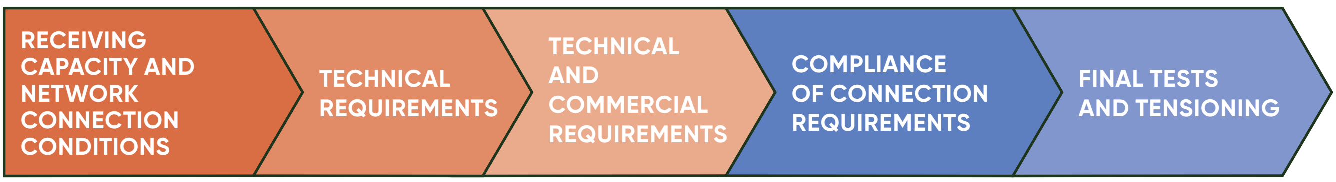
At the end of 2021, the following were undergoing a connection process to the RNT, i.e., with TRC or production licence issued or Agreement signed:

- 55 photovoltaic plants, 4 wind farms and 3 hydro power plants,
- 5 wind farm over-equipment processes and 1 hydro plant hybridization process, and
- 7 consumer facilities (2 industrial clients and 2 traction sub-stations, one to feed the Western railway line and another for the Sines – Elvas/Caia freight line, plus 2 clients for the production of "green" hydrogen and 1 for the production of ammonia).



In 2021, five photovoltaic plants with a total of 295 MVA and one wind farm with 92.8 MVA connection power, concluded the process to connect to the RNT.

RNT Connection Process



Also with regard to network connections, in 2021, work was continued to implement the European Network Connection Code on a national level, more specifically, the network code on requirements for grid connection of generators (Regulation EU No 2016/631). This latter code was implemented nationally in 2020, further to the publication of Ministerial Implementing Order No 73/2020, which approved the non-exhaustive requirements to be applied for generator modules connecting to the Public Service Electricity Network (RESP). Accordingly, in 2021, REN also published on its website the document Indications on conformity verification procedures for technical requirements relating to Regulation EU No 2016/631 (RfG).

4.3. NATURAL GAS

4.3.1. RNTG Operation

Quality of Service

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

General quality of service indicators for REN Gasodutos

Average No of interruptions per delivery point	0
Average time of interruptions per delivery point	0 Minutes/point
Average duration of interruption	0 Minutes

Notes:

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

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

The aggregate indicator for the frequency of incidents occurrence per year per 1,000 km of high-pressure transmission infrastructure for 2021 stood at 0.29, taking into account activity of the last five years. The value of the same indicator published by the European Gas Pipeline Incident Data Group (EGIG) for all TSOs participating in the scheme is 0.155 for the last five years.

General quality of service indicators for REN Armazenagem

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

Notes:

Compliance with nominations for natural gas withdrawal: the ratio between the number of nominations complied with and the total number of nominations;

Compliance with nominations for natural gas injection: the ratio between the number of nominations complied with and the total number of nominations;

Compliance with energy storage: calculation based on the mean square error between nominated and real energy values resulting from the total requests by the users of both injection and withdrawal of gas.

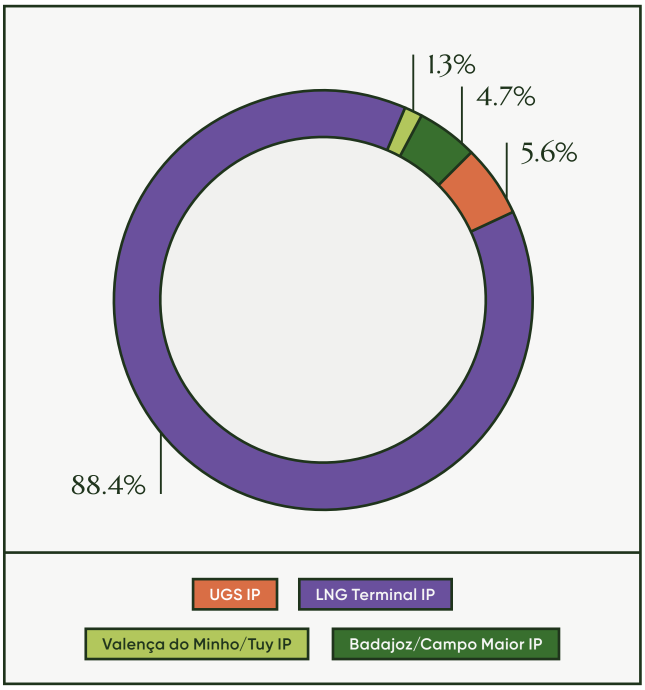
With respect to the unavailability of the REN Atlântico infrastructure, in 2021, stoppages of 12 hours 26 minutes were seen, due to sudden interruptions. This resulted in availability of 99.86%.

General quality of service indicators for REN Atlântico

Compliance with commercial service (nominations)	100.00%
Injection of natural gas into the network (injected/requested)	99.85%
Availability of facility	99.86%

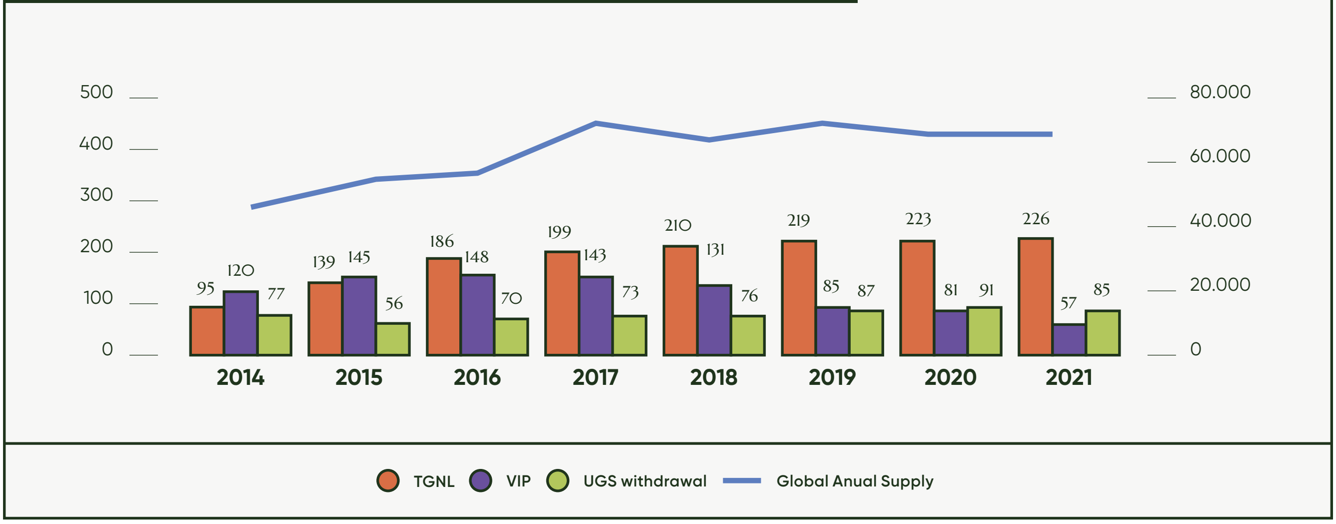
System Operation

In 2021, intakes of natural gas into the infrastructure operated by the RNTG concessionaire were mostly from the REN Atlântico Sines Terminal (88.4%). Intakes by Campo Maior through the interconnection with the Maghreb gas pipeline which supplies Portugal with gas mainly from Algeria accounted for 4.7%. The network entry point via Underground Storage corresponded to 5.6%. The Valença do Minho entry point contributed with a residual value of 1.3% of total inputs in the infrastructure. The following graph shows the breakdown of intakes into the transmission system:



- In 2021, the 69,003 GWh (around 5.8 bcm) transmitted through the RNTG included high-pressure national consumption, with a total of 61,683 GWh (5.2 bcm), the injection of natural gas into underground storage of 4,586 GWh (0.39 bcm) and the withdrawal of 2,244 GWh (around 0.19 bcm) of natural gas for Spain through the Campo Maior interconnection and the withdrawal of 464 GWh (0.04 bcm) from the national system through the Valença do Minho-Tuy interconnection.
- With regard to the use of system capacity, in 2021 the maximum daily intake figure for the RNTG through the Badajoz - Campo Maior interconnection was 56.9 GWh recorded on 31 July, and 225.7 GWh through Sines on 5 January.
- With respect to use of capacity at RNTG entry points in 2020, a level equivalent to 86% was recorded of the maximum aggregate value made available commercially at the three entry points in the transmission network, the Sines Terminal, VIP Ibérico and Underground Storage. This figure was slightly below the value recorded in 2020 (92%). The following graph shows the growing peak withdrawal seen in the last eight years, which has accompanied overall system use (with regard to natural gas consumption).

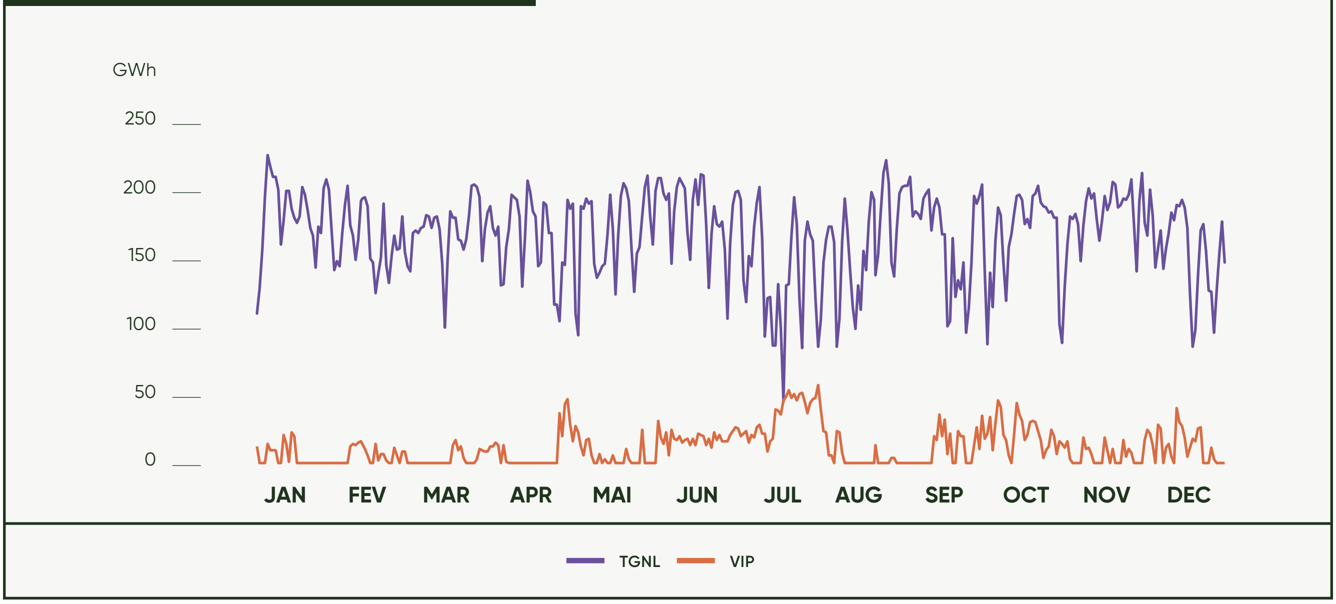
Maximum Inputs to RNTG: VIP + LNGT + US withdrawal (% of Max. commercial cap.)



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

The following graph shows the daily use of each of the abovementioned infrastructures.

Supply of the RNTG: Sines Terminal vs. Iberian VIP

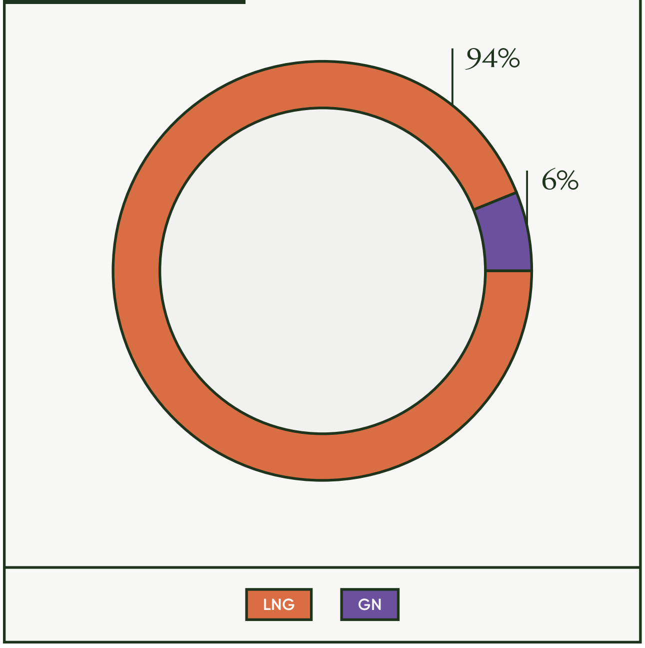


In relation to the interface with underground storage, maximum daily withdrawal reached 84.7 GWh on 20 December, while injection reached 30.8 GWh on 16 May.

In 2021, a total of 64 methane tankers were received at the Sines Terminal, all of which were to supply the national system. There was a slight rise in the number of unloading operations with respect to the previous year (Δ2021/2020) of +3.22%. Taking into account the amounts actually unloaded, the final variation in energy terms corresponds to (Δ2021/2020) +1%. At the end of 2021, the total number of tanker reception operations since the infrastructure opened stood at 695.

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

NG vs LNG utilization



Maximum capacity use at the RNTG entry points, more specifically the VIP-Ibérico and the LNGT, were 40% and 113%, respectively.

With regard to system management of the high-pressure infrastructures of the National Gas System (SNG), in 2021, different activities were carried out which required intervention in relation to the coordination of natural gas flows. This had significant impact on several entities with infrastructures in the SNG, also on occasion, involving the operator of the interconnected network, Enagás. Of special note: (i) the complex operation to carry out the inspection programme on high-pressure transmission lines and supply to industrial branches, (ii) the logistics management for the functioning of the commercial vessel programme; (iii) the operational support for the Spanish system at the de Badajoz/Campo Maior international interconnection point to conduct the respective line inspection operations. It should be noted that all this work was undertaken without normal market operations being affected.

During 2021, there were significant changes to the RNTG balancing model due to the entry into force of the new review of regulations, including the Regulations on Gas Sector Infrastructure Operation and the respective Procedures Manual for the Overall Technical Management of the SNG (MPGTG). In line with this change, the Mibgás negotiation platform entered into operation, allowing the Technical System manager (GTG) to purchase the gas required to fill the network and for the integrated management of the RNTIAT infrastructure.

Market Operation

On 16 March 2021, the Organized Gas Market in Portugal started up, managed by MIBGAS, in accordance with the schedule published by the Technical System Manager of the SNG and by the Operator of the Iberian Natural Gas Market on 26 October 2020. The market opened with the offer of short-term gas products, with delivery in Portugal, in other words, intradaily, daily and weekend products. In 2021, a total of 41,300 MWh of gas was traded on the MIBGAS platform (this figure does not include purchases made by the System Manager).

The entry into operation of MIBGAS in Portugal allowed the full implementation of the Network Code on Gas Balancing of Transmission Networks, Commission (Regulation (EU) No 312/2014 of 26 March), enabling the acquisition by the Technical System Manager of the operating gas for the RNTG and the extension of operating gas, as well as the return of stocks and the Operating Reserve created by market agents. In total, 390,000 MWh of gas was acquired (330,000 MWh relating to operating gas and 60,000 MWh for the extension of operating gas), thus complying with that set out in Directive No 6/2021 published by ERSE.

In relation to the abovementioned Network Code on Gas Balancing, infrastructure users play a more important role in network balancing as they are now responsible for maintaining a permanent balance in their input and output to the transmission network. Similarly, the Technical System Manager is also required to carry out network balancing, when necessary, through transactions taking place on the organized market platform. However, in 2021, the Technical System Manager carried out balancing actions in the months of January and February, also resorting to an auctions mechanism as established by ERSE, as MIBGAS only entered into operation in March 2021. The System Manager held 17 auctions to purchase balancing gas, totalling 102,000 MWh, with nine auctions taking place in January with the acquisition of 54,000 MWh and eight auctions in February with the purchase of 48,000 MWh. In January, reserve prices were between 26.71 €/MWh and 46.65 €/MWh and in February, between 18.48 €/MWh and 22.52 €/MWh. With regard to the final purchase price, in January, figures stood between 21.5 €/MWh and 38 €/MWh and in February, between 16.49 €/MWh and 18.2 €/MWh.

On 13 September 2021, OMIP started work as the Integrated Guarantee Manager of the SNG, adding this operation to the responsibility it already had in the National Electricity System (SEN). Complying with the provisions of Directive No 7/2021, published by ERSE, market agents working on the sector are now required to constitute with ERSE the necessary guarantees to meet their individual obligations and responsibilities, including those relating to contracts signed with RNTIAT infrastructures and with the Overall Technical Management of the SNG. Thus, the risk management and guarantees process was transferred from REN to OMIP.

With regard to market agents qualified to operate in the high-pressure infrastructure, 2021 ended with a total of 40 suppliers with signed contracts of which 31 were active in the SNG. Contributing to this number were 10 new market agents starting up and three which ceased operations in 2021.

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 2021, 541 information requests and 73 complaints were received, 257 more requests and 27 fewer complaints than in 2020. In 2021, information requests were processed with an average response time of 1.2 days and complaints with an average response time of 0.52 days, figures close to the average times recorded for 2020 of 1.0 days and 0.6 days, respectively.

Supply Security

In accordance with legislation in force, it is the responsibility of the RNTG operator to collaborate with DGEG in the preparation of a draft Report on the Monitoring of Gas Supply Security (RMSA-G), to be submitted every year to the Minister of the Environment and Climate Action. The Government publishes the report, sending copies to the European Commission and ERSE. As a contribution to RMSA-G 2021, the study undertaken by REN covers possible measures to implement reinforcement of SNG supply security, including an assessment of the sufficiency of RNTIAT underground storage to ensure compliance with security reserves. The analyses carried out refer to the 2022-2040 period and also took into consideration the SEN Supply Security Monitoring Report for the 2022-2040 period (contributions to RMSA-E 2021).

Network Operation (REN Gasodutos)

Also with respect to RNTG infrastructure operation, in 2021 work was continued on programmes to update technology in management systems and applications. Highlights include:

1. Start of work on the Gas Remote Access Centre (CAR);

2. Introduction of onboarding training as e-learning;

3. Continuation of the digitization of assets through QR codes;

4. Start of development and implementation of a Safety Management System for the Prevention of Serious Accidents (SGSPAG) for REN-Gasodutos;

5. Preparation of multimedia content for showing during visits to the industrial facilities.

Operation of the Sines LNG Terminal

With regard to operations, in 2021 the LNG Terminal – REN Atlântico - maintained a very high level of activity, having received a total of 64 ships to unload LNG, corresponding to total unloaded energy of 62.63 TWh and issue of 60.97 TWh to the network. In the same period, 7,522 tankers were loaded, representing a new historic maximum, corresponding to total energy of 2.16 TWh.

The maximum daily issue from the Terminal into the network was on 5 January, with a total of 225.7 Gwh, also representing a new historic maximum.

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

- one audit related to the SEVESO Directive (Portuguese Environmental Agency audit);
- one audit related to verification of the Integrated Quality, Environment, Safety and Occupational Health Management System;
- one audit was conducted by a third party under the APS concession contract;
- one audit was conducted to monitor service quality;

[7] Suppliers conducting at least one gas nomination or exchange to the RNTIAT during the year

- one audit was conducted of design and construction processes and the operation-upgrade of electrochlorination.
- one audit was conducted with respect to compliance with the ISPS code.
- Financial audit.

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

Operation of REN Armazenagem

With regard to the use of underground storage, total natural gas movement was 8,481 GWh, broken down into 3.895 GWh of withdrawals and 4.586 GWh of injection.

Overall own consumption by the Gas Station in 2021 corresponded to 27 GWh.

At the end of the year, compared with 2020, the following balance of stocks was seen:

Natural gas stocks at REN Armazenagem (GWh)[8]

AT 31 DECEMBER 2020	AT 31 DECEMBER 2021	VARIATION 2021/2020 (ENERGY)
2,092	2,439	17%

Average daily level of natural gas stocks at REN Armazenagem (GWh)

2020	2021	VARIATION 2021/2020 (ENERGY)
3,353	1,780	-47%

The sharp reduction in the average level of stocks at the Underground Storage (US) infrastructure during 2021 compared to the previous year was due to the greater use of stocks by market agents, especially during the summer period, to meet the rise in prices in the wholesale gas market, a situation that took place across Europe generally. The subsequent replenishment of stocks in the fourth quarter of the year allowed the recovery necessary to meet winter period needs, having surpassed, at the end of the year, the average level of European systems. Despite the abovementioned reduction in average terms, US stocks recovered by +29.6% in 2021, and the levels of reserves that ensure supply security were never compromised.

[8] The figures indicated do not include cushion gas

At 31 December 2021, the nominal capacity figures for the REN Armazenagem six caverns in operation were as follows:

REN Armazenagem infrastructure capacities (GWh)	**2021**	2020
Maximum capacity	3,967	3,967
Effective maximum capacity after technical restrictions	3,570	3,570
Commercially available capacity	3,570	3,570
Cushion gas	2,381	2,381

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

4.3.2. Investment in the RNTG

RNTIAT Development and Investment Plan (PDIRGN)

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

Total investment in the RNTIAT in 2021 was 29.5 million euros (at total costs).

REN Gasodutos

As part of RNTG projects, REN Gasodutos concluded the following investments in 2021:

- Improvement of the Efficiency of Heating Systems – Stage I (Pego, Carregado and Lares Plants) ;
- Replacement of flow computers at the end of working life.
- Inspection by smart tool (pig) of seven gas pipelines to verify the integrity of infrastructure, in accordance with regulatory requirements;
- Conclusion of upgrade to metal towers at stations;
- Upgrading and/or remodelling of equipment and systems at different stations.
- Purchase and Installation of an Ultrasonic Measurement System for Navigator for Navigator (DPI2208).

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

- Implementation of automatic systems and management processes, including the respective information exchange flows between platforms in the ATR system, required for the publication of rules for the negotiation of products with delivery in VTP on the MIBGAS, S.A. trading platform;
- Implementation of new rules and respective automatic systems in the ATR system, resulting from the publication of the Overall Technical Management Procedures Manual (MPGTG);
- Implementation of the process for managing requests for information, complaints and service requests on the @IGN platform, for use by Market Agents and Distribution Network Operators;

- Implementation of internal processes regarding the exchange of data/information for purposes of eligibility for participation in the organized market in the Portuguese virtual transaction point, and the implementation of settlement under the MPGTG, between the REN and MIBGAS systems (with regard to spot products, as a Market Operator);
- Upgrading of the outfall tunnel to eliminate sea water;
- Upgrade of equipment and systems at the end of working life;
- Anti-corrosion protection equipment and components to ensure system integrity.

In 2021, the length of the REN Portgás distribution network stood at 6,118 km.

- Updating of the technologies used in the supervision and control of the National Gas System, more specifically, those used in the support room, required for switching workplaces, to guarantee health and continuity of service, as a risk mitigation measure, in light of the pandemic taking place in the country;
- Introduction of access and information security improvements with respect to technological architectures and processes, including interfaces with third parties.

Total investment by REN Gasodutos in 2021 was 21.7 million euros (at total costs).

REN Armazenagem

In 2021, REN Armazenagem made a series of investments with a view to ensuring supply security and the availability of natural gas storage capacity. This investment included:

- Expansion of the Fire Detection Network (RIA).

Total investment in underground storage in 2021 was 4.0 million euros (at total costs).

REN Atlântico

In 2021, REN Atlântico concluded the following investment projects:

- Reconditioning of seven high and low-pressure Cryogenic LNG Pumps;
- Upgrading of the REN Atlântico sea water filtering system;

In total, REN Atlântico invested 3.8 million euros in 2021 (at total costs).

4.3.3. REN PORTGÁS DISTRIBUIÇÃO

Operation and maintenance of the distribution infrastructure

The REN Portgás distribution network, with total length of more than 6,118 km in 2021, requires ongoing monitoring, diagnostics and maintenance. One of the company's priorities is to increase the overall quality of the natural gas distribution system, maintaining a high level of safety and reliability in the operation of the distribution network. This management is highly demanding with respect to the optimization of infrastructure development programmes, requiring the periodic review of network condition simulation models, ongoing monitoring of activities, the introduction of new materials and technologies via innovation, improvement of asset condition assessment methods and an increase in methodologies for crisis management and business continuity.

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

- Safety: ensure that the operation and maintenance of infrastructure is conducted in a manner which is safe for the community, employees and service providers;

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

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

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

A systematic search for leaks from the distribution network was conducted in 2021 and covered a total of 1,137 km, of which 1,043 km were secondary network and 94 km primary network, broken down over nine concession municipalities. 2,199 leaks were detected, 312 of which were in the network and 1,807 were in general trip boxes. The network ratio leak was 28.5 leaks/100Km.

In 2021, in compliance with the five-year plan, a survey of insulation faults was carried out on 118 km of steel network corresponding to pipes installed in the Greater Porto area, with 177 faults detected requiring repair. The insulation failure ratio was 1.5 insulation failures/Km.

The steel network, typically medium-pressure, is susceptible to corrosion and requires active and regular protection measures to mitigate this process and preserve the asset - cathodic protection. In 2021, the installation of remote monitoring systems continued, in order to ensure that the network satisfies the potentials within the protection range.

In 2021, periodic preventive maintenance visits were made to the 2nd and 3rd class regulating and metering stations in the Portgás infrastructure, in order to ensure safety, reliability and continuity of service. Damage was found in some of the main membranes of the RMG regulators, and it was further seen that the problem related to the unsuitability of the type of material used with respect to the consumption profile of the regulating and metering stations. The solution involved changing the type of material used, which was replaced both in the field as well as in terms of stored replacements.

During 2021, under the maintenance plan, 132 industrial meters and 142 volume correctors (PTZ) were replaced.

Network valves are safety devices installed in the network and, as such, it is necessary to guarantee their operability. These valves are inspected in line with five-year visit plans, where the main goal is to maintain this safety equipment fully operational.

In 2021, 9,909 planned interventions were carried out, 643 on the medium-pressure network and 9,266 on the low-pressure network, and 989 repairs were also carried out, 23 on the primary network and 966 on the secondary network. Despite the difficulties caused by the pandemic, it was possible to carry out all activities as planned. However, of note is the large number of repairs, the growing difficulty in obtaining municipal licenses and the need to ensure police presence for monitoring such work.

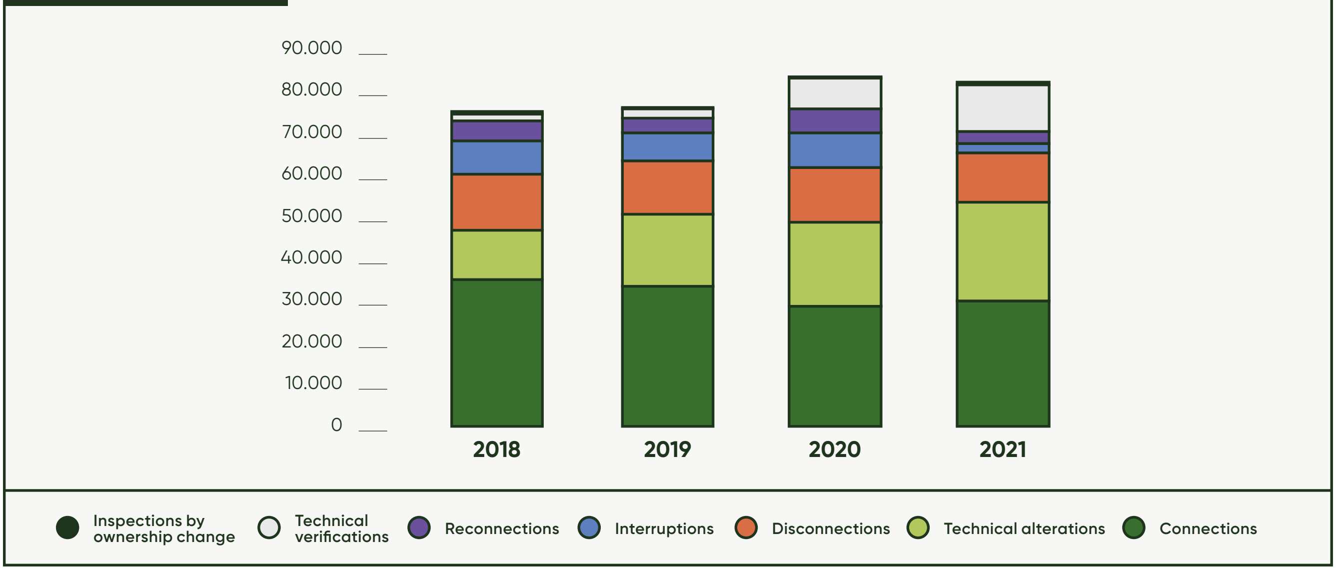
REN Portgás Distribuição has installed regulating and metering stations, electric motor operated valves and cathodic protection stations in the medium-pressure distribution network. This equipment is connected remotely to the central system through SCADA (Supervisory, Control and Data Acquisition System). The efficient use of this tool creates value for the organization and allows company goals to be met in the strategic pillars of safety, reliability and efficiency.

Renovation of the Remote Terminal Units (RTU) in the SCADA system started in 2020 and was completed in 2021. This aim of this upgrade to the RTUs for the new system was to ensure reliability, support and flexibility in the safe and efficient operation of the gas infrastructure and communication with the new datacenters.

Operations at consumption points are organized by type of activity, more specifically:

- **Supply activation orders:** to start supply at consumption points without metering equipment installed;
- **Supply deactivation orders:** to stop supply at consumption points with metering equipment installed;
- **Supply interruption orders:** to temporarily suspend the supply of gas at supply points with metering equipment installed;
- **Supply reactivation orders:** to re-start supply at supply points with metering equipment installed;
- **Technical change orders:** to change technical data at supply points with metering equipment installed;
- **Technical verification orders:** to check the supply status or technical data at supply points.

Supply points operations



In 2021, around 82,000 operations were carried out at consumption points (-1.4% with respect to the previous year) where most were related to activation of supply (36%), and technical changes (29%), followed by supply deactivation (14%) and technical checks (14%). Supply interruptions and reactivations each represented 3% of total operations at consumption points.

Due to the Covid-19 pandemic, the interruption of gas supply for commercial reasons was prohibited by the law approving the 2021 State Budget (Law 75B/2020 of 31 December), which led to a reduction of 73% in the number of operations of this type when compared to 2020 and, consequently, a fall in supply reactivation orders of 49%.

Also of note is the continued increase in operations relating to technical changes, from 11,526 in 2018 to 23,512 in 2021, mainly due to campaigns to replace 20-year-old meters.

2021

Around 82,000 operations were carried outat consumption points.

In 2021, a total of 5,756 emergency intervention and breakdown requests were dealt with at consumption points, representing an increase of around 9.6% over 2020. Among these interventions, 65.7% were considered as emergency work. The remainder (34.3%), was considered as technical.

Emergency and breakdown line	2021	2020	2019	2018
No of calls	27,805	27,979	26,741	27,053
No of interventions	5,756	5,253	6,579	6,163
No of interventions/1000 supply points	15	14	17	17
No of emergencies	3,784	3,195	3,509	3,192
Average emergency response time (Min.)	22	22	21	30
No of technical assistance operations	1,972	2,058	3,070	2,971
Average technical assistance response time (Min.)	27	28	43	43

The evolution in the number of interventions is due to an increase in the number of emergencies compared to 2020 (+18.4%), despite the decrease in the number of technical assistance operations (-4.2%). Consequently, the number of interventions in 2021 per thousand supply points increased slightly from 14 to 15.

The average response time for emergencies remains stable compared to 2020 and the average response time to technical assistance operations slightly improved when compared to the previous year. In 2021, the time was 27 minutes, which was the result of efforts to raise awareness among partners combined with a greater allocation of resources to these activities.

The main threat to the security and integrity of the REN Portgás natural gas distribution network comes from work undertaken in the immediate surroundings of the infrastructure by people outside the company. Work to requalify public roads and highways, new building construction work, expansion work, maintenance and improvement to the network belonging to other utility companies and road accidents are the most causes of occurrences in the network. During 2021, a total of 124 occurrences was recorded which were considered as a threat to company infrastructure. Network and branch line ruptures are the most common type of event, generally caused by careless handling of machinery in the immediate vicinity, which in 2020, accounted for 64% of occurrences.

	2021	2020	2019	2018
Ruptures	79	75	59	41
Km of network	6,118	5,897	5,705	5,486
Ruptures/1000 Km	13	13	10	7

The quality of service of the National Gas System (SNG) has had a regulatory framework since September 2006, the date on which the Quality of Service Regulations (RQS) for the natural gas sector were published. These regulations were most recently revised in 2021. The purpose of the RQS is to establish technical and commercial service quality standards, with which the services provided in the SNG must comply, setting out the rules for assessing and characterizing the quality of the natural gas supply service.

Accordingly, the quality of service provided to customers by REN Portgás Distribuição, as a distribution network operator, involves a series of areas requiring regular monitoring, such as continuity of service and characteristics of the supply of natural gas (technical service quality) and the provision of customer service (commercial service quality).

REN Portgás Distribuição performs concession activity in accordance with the requirements of the regular, continuous and efficient operation of the public service and implements, for this purpose, the procedures, resources and benchmark technologies used in the natural gas sector, with a view to ensuring the safety of people and goods, as well as the Quality of Service commitments assumed.

The service quality indicators that the company regularly monitors, as provided for in the RQS, reflect this orientation, generally showing high levels of service quality over the years and continuous improvement in the efficiency of operations.

Indicators quality of service regulations	Standards	2021	2020	2019	2018
Average number of interruptions per thousand customers, not controllable	n.a.	9	8	3	10
Average duration of interruptions per customer, not controllable (min)	n.a.	1.6	1.5	10.6	3.8
Average duration of interruptions, not controllable (min)	n.a.	170.2	184.4	228.0	369.3
Percentage of emergency situations with response time up to 60 min	85%	98.3%	98.7%	98.5%	96.6%
Technical assistance – Time limit of 4 hours after notification of the breakdown	Up to 4 hours	100%	100%	100%	100%

During the year, the company invested 26.9 million euros.

Investment

The company invested 26.9 million euros last year, including 0.9 million euros by clients, resulting in net investment of around 26 million euros.

Investment in the distribution network was 15.4 million euros, 1.9 million euros more than in 2020, resulting in an increase of 2.9 km in the primary network, 195 km in the secondary network and 24 km in branch lines. Total network length in 2021 reached 6,118 km, corresponding to growth of 3.7% over the previous year.

Efforts to capture new supply points resulted in investment of 7.1 million euros, 1.2 million euros more than in 2020. Interior network for natural gas supply was provided for 6,242 dwellings, while 2,755 dwellings were adapted. Additionally, 1,523 new supply points were acquired in the new market, i.e., homes already equipped for natural gas, and 60 new supply points for large-scale consumption, which made it possible to reach a total of 10,580 new supply points in the year.

Investment in supply points required the installation of around 2,000 regulators and the installation of around 34,000 meters. Of these, around 21,000 were renovated in compliance with the legal requirement to replace metering equipment after 20 years in operation.

A further 1.5 million euros were also invested in informatic systems to update base hardware and software, as well as operating systems and applications for business support.

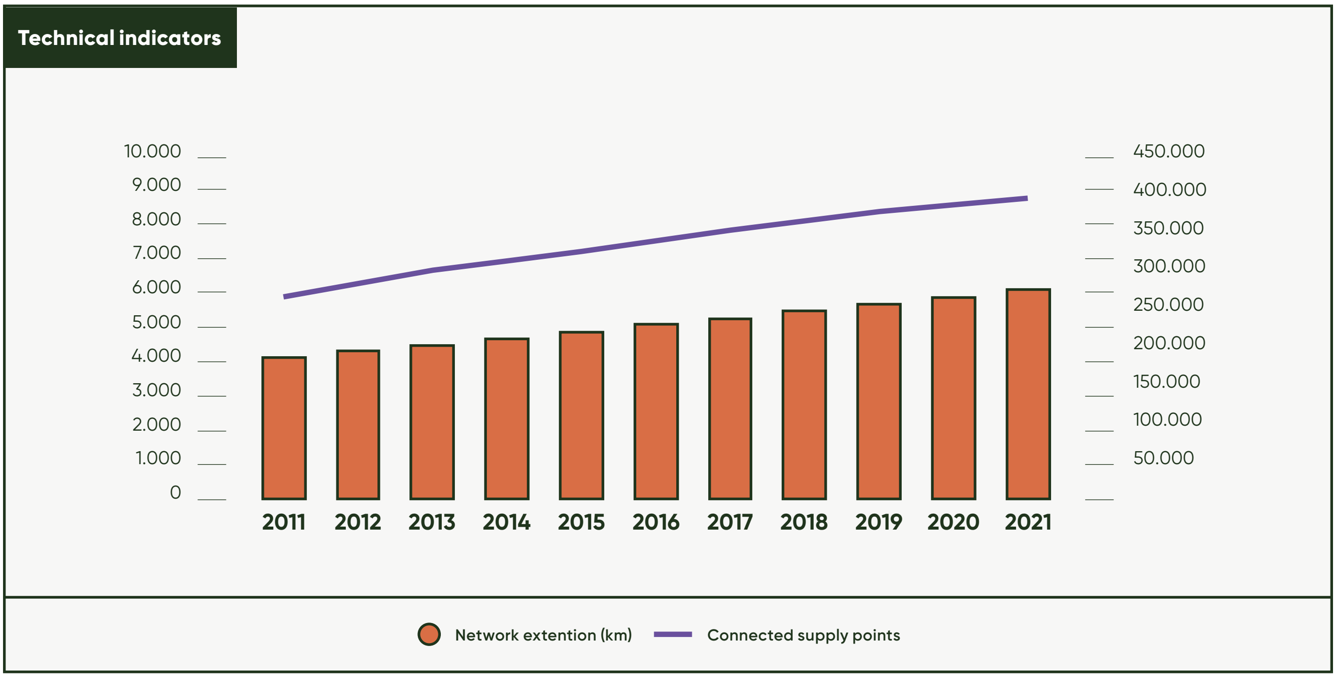
As part of the decarbonization and digitalization strategy for REN Portgás assets, around 0.4 million euros was invested to leverage the energy transition of gas distribution and provide for the injection of renewable gases into the infrastructure.

There was further investment of 0.3 million euros in updating and maintaining buildings and administrative and transport equipment.

The company continued its policy of capitalizing staff costs and structure costs associated with work underway. In 2020, 2.3 million euros was capitalized.

Commercial and Market Development

The company ended 2021 with 395,353 supply points, 9,384 more than at the end of the previous year, as a result of the ongoing efforts for creating infrastructure and adapting buildings to allow them to use natural gas.



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 m³, with 393,831 supply points, corresponding to 99.6% of total active supply points. The "Higher Low-Pressure" segment, with annual consumption greater than 10,000 m³, represents 0.35% of the total, with 1,393 active supply points at the end of 2021. The "Medium-Pressure" segment represents only 0.03% of total supply points, with 129 active at the end of 2021.

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

At the end of 2021, infrastructure supply points available to receive natural gas in the concession area amounted to 452,464 consumption points.

In 2021, energy provided through the REN Portgás Distribuição network stood at 7,588 GWh of natural gas in the municipal districts currently supplied. In comparison with the previous year, there was an increase of 4.3% in energy distributed.

Energy supplied by each of these market segments is evenly distributed and the segment referred to as "Lower Low-Pressure" accounted for 1,280 GWh, recording an increase of 5.5% over figures for the previous year. The "Higher Low-Pressure" segment accounted for 1,305 GWh, 16.8% more than 2020 while the "Medium-Pressure" segment accounted for 5,003 GWh, a rise of 1.1% over last year.

In terms of how the market operates, in 2021, contracts were signed for the use of networks with two new suppliers, Portulogos Power and Repsol Portugal. As such, in 2021 there were 22 suppliers in operation within the company's distribution networks.

The Covid-19 pandemic continued to mark 2021, however, the behaviour of natural gas consumers was closer to that seen in pre-pandemic years. Throughout the year, the restrictions arising from governmental and regulatory directives were maintained, with the application of exceptional measures that limited the normal functioning of the market, more specifically, with respect to interruptions and terminations.

2021 was also marked by the arrival of natural gas to the last municipality of the concession – Paredes de Coura – through an Autonomous Gas Unit (UAG), while construction work was also carried out in parallel on 6 km of medium-pressure and respective regulating and metering stations, for further development of the low-pressure distribution network, which will ensure the supply of more than 6,185 potential customers. It should be noted that with regard to this contract, supply will be ensured for the new vaccine production and filling plant of the Galician company Zendal.

REN Portgás launched a project to ensure the full compatibility of its infrastructure with 100% of renewable gases, hydrogen and biomethane.

Innovation and Sustainability

REN Portgás is positioned as an active agent in the national energy scenario in the development of business strategies that support the transition to a more sustainable energy system.

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

- The Sustainable Gas pillar, expresses recognition by REN Portgás of the need to be part of the energy transformation process, ensuring the adaptation of its assets to the new requirements to have the necessary capacity to deal with gases from renewable sources;

- The Smart Gas Company pillar constitutes the most technological component. The vision is business-based, where assets have a relevant size, but focuses on digitalization as the path to modernize the organization;

- The Customer Engagement pillar challenges equipment manufacturers to develop different solutions for end customers, and to provide communication offering greater closeness;

This strategy is based on the national aim of allowing 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 Portgás launched a project to ensure the full compatibility of its infrastructures with 100% of renewable gases, more specifically, hydrogen and biomethane. The company is also working to ensure the management and operation of gas distribution systems, with the injection of mixtures with renewable energy sources.

With this in mind, the company has sought to innovate on a national level, searching for projects and increasing its partner base, but also on a European level through participation in the round tables of the European alliance "European Clean Hydrogen Alliance", and as a member of Eurogas, Ready4H2 and Innoenergy (Gold Partner).

In order to enable the creation of value in the organization, the company has developed its ecosystem of partners and its technological surveillance capacity, while also participating in more than 13 national technical committees in the sector which work on the infrastructure and development of renewable gases. Through its participation in the AGN Infrastructure Committee, Portgás has collaborated in projects to promote public policy analysis studies in the gas sector, such as the study conducted by Afrÿ on the role of hydrogen in the residential sector in Portugal's energy transition.

In 2021, based on the strategy of digitization and decarbonization of Portgás infrastructure, an application was submitted for the Recovery and Resilience Plan (PRR) in Notice No C5, with the aim of creating agendas which seek to mobilize industry. The application consisted of 14 projects and involved more than 20 partners including institutions, academia and companies. An application was also submitted with regard to the new regulations on the Plan for Promoting Efficient Energy Consumption in the Electricity and Gas Sectors (PPEC) together with GGND, in the type of efficiency measures in consumption referred to as "Tangible Measures", which consisted of a programme to replace old boilers and water heaters with new high-efficiency boilers and water heaters.

Due to the pandemic, participation by Portgás as a speaker at in-person events was not as relevant as in previous years. Of note, however, was the company's participation at the World Hydrogen Congress and in online discussion forums on the subject of energy transition.

Throughout 2021, the Integrated Quality, Environment and Safety Management System at Portgás contributed to the maturing and structuring of the process culture, as well as provide support for the Research, Development and Innovation (RDI) and Business Continuity management systems.

Over the course of 2021, REN Portgás implemented a programme of demanding audits, which sought to involve the entire organization, so as to provide a critical and comprehensive analysis of its business processes. To this end, internal audits were carried out along with an audit by an external entity to assess legal compliance. In compliance with the management cycle, a certification audit was also conducted by APCER in July, resulting in recertification in Quality and certification in Business Continuity in accordance with the ISO22301 standard. In December, a further audit was carried out by APCER with a view to recertification in environmental management, ISO14001, and Innovation, NP4457.

Throughout the year, all services provided by employees and external companies were integrated into the accreditation system, combined with close monitoring work carried out on the ground by Portgás and different supervisory entities contracted for the purpose. Greater document and operational control contributed significantly to the improved control of occupational hazards, safeguarding not only the health, but also the lives of workers.

4.4. BUSINESS PLANNING AND DEVELOPMENT

In 2021, REN presented its Strategic Plan for 2021-24. The Planning and Business Development Department actively contributed to the development of the company's new strategic guidelines, while other key departments also participated in the effort.

The new Strategic Plan, drawn up in a context of rapid acceleration of the energy transition, sets out three strategic pillars for the coming three-year period, (i) REN Group commitment to operate in accordance with the highest standards of environmental, social and governance criteria; (ii) strong investment growth, driven by electrification, decarbonisation of gas grids and the promotion of resilience and high quality of service; and (iii) the delivery of solid financials and sustainable shareholder returns.

Under the new Strategic Plan, the goal of the Planning and Business Development Department is to analyse, originate and execute organic and non-organic investment projects, which contribute to meet REN's decarbonisation targets and offer a suitable risk / return relation. The projects should preferably be located in Portugal and Chile, thus allowing REN to consolidate its international presence. Additionally, the Department is responsible for quantifying the Group's strategic objectives, monitoring the performance of relevant metrics and indicators, while also promoting the provision of engineering consultancy services.

In 2021, REN's Planning and Business Development Department key activity milestones are as follows:

Non-organic investment activity

- In partnership with other relevant company departments, coordination and management of the plan for the integration of Transemel into REN Group. This plan sets out the definition and implementation of a local Corporate Organization and a growth strategy for Transemel;
- Monitoring of the activity of REN's Chilean companies, Transemel and Electrogas;
- Promotion and management support for investment project proposals in the energy sector under the Recovery and Resilience Plan (RRP);

- Analysis and monitoring of opportunities in a number of different markets, with emphasis on Portugal and Chile.

Engineering consultancy

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

- Support for Government and Administrative Authorities in the Mozambique Electricity Sector, as well as for EDM – Eletricidade de Moçambique, in the development of regulations and standards applicable to the sector, particularly a Renewable Energy Code proposal;

- Provision of consultancy services in Portugal related to construction supervision, establishment of rights of way and environmental monitoring of very high voltage lines connecting power plants to the national grid.

- Active prospecting through meetings with promoters of renewable power facilities to promote and inform on REN consultancy services;

In 2022, the department will continue to work in the areas of investment and engineering consultancy services, seeking to:

- Analyse and monitor potential investment opportunities in Portugal and Chile;

- Establish partnerships with strategic and/or financial entities which can result in cooperation agreements for the technical exchange of information and evaluation of projects of common interest;

4.5. OTHER BUSINESS

4.5.1. Electrogas

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

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

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

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

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

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

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

In the last 4 years, Electrogas transported approximately 3.1 BCM of natural gas per year on average. The level of service is excellent, with no supply interruptions recorded in 2021 and with all performance indicators in line with those of European TSOs.

4.5.2. Transemel

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

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

In order to ensure the correct transition of the company's operations, REN and CGE established a Services Transition Agreement, with a duration of up to 24 months, which terminated in September 2021. Currently, Transemel has a local team responsible for its activity and is fully integrated into the REN Group.

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

The company has an investment plan underway, which has been approved by the regulatory authorities, of around 60 million USD to be implemented by 2023. In 2021, Transemel concluded one important project to expand its asset base – the expansion of the Calama substation.

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

4.5.3. Enondas

Financial Year 2021

While the effects of the COVID 19 epidemic were evident in 2021, this did not change the pursuit of promotional campaigns by ENONDAS at conferences and forums on wave energy, such as the business2sea conference promoted by the Ocean Forum and the WavEC seminar. ENONDAS also maintained its representation on the Board and Scientific Council of WavEC.

However, with the evolution of the study and the use of sea or sea-located renewable energy sources to produce electricity and in light of Council of Ministers Resolution No 81-A/2016, and more recently Council of Ministers Resolution No 12/2018, work planned for 2021 was suspended.

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

Main investments

As no changes were made to Council of Ministers Resolutions Nos 81- A/2016 and 12/2018, investment in 2021 was zero.

Perspectives for 2022

The expectations of ENONDAS remain high with regard to changes in the location and size of the Pilot Zone under the Industrial Strategy for Renewable Marine Energies (EI-ERO), in the Action Plan for Marine Renewable Energies.

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

In 2022, solid interaction will continue to be maintained with the public entities responsible for the areas in question. These include the Directorate-General of Energy and Geology, the Portuguese Environment Agency, the Directorate-General of Maritime Policy, the Directorate-General of the Maritime Authority, the Directorate-General of Natural Resources, Safety and Maritime Services, the Portuguese Sea and Atmosphere Institute and the Institute for the Conservation of Nature and Forests.

4.5.4. RENTELECOM

The REN Group is present in the Information and Communication Technologies market through RENTELECOM, a company wholly owned by the Group and certified by APCER in accordance with the NP EN ISO 9001:2015, NP EN ISO 14001:2015 and ISO 450001:2018 standards

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

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

In an unusual year in the information and communication technology market, RENTELECOM recorded a significant increase in turnover (+13.5%). The company maintained its focus on the corporate market (60%), and the same exposure to the telecommunications operators' market (40%).

In the area of datacenter services, the company saw stable income (slight reduction of -2%).

In the area of fibre optic lease, a significant increase was seen in income (+15%) as a result of earnings from new contracts. In should be noted that in 2021, RENTELECOM started the contract with the EllaLink Group to use dark fibre in Portugal and Spain to complete the interconnection of Data Centers between Europe and Latin America through the Ellalink subsea cable which will connect Portugal to Brazil. 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 reinforcing RENTELECOM's role as a supplier of reference in this market.

In the area of circuit lease, there was significant growth (+22%) due to the signing of new contracts.

In the areas of projects and maintenance services, an expected and considerable increase in turnover was seen (+146%) further to the implementation of important power plant telecommunications projects which were already in the company's pipeline.

4.5.5. REN Trading

Energy Acquisition Contract (CAE) Management

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

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

The sale of electric power on the market is mainly carried out by means of the Iberian Electricity Market (placing daily and intraday sales and repurchase offers on the OMIE platform) and on the System Services market, operated by the System Operator. Participation in the system services market increased with respect to the previous year. Although the quantities traded were smaller, prices increased significantly.

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

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

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

In general terms, the activity of both plants in 2021 was affected by a significant increase in the spot price on the electricity market (OMIE) of 194% with respect to figures for 2020. Also with regard to REN Trading activity in the futures market for CO_2 licences, a series of licence acquisitions was seen of around 2.214 billion tons, equivalent to 42% more than in 2020. The price of natural gas caused the price of CTG production to rise by 12%.

It is important to underline that 2021 coincided with the termination of the PPA for the Pego Power Plant, which closed down on 30 November, having declared its unavailability on 19 November, as stocks of coal were fully used.

RENT is a regulated company and its Allowed Operating Revenue is in line with the incentives achieved each year. The methodology is laid down by the Portuguese Energy Services Regulatory Authority (ERSE) under Directive No 2/2021, of 19 January.

The final value of the incentive results from the difference between the final sale price of both power plants and the average of 65% of the best daily electricity (OMIE) market hours. The CTG calculation formula is the same as for CPG.

The operating results of the company in 2021 therefore correspond to the value calculated for the incentives defined by ERSE, which is shown below:

IPPA – Annual value of the incentive for optimising management of PPA from the Turbogás and Tejo Energia Power Plants; (limited to 2.5 M€, having reached 1 M€ in 2021, a provisional value to be approved by ERSE)

The total value of the incentive obtained in 2021 was therefore 1 M€ (provisional value to be approved by ERSE).

4.6. FINANCIAL PERFORMANCE

4.6.1 Results in 2021

In 2021, the REN Group had net profits of 97.2 million euros, a reduction of 12.1 million euros (-11.1%) over the previous financial year. This fall is mostly explained by (i) the reduction of 9.3 million euros in EBITDA (-10.1 million euros in EBIT) and by (ii) an increase of 7.2 million euros in income tax (+16.1%), partially offset by (iii) good performance in financial profits which increased by 4.2 million euros (+8.9%) and by (iv) a reduction of 1.1 million euros in the Extraordinary Levy on the Energy Sector (-3.8%).

It is important to note that the Extraordinary Levy on the Energy Sector continues to be seen in results for 2021, as has been the case in previous years (27.0 million euros in 2021 and 28.1 million euros in 2020).

Group investment was 247.1 million euros in 2021, a rise of 42.6% over figures for 2020 (+73.8 million euros), while transfers to RAB stood at 309.1 million euros, an increase of 229.5 million euros in relation to the previous year. Average RAB fell by 32.2 million euros (-0.9%) to stand at 3,602.8 million euros at the end of 2021.

The average cost of debt was 1.6%, a reduction of 0.2 p.p. when compared to the previous year, and net debt stood at 2,362.0 million euros, a reduction of 13.9% (-380.0 million euros) in relation to the previous year.

€ **Group investment was 247.1 million euros in 2021, an increase of 42.6% over 2020.**

Main Indicators (millions of euros)	**2021**	2020	VAR.%
EBITDA	460.8	470.2	-2.0%
Financial profits[9]	-42.6	-46.8	8.9%
Net income	97.2	109.2	-11.1%
Recurrent net income	121.8	131.7	-7.5%
Capex total	247.1	173.3	42.6%
Transfers to RAB[10] (at historic costs)	309.1	79.6	288.5%
Average RAB (at reference costs)	3,602.8	3,635.0	-0.9%
Net debt	2,362.0	2,741.9	-13.9%
Average cost of debt	1.6%	1.8%	-0.2p.p.

[9] Financial income of 0.1 million euros in 2020 and 0.03 million euros in 2021 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.

[10] Includes direct acquisitions (RAB related).

Operating income – EBITDA

Domestic Power Transmission and Distribution Business

EBITDA in domestic business was 446.8 million euros, a fall of 2.1% (-9.5 million euros) over the previous year.

EBITDA - DOMESTIC (millions of euros)	2021	2020	VAR.%
1) Revenues from Assets	423.6	431.4	-1.8%
RAB remuneration	162.0	165.4	-2.1%
Lease revenues from hydro protection zone	0.7	0.7	-1.2%
Incentive for the economic rationality of investment	26.9	32.0	-16.0%
Recovery of amortization(net of investment subsidies)	215.4	214.3	0.5%
Amortization of investment subsidies	18.7	19.0	-1.5%
2) Revenues from OPEX	141.8	130.1	9.0%
3) Other revenues	17.1	18.8	-9.2%
4) Own work (capitalised in investment)	22.4	18.8	19.2%
5) Earnings on Construction (excl. own work capitalised in investment) - Concession Assets	215.3	142.0	51.5%
6) OPEX	157.1	142.4	10.4%
Personnel Costs[I]	56.6	55.3	2.3%
External Costs	100.5	87.0	15.5%
7) Construction Costs – Concession Assets	215.3	142.0	51.5%
8) Provisions	-0.2	0.6	-126.1%
9) Impairments	1.3	-0.1	n.m.
10) EBITDA (1+2+3+4+5-6-7-8-9)	446.8	456.2	-2.1%

[I] Includes costs for training and seminars and provisions for staff costs.

Contributing to the unfavourable evolution in EBITDA were:

A reduction of 3.4 million euros (-2.1%) in the remuneration from regulated assets, including:

- A reduction of 1.4 million euros in the electricity transmission sector, reflecting the reduction in the base remuneration rate (RoR) from 4.6% in 2020 to 4.5% in 2021, due to the reduction seen in the interest rate of 10-year Portuguese Republic Treasury Bonds; despite the slight increase of 0.7 million euros in average RAB;
- A reduction of 1.9 million euros in the natural gas transmission sector, as a result of (i) the reduction in the base remuneration rate (RoR) from 4.6% in 2020 to 4.5% in 2021, reflecting the reduction seen in the interest rate of 10-year Portuguese Republic Treasury Bonds; and (ii) a reduction of 34.7 million euros (-3.7%) in average RAB;
- A reduction of 0.1 million euros in the natural gas distribution sector, as a result of (i) a reduction in the base remuneration rate (RoR) from 4.8% in 2020 to 4.7% in 2021, reflecting the reduction seen in the interest rate of 10-year Portuguese Republic Treasury Bonds; despite the increase of 1.8 million euros in average RAB;

- An increase in Opex of 14.8 million euros (+10.4%), essentially caused by (i) an increase of 9.0 million euros in pass-through costs (non-core costs accepted in the tariff), of which +2.3 million euros was in costs relating to the cross-border tariff and 5.8 million euros in costs for acquiring operating gas from Mibgás, and (ii) an increase of 4.5 million euros in external core costs. The increase in this last heading can be mostly explained by the increase of 5.0 million euros in electricity costs at the Sines LNG Terminal;

- A reduction of 5.1 million euros in the incentive for the economic rationality of investment (-16.0%).

A further mention should be made of the increase in revenues from Opex of 11.8 million euros, which contributed positively to the operating performance of domestic business.

With respect to domestic business, it is also important to note that the natural gas distribution business contributed with EBITDA of 44.2 million euros, in line with the previous year.

International Business

International business contributed 14.1 million euros to Group EBITDA, in line with the previous year, reflecting:

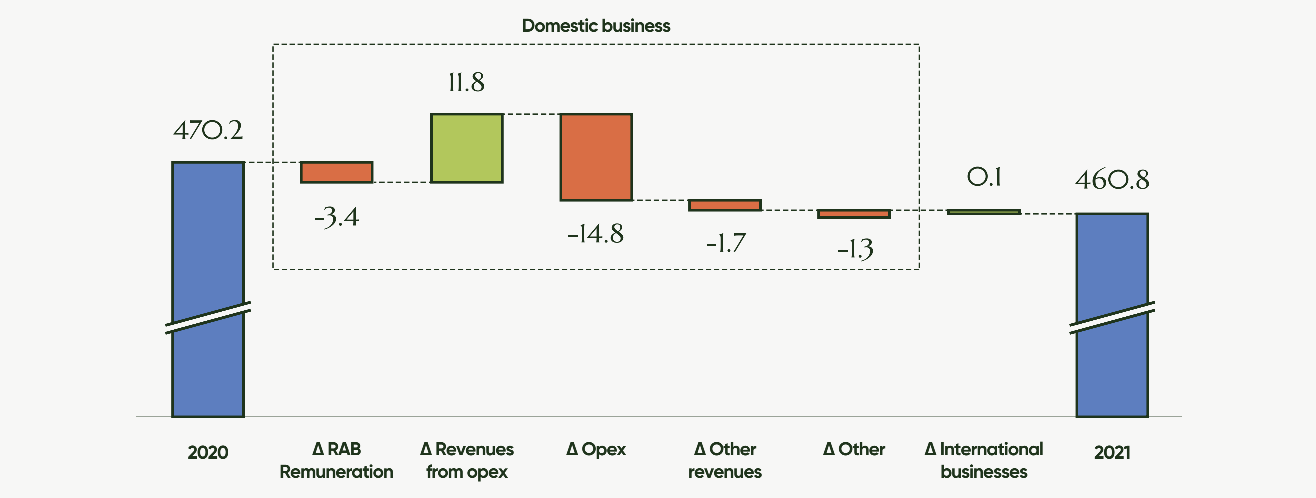
EBITDA from Transemel – electrical power transmission company in Chile – was 8.2 million euros, an increase of 1.4 million euros in comparison to 2020.

A reduction of 1.3 million euros in recognized income from the 42.5% stake held by REN in the Chilean company Electrogas, which stood at 5.9 million euros in 2021.

EBITDA – INTERNATIONAL (millions of euros)	**2021**	2020	VAR.%
1) Revenues from the Transmission of Electrical Power	12,0	10,1	18,0%
2) Other revenues	5,9	7,2	-17,7%
3) Own work (capitalised in investment)	0,2	0,0	n.m.
4) OPEX	4,0	3,4	18,7%
Staff Costs[12]	0,5	0,3	n.m.
External Costs	3,5	3,1	11,8%
5) Impairments / (reversal)	0,0	0,0	n.m.
6) EBITDA (1+2+3-4-5)	14,1	14,0	0,8%

[12] Includes costs for training and seminars and provisions for staff costs.

Evolution in REN Group EBITDA 2020-2021



2021

In 2021, net profit was 97.2 million euros, a fall of 12.1 million euros (11.1%) in relation to the previous year.

Net income

In 2021, net income stood at 97.2 million euros, a fall of 12.1 million euros (11.1%) over the previous year.

This fall was mainly due to the following effects:

i. A reduction of 10.1 million euros in Group EBIT (-9.3 million euros in EBITDA), impacted by the reduction in domestic business (-9.5 million euros in EBITDA and -10.2 million euros in EBIT). The contribution of international business was similar to the previous year (+0.1 million euros in EBITDA and EBIT);

ii. an increase of 7.2 million euros in corporation tax (+16.1%), reflecting the reduction in gains from the recovery of taxes from previous years (-3.2 million euros);

iii. partially offset by (a) good performance in financial profits which increased by 4.2 million euros (+8.9%), reflecting the reduction in the average cost of debt to 1.6% (-0.2 p.p), the reduction in net debt to 2,362.0 million euros (-380.0 million euros; -13.9%), and the increase in dividends from subsidiaries (+1.2 million euros), and by (b) the reduction of 1.1 million euros in the Extraordinary Levy on the Energy Sector (-3.8%), reflecting the reduction in the regulated asset base on which the tax is calculated.

Excluding non-recurring items, the Recurring Net Income for 2021 fell by 9.9 million euros (-7.5%). Non-recurring items considered in 2021 and 2020 are as follows:

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);

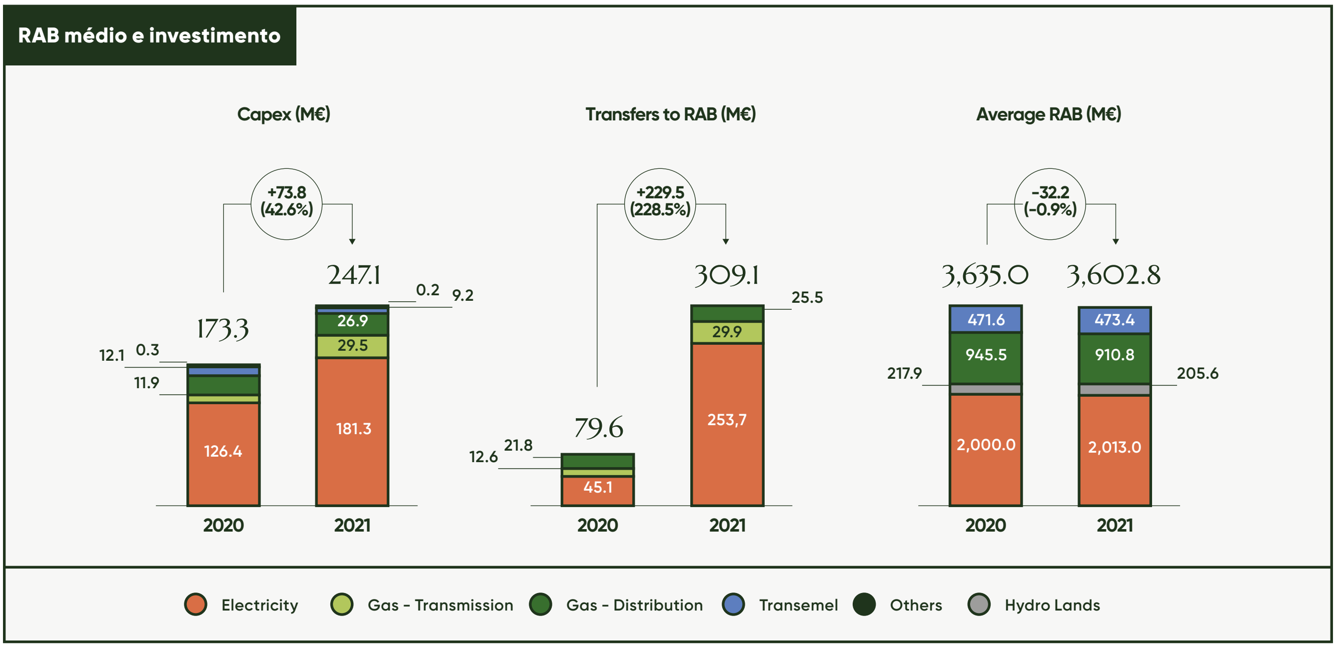
In 2020: i) Extraordinary Levy on the Energy Sector as laid down in the State Budget for 2020

(28.1 million euros); and ii) gains from the recovery of taxes from previous years (5.6 million euros)

Net income (millions of euros)	**2021**	2020	VAR.%
EBITDA	460.8	470.2	-2.0%
Depreciation and amortization	241.9	241.2	0.3%
Financial profits	-42.6	-46.8	8.9%
Income tax expenses	52.1	44.9	16.1%
Extraordinary Levy on the Energy Sector	27.0	28.1	-3.8%
Net income	97.2	109.2	-11.1%
Non-recurring items	24.7	22.5	9.8%
Recurrent Net Income	121.8	131.7	-7.5%

4.6.2. AVERAGE RAB AND INVESTMENT

In 2021, total group investment reached 247.1 million euros, 42.6% more (+73.8 million euros) than the previous year, and transfers to RAB were 309.1 million euros, an increase of 229.5 million euros over figures for 2020



Investment

In the electricity sector, in 2021 investment stood at 181.3 million euros, an increase of 54.9 million euros over the previous year (+43.4%).

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

Of note in investment made in 2021 is the remodelling of numerous lines (15.7 million euros), the construction of new lines (59.4 million euros), new and expanded substations (62.3 million euros), remodelling of equipment and systems for protection, automation and control at several substations (19.1 million euros), an increase in grid resilience (2.0 million euros) and SCADA support systems and central functions in the General Technical Management of SEN (1.8 million euros).

In the natural gas transmission segment, investment reached 29.5 million euros, an increase of 17.6 million euros over figures for 2020.

Total investment by REN Gasodutos was 21.7 million euros in 2021, with special note for the investment in RNTG in i) Improvement of the efficiency of heating systems – stage I (Pego, Carregado and Lares Stations); ii) "pig" inspection of seven gas pipelines to verify infrastructure integrity; iii) upgrading and remodelling of equipment and systems at several stations; iv) replacement of flow computers at end of working life, and v) upgrade to the odorization system.

With regard to the General Technical Management of the SNG, of special note was the acquisition of filling gas at a cost of 13.5 million euros for network operation relating to the start-up of Mibgás in Portugal.

Investment in REN Armazenagem in 2021 was 4.0 million euros, with the aim of ensuring supply security and natural gas storage availability, with emphasis on the expansion of the Fire Fighting Network and the upgrading of the compression and network injection unit.

A total of 3.8 million euros was invested in REN Atlântico in the following investment projects at the LNG Terminal:

- Reconditioning of seven high and low-pressure cryogenic LNG Pumps;
- Upgrading of the sea water filtering system;
- Upgrading of the outfall tunnel to eliminate sea water;
- Upgrading of equipment and systems at the end of working life;
- Anti-corrosion protection of equipment and components at facilities to ensure system integrity.

In the natural gas distribution sector, investment in 2021 totalled 26.9 million euros, with around 63% applied to the expansion of distribution networks and around 29% to capture new supply points. The distribution network accounted for investment of 16.8 million euros in the construction of 197 km of primary and secondary network and 24 km of branch lines. Portgás invested 7.8 million euros in supply points, 6.2 million euros of which was to provide new buildings with their own infrastructure for the supply of natural gas and 1.6 million euros for the installation of around 34,000 meters and around 2,000 reducers. A further 1.6 million euros was also invested in information systems to update base hardware and software, as well as operating and application systems for business support. As part of the decarbonization and digitalization strategy for REN Portgás assets, around 0.4 million euros was invested to leverage the energy transition of gas distribution.

Transemel investment was 9.2 million euros, a decrease of 2.9 million euros when compared to 2020, where investment of 4.7 million euros was of note in expansion work at the Calama substation.

ELECTRICITY

62.3M€	New substations
59.4M€	New power lines
19.1M€	Remodeling of equipments and systems in several substations
15.7M€	Power lines remodeling
10.1M€	IT projects
14.8M€	Other projects

TRANSMISSION - GAS

5.6M€	Investments in REN Gasodutos
3.5M€	Investments in REN Gasodutos
3.6M€	Investments in LNG Terminal
13.5M€	Gas aquisition (Mibgas)
3.3M€	Other projects

DISTRIBUTION - GAS

16.8M€	Networks
7.8M€	Supply points
1.6M€	IT projects
0.6M€	Other projects

ELECTRICITY	TRANSMISSION GAS	DISTRIBUTION GAS	TRANSEMEL	OTHER
181.3M€	29.5M€	26.9M€	9.2M€	0.2M€

GROUP'S INVESTMENT IN 2021: 247.1M€

Transfers to RAB

In the electricity sector, transfers to RAB reached 253.7 million euros in 2021, an increase of 208.6 million euros over the previous year.

Projects concluded in 2021 in the RNT helped reinforce feeding to the National Electricity Distribution Network (RND) and create new connections (reinforcing reception capacity) for new production. They also helped improve the safety and internal reliability of the network and the overall operation of the National Electricity System. Of note in the Minho region was the conclusion and entry into operation of the 400 kV line between the 'Ponte de Lima area' and the Vila Nova de Famalicão substation and the conclusion of the Viana do Castelo step-down station. In the Minho / Trás-os-Montes confluence, the construction of the Ribeira de Pena substation and the Ribeira de Pena - Vieira do Minho 400 kV line was concluded.

In the Beira Interior, the new 400 kV Falagueira-Fundão axis entered service through the extension of the Falagueira-Castelo Branco 3 line to the Fundão area and a new 400/220 kV/kV substation was built in Fundão.

In the Alentejo, equipment entering into service included the Divor and Pegões substations, the Divor - Pegões line and the Falagueira- Estremoz and Estremoz – Divor 400 kV lines.

In the natural gas transmission sector, transfers to operations were 29.9 million euros in 2021, an increase of 17.3 million euros in relation to the previous year. Of note was the acquisition of filling gas under the start-up of Mibgás (13.5 million euros), and where further work involved the new electrocloration station at the terminal.

In the natural gas transmission sector, transfers to RAB were 25.5 million euros, a rise of 3.6 million euros in relation to 2020.

Average RAB

At the end of 2021, average RAB was 3,602.8 million euros, a reduction of 32.2 million euros over the end of 2020, influenced by the effect of amortizations greater than the transfers to RAB. In the electricity sector, average RAB (excluding hydro land) was 2,013.0 million euros (+13.0 million euros, +0.7%), 1,039.8 million euros of which was in assets with premium, while hydro land stood at 205.6 million euros (-12.3 million euros, -5.7%). In the natural gas transmission sector, average RAB was 910.8 million euros (-34.7 million euros, -3.7%), while in the natural gas distribution sector, RAB was 473.4 million euros (+1.8 million euros; +0.4%).

4.6.3. Financing and debt

In 2021, the average cost of debt was 1.6%, a reduction of 0.25 p.p. over figures for 2020. This downward trend has been seen since 2013, as a result of the ongoing refinancing of outstanding debt at more competitive conditions under market conditions with continued high liquidity and very low interest rates.

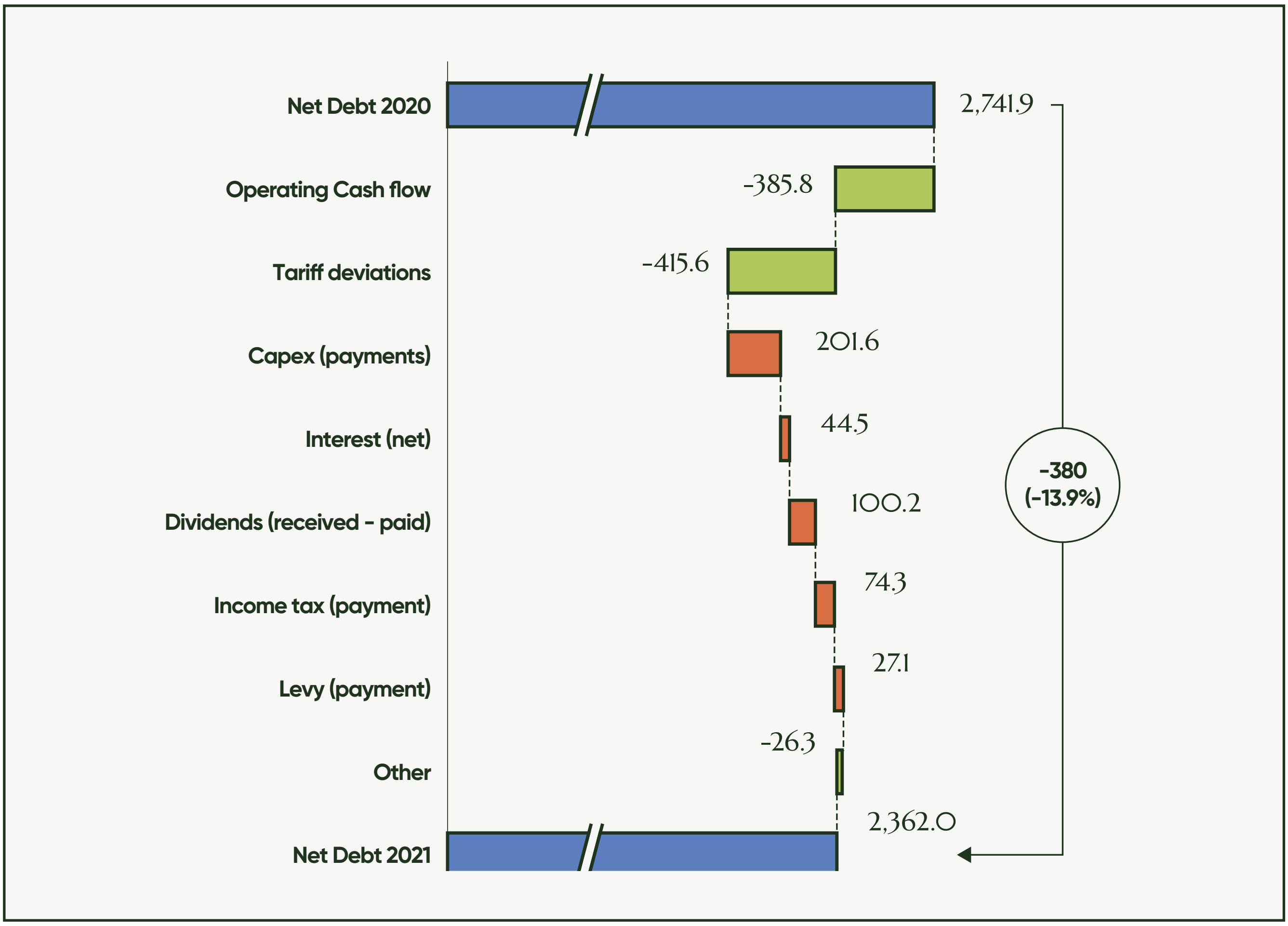
REN's financing strategy, focusing on the flexibility of the financial instruments contracted and a position of solid liquidity, has allowed the company to explore market opportunities and significantly and quickly adjust the cost of debt to improved credit conditions.

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

During 2021, the following financing operations were undertaken:

- In April, the first issue of Green Bonds took place, at a fixed rate, with a value of 300 million euros and maturity in 2029. Through this issue of green debt, REN took an important step towards aligning the company strategies of financing and sustainability;
- In July, the company signed a new commercial paper contract with subscription guarantee in a sum of 50 million euros;
- Two commercial paper programmes were also renegotiated, with a total amount of 275 million euros (75 million euros of which was without subscription guarantee).

Financing operations negotiated in 2021 reached 625 million euros.



Financial debt (millions of euros)

IFRS	2021	2020	Change ABSOL	Change %
Gross debt	2,766.1	2,823.4	-57.3	-2.0%
Minus hedgng swaps	5.3	20.0	-14.6	-73.3%
Minus cash and cash equivalents	398.8	61.4	337.4	549.4%
Net debt	2,362.0	2,742.0	-380.0	-13.9%

This significant reduction in net debt in 2021 was essentially due to extraordinary activity at the Tejo Energia and Turbogás power plants associated with Power Purchase Agreements (PPA) which are managed by REN Trading SA, justifying a large part of the tariff deviations generated. The increase in prices seen in the Iberian wholesale market which in December 2021 exceeded 350 euros per megawatt-hour (MWh), led the aforementioned power plants to record levels of electrical power production substantially above those forecast. The financial resource generated in 2021 due to tariff deviations will be returned by REN in the future to the system through adjustments to be included in the setting of the relevant electricity tariff.

Bond issues were the primary source of financing during 2021, representing almost 63% of total net debt, followed by bank overdrafts with a weighting of almost 21%.

Sources of Capital Financing (millions of euros)

Outstanding Debt	2021	2020	Change ABSOL	Change %	Weighting 2021	Weighting 2020
Bond issues	1,722.9	1,422.9	300.0	21.1%	62.6%	50.8%
Bank loand	574.9	671.5	-96.6	-14.4%	20.9%	24.0%
Commercial paper	450.0	700.0	-250.0	-35.7%	16.4%	25.0%
Others	4.2	4.8	-0.6	-11.9%	0.2%	0.2%
Total	2,752.0	2,799.1	-47.1	-1.7%	100.0%	100.0%

During 2021, gross debt fell by around 47 million euros with respect to 2020. Net financing costs also fell by 3.8 million euros from 54.4 million euros to 50.6 million euros. This fall is largely explained by the refinancing of outstanding debt under clearly more competitive terms as a result of the improvement in credit market conditions. It is further due to the systematic renovation of opportunist financing operations of shorter maturity where Euribor rates remain negative.

The average cost of gross debt in 2021 was 1.6%, 0.25 p.p. Less than in 2020.

Interest rate risk management policy focused on reducing the volatility of earnings. REN's fixed rate debt represented 60% 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 our risk rating, after the market was informed of our new business plan for the 2021-2024 period, REN recovered its "stable" outlook in the Fitch rating, while at Moody's the outlook moved up to "positive". REN's risk ratings are BBB at Fitch (outlook stable), Baa3 at Moody's (outlook positive) and BBB at S&P (outlook stable), meaning that the company has complied with its commitment to maintain an investment grade rating.

4.7. PROPOSED ALLOCATION OF NET INCOME

According to the annual financial statements of REN – Redes Energéticas Nacionais, S.G.P.S., S.A.,

in the financial year ended on December 31st, 2021, the amount of 97,152,525.06 euros (ninety seven million, one hundred and fifty two thousand, five hundred and twenty five euros and six cents) has been established as net income in the IFRS consolidated accounts, and the amount of 100,791,543.12 euros (one hundred million, seven hundred and ninety one thousand, five hundred and forty three euros and twelve cents) has been established in the individual accounts, in accordance with SNC.

Considering the above and pursuant to article 28 of the Articles of Association of REN SGPS, S.A. and articles 31 to 33, article 66(5)(f), articles 294 and 295 and article 376(1)(b) and (2), all of the Portuguese Companies Code, the Board of Directors proposes that the net profit for the financial year of 2021, as seen in the individual financial statements in accordance with National Accounting System rules, amounting to 100,791,543.12 euros (one hundred million, seven hundred and ninety one thousand, five hundred and forty three euros and twelve cents) be transferred as follows:

- To the legal reserve: 5,039,577.16 euros (five million, thirty nine thousand, five hundred and seventy seven euros and sixteen cents); and

- To retained earnings: 95,751,965.96 euros (ninety five million, seven hundred and fifty one thousand, nine hundred and sixty five euros and ninety six cents).

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

- As dividends to shareholders from accumulated available reserves: 102,747,454.35 euros (one hundred and two million, seven hundred and fourty seven thousand, four hundred and fifty four euros and thirty five cents), corresponding to a distribution of 105.8% of REN, S.G.P.S., S.A. consolidated profit for the financial year of 2021, standing at 97,152,525.06 euros (ninety seven million, one hundred and fifty two thousand, five hundred and twenty five euros and six cents), equivalent to a gross dividend per share of 0.154 euros;

- For distribution to the employees of REN and its subsidiaries: 3,600,000.00 euros (three million, six hundred thousand euros). Due to the accounting rules in force, this amount is already reflected in the net profit of the financial year ended on 31 December 2021 of REN, S.G.P.S., S.A. (193,000.00 euros – one hundred and ninety three thousand euros) and its subsidiaries (3,407,000.00 euros – three million, four hundred and seven thousand euros).

CREATING THE FUTURE OF SUSTAINA-BILITY

5

A vision beyond
the horizon.

Sustainability at REN

5 SUSTAINABILITY AT REN

Dealing with the future in the present, operating constructively and in harmony with the planet.

Our commitment goes beyond our mission.

At REN, our mission is to ensure the uninterrupted supply of energy to the entire country, thus contributing to the development of communities, the environment and biodiversity, and improved quality of life for the residents of Portugal. This requires ongoing effort and dedication, and we seek to complete this task in an increasingly innovative and sustainable manner. Our commitment goes beyond our mission.

We believe in active corporate citizenship where there is significant involvement with the communities in which we work, from both a social as well as an environmental perspective.

Taking on this commitment means that all our activities are guided by principles of sustainability, adhering to stringent and measurable criteria, respecting standards of excellence, with a focus on innovation, and without ever losing sight of the positive impact we wish to have on the communities and ecosystems in which we work.

5.1. OUR APPROACH TO SUSTAINABILITY

The sustainability information provided in this annual report refers to 2021 and covers the activity of the REN Group companies: REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., REN Atlântico, S.A., REN Serviços, S.A., REN PRO, S.A., RENTELECOM, S.A., REN Trading, S.A., ENONDAS, S.A., Transemel, REN Portgás Distribuição, S.A., and the research centre, Centro de Investigação em Energia REN – State Grid, S.A.

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

Our site has a table showing the correspondence between the contents of this report and the GRI references (REN > Sustainability > Our Approach > Main performance indicators and GRI Table).

AA1000AP Accountability Principles (2018)

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

With regard to inclusion (participation of stakeholders in the development and implementation of the sustainability strategy), methodologies and processes for the involvement and participation of various stakeholders were defined. The respective results were integrated into the review of the REN sustainability strategy.

In relation to Materiality (determination of sustainability topics which are relevant to REN and their impact), a benchmark analysis of leading national and international companies and the main industry trends in the sector was carried out. The results of stakeholder consultations held in 2011, 2013, 2016 and 2018 were also considered. In 2021, a new hearing of stakeholders was held, which confirmed the topics identified as materially relevant. They are available on our website (REN > Sustainability> Our Approach>Involvement with Stakeholders and Governance Model) and in this report (> 2. Approach to Report)

Regarding response capacity (to relevant sustainability issues and their impacts, through decisions, actions, performance and communication), we seek to meet the expectations and concerns raised specifically by each stakeholder, either individually or generally. In general terms, this report and our website provide the main forms of communication used to inform on the company's strategy, our initiatives and the performance achieved. Information is also available on the applications REN Energy (**Google play** | **App store**) and REN Investors (**Google play** | **App store**).

With regard to impact (monitoring, measuring and reporting on how our actions and activities affect stakeholders), by periodically consulting with stakeholders, we identify expectations and assess our performance and the impacts of the different sustainability topics. We then define action plans so as to meet stakeholder expectations.

We further base our performance on our Declaration of Social Responsibility Policy, Declaration of Quality, Environment and Safety Policy and, more recently, our Research, Development and Innovation Policy (RDI).

Commitments

We play a central role in facilitating and enabling the decarbonization of the economy, ensuring the quality and security of current and future supply, the design, construction/adequacy, operation of infrastructure and system management, and participation in international and national, regulatory and governance working groups, in order to contribute to a comprehensive design which is in alignment with the aims of energy policy.

As part of the Capital Markets Day held in 2021, we included as one of the three strategic pillars, the reinforcement of our Environmental, Social and Governance (ESG) commitments. These commitments include our goals to achieve:

- A 50% reduction of our emissions[1] by 2030.
- Carbon neutrality by 2040.
- 1/3 of primary management positions occupied by women by 2030.
- An increase in the weighting of ESG commitments in manager performance metrics during this year of 2022.
- 100% of new bonds issued as green bonds.

Furthermore, we are committed to sustainable development having subscribed to a series of initiatives such joining the United Nations Global Compact (UNGC) initiative in 2005 to provide information on our progress in implementing the ten principles regarding human rights, labour practices, environmental protection and anti-corruption measures Further information on this initiative can be consulted REN's website (REN > Sustainability > Our approach > Codes and Principles).

2021-2024

In the new Strategic Plan, we advocate Sustainability as one of the fundamental pillars for the next years.

Independent external verification

This document was verified by PwC (PricewaterhouseCoopers), an external independent entity, in accordance with the principles of standard ISAE 3000 (International Standard on Assurance Engagements 3000) and in reference to the GRI Standards, the AA1000AP (Accountability Principles - 2018) and the Portuguese Standard NP-4469-1.

5.1.1. Sustainability strategy

Aware of the growing importance of environmental, social and governance issues, in 2021 we presented a new Strategic Plan for the 2021-2024 period, based on REN's central role in energy transition, and where we advocate Sustainability as one of the fundamental pillars for the next three years. The reinforcement of this pillar impacts not only on our environmental commitments and our policies, but also on the important strengthening of the organization in terms of Sustainability, the focus on projects relating to decarbonization and performance assessment metrics based on ESG performance.

[1] In comparison with 2019

Our Sustainability strategy directly reflects the 17 Sustainable Development Goals (SDGs) created in 2015 by the United Nations, and where we have defined nine of these goals as priorities: 4. Quality Education; 5. Gender Equality; 7. Renewable and Accessible Energy; 8. Dignified Work and Economic Growth; 9. Industry, Innovation and Infrastructures; 11. Sustainable Cities and Communities; 13. Climate Action; 15. Protecting Life on Earth and 17. Partnerships for Implementing these Goals.

Achieving these targets means that all our work must be guided by principles of sustainability. As such, we have defined, in line with the materially relevant topics identified during the hearing held in 2021, four Sustainability axes:

- promoting well-being within the company
- stakeholder involvement and satisfaction
- protecting the environment, and
- governance and ethics.

Promoting well-being within the company

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

Stakeholder involvement and satisfaction

Due to the nature and scope of our mission, we are a company which is present throughout the country and our activity often involves interaction with local communities and with relevant stakeholders, such as market agents, sector associations, official bodies and service providers. We therefore promote constructive interaction and corporate citizenship, contributing to the development of the country through the strategic importance of our infrastructure, communities and people. We design, build and operate this infrastructure so as to address specific social issues and develop joint solutions for a more sustainable future.

Protecting the environment

We are committed to being an active agent in environmental protection, we develop our electricity and gas infrastructures in order to ensure the gradual decarbonization of both sectors, we implement innovative policies to protect forests and for reforestation. In addition to defending the rational use of natural resources and the prevention of pollution, we also promote environmental education, the preservation of biodiversity and the decarbonization of our fleet.

Governance and ethics

This pillar reflects the importance of updating and aligning our performance with the best practices in international governance ethics, involving stakeholders and promoting a culture of fighting corruption and ensuring the control of risk.

5.1.2. Stakeholders

We periodically identify and evaluate our relevant stakeholders in accordance with the principles of standard AA1000AP - Assurance Principle – 2018. We also obtained Certification in Social Responsibility in accordance with standard NP 4469-1 in 2018.

In 2021, we held a new process to consult our stakeholders, which confirmed the topics identified in 2019 as being materially relevant. This is a procedure that we consider essential if we are to meet our expectations and improve our performance in the fundamental pillars of our sustainability strategy.

In order to better meet the different needs expressed by external stakeholders, we have a section within the company exclusively dedicated to local communities. The main duties of this section are to promote and support the involvement of all stakeholders, giving communities an active role, listening to concerns and recommendations, encouraging and rewarding good initiatives and creating a positive impact on populations, who we do not see as passive beneficiaries, but as partners whose collaboration is crucial.

In addition to this team, we also have a section for Sustainable Networks and Access Corridors, dedicated to our relationship with landowners whose property is used for our electricity and natural gas network infrastructures. This unit maintains permanent and constant dialogue with the affected landowners, as well as with other stakeholders, in order to jointly establish formal mechanisms of compensation for the use of their property.

We also provide contact mechanisms for stakeholders. In addition to the general contact provided on our website (https://www.ren.pt/en-GB/quem_somos/contacte_nos), we also have a direct and exclusive contact line for owners, as well as a specific contact form on our website. This was a new step towards more personalized follow-up, in order to meet the needs expressed by the different stakeholders.

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

5.1.3. Taxonomy of environmentally sustainable activities

The European Union (EU) commitment to sustainable development is clear and is expressed through the development of specific regulations, such as the European Climate Act, and through support for global initiatives, such as the Sustainable Development Goals. The EU's taxonomy of environmentally sustainable activities 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 environmental objectives.

Criteria for an activity to be considered environmentally sustainable

- Eligibility of activities.
- Substantial contribution to one or more of the environmental objectives set out by the EU.
- There is no significant harm to any of the other five objectives[2].
- Compliance with minimum safeguards

Proportion of eligible economic activities in the taxonomy

In 2021, we measured the proportion of our economic activities that are eligible under the taxonomy:

	Total (m€)	Proportion of economic activities eligible in the taxonomy (%)	Proportion of economic activities non-eligible in the taxonomy (%)
Opex	20.3	78.3%	21.7%
Capex	247.1	77.1%	22.9%
Turnover	565.8	63.6%	36.4%

[2] The EU's Environmental Objectives: Climate change mitigation; Climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems

5.2. MAIN ACTIONS UNDERTAKEN

Contribution to the Goals of Sustainable Development

At REN, we actively incorporate and promote the principles set out in the Sustainable Development Goals, in the most varied areas and activities of the company. Our commitment to defending and promoting the SDGs can be seen in the support and development of projects that are in line with our sustainability strategy and which are directly related to the principles that, among the 17 SDGs, were considered as priorities. These goals are also compatible with the four axes that make up our Sustainability Strategy and with ESG metrics.

In order to achieve the goals of these four axes, our sustainable development actions include participation in and promotion of numerous collaborative actions and projects, more specifically in the area of energy transition and the decarbonization of infrastructure.

We would also like to highlight the initiatives undertaken concerning the decarbonization of gas infrastructures, more specifically the promotion and integration of our company into HyLab – Collaborative Laboratory for the implementation of the green hydrogen economy (https://www.hylab.pt/national-meeting-of-colabs), which obtained a favourable opinion from the FCT (Foundation for Science and Technology) in 2021.(https://www.fct.pt/noticias)The target is to accelerate energy transition throughout the hydrogen value chain and promote electric mobility through the development of an innovative and patented solution on a European level (patent registered in 32 countries and currently being analysed in Canada and the United States) for charging electric vehicles using the Extra-High Voltage Network. This solution will complement current solutions, helping accelerate mobility, on a path towards greater sustainability.

Our commitment to the development of Green Hydrogen has also been seen in our bid to join and subsequent acceptance as a member of both Hydrogen Europe (https://hydrogeneurope.eu) and the European Clean Hydrogen Alliance (https://www.ech2a.eu). With a view to the development of offshore wind potential and the need to connect offshore wind farms to the onshore grid, we joined Eurobar (https://eurobar.org).

Moreover, with regard to methane emission reductions, of note is our participation in the OGMP (Oil & Gas Methane Partnership) (https://www.ogmpartnership.com) which is part of the United Nations Environmental Programme, where we obtained the Gold Standard for our commitment to reduce methane emissions by at least 20% by 2025, in comparison to 2018.

In mainland Portugal, REN is the Entity Issuing Guarantees of Origin (EEGO). As such, we are responsible for the implementation and management of the system for issuing Guarantees of Origin (GO), consisting of the registration, issuance, transfer and electronic cancellation of such certificates. We have strived to make this process more dynamic, through training and awareness-raising/clarification actions for interested parties.

In relation to the Recovery and Resilience Plan (RRP), we presented or were involved in a number of mobilizing agendas, demonstrating our solid commitment through the contribution of our infrastructures to energy transition (hydrogen infrastructure, infrastructure for charging electric vehicles from the Extra-High Voltage network and the digital transformation of forestry value chains), increasing resilience and implementing a low-carbon vision in the sector. With respect to the protection of forests and fitting of sensors to assets, we would like to highlight the development of important stages of the mobilizing rePLANT projects (www.replant.pt), supported by Compete Portugal 2020, a project which aims to implement Collaborative Strategies for Integrated Forestry and Fire Management. A further initiative involves Link4Sustainability, a programme which will allow the granular sensing of electricity and gas assets to be tested, with special focus on monitoring methane in the gas distribution infrastructure.

As part of the continued introduction of increasingly sustainable practices in the different stages of the value chain, of note is our application to join the Renewable Grid Initiative (RGI) (https://renewables-grid.eu/), which is a unique collaboration of Non-Governmental Organizations. (NGOs) and Transmission System Operators (TSOs) from across Europe with the aim of collaborating and sharing best practices, aiming to accelerate decarbonization and restore and protect biodiversity.

With respect to the new certifications obtained by the REN Group, of note is the NP 4457:2007 certification at five companies for our Research, Development and Innovation Management System. The companies were the Electricity and Gas Transmission concessionaires, Underground Storage, the LNG Terminal (Liquefied Natural Gas) and REN Serviços. Certification was also obtained in accordance with ISO 22301:2019 for the Portgás Business Continuity Management System.

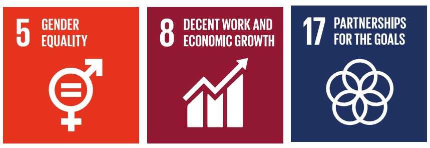
In terms of mobility, the gradual electrification of the fleet continues, where in 2021, 28% of the company vehicles and 56% of new purchases were electric.

From a communication perspective, the path we have established and followed in promoting SDGs is evident in the different content produced, such as the video "REN SDGs: This is our Journey!", which illustrates our performance in relation to the nine SDGs we have defined as priority. More specifically with regard to the contribution and important work carried out in the preservation of the forest and fighting fires (SDGs 13 and 15), of note are "REN in the Defence and Promotion of the Forest" and "REN and Defending the Forest against fires". Also in the field of the environment, we would like to highlight the videos Virtual Visits to Projects in the National Electricity Transport Network, an important contribution to the innovation and improvement of environmental assessment processes. Our role in the promoting of sustainable cities and communities (SDG 11) is also clearly shown in the video "ENERGY BELOW THE WATER". The full story of the project to install the undersea cable off Viana do Castelo. With regard to equality (SDG 5), highlights included the six "stories" told by REN female engineers to mark International Women in Engineering Day.

Of note, also in the field of promoting internal well-being are the different initiatives in the Corporate Volunteer Programme, Share, and the initiatives of the NÓS Programme. With respect to stakeholder involvement and satisfaction, we promoted the Heroes of All Kinds programme, the MEDEA project, the AGIR Award, the REN Award and the Medals of Scientific Merit, among many other initiatives. In the field of environmental protection, the work to clean the forest and fire prevention and the REN Chair in Biodiversity should also be emphasised. In terms of governance and ethics, highlights include the specific programmes to address these topics, such as codes of conduct, the creation of the Sustainability Commission and the new REN Group Integrity Policy.

The ever-greater involvement of employees in our Social Responsibility decisions is also a key principle in our strategy and which, every quarter since 2019, has been seen through the voting of employees to select projects to be supported by the REN Participatory Budget. This is an important instrument for Corporate Social Responsibility that financially aids projects through direct support and by providing greater proximity to local communities and/or environmental protection. We have already supported more than 50 projects and social, cultural and environmental initiatives from the north to the south of the country. In 2021, for the first time, it was also our employees that suggested the theme of the REN Agir Award for next year - Promotion of the environment, biodiversity and combating climate change. It was also employees that brought about an action plan adapted to the period of the pandemic to celebrate Giving Tuesday (www.givingtuesday.pt). As in the previous year, the REN Giving Tuesday initiative did not involve any in-person activities and once again we collected different types of goods to be donated to charitable institutions and organizations, many of which were proposed by employees.

The welfare of our people



The welfare, quality of life, personal fulfilment and the balance between the personal and professional lives of our employees, as well as diversity and inclusion, are well-established priorities in our decisions. and strategic actions. During 2021, under the NÓS Program, we carried out 31 initiatives involving 802 participations, broken down into the three axes that make up the programme: balance, equality and inclusion.

We maintained our concern for the physical and mental well-being of our employees. With this in mind, we joined the José Neves Foundation and its commitment to help in the well-being and mental health of Portuguese people. The Foundation's 29k mobile app was promoted among our employees (Google play | App store) with the aim of providing assistance in this regard. It was also against this background that different online activities were continued for employee well-being, such as yoga classes, functional training and "Conscious Pauses", relaxation sessions with breathing and posture exercises. We also maintained our support for different sports involving employees – from golf to triathlon – helping them achieve their dreams and goals, whether in winning titles or succeeding in ambitious challenges, as was the case with the 738km bike ride on the EN2 national road in a single stage, by one of our employees.

In a year where distance continued to dictate our work routines, focus remained on the proximity of employees to the company and to each other, as exemplified by the Christmas celebrations that, in an innovative and interactive format, brought the entire REN Group together, overcoming physical boundaries.

Diversity, inclusion and equality

In 2021, we further consolidated and strengthened the path we have taken towards promoting gender equality and a culture of diversity and inclusion, by joining the United Nations programmes #TargetGenderEquality and WEP - Women's Empowerment Principles, and our inclusion in the "Alliance for Equality in ICT" - Information and Communication Technologies and the Bloomberg Gender-Equality Index (GEI).

In the Bloomberg Gender Equality Index 2021 (GEI), we achieved a result of 66.6%, a positive result that demonstrates the path we have been following in the field of gender equality and the Sustainable Development Goals. The scoring achieved is in line with the overall results of the index (66.4%) for companies in the utilities sector (66.7%), as well as for Portuguese companies in general (71.7%) that participated in the index.

We see essential values in diversity and equality for the proper functioning of any organization, promoting greater efficiency, creativity and innovation. More information on our initiatives in this area can be found in chapter 5.2 Social Performance > Diversity, Equality and Inclusion.

Responding to social problems through the involvement of our stakeholders

We promote involvement and support for local communities, and seek to develop programmes and initiatives for each individual situation, with the aim of encouraging the development of people in the areas where we operate. This is one of the fundamental pillars in our sustainability strategy, which has marked our performance in the field of Corporate Social Responsibility.

In 2021, we continued to promote synergies with stakeholders and work closely with communities in order to meet a range of highly varied challenges. Of special note in this regard were our donations of vehicles to Volunteer Firefighting Corporations (CETE - Paredes, Ourique, Fanhões, Coimbra, Fafe, Ponte da Barca, Freixo de Espada à Cinta, Viseu, Arruda dos Vinhos) and the Vieira do Minho Municipal Authority.

More information on our initiatives can be found in the following highlights.

Social Responsibility and Sustainable Communities

In 2021, the eighth edition of the AGIR REN Award, dedicated to the theme of Social Innovation in the response to Covid-19 was held. From the 100 applications submitted, first prize was won by the social project "SPEAK", by Share Your World (https://www.speak.social/en/). This is a platform that promotes the social inclusion of migrants and refugees through language learning and an informal social support network. Due to the pandemic, instead of face-to-face training, sessions are now digital, and in 2021, a mobile application was introduced that made it possible to democratize access to “SPEAK”, thus reaching a far wider audience. Second place went to the initiative “CoAction Against Covid-19”, a Prochild project (http://prochildcolab.pt/), in Guimarães, which promotes child and family welfare and mental health, while also assessing the impact of the pandemic. The Aveiro Professional School (https://www.epa.edu.pt/pt), with the integration of students from problematic backgrounds in a “First-Aid Team” won third-place.

Raised awareness and a spirit of solidarity for causes and projects was achieved through numerous initiatives where the contribution of our employees was decisive. This was the case with Giving Tuesday, celebrated on 30 November, but which lasted inside the company until 31 December, through a charity collection campaign. “REN Father Christmas” is an action which has benefited from the spirit of solidarity shown by our employees since 2013, and was another initiative which was successfully repeated in 2021. In this edition, 17 young boys from the Casa dos Rapazes (Boys’ Home) were sponsored (www.casadosrapazes.pt) enjoyed a happier Christmas as a result of our efforts. “Red Nose Day” was also part of our solidarity agenda with a campaign to raise funds through the online sale of various items, making sure that this programme once again managed to bring a smile to the face of hospitalized children. (www.diadonarizvermelho.pt).

In 2021, donations were also raised for the Portuguese League against Cancer (www.ligacontracancro.pt) through solidarity initiatives proposed by employees via the Movember movement.

We also continued our support for a wide range of institutions such as the Gil Foundation, and their home care project (www.fundacaodogil.pt), the Associação Quinta Essência (Fifth Essence Association - www.quintaessencia.pt), whose mission is to maximise the autonomy and integration of people with cognitive impairment, and the Associação Salvador (Salvador Association - www.associacaosalvador.com). Several solidarity campaigns were also promoted internally by partner organizations and institutions, including the Barrete Solidário (Solidarity Cap) programme run by the Salvador Association.

The year was also marked by a solidarity campaign to collect essential goods for the Social Bank run by the Union of Wards of the Porto Historical Centre. Also of note was the donation of computer material to the REN/EDP Retired Persons Association (www.arep.pt) and the recycling of company computer equipment which was provided to the Associação Dignitude (Dignity Association)/Abem Fund (www.abem.dignitude.org). Also in 2021, we donated three vehicles to three social solidarity institutions (Gondomar Social - Community Intervention Association; Bucelas Ward Social Support Institution, Loures; and the Arez Santa Casa da Misericórdia, in Nisa).

Our social support does not end here though. In 2021, João Correia, a wheelchair athlete who we have supported for several years, fulfilled his "dream of a lifetime: to wear the Portuguese shirt at a Paralympic Games". This athlete, who was the first Portuguese to win an international medal in wheelchair athletics, was part of the entourage of 33 athletes who represented the colours of Portugal in Tokyo. In the field of sport, since 2012 we have also supported five-time national champions, the Wheelchair Basketball team of the Braga District Delegation of the Portuguese Association for the Disabled (www.apdbraga.pt). We also supported the Adapted Sports Week run by the Salvador Association.

In terms of support for arts and culture, we contributed to the Jerónimos Monastery conservation project and continued our support for the Serralves Foundation (www.serralves.pt).

With respect to proximity and support for communities in the field of the environment, highlights include the setting up, together with the Municipality of Valongo, of an organic vegetable garden benefiting more than 170 families, schools and associations in Ermesinde.

The focus on education and awareness continues to be a mainstay in our social responsibility policy and strategy with respect to the environmental and the “Heroes of all Kinds” programme (www.heroisdetodaaespecie.pt) is the best example of this. Aimed at year 3 and 4 primary school children across the country, this educational initiative, which has the support of the Ministry of Education, Environment and Energy Transition, has already reached more than 4,000 schools throughout Portugal. In 2021, this project took place in a completely digital format due to the constraints posed by the pandemic, which prevented face-to-face contacts at schools. During 2021, also due to the pandemic, we were once again forced to suspend our reforesting programme “Juntos Plantamos o Amanhã” (Planting Tomorrow Together). This programme seeks to raise awareness among secondary school students for the need to create a sustainable ecosystem.

Education, Innovation and Development

With regard to innovation and development in the Portuguese energy sector, in cooperation with educational institutions, a special mention should be made of the REN Award, the oldest scientific award in Portugal, which is now in its 26th year, with 37 applications submitted last year (27 relating to Master's Degrees and 10 to PhDs). Created in 1995, the REN Award continues to demonstrate our full commitment to accompany the transformations and developments which have shaped the energy sector, to foresee challenges, identify problems and propose innovative solutions (www.ren.pt/pt-PT/sustentabilidade/premios_ren). In 2021, award-winning doctoral and master's theses dealt with current themes and topics relating to the current energy transition, with a view to decarbonization through diffusion models in electrical system planning and policies, a tool to support grid management - Optimal Power Flow (OPF) – capable of dealing with the uncertainties and variables relating to the production and consumption of Renewable Energy and Distributed Energy Resources (DER) which compares the traditional reinforcement of networks and the use of DER flexibility, more specifically, the relevance of the flexibility of these two-way networks in network planning and expansion.

In 2021, inspired by the REN Award, we created and awarded, together with the Centro Ciência LP and the Foundation for Science and Technology, the REN - Ciência LP Medals of Scientific Merit, for research work carried out by young people from African countries with Portuguese as the Official Language (PALOPs), in the areas of energy and energy transition. Taking place twice a year, in this first edition, the REN - Ciência LP Medals of Scientific Merit received 16 applications(https://www.ren.pt/en-GB/sustentabilidade/medalhas_de_merito_cientifico). The winning projects in the Young Students category addressed the movement of power and renewable energies. In the category of Women Researchers, the winning topics focused on PWM three-phase regenerative rectifiers and public energy policies.

Through our MEDEA Award and in partnership with the Portuguese Physics Society, we once again recognized the work of outstanding school science projects in the subject of electromagnetic fields. In addition to gaining greater scientific knowledge, particularly in the field of physics, and developing their critical thinking, students are also challenged to search for scientifically reliable information on the potential effects of electromagnetic fields on human health. In this 12th edition, the MEDEA award involved 151 students from all over the country and 25 teachers, representing 24 teaching institutions in Portugal. First place was awarded to a team of students from the Carrazeda de Ansiães Primary and Secondary School, in the district of Bragança. In the 2021 edition, honourable mentions were given to two teams of students from the Valongo and Penafiel schools.

In addition to our usual support for innovation and academic research, which are undeniable focus points of our work, we also sponsored the Technical Fuel Cell project (http://tfcell.tecnico.ulisboa.pt/) through a Protium Energy Sponsor. This initiative, which aims to build an urban vehicle powered by hydrogen, in addition to contributing to innovation and academic research, also addresses the challenges of energy transition, which are of significant relevance to us. It is also aligned with the SDGs Nos 9, 11, 13 and 17. We also promote internships in the field of innovation, where highlights include work carried out in partnership with the Higher Technical Institute/InnoEnergy (www.innoenergy.com) "Evaluation of the Introduction of Hydrogen into the Portuguese Gas Transmission System".

We defined a volunteer strategy so that each person can give the best of themselves

Despite the distance and uncertainty experienced as a result of the COVID-19 pandemic, we continued to ensure the proper functioning of corporate volunteer actions by using alternative formats. These initiatives, which promote the involvement of the company and our employees with local communities, take place in different areas: education, environment and social support.

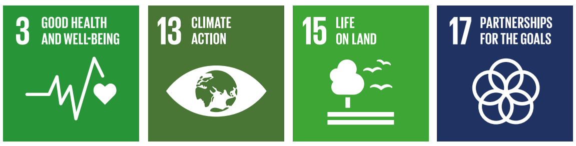
As in the previous year, despite the challenges arising from the pandemic that prevented us from carrying out any face-to-face volunteer actions, REN gave its best through digitally implemented actions. During 2021, we carried out eight volunteer actions involving the participation of 51 volunteers. The 624 hours of volunteer work carried out in 2021, an increase of around 11% over 2020, is the result of the commitment by our employees to society, even in the face of the pandemic.

Of note in our work in the field of education was the Share Programme and the participation of 23 employees in Junior Achievement Portugal's youth entrepreneurship programmes (www.japortugal.org), which were once again in a digital format. The REN Potential Initiative in mathematics tutoring, which promotes the fight against early school leaving and academic failure, run in partnership with EPIS – Entrepreneurs for Social Inclusion (www.epis.pt), also took place completely online. 16 REN volunteers provided 10 students in year 5 and 6 of the Escalada de Pampilhosa da Serra School Grouping with an experience that resulted in not only improved grades, but also in better confidence, autonomy and a taste for mathematics individually and throughout the school in general. Close and regular contact with the working environment at REN was also an asset which was made possible by the virtual format.

Also noteworthy in relation to social support, was the continuation of the Em Linha (Online) project, through the participation of five volunteers in the "Comfort Calls" initiative run by the REN/EDP Pensioners' Association (www.arep.pt). This is an initiative which continues to promote interaction among former and current employees, fighting loneliness, the lack of family and affection while also allowing experiences to be shared. A further highlight in this regard was our participation in the Adapted Sports Day initiative run by the Salvador Association.

As in 2020, the effects of the pandemic experienced around the world prevented the holding of our now iconic actions in the Social Responsibility calendar. In relation to the environment, the annual awareness raising action to clean the National Hunting Grounds of Mafra (www.tapadademafra.pt), covering 16 hectares, and the cleaning of Belinho beach at the North Coast Nature Reserve, once again did not take place due to the pandemic.

Environmental protection, biodiversity and the decarbonisation of infrastructure



We strive to minimize the environmental impacts of our activities, use natural resources rationally, prevent rural fires, raise awareness among the population, support the development of renewable energy and promote and sponsor projects that are in line with our sustainability goals and the objective to decarbonize our infrastructures.

In this regard, we would like to highlight the fact that we were the first Portuguese company to join the European Transport4nature initiative (https://www.iene.info/projects/transport4nature/), which aims to encourage companies working in the transport of goods, people and energy on a European level, to protect, promote and restore biodiversity and which follows and subscribes to the principles of the Act4nature International initiative (http://www.act4nature.com/en/), to which we have been committed since 2020. During 2021, we also subscribed to the open letter "The Greenest Choice", with a commitment to make even more environmentally responsible choices.

With respect to environmental protection, REN has developed a model mapped out on a series of instruments and practices for managing forest firebreaks in line with the new National Plan for the Integrated Management of Rural Fires, in order to provide greater security in the operation of infrastructure, due to greater resilience to rural fires and other extreme weather events.

Bearing in mind the impact that fires can have on our infrastructure and the resilience that our maintenance actions provide to the surrounding land, we are one of the founding members of ForestWISE – Collaborative Laboratory for Integrated Forest and Fire Management (https://forestwise.pt/), which conducts innovative multidisciplinary research and transfers of knowledge with respect to integrated forest and fire management.

2021 was also marked by our participation in the rePLANT project (www.replant.pt), which aims to create new technologies to develop the Portuguese forest and improve forest safety. REN earned international recognition for its work in protecting forests and fighting fires, which was highlighted by PREVAIL (PREVention Action Increases Large fire response preparedness), a project funded by the European Union Civil Protection Mechanism Programme As a result, the company now forms an integral part of the platform "Lessons on Fire - Landscape Solutions to Wildfire".

Also with regard to forestry, we joined the European FIREURISK project – Developing a holistic and risk strategy for European Forest Fire Management (https://fireurisk.eu), funded by the European Horizon 2020 Programme. The project is coordinated by the Association for the Development of Industrial Aerodynamics (ADAI), at the University of Coimbra, involves 39 partners from 27 countries, including six other national entities, and aims to achieve the sustainable management of access corridors by developing innovative and more resilient solutions.

In addition to optimization and efficiency in the management of access corridors, REN's partnership with QUERCUS “Common Forest” to promote and encourage the creation of a native forest with high levels of biodiversity and good ecosystem services, has also allowed the defence of forests against fires to be improved. This partnership has also promoted the profitable use of spaces abandoned by owners and has improved the forest planning and management model. Furthermore, the lessons learned have been incorporated into company practices.

Under the Recovery and Resilience Plan (RRP), we joined the project Transform – Agenda for the digital transformation of forestry value chains in a more resilient and low-carbon Portuguese economy, which was approved for the development of the 2nd phase of the process.

Also in relation to the decarbonization of forest management, due to our extensive experience in the field, we are supporting the testing of autonomous, modular and fully electric robot forest which will perform wood clearing and firebreak maintenance as set out in the E-Forest project, in collaboration with the University of Coimbra.

Recognizing the decisive role of companies in climate action, we signed the manifesto “Towards COP26” promoted by the Business Council for Sustainable Development (BCSD) Portugal.

Also of note is our collaboration in the InduForesFire research project (www.induforestfire.pt), which aims to study the behaviour of fire around industrial areas, in order to propose sustainable management alternatives that minimize the potential for the spread of fire.

Recognizing the decisive role of companies in climate action, we signed the manifesto “Towards COP26” promoted by the Business Council for Sustainable Development (BCSD) Portugal, a document that came about as a result of the 26th United Nations Conference on Climate Change (COP26) and which sets out 11 goals to stop climate change. Also in this regard, we maintained our partnership with the ECO Movement – Companies against Fires.
The aim of this programme is to promote the prevention of forest fires and raise awareness among the public in relation to activities that could lead to fires. We also remain committed to the objectives of the letter of commitment “Business Ambition for 1.5º”, which we signed in 2020, and which seeks to lead companies worldwide to create measures to combat climate change.

We have taken on the role of facilitator with regard to energy transition in Portugal and, to achieve this objective, we have an ambitious annual investment programme to carry out a wide range of initiatives, with the goal of increasing Renewable Energy Sources (RES) in the National Electricity System (SEN), the decarbonization of the National Gas System (SNG) and ensuring the supply security of both systems.

Also in this regard, we participated in the setting up of the HyLAB - Green Hydrogen Collaborative Laboratory, an institution that aims to bring research activities closer to industrial ecosystems, as part of the green hydrogen economy.

With regard to the decarbonization of gas networks, we received approval under the RRP, for the next phase of H2Green Valley, which seeks the coordinated, scalable and innovative mobilization of a series of projects in the hydrogen value chain, focusing on the transmission and distribution networks so as to create the first H2 Valley in Portugal, in the Sines region. Producers and consumers will be directly linked, allowing the development of a new range of innovative services in the region and the development of the green hydrogen economy.

We also played a part in a recent study by EHB - European Hydrogen Backbone, which forms part of the Gas for Climate initiative (https://gasforclimate2050.eu/), which aimed to update the benefits which can be gained through an integrated hydrogen infrastructure vs. cluster systems.

Under our participation in the GIE – Gas Infrastructure Europe and through the GSE – Gas Storage Europe, a pillar of the GIE, we took part in a detailed technical study, along with a group of other TSOs, on the potential of hydrogen storage in current infrastructures, in view of our role in energy transition.

Due to our commitment and action regarding the reduction of methane emissions, we were presented with the "Gold Standard" award by the Oil and Gas Methane Partnership (OGMP 2.0), headed by UNEP (United Nations Environment Programme) in partnership with the European Commission, UK Government, Environmental Defence Fund and leading Oil and Gas companies. This initiative aims to reduce methane emissions and supports the implementation of a monitoring, reporting and verification system to more accurately detect and quantify emissions by operators in the sector. The annual reports of this initiative represent the highest standard of methane reporting, requiring companies to report their emissions from all asset sources throughout the value chain.

REN is responsible for implementing and managing the GO issuing system and early 2021 saw a significant volume of entities and installations registering in the EEGO system (Guarantees of Origin Issuing Body), the start-up of certification of electric energy produced through cogeneration and the start of National Electricity System (SEN) GO auctions. By the end of the year, five auctions had been held, resulting in a contribution of around €9.2M to SEN.

As part of the decarbonization of electric mobility, REN was approved for the next phase of HyPower Mobility, Mobilizing Agenda for Innovation in Sustainable Mobility at Extra-High Voltage, which is aiming for the industrial development and first commercialization of an innovative solution, patented by REN, to supply electricity for charging electric vehicles (road and others). The concept, which has been named HPEVCS (High Power Electric Vehicle Charging Stations), consists of an installation with a special connection to an existing Extra-High Voltage (EHV) line and a new concept of substation based on transformers which convert EHV to Low-Voltage (LV). These transformers provide high power energy and availability at low voltage, to supply electric vehicle charging stations. REN is studying the adaptation of this solution to forestry requirements that will allow the gradual decarbonization of forestry operations.

In relation to the REN Chair in Biodiversity and our culture of innovation, we continued to support research and development into bird life in particular, and biodiversity in general. Innovative projects were implemented such as DFOS Distributed Fibre Optic Sensing for bird collision detection on Extra-High Voltage overhead lines or the Stork disturbance online mitigation system for overhead lines. We also renewed our support for CERVAS - Centre for Ecology, Recovery and Surveillance of Wild Animals (www.cervas-aldeia.blogspot.com), our partner for over four years in a range of actions to preserve the environment, help in the recovery of injured wild animals, habitat conservation and environmental education.

In conjunction with the Portuguese Environment Agency, we continued the project "Environmental impact studies: virtual visit", with the publication of two new videos. This is a completely virtual solution using illustrative videos with images captured by drone and Google Earth, which we used for the first time in 2020, due to the difficulties caused by the COVID-19 pandemic, which prevented the usual field visits from being carried out by the entities belonging to the Environmental Impact Assessment Commission. The videos are available on our YouTube channel (https://www.youtube.com/user/NovaEnergia2012/videos) and provide stakeholders with an effective overview of the territory and projects, facilitating the decision-making process and enabling greater transparency throughout the process. The innovative nature of this solution allowed us to win, in September 2020, the Good Practice of the Year Award, run by the Renewables Grid Initiative. This prize was awarded for the innovative way in which this project allowed us to improve our communication with stakeholders, despite the pandemic.

Ethical and sustainable governance model

In order to guarantee the sustainable development of our activities, REN has developed a series of generalized and transversal initiatives:

REN Strategic Plan 2021-2024

We presented a strategic plan for the 2021 to 2024 period, where sustainability is one of the central pillars. This strategic plan reinforces our commitment to energy transition, with the firm objective of achieving carbon neutrality by 2040.

Sustainability Committee, an integral part of the REN Board of Directors

In 2021, the REN Board of Directors formed a Sustainability Committee, whose main objective is the strategic analysis of the evolution of commitments to ESG (Environmental, Social and Governance) objectives, supervision of the respective implementation and decisions on new actions within the Board of Directors.

This new governance structure is directed at ESG and aims to achieve broader organization in the implementation of the action plan and communication with respect to sustainability.

The Sustainability Committee consists of the current three members of the REN Executive Committee, and two members of the Board of Directors.

Reinforcement of internal competences

Additionally, from a functional organization perspective, we reinforced in-house resources allocated to sustainability management by increasing those allocated to the Communication and Sustainability Department and also by strengthening competences in this area.

We also created a new Operational Sustainability Department, as well as a Renewable Gas Planning area, the latter integrated into the Studies and Regulations Department.

Transparency, Anti-corruption and Whistleblowing

In 2021, the REN Group Board of Directors approved the new REN Group Integrity Policy, which establishes the principles of action and duties of Group companies and other partners, in order to prevent illegal acts, more specifically, crimes of corruption, money laundering or the financing of terrorism.

The REN Group Integrity Policy aims to promote ethics, integrity and transparency in the conduct of business, ensuring compliance with legislation and regulations in force.

In its current version, the REN Group Integrity Policy covers the priorities set out in the National Anti-Corruption Strategy.

The REN Code of Conduct continues to be reviewed and monitored on a regular basis so as to promote a governance model which is both ethical and sustainable.

2021

We implemented a new Integrity Policy that aims to promote ethics, integrity and transparency in the conduct of business, ensuring compliance with legislation and regulations in force.

Internal communication was also reinforced, particularly with regard to the whistleblowing channels, with information aimed at employees, governing bodies and other agents that interact with REN, including memos on the company intranet, which also seek to increase the awareness of employees with regard to this complaint mechanism.

As is already the case with the REN Code of Conduct and the procedures applicable to the handling of communications and the investigation of irregularities, a training course is currently being prepared addressing the topics of the Group Integrity Policy. The course will be both transversal and regular in nature.

With the same aim in mind, the mechanisms by which employees and other agents that interact with REN acknowledge and accept this policy were also reinforced. When new employees are taken on, regardless of their relationship with the company, they are required to declare that they are fully aware of and accept the provisions of the REN Group Code of Conduct as well as the procedures applicable to the reporting and investigation of irregularities and the REN Group Integrity Policy.

REN also has specific programmes to address this issue with suppliers, e.g., the Source - a programme for the centralized autonomization of the purchasing and supplier qualification process.

The Code of Conduct, the procedures applicable to the handling of reports and investigation of irregularities and the REN Group Integrity Policy are made known to all employees, and are always available in REN buildings and on company websites (internet and intranet). This code is regularly updated and tested, and training is also provided on the subject.

Corporate Governance and Ethics Committee

Also in 2021, the REN Board of Directors broadened the competence and work of the Corporate Governance Committee in order to also expressly address the topic of ethics.

Particular attention was paid to the reinforcing of risk management in terms of ethics and monitoring the implementation of the Code of Conduct and internal rules and policies.

As such, in 2021 the REN Board of Directors changed the name of the committee to the Ethics and Corporate Governance Committee.

With regard to good external practices, the company continues to subscribe to the CEO Guide on Human rights issued by BCSD Portugal-Business Council for Sustainable Development (www.bcsdportugal.org), an initiative whose goal is to motivate business leaders to promote the defence of human rights and improve people's living conditions.

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

As a founding member of the Portuguese Network of the United Nations Global Compact (www.unglobalcompact.org), the goals of which we have adhered to since 2005, we have implemented an action plan to reduce our direct emissions. This is evidenced in the electrification of the fleet and the good results achieved in terms of reducing sulphur hexafluoride (SF_6) emissions, a gas used as an electrical insulator (dielectric) in a range of high voltage equipment. We are also committed to reducing methane emissions with respect to the gas infrastructure we operate. More specifically in this regard, we have taken part in international working groups where these issues are discussed, and have implemented a range of measures to minimize environmental impacts associated with GHG emissions.

Additionally, in relation to the governance model, we renewed our certification in 2021 awarded by APCER (Portuguese Certification Association) for our Social Responsibility Management System (standard NP 4469-1). This means that the best practices implemented within the company with respect to sustainability and social responsibility are recognized by an independent entity. APCER also certified the Research, Development and Innovation Management System of five companies in the REN Group, in accordance with standard NP 4457:2007: REN Serviços, REN Elétrica, REN Gasodutos, REN Armazenagem and REN Atlântico. Certification was also obtained in accordance with ISO 22301:2019 for the Portgás Business Continuity Management System. We also became certified this year by the Institutional Shareholder Services to issue "Green Bonds".

Externally, we continued to focus on improved and more suitable communication with all our stakeholders, as well as the transparency implicit in our strategy, introducing a new platform providing statistical information, the REN DATA HUB (https://datahub.ren.pt/en/). This platform provides up-to-date, interactive and interesting information on the most relevant quantitative data relating to the national energy sector. Also in this regard, we once again used our culture of innovation to present a new version of the REN Investors App, available on (**Google play**|**App store**).

5.3. PERFORMANCE MANAGEMENT

5.3.1. Social performance

Human Resource Management and Development

2021 was marked by evolution in the organization of the company's human resource policies and practices to meet the new challenges of our strategic plan.

This evolution involved the transformation of our organizational structure, taking into account

the need to develop greater agility and responsiveness to specific sector challenges, succession needs in critical business areas and recognition and retention of critical talent in the organization.

From a human resource policy perspective, the evolution and transformation process was based on six structural vectors:

We committed to the goal of achieving at least 1/3 of women in management positions by 2030.

- Future work organization model - using the experience gained in the management of the pandemic, and in a process which saw extensive involvement by all employees (general questionnaire, workshops), we sought to establish guidelines for the future post-pandemic work model based on principles of flexibility, focus on results, sense of group and commitment. This process also involved assessing the need to adapt spaces and ways of working in order to evolve towards a culture which is both collaborative and close-knit Of note was the start of the process to train leaders and teams for work in hybrid models through a series of dedicated sessions.

- Talent management and meritocracy – from a development perspective, the 360º performance management processes continued to serve as the basis for identifying and recognizing talent and succession, as well as for identifying cross-company and individual training needs. The practice of holding retention, alignment and development interviews with different employees, a process which was started in 2020, was further consolidated in 2021.

- Development and training – the project to transform the training model using flexible models and on-demand learning, continued to be implemented with the evolution and creation of new e-learning courses, an increase in online opportunities and the development of a new training platform.

- Equality, inclusion and diversity – gender equality, which has been focused on through different initiatives since 2014, gained new impetus with the formalization of a strategic objective for the REN Group: for women in management to hold at least 1/3 of total positions by 2030. In addition to ongoing actions, new partnerships and support programmes were formalized, such as the “Engineers for 1 Day” initiative, our commitment to the “Alliance for Equality in ICT” and sponsorship of the “Girl Move Academy” initiative.

- With respect to inclusion and diversity, we continued to invest in partnerships with different entities and in the assessment of integration opportunities in relation to available opportunities.

- Digital transformation – the digitization of human resource processes and the digitization of the interface with our employees was another area we focused on. In addition to starting the development of a new training platform, an application was also launched to facilitate the management of scales in hybrid work models.

- Welfare proposal – management of the pandemic brought organizational and individual resilience to the fore as one of the priority topics of 2021. In addition to specific measures to support management with regard to the pandemic (which included an extra day off besides the already existing flexibility measures), issues of well-being and mental health were emphasised as areas of priority concern to be reinforced under the Nós Programme - the aim of which is to promote well-being, quality of life and overall satisfaction for REN employees.

A particular highlight in this regard was the partnership formed with the José Neves Foundation in the launch of the 29K application (offering different personal development courses), reinforcement of a mental health protocol with screening of symptoms by Occupational Health professionals, free psychology consultations and the raising of awareness throughout the organization via a webinar on this topic.

All the above mentioned initiatives were supported through reinforcement of internal communication. In addition to the Manager Meetings, Director Meetings and several digital events promoted during the year, sessions were also held to strengthen team spirit in the different departments (digital off-site teams) in order to ensure alignment and a sense of belonging.

Human Resources Profile

Employees, Hiring Policy and Diversity	2021	2020	2019
Full-time employees	697	**692**	**670**
Men	524	523	508
Women	173	169	162
Fixed term contracts / Internships	4	**5**	**14**
Men	4	5	10
Women	0	0	4
Total No of Employees	701	**697**	**684**
Gender Diversity - % Women	24.7%	24.3%	24.3%

At the end of 2021, REN had 701 employees, four more than in December 2020.

REN's hiring policy, based on labour stability, as well as the consistency and maturity of our business in recent years, is reflected in the type of contracts offered and the majority of REN workers are full-time.

The weighting of female employees at REN grew slightly in 2021, now representing approximately 25% of the workforce.

Average Age and Length of Service	2021	2020	2019
Average age (overall)	45.8	**45.4**	**45.4**
Men	46.4	46.0	46.2
Women	44.2	43.6	43.0
Average length of service (overall)	17.2	**16.9**	**17.1**
Men	17.8	17.6	18.0
Women	15.3	14.9	14.4

Average age continues to be 45 and average length of service is 17 years.

Rotation Rate	2021	2020	2019
Overall	3.3%	4.8%	3.6%
Men	2.8%	4.7%	2.8%
Women	4.7%	5.1%	5.8%

The rotation rate has fallen in recent years as a result of fewer natural departures of staff and respective replacement.

Distribution of Employees by Functional Group		2021	2020	2019
Management	Managers	26	27	27
	Men	18	18	18
	Women	8	9	9
	Management	48	50	50
	Men	35	38	38
	Women	13	12	12
Team	Senior Managers	392	385	375
	Men	281	278	270
	Women	111	107	105
	Field / Administrative	235	235	232
	Men	194	194	192
	Women	41	41	40
Total No of Employees		701	697	684
Gender Diversity in Management Positions - % Women		28,4%	27,3%	27,3%

REN's organizational structure has remained stable in recent years, demonstrating full alignment with current needs and suitability for the challenges of the business.

Evolution in the weighting of female workers is also visible when considering only Directors / Group Management, demonstrating the company's full commitment to promoting gender equality.

Employee Distribution by Age Group	2021	2020	2019
Up to 29 years old	51	57	60
Men	33	37	36
Women	18	20	24
From 30 to 49 years old	392	394	382
Men	289	291	284
Women	103	103	98
50 or older	258	246	242
Men	206	200	198
Women	52	46	44
Total No of Employees	701	697	684

REN employees are aged mostly between 30 and 50. A small increase was seen in the above 50 group, demonstrating the challenges of succession and passing on of knowledge in coming years.

Employee Distribution by Academic Qualifications	2021	2020	2019
Advanced Training	168	162	146
Men	112	108	96
Women	56	54	50
Higher Education	308	307	309
Men	220	221	222
Women	88	86	87
Secondary education	185	185	181
Men	163	163	159
Women	22	22	22
Primary education	40	43	48
Men	33	36	41
Women	7	7	7
Total No of Employees	701	697	684
Higher Education (overall)	67.9%	67.3%	66.5%
Men	62.9%	62.3%	61.4%
Women	83.2%	82.8%	82.5%

The weighting of degree holders at REN (67%) demonstrates the company's sustained focus on the academic qualifications of our personnel. Of note is the higher average level of academic qualification among our female employees, illustrating focus on higher education for women.

Personal and Professional Development

REN TRAINEE PROGRAMME

The now consolidated REN Trainee programme has excellent levels of satisfaction. This programme consists of professional, academic and summer internships, where interns have the opportunity to work on specific projects, creating value for the organization while enhancing their own skills.

With limitations still being caused by the pandemic, 2021 was marked by the return of the summer internship programme, in an online format.
Of special note is the company's ability to adapt which, by reformulating the internship plans, we managed to change the programme to suit new working conditions, providing initial professional experience for a group of 12 interns.

Indicators	2021
Professional internships	16
Academic internships	11
Summer internships	12
Total	39

VIVA PROGRAMME

The VIVA Programme - Welcome and Integration - has been a huge success and has had a highly positive effect on new employees joining the company. In addition to providing an overview of the company, its values, mission and areas of business, it also allows newcomers to identify more quickly with REN and enable networking opportunities. 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 which REN promotes 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 useful knowledge for a positive onboarding experience and speedy development.

Indicators	2021
No of Editions	2
Satisfaction Rate – VIVA Programme (%)	97%
Satisfaction Rate – VIVA e-learning (%)	100%

CAMPUS REN

The REN Campus is REN's training model which is 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 across-the-board and specific training programmes which are in alignment with the company's strategy and business. The main aim is to drive the growth and development of the business through the development of people, with differentiated supply directed at the correct management of intellectual capital and the ongoing transfer of knowledge.

Training	2021	2020	2019
No of Hours of Training (overall)	24,415.9	25,325.1	29,858.0
Men	18,476.0	19,432.5	21,423.0
Women	5,939.9	5,892.6	8,435.0
No of Participants (overall)	4,460	3,432	3,959
Men	2,959	2,470	2,933
Women	1,501	962	1,026
No of Hours of Training per Employee	34.8	36.4	43.5
Men	34.9	36.9	41.6
Women	34.5	35.1	49.0

Among the different training programmes, REN offers workers development and growth opportunities through training in technical, behavioural and management areas.

Area of training (No of Hours)	2021	2020	2019
Behavioural	3,486.2	7,064.8	4,877.0
Technical	14,625.6	10,565.9	16,594.1
Quality, environment and safety	2,092.0	4,337.4	4,520.4
Management	4,212.1	3,357.0	3,866.5
Total	24,415.9	**25,325.1**	**29,858.0**

In the field of behaviour, with high levels of satisfaction and a growing participation rate, we have programmes from Schools of Communication and Leadership & Personal Development. The programmes on offer include Coaching and Mentoring courses 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:

- The REN Mentoring Programme is an 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 intended for all REN employees, particularly new admissions. The pool of mentors consists of employees from the different Business Units, Departments and Functional Groups. In 2021, 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, though both female and male mentors;

- The Coaching Programme is a 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.

Indicators	2021	2020	2019
% Employees attending Mentoring and/or Coaching Programmes	8%	5%	4%
% Satisfaction with Mentoring and/or Coaching Programmes	99%	84%	100%
% Effectiveness of Mentoring and/or Coaching Programmes	(1)	100%	100%

(1) Explanatory note: data does not exist on the assessment of the effectiveness with respect to 2021 as the respective assessment processes for these programmes have not yet been concluded. Assessment of effectiveness is carried out in two stages during each year via the annual cycle of performance assessment. This process involves both interim and final assessments, based on the schedule for the STAR programme - Performance Assessment. In both cases, actions undertaken at least six months ago are always assessed.

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 know-how 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, also allowing both networking as well as employee development to be extended through contact with senior staff and managers from other companies. In comparison with previous years, 2021 had the highest number of trainees attending the programmes promoted in partnership with higher education institutions. This fact represents how important this topic is for REN. Training is also subsidized in advanced and specialized programmes; 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 plans.

Indicators	2021	2020	2019
No of training courses in partnership with Institutions of Higher Education	16	8	8
No of trainees in training courses in partnership with Institutions of Higher Education	93	31	31

REN's training model is a tool for developing the potential and talent of employees in several ways. In the case of female talent, and as part of the Gender Equality Plan, REN also encourages its 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.

It is also important to note that, under the REN Campus, specific development plans are defined for the new leaders of our organization. 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.

With regard to obligatory and transversal courses for all workers, of note was the e-learning course on "Ethics and Code of Conduct". In addition to established employees, new workers and interns are also required to attend this course when they join the company. Due to the relevance of the topic, and in order to ensure the recycling of knowledge, all employees repeat this course every two years.

All training provided and the annual REN training plan are communicated to all staff via a range of internal channels:

- Intranet - brochures are available on all of the transversal programmes, including those provided by external teaching institutions. Brochures for programmes with other outside organizations and in-house trainers are also available, meaning that information is accessible for all employees interested in registering for the different programmes.
- Requirements survey platform – managers can consult the training available at REN before identifying the training needs of employees.
- Monthly Newsletter – news is published on the programmes underway or about to start;
- Talentia – training management platform allowing all employees to consult their individual training and development. Managers can also consult the training plans for their teams.

Finally, the need to adapt to new learning models and identify new skills required for the transition underway in the sector is seen as a priority. As such, in 2021, the transformation project for the training model was started, using models which are flexible and cater for on-demand training. Other highlights this year included the development of new e-learning courses, an increase in the digital training provided and the development of a new training platform.

STAR PROGRAMME – PERFORMANCE MANAGEMENT

REN sees performance management as an organizational and individual requirement for every manager and employee, as Group results depend on individual and collective performance. The main aim of REN's performance management model is to provide information enabling the company to get to know and manage the performance and potential of our employees, and support their path to personal and professional development.

2021 was a year which saw the stabilization of the performance assessment model for the entire group, and the process ran without complications and was able to adapt to new challenges and business situations, but was also able to satisfy the needs identified.

STAR - the REN performance management programme - applies to all REN employees who work under contract in one of the Group companies (active on the date the assessment is carried out) and who have worked for a minimum of six months in the assessment year (contracts starting on or before 1 July of the previous year).

STAR Indicators	
No of Employees Covered	668
% Assessments Concluded	100%
Average – Final Assessments Competences (1 to 3)	2.53
Average – Final Assessments Goals (1 to 5)	4.19
% Bonuses calculated with respect to the number of assessments	100%

STAR – the REN performance management programme - consists of assessment and informative components which support the assessment process. The assessment components are subdivided into Objectives and Skills, and contribute to management decisions, more specifically, variable remuneration, salary/career progression, internal mobility, training and development or talent and succession management.

The 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 the completing of a questionnaire on interests and expectations (360º assessment).

All of these 360º assessment processes are analysed in detail by HR with a view to identifying transversal and individual development plans. The proposing of training/development courses, and individual coaching or mentoring sessions are just some of the tools used.

Furthermore, the Questionnaire on Interests and Expectations (QIE), the main aim of which is to allow information to be compiled and systematized on the interests and expectations with respect to professional development (functional and/or geographical mobility, etc.) of every employee, allows us to better know our staff. With this in mind, individual retention and development management interviews are held.

Process	Total number of participants	Total number of replies	% Participation	Overall Averages (1 to 3)
Self-assessment	689	442	64%	2,65
Peer Assessment	689	400	58%	2,67
Subordinate Assessment	654	440	68%	2,65
Questionnaire on Interests and Expectations;	689	78	11%	-

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, in addition to promoting regular feedback, 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 with regard to variable remuneration depend on the obligatory feedback meeting being held for both assessor and assessee.

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.

Social Dialogue and Benefits

In the area of social dialogue with employee representation structures, numerous meetings were held which sought solutions and debate on matters of interest for both parties. The topics of working conditions, safety and health, salaries and careers as well as working times, dominated the respective agendas. As a result of dialogue and based on the ACT agreement established between the parties, a general salary increase of 0.5% was awarded to all employees covered by the REN ACT. This was also extended to the REN Portgás ACT.

Union membership at REN fell slightly in 2021 to around 35.7%. This slight decrease in the number of workers with Collective Work Agreements is due to the growth of the company outside Portugal (operations in Chile).

Other indicators	2021	2020	2019
% of Employees who are union members (overall)	35.7%	**36.9%**	**38.7%**
Men	40.3%	41.3%	43.4%
Women	21.4%	23.1%	24.1%
% Full-time ACT workers (overall)	98.4%	**99.0%**	**99.6%**
Men	98.1%	98.7%	99.4%
Women	99.4%	100.0%	100.0%

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

REN has sought to reinforce and find new forms of compensation which are perceived by employees in a positive manner and adjusted to the different times in the life of workers. 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.

In 2021, we extended the choice to different segments of REN employees and incorporated two new benefits: veterinary expenses and fuel.

Employees of REN Portgás have maintained their specific programme of flexible benefits.

BENEFITS	Employees with transitional scheme from previous ACT[1]	Employees with Flex Plan[2]	Employees with Flex-REN Portgás plan[3]	Employees with individual work contract[4]
Life insurance/ home loans		x	x	x
Personal accident insurance	x	x	x	x
Health Insurance		x	x	x
Sick leave insurance		x	x	
Complementary Health Scheme	x			
Pensions Plan - Defined Benefit	x			
Pensions Plan - Defined Contribution		x	x	
Electricity at reduced prices	x		x	
Study subsidy	x			
Education and child care vouchers		x	x	
Social Pass		x	x	
Fuel and Parking		x		
Technology		x		
Training Voucher		x	x	
Holiday Camps	x	x	x	x
Social Support Voucher/Health Plan		x	x	
Veterinary Expenses		x		

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

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

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

[4] Standard benefits agreed for individual work contracts.

Risk Management

In parallel with the debate conducted with the representative structures, more specifically the occupational health and safety committees, and under 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 their respective effectiveness

Health & Safety

The occupational health and safety management system is a fundamental part of REN's Policy. It is an integral part of the company's management, and includes the systematic analysis of risk in the preparation of work, incident analysis and the ongoing improvement of safety conditions. The promotion of a safe and healthy working environment is one of the most important factors for the satisfaction of our different stakeholders and contributes to our commitment to the effective management of health and safety.

The implementation of this strategy involves using operational control mechanisms in the different activities and stages of our asset value chain, the checking of requirements through an annual audit programme and technical safety visits, thorough and multidisciplinary assessment of incidents and through the involvement of the supply chain in different annual initiatives. The main objective is to prevent work related accidents and illnesses involving with respect to both company employees as well as the employees of contractors and service providers working with REN.

Safety

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

In 2021, a pilot project began using an IT solution for document management and control that allows the digitization of processes and the management and control of all documentation from companies, machines, equipment and workers, in contracts and services provided, guaranteeing the follow-up of the entire validation, approval and dissemination circuit. It also allows all stakeholders interested in the management of contracts to be able to consult the validation status of documentation, including through mobile devices, such as smartphones or tablets. The project ensures greater efficiency in terms of document management and, as such, allows supervision teams to allocate more time to the effective monitoring of the work in the field.

The annual audit program, which includes internal and external audits of the integrated quality, environment and safety system, also makes it possible to validate whether contractors and service providers are complying with contract terms, safety procedures and the good rules applicable to the jobs being undertaken.

Additionally, a study was carried out by the National Engineering Laboratory (LNEC) to assess the state of conservation and safety of the metal towers in the National Gas Transmission Network (RNTG). Based on the same study, the metal towers at RNTG stations were upgraded, increasing their safety and that of workers. The following actions are of note:

- assembly of an anti-fall safety system (guide rail);
- improvement of tower protection, with regard to the replacement/repair of cable and equipment fastening systems, for both the lightning protection system (lightning rods) as well as earth connections;
- a new redundant lighting system was installed for night time beacons signalling the towers, in compliance with rules on the signalling of artificial obstacles for air navigation.

Finally, following an accident that occurred at a substation in 2019, a plan consisting of six actions was implemented, with a view to drawing up proposals for action in order to prevent events of the same nature from happening again, increasing the safety of our workers and service providers. Of note is the development of: a. Electrical risk control procedures; b. Electrical risk control procedures and ATEX – ATmosphere EXplosive); c. Human resources (provision, training and skills); d. Contracting and qualification of suppliers; e. Organization of work and operational control; f. Communication.

2021

We implement policies, safety procedures and the best practices in this area with the aim to reduce accidents in the workplace.

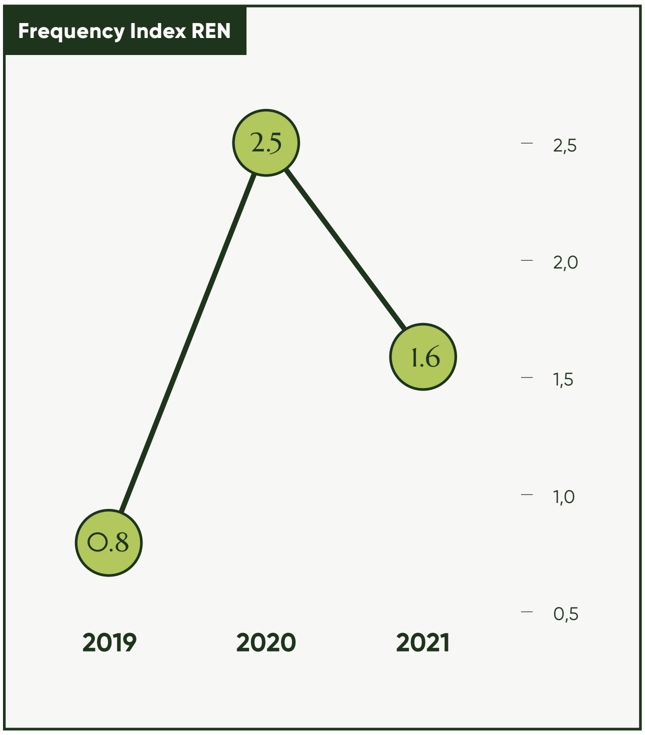
Data relating to 2021 were as follows:

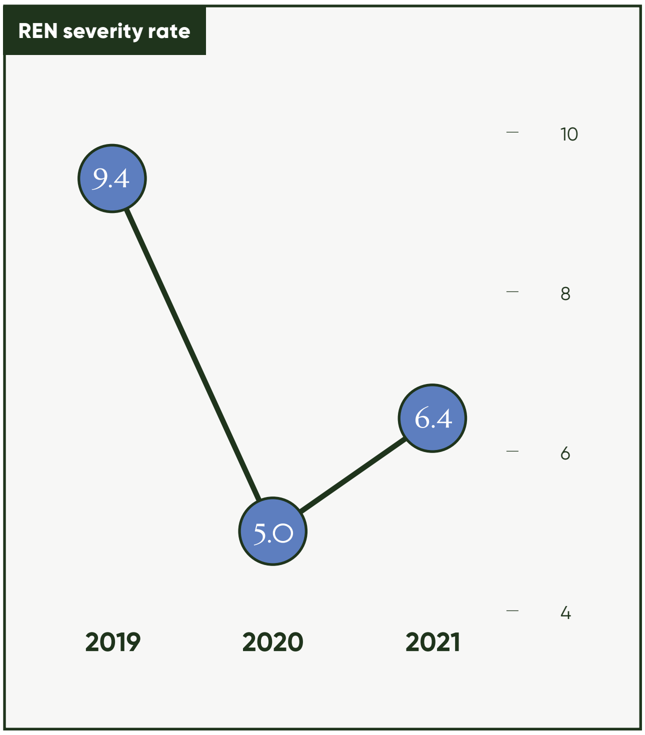
Company	No of employees[3]		No of hours worked		No of fatal accidents		No of non-fatal accidents		No of days lost	
Sex (M/F)	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
REN Eléctrica	184	26	328,300	43,211	0	0	2	0	169	0
REN Serviços	117	90	203,777	153,600	0	0	1	0	0	0
REN Gasodutos	84	14	142,556	24,382	0	0	0	0	0	0
REN Atlântico	28	2	48,648	3,205	0	0	0	0	0	0
REN Armazenagem	11	0	20,072	0	0	0	0	0	0	0
REN Trading	5	1	6,327	2,024	0	0	0	0	0	0
REN TELECOM	3	0	5,275	0	0	0	0	0	0	0
ENONDAS	1	0	1,718	0	0	0	0	0	0	0
REN SGPS	9	10	16,084	14,219	0	0	0	1	0	0
R&D Nester	15	2	26,000	3,500	0	0	0	0	0	0
REN PRO	28	13	47,976	22,499	0	0	0	0	0	0
REN Portgás Distribuição	56	14	93,348	24,714	0	0	1	0	19	0
Transemel	6	1	11,970	1,186	0	0	0	0	0	0
Total REN	547	173	943,447	290,451	0	0	4	1	188	0
Total contractors and service providers	1,402	175	2,915,413	363,085	1	0	28	0	1,225	0

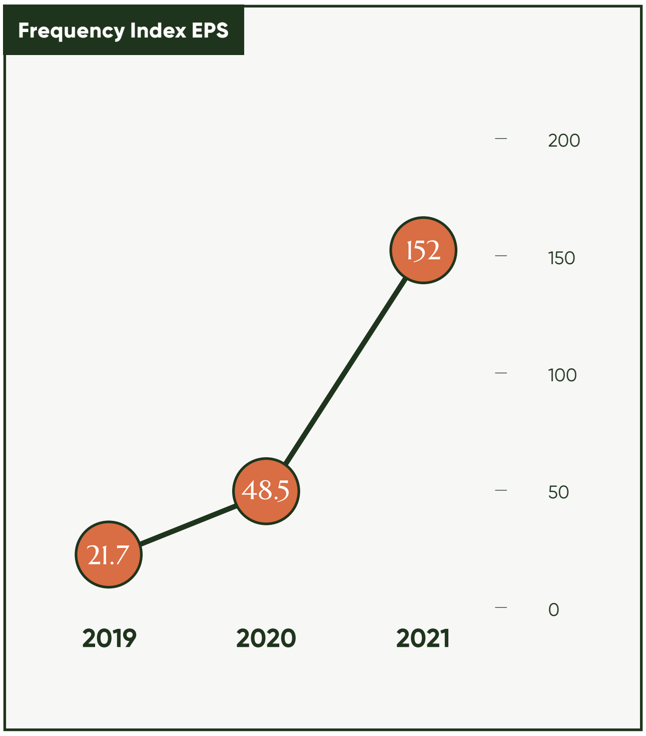
In 2021, there were two fewer accidents involving REN workers than in 2020. However, 129 more days were lost. Of the five accidents taking place in 2021, four involved full-time employees. Of the 188 days lost, 98 were the result of two full-time work accidents and 90 from a full-time accident which took place in 2020.

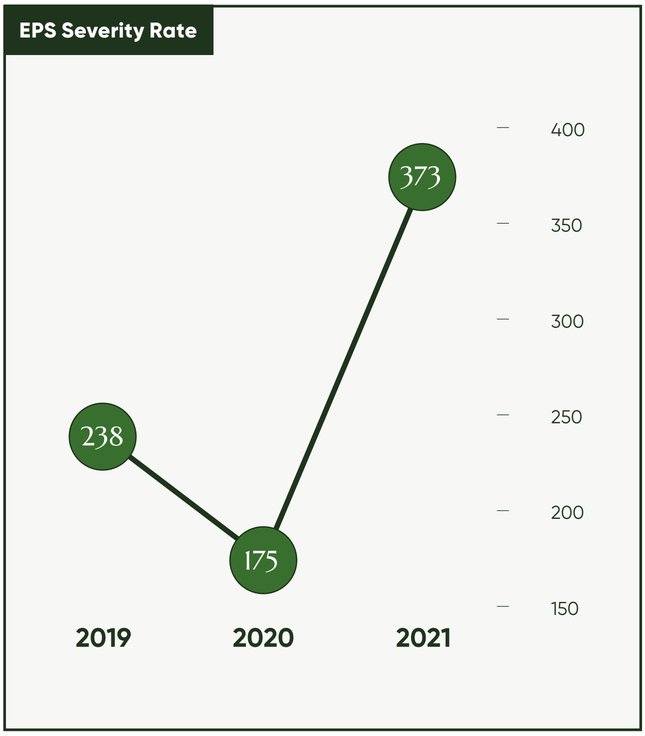
With respect to service providers and contractors (EPS), in 2021, there were 10 more full-time work accidents than in 2020 and 803 more days lost. Of the 29 accidents taking place in full-time work, 20 resulted in days lost and one accident was fatal.

[3] In the case of REN, the figures presented are the average number of employees in the year and not the actual number of employees at 31 December 2021. In the case of contractors and service providers, the figures presented are the Full Time Equivalent (FTE).









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

We continued to promote initiatives aimed at the well-being of our employees, namely in the field of mental health.

With regard to REN workers, in 2021 the frequency index evolved favourably, but not the severity index, in comparison to 2020. It should be noted, however, that the targets set for both indicators (figures less or equal to eight accidents per million hours worked and less or equal to 200 days lost per million hours worked, respectively) were complied with. With no fatal accidents, the total severity index is equal to the severity index.

In relation to contractors and service providers, in 2021 both indicators worsened over figures for 2020. Although the frequency index met the established target (figure less or equal to eight accidents per million hours worked), the severity and total severity indices fell far short of targets, particularly the latter, as a consequence of a fatal accident.

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

During 2021, in a similar manner to previous years, REN ran training courses and safety awareness actions involving all the workers employed by our contractors and service providers.

With the aims of complying with specific legislation which requires that periodic drills be carried out, determining the effectiveness of emergency response procedures and identifying divergences and opportunities for improvement, complementing the training of all those involved and ensuring compliance with regulations as a group of certified companies, in 2021, ten safety drills were undertaken. Eight related to Fire Safety in Buildings (the Vermoim, Ermesinde, Sacavém, Pombal, Carriço, Bucelas and Sines facilities and the building on Av. EUA) and two related to the SEVESO directive (NG underground storage at Carriço and the Sines LNG Terminal).

Health, Well-Being and Balance

In 2021, taking into consideration the challenges of individual and organizational resilience created by the pandemic, of note in the field of well-being were initiatives on mental health. The following new initiatives were launched:

- The "Conscious Pauses" Programme, with the aim of providing stretching, mobility and relaxation exercises in 15 minute sessions;
- "Mental Health" Workshop, with the presence of specialists in the area, with the goal of warning about the importance of identifying situations of risk relating to anxiety and depression;
- A new protocol for detecting situations involving mental health implemented by the Occupational Health team and a number of free psychology consultations, with close coordination between the discipline of psychology and other areas of medicine;
- Setting up of a partnership with the José Neves Foundation for the launch of the App 29K FJN, as part of their personal development courses.

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 and best practices are complied with. In addition to the new initiatives, and as part of internal occupational health services, REN continued to provide all employees with complementary clinical examinations and analyses, also taking into account some specifics of their duties (e.g., screening of employees more exposed to electromagnetic fields). At the medical posts in larger facilities (Ermesinde, Porto and Lisbon), consultations on curative medicine, nutrition, psychology and social support are also carried out in person and at online.

	2021	2020	2019
No of Auxiliary diagnostics (per group of examinations)	406	105(1)	458
No of Medical interventions	661	687(2)	688
Nursing interventions (per group of examinations)	456	306(1)	458
Visits by doctors to places of work	4(2)	2(2)	16

(1) lower figure than usual as it was not possible to take place during the pandemic;
(2) during the pandemic (March to August) periodic examinations were conducted by telephone.

As part of the management of the pandemic, the individualized monitoring strategy was maintained for health situations through specific occupational health consultations for risk groups and employees who were ill with COVID-19. Advisory services for heads of departments were also maintained for the reporting and monitoring of cases, dissemination and application of a return protocol with measures complementary to those defined by the Health Authority and appropriate for the work situation, as well as specialized communication on the topic of preventing COVID -19. In this regard, of specific relevance was the continuation of the annual flu-shot campaign.

It should be noted that the REN absenteeism rate is approximately 2%.

Absenteeism Rate	2021	2020	2019
Overall	2.1%	2.1%	2.2%
Men	2.2%	2.1%	1.9%
Women	1.6%	2.1%	3.2%

NÓS PROGRAMME

The REN NÓS Programme is based on three axes: Balance, Equality and Inclusion, impacting on improvement in the quality of life, experience and satisfaction of employees.

The programme includes measures to address the topics of Health, Conciliation, Family and Citizenship.

Now in its 7th year, the REN NÓS Programme has continuously adapted to the requirements of current circumstances. If 2020 was marked by the creation of +NOS+Próximos - to meet the challenges caused by the pandemic, providing initiatives adapted to working entirely online - 2021 saw the gradual return of workers to the company's facilities, and consequently, the re-adapting of initiatives to a situation which was slowly returning to pre-pandemic conditions.

Indicators	2021
No of NOS initiatives	31
No of Participations	802

Also with regard to this aspect of the NÓS Programme, complementary initiatives continue to be promoted on well-being, such as: yoga classes, functional training and nutrition consultations. The level of employee satisfaction with the yoga, functional training and "Conscious Pauses" initiatives should also be highlighted, as 100% of participants stated that they were satisfied or very satisfied with all of these initiatives.

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.

This is, therefore, a central topic in human resource policies, where there are multiple examples of measures that facilitate the reconciliation of work and personal/family life that go beyond that required by law, more specifically:

- Longer holidays (up to 24 days) and the flexible working hours scheme which applies to around 70% of REN employees;
- The possibility to miss work (up to eight hours per year, without loss of salary or any need for justification);
- The possibility to miss work for medical consultations and treatments (up to 12 hours per semester);
- Providing unavoidable and essential assistance for family members (up to 6 days per year);
- The awarding of wedding and birth vouchers;
- The provision of a programme on Parental Coaching, with the aim of supporting fathers/mothers returning to work after parental leave.

In addition to these measures, support was also provided for remote working, such as access to applications and the company network from any location, which proved to be vital and used by practically all employees who were teleworking
during the pandemic. An additional day of tolerance was also granted during the pandemic.

Diversity, Equality and Inclusion

Over the years, REN has been a pioneer in the promotion of gender equality in the Portuguese market, promoting policies and practices which ensure equal opportunities, equal rights and freedoms, and recognizing and valuing the role of women and men in society and in the organizational success of REN.

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 or in the Code of Ethics and 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:

1. A Sponsor, who is the President of the Executive Committee, whose mission is to ensure that gender equality forms part of REN's strategic agenda.
2. An Adviser for Gender Equality, who is the Director of Human Resources, whose mission is to ensure respect for the principles of non-discrimination and the promotion of equality between women and men.
3. A Task Force for Gender Equality, which currently consists of 10 members (five women and five men). Representatives for each Business Unit are selected based on the under-represented gender, and their mission is to plan and promote gender equality initiatives at REN.

After the in-depth diagnosis conducted in 2019 on this topic, which included a study on salary equality with the goal of identifying any differences in amounts paid to men and women, monitoring was continued in following years on the main indicators in this regard. Although the salary table is negotiated and published in a transparent manner under the Collective Labour Agreement, with transversal and unique rules regardless of gender, REN also monitors salary information every year and conducts regular benchmarking studies on the salaries paid to women and men, with a view to identifying any unjustified differences. This measure is also included in the REN Gender Equality Plan.

Salary Indicators	2021
Gender Pay Gap*	-2.0%
Ratio of total annual compensation	3.8

* Gender pay Gap - (Average pay [men] - Average pay [women]) / Average pay [men]/Ratio of total annual pay - proportion between total annual pay of the highest-paid individual in the organization and total annual average pay for all employees

More recently, in July 2020, REN subscribed to the WEPs - Women's Empowerment Principles, reinforcing our public commitment to the subject of gender equality.

In 2021, we remained active in these matters, and highlights include the following in-house and external initiatives:

- Public formalization 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 total positions by 2030;
- Joining of the project "Engineers for 1 Day", with participation in the commemorative workshop on National Energy Day;
- Signing of the commitment "Alliance for Equality in ICT", with the aim of contributing to the digital inclusion of women and their respective participation in engineering and technologies, as part of the Engineers for 1 Day Project;
- Commemoration of the Municipal Equality Day, with the launching of a range of videos depicting 1st person stories of Women Engineers at REN;
- The return of the REN Open Day "Talent has no gender", with the goal of demystifying gender stereotypes in the choice of engineering professions. After a year away due to the pandemic, and now in a totally digital format with the largest numbers ever seen and with the participation of numerous Lisbon area teaching institutions and the sons and daughters of REN employees, this event took place over three days. Student satisfaction with the initiative was 94%;
- Participation in the Exchange Programme LAB 2021, promoted by the Girl Move Academy, contributing to the personal and career development of a young Mozambican girl with the involvement and efforts of five different departments and 38 REN volunteers;
- Reinforcement of the partnership with PWN Lisbon, through the sponsorship of their annual event, the enrolment of 14 REN employees as PWN members and the participation of three young REN workers in the Youth Programme;
- Holding of a Webinar on the topic of "Genderless Jobs", with the goal of demystifying gender stereotypes in jobs which was attended by the President of the NATO Committee on Gender Perspectives;
- Participation for the second year running in the Bloomberg Gender-Equality Index;
- Publication of the first Annual Report on Gender Equality, a management tool which aims to provide a balance of activities carried out during the year, while also monitoring key indicators and preparing for future strategies;
- The publication of the Annual Gender Equality Plan 2022, setting out measures covering different areas: Strategy, Mission and Values; Equality in access to employment; Initial and ongoing training; Protection during parenthood; Conciliating personal and professional life and Equality in working conditions. Many of the initiatives included in the plan go beyond that required by law and seek to promote a more diversified work force.

As part of the initiatives for Inclusion, of note is the work with partner institutions such as the APSA – Portuguese Asperger's Syndrome Association and the Salvador Association. This partnership has resulted in not only the provision of internships by REN to acquire skills and increase employability but also in support for these institutions in recruitment and selection processes under diversity and inclusion policies. 2021 also saw an important step which was the design and planning of the training course addressing "Unconscious bias", to be launched at the start of 2022, and which will be for all REN employees.

POP – PERSONAL OPINION PROGRAMME

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

In 2021, and taking into account new working organization methods arising from the pandemic, it was decided to conduct an adapted questionnaire to gauge perceptions of REN's future organizational model and its suitability with respect to the culture desired. Participation was 65% (66% men and 34% women). In general, 91% of participants are satisfied with their work at REN and feel that they are part of the company, share its values and are committed to company aims. With regard to work organization, of note is that 81% of participants considered that their teleworking experience was positive or very positive and 75% of department heads stated that they did not notice any impact on productivity or performance. In relation to Diversity and Inclusion policies, 71% of participants considered that programmes and procedures exist at REN which promote these goals.

Indicators	2021	2020	2019
Participation Rate	65.0%	84.5%	78.3%
'I'm satisfied working at REN'	91%	82%	86%

Talent Management

Attracting Talent

With the goal of promoting new talent, REN takes part in a range of events held by universities, technical-professional schools and other organizations which work with these institutions. Of note among these events was our participation in Jobs Fairs run by the Higher Technical Institute, at the Faculty of Engineering, University of Porto, Nova University (SBE and FCT) and ISCTE and through company presentation talks at different institutions of higher education. A further highlight in 2021 was the launch of the initiative to present REN at professional schools and polytechnics, more specifically ETLA (Technological School of the Alentejo Coast) and ATEC – Training Academy. In addition to Jobs Fairs, REN also regularly takes part in Pitchbook Camps and sponsors teams of university students in the Global Management Challenge. This year, REN increased its presence at these events as the company sees them as key to attracting new talents and a chance to present students with the opportunities available at REN, and the possibility of taking part in the REN Trainees Programme.

REN is represented at these events by workers from the company's different business units, always taking into consideration the importance of diversity while also highlighting our policies on gender equality. Participation at these events allows REN to maintain its positioning with regard to new talent and benchmark teaching institutions. In addition to participation at events involving university students, in 2021 REN also took part in the “Engineers for 1 Day” project and held another “REN Open Day”, where both initiatives were aimed at primary and secondary school students with the goals of deconstructing gender stereotypes associated with engineering professions and helping students in their career choices. In this regard, in our Gender Equality Plans, REN's goal is to ensure, whenever possible, representativity of the under-represented gender in recruitment and selection processes. Although 56% of job applications received are from male applicants, in 50% of recruitment processes held in 2021, the final stage target of at least 1/3 of candidates belonging to the under-represented gender was achieved.

Indicators	2021	2020	2019
Events / Job Fairs	19	7	5

Retaining Talent

The management of talent at REN takes place as a result of the 360° assessment processes under the REN (STAR) performance management 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: Talent Matrix, which incorporates the concepts of performance (assessment of objectives) versus Potential (skills assessment); 360° assessment of skills (perspectives of Assessee, Peers, Subordinates and Direct Managers); Questionnaire on Interests and Expectations (QIE), completed by employees regarding their interests and expectations for evolving and developing in terms of functional and/or geographical mobility and; Talent Retention Interviews with employees who have demonstrated their willingness to change roles/departments or take on duties with greater responsibility. From 2020 to 2021, 68 Talent Retention Interviews were held in a universe of 176 employees who replied to the questionnaire.

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 which can positively contribute to their performance and development within the organization. These programs 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 to perform each function, promoting professional development and contributing to a performance of excellence. In addition to the above, REN also allows its employees to attend higher co-funded academic training, based on their interest and relevance to the role that the employee performs or will perform at REN and in line with individual development plans.

The Interests and Expectations Questionnaire (QIE) and the Talent Retention Interviews, together with in-house Intranet dissemination of opportunities available, have 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. This strategy seeks to meet the expectations shared by employees and the needs of the profiles identified under the annual Personnel Plan. 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.

Relations with the community

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

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

Of note in our relationships with local stakeholders, videos were made with on-site images showing the main constraints in the terrain and the corridors where power transmission lines could pass. More information on our initiatives can be found in Chapter 5.2. Main actions undertaken

Research, development and innovation

2021 was particularly challenging for the energy sector, on an international, European and national level. The reinforcement of our commitments in terms of reducing greenhouse gases, addressed at COP26 in the European Union's Fit for 55 package, and in the ESG (Environmental, Social and Governance) strategies of our companies, positions and reinforces the importance of research, development and innovation as a relevant and clear way in which to contribute to and achieve climate goals.

Attentive to these challenges that have placed decarbonisation, innovation and digital transition at the centre of public policies, we have reinforced our

We have reinforced our commitment and focus on research, development and in innovation toward sustainable development, among others.

commitment and focus on research, development and innovation. This has led to the certification of five more REN Group companies while also increasing the volume of innovative projects and the respective associated investment. The Innovation strategy is based on four pillars: "Business quality and continuity", "Smart and digital networks and operations", "Sustainable development" and "New business models".

The results of Innovation have been consolidated through the strengthening of the culture of innovation, increased communication relating to the organization of ongoing innovation projects and the involvement of a growing number of employees. The promotion of initiatives, such as the groups of Innovation Leaders and Trainees, the setting up of a still embryonic School of Innovation, the extension of training to senior management and the holding of innovation webinars and workshops has also contributed to greater Innovation awareness. The submission of a series of applications to the Innovation Agenda Mobilizer projects under RRP, as mentioned above.

A further highlight involves REN's innovative solution, which obtained a patent in 2021 from the European Patent Office (EPO), allowing the charging of electric vehicles using the Extra-High Voltage network, thus positioning TSOs (Transmission System Operators) as potential actors in the transition to more sustainable mobility, particularly when high-power is required.

In line with its mission, the Energy Research Centre, REN-State Grid, SA (R&D NESTER) - an entity owned by the REN Group - has focused on the research, development, demonstration and innovation of new solutions in the area of energy systems, aligned with the current needs of the sector and the creation of sustained value for our shareholders.

Its development strategy focuses on four fundamental R&D areas: i) simulation of power systems; ii) smart grid technology; iii) renewable energy management and; iv) energy & economy markets, achieved through R&D projects and other initiatives.

The Energy Research Centre, REN-State Grid, S.A (R&D NESTER) was recognized by the Portuguese Government (order 4058/2014) as a suitable entity in terms of R&D for solutions in the field of energy networks.

Of note in 2021:

- Renewal of RDI certification in accordance with standard NP 4457:2007;
- Continued investment in the REAL TIME POWER SYSTEMS SIMULATION LABORATORY (Referenced on the Smart Grid Laboratories Inventory - JRC/EC publications);
- The expansion of the network of protocols and partnerships with various entities in the national scientific system and sector associations, which includes: active participation in various Working Groups (e.g.: CIGRÉ, ETIP-SNET, H2020 BRIDGE, UN CTCN);
- The submission of the first R&D NESTER applications to the most recent European Programme - Horizon Europe as well as to the also recent National Recovery and Resilience Programme (PRR);

In terms of results obtained and recognized by the technical-scientific community, also of note:

- The conclusion of the patent process for three projects: one on a national level (Portugal), two on an international level (Europe, China and the USA);
- Feature on RTP - Renewable Energies Bulletin - providing a weekly forecast on the production of renewable energy in Portugal, in a partnership between APCER and R&D Nester;
- More than 10 publications (articles/papers) in scientific journals and at conferences recognized in the sector (e.g.: IEEE and CIGRÉ);
- Recognition by Innovation Radar of the European Commission of work carried out by R&D Nester.

RD&I projects, outlined below, are conducted internally in close collaboration with 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) - an organization owned by the REN Group to conduct research, development and innovation to encounter solutions in energy systems.

R&D Investment and financial subsidies

Although the last two years have taken place against an atypical backdrop due to the pandemic caused by the COVID-19 virus, the evolution of projects in the pipeline has been significant. We currently have more than 20 Operational Innovation projects approved and/or underway, with a associated investment of €3.8M.

R&D NESTER maintained the trend for annual investment seen in the previous three years, of around 1.3 M€ (for the period between 2018 and 2020, total investment was around 4 M€[4]).

This sum relates essentially to expenditure in R&D 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 a applications to SIFIDE (National System of Tax Incentives for Corporate R&D), where an approval rate of 100% has been achieved repeatedly as a result of the effective nature of R&D in projects submitted in applications.

Project portfolio

The portfolio of more than 20 Operational Innovation projects includes areas such as augmented and assisted reality in support of electricity and gas operations, digitization, monitoring and fitting of sensors to assets, automation of operations, planning and dynamic management of the network, and the integration of renewable gases into the RNTG.

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 priority of decarbonizing the economy and energy transition.

Projects underway cover several areas of research such as: Network Planning, Flexibility, Storage, Renewable Production Forecasting, TSO/DSO Cooperation, Digitization, Markets and Data Analytics.

In 2021, the R&D Nester project portfolio consisted of around 20 projects, conducted internally and/or in close collaboration with the Scientific System (Universities), other R&D Centres, industrial partners and other entities in the sector, both nationally as well as internationally.

Fourteen of these projects take place under R&D funding programmes, where R&D Nester and REN are beneficiary entities, with emphasis on the European programme Horizon 2020 and the national programme Portugal 2020. These projects are presented below.

[4] Source: IPCTN Companies (DGEEC) - Questionnaires on National Scientific Potential 2018, 2019 and 2020

PROJECTS UNDERWAY WITH FINANCING – PARTICIPATION R&D NESTER AND THE REN GROUP

Programa Europeu Horizonte 2020[1]	R&D NESTER	REN Group
I-NERGY – Artificial Intelligence for Next Generation Energy.	X	
BD4Energy – Big Data for Next Generation Energy.	X	X
OneNet – TSO - DSO - Consumer: Large-scale demonstration of innovative grid services through DR, storage and small-scale (RES) generation.	X	X
OSMOSE – Optimal System-Mix of flexibility Solutions for European electricity.	X	X
INTERRFACE – TSO-DSO-Consumer INTERFACE Architecture to provide innovative grid services for an efficient power system.	X	X
FlexPlan – Advanced methodology and tools taking advantage of storage and FLEXibility in transmission and distribution grid PLANning.	X	X
GIFT – Geographical Islands FlexibiliTy.	X	
FLEXITRANSTORE – An Integrated Platform for Increased FLEXIbility in smart TRANSmission grids with STORage Entities and large penetration of Renewable Energy Sources.	X	
INTERPRETER – Interoperable tools for an efficient management and effective planning of the electricity grid.	X	
FleXunity – Scaling-up Power Flexible Communities business models empowered by Blockchain and AI.	X	

Programa Nacional Portugal 2020 [2]		
OPTIGRID – Analysis Methodology on the Dynamic Capacity of Lines and Optimized Management of Electrical Networks.	X	
GreenEst – Green Ester Transformers.		X
rePLANT – Implementation of collaborative strategies for the integrated management of the forest and fire (project in collaboration with the Collaborative Laboratory ForestWISE; to provide greater protection and forecasting of the impact of rural fires on both forestry assets as well as the energy infrastructure.		X
LINK4Sustainability – Development of a new generation of connectivity devices (nano sensors) enabling the granular monitoring of the condition of electricity and natural gas transmission and distribution assets.		X

Other projects		
DFOS – Distributed Fibre Optic Sensing to detect bird collision in Extra-High Voltage lines.		X
VALORAGUA e **PS-MORA** – Upgrade of energy simulation models (VALORAGUA and PS-MORA Power Systems - Model for Operational Reserve Adequacy) so as to incorporate needs arising from the far-reaching changes resulting from energy transition, more specifically, hourly granularity, random breakdown simulation and representation of new policies for exchanging energy and reserves between neighbouring countries.		X
Online pollution and ageing insulator monitoring system – device for monitoring leakage currents and flashovers in Extra-High Voltage line insulators.		X
Stork disturbance online mitigation system for overhead lines – development of a system for detecting, recording, and dissuading storks to mitigate potential incidents on EHV lines.		X
Tower Track – system which allows the mapping of accesses to RNT and RNTG assets, identifying constraints (e.g.: support for EHV lines, gas stations and gas pipeline marking posts).		X
SLIP – Safety Light Interactive Protection - Interactive virtual sensor barriers which reduce the risk of electrocution by creating delimited working areas both vertically and horizontally.		X
Use of augmented reality in technical training: development of proof of concept (PoC) using augmented reality to simulate an Inspection and Test Plan for training electricians		X
PDS – Digital Protection in Substations: aims to develop a digital solution to improve the safety of workers when carrying out work in a substation, delimiting work areas virtually, monitoring the location of workers in these same areas and sending an alarm, when a security zone is breached.		X
Virtual presentation of REN projects and environmental constraints - aims to present a project and the environmental constraints, superimposing the future infrastructure over the surrounding visual field, through the use of augmented reality.		X
HPEVCS – High Power Electric Vehicle Charging Station - this is a solution for charging electric vehicles directly from the Extra-High Voltage Network and is patented in 32 European countries while the patent process is underway in the USA and Canada.		X

[1] Projects financed under the European Union H2020 Research and development contract programme
[2] Project financed under the Portugal 2020 contract programme.

Participation in associations and national/international bodies

REN and R&D NESTER continue active in establishing protocols and partnerships with numerous entities in the national scientific system and sector associations, more specifically with INESC-TEC, ISEL, LABLEC, EFACEC, LNEG, the University of Coimbra and IST to develop projects and provide representation at entities such as COTEC, APREN, CCILC, IEEE, UN CTCN (United Nations – Climate and Technology Centre and Network) and BLUE INVEST COMMUNITY.

On a European policy level, REN is on the European Transparency Register and as such plays a part in the different stages of the European legislative process at different Union institutions. The different initiatives and legislative packages launched by the European Commission, which are generically referred to as the "Fit for 55 Package" were the core and focus of attention by REN throughout 2021. With respect to the legislation initiative for the implementation of priority European energy infrastructures, REN actively participated in the NSI West Electricity Cross Regional Group and NSI West Gas Cross Regional Group, under the presidency of the European Commission, more specifically in the preparation of the 5th List of PCI (Projects of Common Interest).

In terms of international organizations, REN Portgás is a member of Eurogas (European Gas Industry Association). This association, which represents Gas Distributors on a European level, seeks to contribute to a European gas market that supports the decarbonization of the sector and the reduction of emissions through the introduction of renewable gases, innovation and the reduction of methane emissions. It also aims to improve energy efficiency, while promoting the development of the gas sector by supporting studies in the legal, economic, technical and scientific fields, representing members with regard to relevant legislative and policy issues on a EU level and promoting competitiveness and supply security.

Also of note in this regard is the active participation by the company in international working groups at entities which include:

- ENTSO-E (European Network of Transmission System Operators)
- CIGRÉ (Conseil International des Grands Réseaux Électriques)
- ETIP-SNET (European Technology & Innovation Platforms)
- EERA (European Energy Research Alliance)
- BRIDGE (Horizon 2020 Task Force for R&I Priorities)
- IEC (International Electrotechnical Comission).

These activities have allowed the most relevant developments in the sector worldwide to be monitored, ensuring preparation for ongoing and future challenges, providing a relevant contribution to national, European and international development and positioning the group as a relevant entity in terms of technological competence and business knowledge.

Participation in international working groups

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With respect to the legislation initiative for the implementation of priority European energy infrastructures, REN actively participated in the NSI West Electricity Cross Regional Group and NSI West Gas Cross Regional Group, under the presidency of the European Commission, more specifically in the preparation of the 5th List of PCI (Projects of Common Interest).

1. **ENTSO** (European Network of Transmission System Operators)

   REN has continued to cooperate and participate in the activities of the European Electricity and Gas TSO associations (ENTSO-E and ENTSO-G) with the aim of achieving implementation of the 3rd legislative package in the EU energy sector.

1.1. **ENTSO-E** (European Network of Transmission System Operators for Electricity):

In relation to Regulation (EC) No 714/2009, REN has participated in ENTSO-E activities, particularly through its presence at the General Meeting, on the System Development Committee; System Operations Committee; Market Committee; Research and Development Committee and the Legal and Regulatory Group.

With regard to Grid Codes, REN continued to provide technical support for the implementation of the Codes on a national level, in collaboration with the Directorate-General of Energy and Geology. This year there was particular emphasis on Risk Preparation work (Risk Preparedness Plan) and ERAA (European Resource Adequacy Assessment).

I.2. **ENTSO-G** (European Network of Transmission System Operators for Gas)

ENTSO-G continued active during 2021 with working groups in its three main areas of business: The Market, System Development and System Operation. With respect to Regulation (EC) No 715/2009, REN participated in the following ENTSO-G bodies and groups: General Meeting, Liaison Group, Legal Team, System Development - WG Investment; WG Market, WG Market Codes, WG Market Development, System Operations - WG Transparency and Interoperability. With respect to the new regulatory framework for the gas sector (Gas Decarbonization Package), particular attention was given to the work of the G2021 TF.

II **Eurogas**

REN Portgás is a member of Eurogas (European Gas Industry Association). This association, which represents, among others, Gas Distributors on a European level, seeks to contribute to a European gas market that supports the decarbonization of the sector and the reduction of emissions through the introduction of renewable gases, innovation and the reduction of methane emissions. It also aims to improve energy efficiency, while promoting the development of the gas sector by supporting studies in the legal, economic, technical and scientific fields, representing members with regard to relevant legislative and policy issues on an EU level and promoting competitiveness and supply security.

III. **Med-TSO** (Mediterranean Transmission System Operators)

REN, a founder member of this association of Mediterranean Electricity Transmission System Operators, plays an active role through its Vice-Presidency of this Association and through participation on several Med-TSO technical committees.

IV. **GIE** (*Gas Infrastructure Europe*)

At GIE, an association representing European gas infrastructure companies at European institutions and other stakeholders, REN has continued to participate and accompany work and meetings particularly with regard to the development of the Energy Union and the future perspectives for the European Energy System, with a view to the decarbonization of the Natural Gas sector within the 2050 Horizon and its impact on gas infrastructure. Particularly, regarding proposals for the new legislative package for gas (REN accompanied and contribute to TF – H2 Blending TF, Additionality Principle TF and Hydrogen Regulation TF, set up under the NEW Gases Area.

V **Hydrogen Europe** e **European Clean Hydrogen Alliance**

In 2021, REN joined the Hydrogen Europe working groups, an entity which represents the entire hydrogen value chain on a European level. REN also joined the European Commission initiative called the European Clean Hydrogen Alliance, which aims to accelerate the development of the hydrogen value chain by 2030, more specifically, its production, consumption in industry, mobility and other well-established sectors. It also addresses the transmission and distribution of hydrogen, providing a vehicle for promoting the EU's global leadership in this field. Of note in this regard is our participation in identifying investment projects in the transmission and distribution sectors relating to REN, the monitoring of initiatives to minimize barriers to the development of the hydrogen market and participation by REN Portgás in the round table on the transmission and distribution sectors.

VI **OGMP 2.0** (Oil and Gas Methane Partnership)

REN forms part of this important initiative led by UNEP (United Nations Environment Programme), in partnership with the European Commission, the government of the United Kingdom, the Environmental Defence Fund and key Oil and Gas companies (74 companies). Methane is a greenhouse gas and emissions of this gas are the second biggest cause of global heating, and this initiative aims to reduce such emissions. It also supports the implementation of a structured MRV (monitoring, reporting and verification) system, with validated methodologies to detect and quantify with greater accuracy, emissions by sector operators. The reports produced represent the highest standard in this field, requiring companies to report methane emissions from all asset sources throughout the entire value chain with a high level of accuracy and granularity.

VII **ITOMS** (*International Transmission Operations & Maintenance Study*)

REN has participated since 1996 in ITOMS international benchmarking of operation and maintenance. This participation has made it possible to carry out comparative exercises with TSOs from all over the world and to assess REN's relative positioning in terms of technical and economic performance (diagnosing opportunities for operational improvement). We have also been able to interact in a privileged forum for technical discussion, where the aim is to identify cost-efficient methodologies and techniques for the management of electricity transmission network assets.

VIII **GTBI** (*Gas Transmission Benchmarking Initiative*)

Since 2012, REN has participated in the Gas Transmission Benchmarking Initiative (GTBI), an annual study involving different European gas TSOs. The analysis and comparison exercises carried out provide gains in technical and economic efficiency, through actions to share best practices and implement proven methodologies. In addition to the annual results enabling us to evaluate our performance, the GTBI provides a forum for discussion among all participants.

IX **LNGBI** (LNG *Receiving Terminals Benchmarking Initiative*)

The LNG Receiving Terminals Benchmarking Initiative (LNGBI), in which REN has participated since 2015, is a unique forum among LNG terminals for sharing best practices and comparing levels of operational and economic performance. Methodologies and practices are evaluated and an annual report is produced in which technical-economic and service quality indicators are analyzed.

5.3.2. Environmental Performance

The non-negotiable defending of the environment and the implementation of practices which conserve and protect ecosystems and biodiversity are clear priorities in a culture of sustainability. Therefore, in line with our Sustainability strategy, of which environmental protection is one of the four axes, REN is an entity that not only facilitates but is also a driver of energy transition. As such, in 2021 we continued to monitor key environmental performance indicators and undertake initiatives aligned with energy transition.

Energy transition, challenges and prevention of climate change

The fight against climate change places decarbonization at the centre of public policies, generating significant changes in the energy sector. As such, from an energy transition perspective, adapting the electricity and gas infrastructures is critical for meeting national energy policy goals. In terms of electricity sector infrastructure, RES growth targets, combined with the decommissioning of thermal power stations that made up the current National Electricity Network, means that in order to guarantee supply security, the transmission infrastructure must be adapted and developed. Changes to the national and European legislative and regulatory framework and technological developments such as mobility and energy storage, represent additional challenges. 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 renewable energy sources to be incorporated into final energy consumption.

REN investment, as the concessionaire for electricity transmission and gas storage, reception, transmission and distribution networks, in the construction of the new infrastructure necessary to receive new renewable production and the adaptation required to allow the injection of renewable gases into networks, guaranteeing the quality and supply security and operation of the systems, will enable energy transition objectives to be achieved, more specifically, the gradual reduction of GHG emissions from the energy sector.

Reinforcing investment plans to achieve decarbonization targets for the electricity and gas sectors is key and will require a coordinated effort between different SEN and SNG agents and other stakeholders. REN is actively committed to achieving these goals.

In 2021, the Portuguese electricity system underwent a profound change with the decommissioning of the two coal-fired power stations, Sines and Pego, with total installed power of 1,756 MW. Over the last 35 years, these plants provided one of the main sources of electricity supply. RES capacity has continued to grow, with an addition of around 120 MW in wind farms and around 500 MW in new photovoltaic installations.

In the last three years, from 2019 to 2021, installed RES capacity grew by around 6 pp, while production by RES went from 51% in 2019 (around 26 TWh), to 59% in 2021 (around 30TWh).

During 2021, several projects were undertaken to reinforce and modernize the network that will allow the gradual decarbonization of SEN (73% of electricity generation in 2021 was from renewable sources, compared to 65% in 2020). These projects will also provide increased resilience of operation, with emphasis on the continuation of infrastructure construction that will allow partial integration of the hydroelectric plants in the Tâmega basin (consisting of three reservoirs and three hydroelectric plants, totalling 1,158 MW, of which 880 MW is reversible)

Of note in 2021: (i) continuation of the construction of infrastructure that allow the hydroelectric plants of the Tâmega basin to be integrated, with the first phase having been concluded with the entry into service of the Ribeira de Pena substation, (ii) the conclusion of the Ponte de Lima – Vila Nova de Famalicão line, completing the axis between this substation and Pedralva, (iii) the completion of the Falagueira Fundão axis and the corresponding entry into service of the Fundão substation, (iv) the completion of the Falagueira – Estremoz – Divor – Pegões axis, with the entry into service of the Divor and Pegões substations, (v) the connection of photovoltaic production and wind farms, as well as (vi) the completion of the construction of the Viana do Castelo switching station, which together with the undersea cable in service since 2019, provides conditions for receiving renewable energy from an ocean source or offshore location.

green hydrogen. Investment needs in transmission and distribution networks, as well as in underground storage, are identified in the respective development and investment plans. We are also collaborating on a number of international and national projects aimed at reducing methane emissions to achieve the gradual decarbonization of the gas infrastructure and, as such, its continued use on a sustainable basis in the national energy system.

In a particularly demanding period such as during the current energy transition, the national assessment of the adequacy of resources is set out in the SEN and SNG Supply Security Monitoring Report, which are structuring documents. The Directorate-General of Energy and Geology uses our contributions to draw up these documents and to conduct specific studies, such as the assessment of the impact on SEN of the termination of production at the Sines and Pego coal fired plants. The risks associated with periods of drought are considered in our contributions to the SEN and SNG Supply Security Monitoring Reports, estimating the value

The non-negotiable defending of the environment is a clear priority in our culture of sustainability.

of electricity production, by source, the SEN emission factor and the rate of use of combined cycle plants and the respective consumption of natural gas for the production of electricity.

We also have a project underway to develop the design and construction of infrastructure and processes for connecting new production to the RESP (Public Service Electricity Grid) resulting from the solar auctions held in 2019 and 2020 and for the connection to the RNT of new photovoltaic power plants under an agreement, the latter totalling 3.5 GVA of reserved connection power contracted in 2021 with REN.

At the end of 2021, the national electricity transmission network (RNT) consisted of 9,348 km, which corresponded to an increase of 3.5% compared to 2020. Average import capacity was 3,751 MW (+26%) and exports (+2%), when compared to 2020 values, which are positive factors so as to allow increasing incorporation of RES into the RNT.

In the gas sector, and recognizing the role of renewable gases in a carbon neutral economy, we are 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

In order to incorporate needs arising from the far-reaching changes and challenges posed by energy transition, more specifically, hourly granularity, the simulation of random breakdowns and the representation of new policies for the exchange of energy and reserves between neighbouring countries, an upgrade is underway of the main simulation and assessment models for the adequacy of electrical systems, ValorAgua and PS-MORA Power Systems - Model for Operational Reserve Adequacy. Bearing in mind future challenges, we have also extended the topic of flexible and dynamic operation of infrastructures, including the analysis of case studies with other TSOs.

Integration and coupling between the SEN and the SNG are topics recognized by the main national and European stakeholders as a tool for optimizing resources and minimizing the costs of energy transition. As the operator of both infrastructures, REN has reinforced the planning process, the joint operation of infrastructure and the analysis of supply security, increasing existing synergies, with expected benefits for investment needs with regard to supply security and the technical management of the systems. This will allow the current technical limitations of electrification in some industrial sectors to be overcome in a more sustained manner and to move forward with the focus on the production of renewable gases, particularly hydrogen.

In relation to adapting to climate change, we have analysed the effects on the electricity transmission and gas transmission and distribution infrastructures, especially with respect to vulnerability to extreme weather phenomena, minimizing the risks.

With regard to the National Electricity Transmission Grid, the increase in occurrence of extreme weather events, such as rain with the formation of ice sleeves in some areas, as well as forest fires and strong winds, could lead to a greater number of failures and damage to infrastructure, impairing the quality of supply and service and potential financial impacts.

To alleviate some of these situations, the rePLANT innovation project aims to provide greater protection and forecasting of the impact of rural fires, whether in forest assets or in REN infrastructure. Also in this regard, several initiatives are also planned to continue to reinforce infrastructure resilience, for example the two projects started in 2020 with the aim of Increasing Resilience to Extreme Phenomena (ARFE) on the Feira-Lavos and Lavos-Rio Maior lines, located on the central coastal area of Portugal. These projects involve the removal of trees which, although lying outside the access corridor, could hit the lines in the event of occurrence of extreme climatic phenomena. The projects in question were completed at the end of 2021 and the methodology was extended to other critical infrastructure for the national electricity system. We would like to note that the identification of trees to be removed from the power line area of influence was carried out 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.

As gas infrastructures are mostly underground, they are more immune to certain types of climate phenomena.

In brief, minimizing environmental impact has always been a core concern at REN, both in terms of implementing new investment projects as well as with regard to our activities of operating and maintaining diverse infrastructure used to transmit electricity and to store and transmit natural gas. Environmental topics mean far more to REN than simply complying with legal obligations, instead they represent a long-term commitment and the goal to live in harmony with our surroundings.

The company's approach to this topic can be consulted on REN's website at www.ren.pt)

Strategic Environmental Assessment

Strategic Environmental Assessment (SEA) is an environmental policy instrument (Decree-Law No 232/2007 of 15 June 2007, amended by Decree-Law No 58/2011 of 4 May) which seeks to ensure an assessment of the environmental consequences of specific plans and programmes and their respective prior implementation.

With the primary purpose of identifying, describing and evaluating, from an environmental and sustainability perspective, the strategic options and creating conditions to consider, from an early stage, biophysical, social and economic concerns, the proposals of the Electricity Transmission Network Development and Investment Plan for the 2022-2031 period (PDIRT 2022-2031) and the Development and Investment Plan for the National Transmission Network, Storage Infrastructures and Liquefied Natural Gas Terminals (PDIRG 2022-2031), were subject to an environmental assessment process in accordance with current legislation, involving a group of partners, university institutions and environmental consultants. The environmental assessment process took into account the opinions received from different entities with specific environmental responsibilities and the result of the public hearing held at the same time with an equivalent process carried out with regard to the PDIRT and PDIRG proposals.

The environmental reports, non-technical summaries and environmental statements for these proposed Plans are available on REN's website at https://www.ren.pt/pt-PT/sustentabilidade/protecao_ambiental/politica_ambiental/avaliacao_ambiental_/avaliacao_ambiental_estrategica/

Project Assessment

SELECTION OF ACTIONS → PROPOSAL TO DEFINE SCOPE (PDA) → ENVIRON-MENTAL IMPACT STUDY (EIS) → PUBLIC HEARING → DECLARATION OF IMPACT ENVIRONMENTAL (DIE) → POST-ASSESSMENT

Environmental Impact Assessment (EIA) is a tool which can be used on certain public utility infrastructure projects where REN is the promoter. The EIA process consists of different stages.

As part of its activities to expand and improve energy transmission networks, REN has developed a significant set of environmental assessment processes, in the planning phase:

	2021	2020	2019
Environmental Impact Assessment Processes	4	4	6
Environmental Impact Statements Issued	3	0	5
Environmental Project Studies	1	1	0
Environmental Impact Studies (EIS)	1	0	1
Environmental Compliance Report on the Execution Project (RECAPE)	0	0	0

During network operation and maintenance, monitoring and supervision actions are carried out to ensure compliance with goals and targets defined both by REN and the provisions of environmental impact declarations or decisions on the environmental compliance of the execution project.

Detailed information on strategic environmental assessment and environmental project assessment can be consulted on REN's website at www.ren.pt.

In 2021, monitoring actions were also undertaken at different infrastructures, covering the following descriptors:

No of infrastructures monitored by descriptor	2021	2020	2019
Birdlife	3	5	2
Soundscape	5	4	2
Water Resources	0	0	0
Flora	1	1	0
Iberian Wolf	0	0	0
Electromagnetic Fields	5	3	0

Moreover, 39 projects were subject to external environmental monitoring and supervision in 2021.

Biodiversity

Biodiversity is one of the most important environmental descriptors considered in the systematic assessment of possible impacts of REN's activities on the different phases of the life cycle of our infrastructure.

Despite the constant concern to protect and promote biodiversity, a small percentage of our infrastructure falls within sensitive areas in national territory: sites that are part of the Natura 2000 Network, Special Protection Zones and other protected areas, including national parks, reserves, parks and natural monuments.

Infrastructure	Occupation in sensitive areas	% of total occupation
Stations/substations	29 ha	9%
Length of gas pipelines/lines	1,067.9 km	11%

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 as changes in the paths of lines, and gas pipelines, such changes are optimized so as to reduce the impact on biodiversity. In 2021, this resulted in a reduction of 1% of area occupied by power transmission lines.

Currently, the sites where the infrastructure of the National Transmission Network (RNT) is located are potentially the habitat for classified species on the Red List of the International Union for Conservation Nature (IUCN), in the following categories:

	2021	2020	2019
Critically threatened	2	2	2
Threatened	13	9	9
Almost threatened	33	69	66
Vulnerable	76	31	28
Of minimum concern	758	739	697

Birdlife

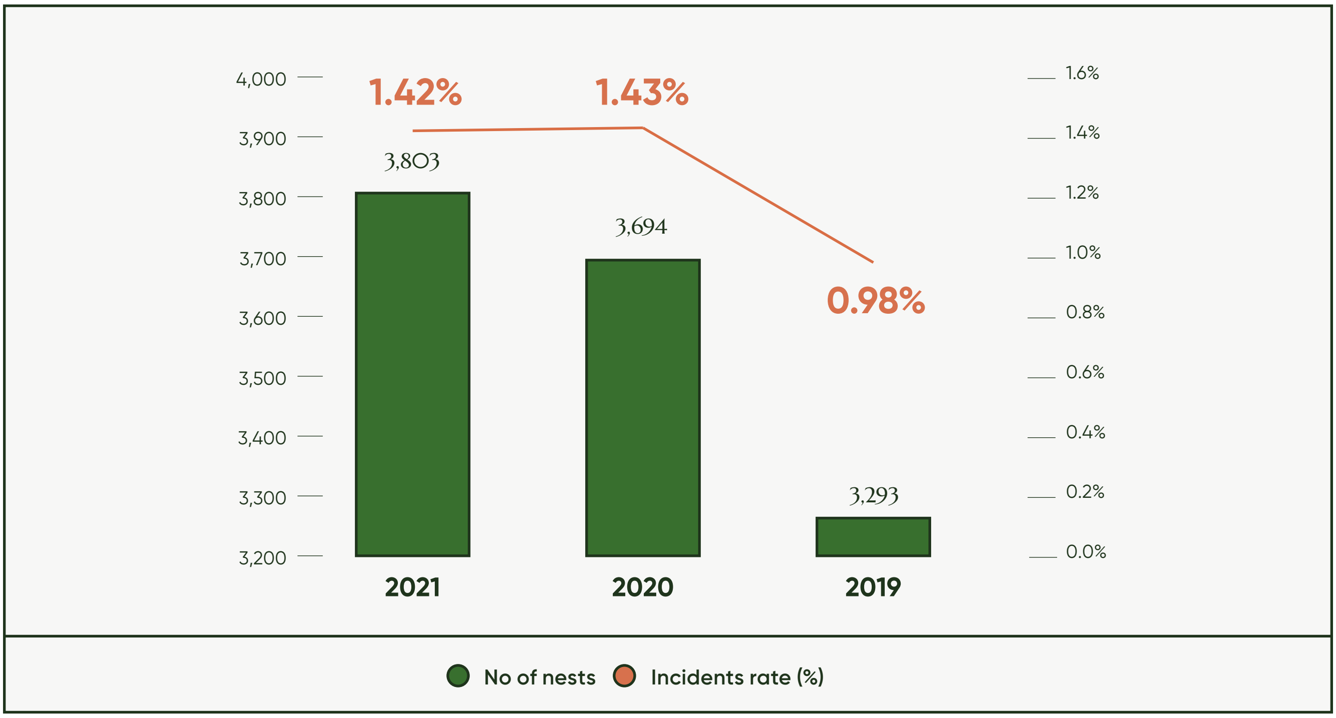
A very important area for REN is the implementation of offsetting measures, and compatibility work on infrastructures with white stork populations. Regarding the former and, as a result of the environmental impact assessment process of new infrastructure, the measures underway and main results are available for consultation on the REN website at www.ren.pt.

With respect to the latter, for more than twenty years, we have monitored the nesting patterns of the white stork population in our infrastructure, creating nesting conditions for this bird in favourable habitats and installing devices that minimize the risk of accidents of electrical origin.

More actions were implemented in 2021 as compared to the previous year, broken down below by type:

	2021	2020	2019
No of platforms installed	26	559	87
No of anti-perching devices installed	120	253	87
No of nests transferred	211	170	111

During 2021, the rate of incidents involving white storks continued to be low and similar to previous years.



The fitting of fans and platforms stops nesting in places with greater likelihood of incidents occurring and despite the considerable rise in the population of storks and a relevant increase in the number of nests, the number of incidents has remained low.

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 increase knowledge and research into the environment and with regard to the biodiversity associated with electricity transmission structures and to mitigate their impacts on such biodiversity.

The activities programme in the current initiative is based on four main areas:

1. Biodiversity in REN structures: opportunities and risks;

2. Technological development applied to biodiversity;

3. Impacts and mitigation;

4. Transfer of knowledge and interaction with REN and other stakeholders.

Of note in the work carried out in 2021 by the CIBIO team:

- In area #1, the preparation of final reports to assess the risk of incidents caused by breeding birds in REN platforms and the first field campaign to identify breeding birds (in addition to the white stork) using REN platforms, with emphasis on species on conservation lists.

- In area #2, the scientific support provided by CIBIO in projects carried out:

  DFOS - Distributed Fibre Optic Sensing to Detect Collisions on Extra-High Voltage Lines, led by the Institute of Systems and Computer Engineering, Technology and Science (INESC-TEC) which seeks to develop/test an automatic testing system for collisions involving birds with electricity lines.

  A study to evaluate the effectiveness of "fans" in deterring white stork nesting on REN platforms and monitoring of the project to implement an automatic stork scare deterrent system - Stork disturbance online mitigation system for overhead lines.

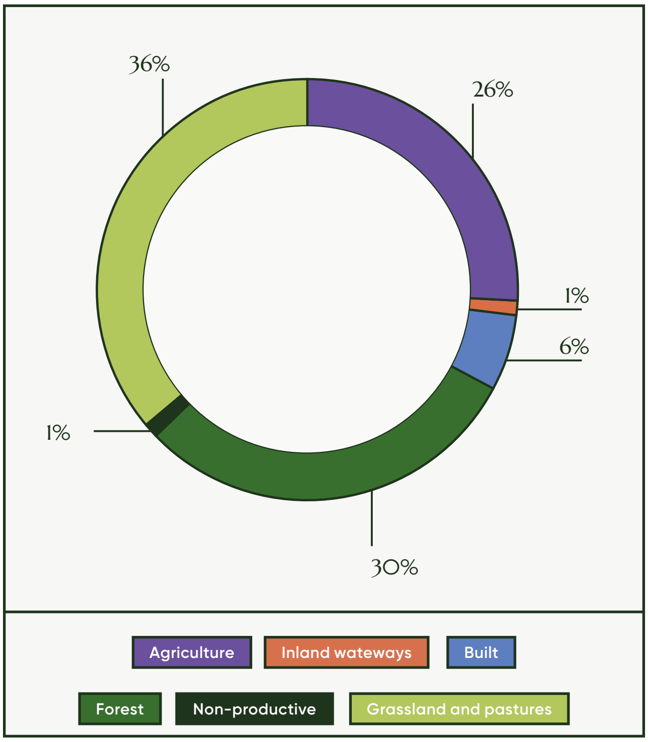
- In area #3, analyses were conducted relating to the study of the relationship between the use of space by Bonelli's eagles and electrical lines in the Algarve mountains, to test whether exclusion effects exist as caused by electrical lines.

- In area #4, in 2021, we would like to highlight the conclusion of the work involving the CIGRE C3.16 – Wildlife and infrastructures work group, which resulted in a technical brochure (sent to the study committee), and our continued participation in the CIGRE C3.20 working group – Sustainable Development Goals.

Flora and Land Use

Knowledge on land occupation and use in access corridors is an essential task for planning vegetation management actions. As such, 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.

According to mapping carried out in 2018 (following graph), around 66% of our infrastructure is in forested areas, including forests, woods and pasture land). In 2021, a new cycle to update this mapping began, taking advantage of the aerial surveys which were carried out to monitor the assets of the electricity and gas networks, which will allow data to be periodically updated.



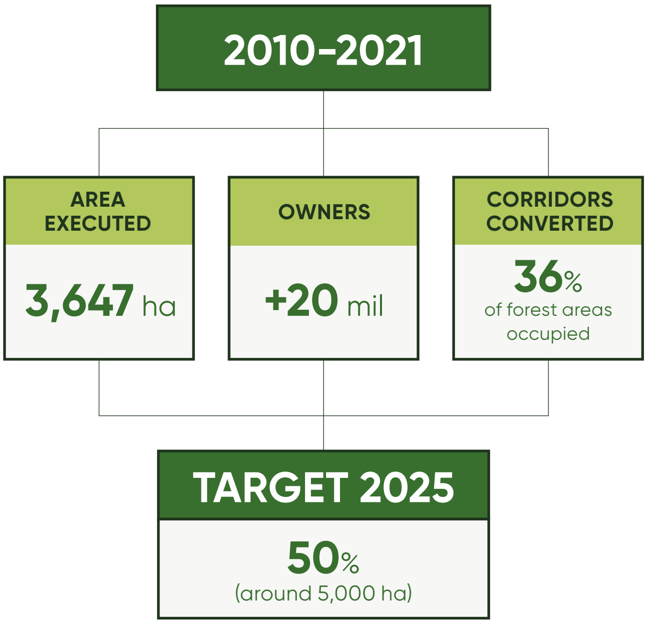
With regard to land use, data from the study of access corridors are similar to those of the National Forestry Inventory (http://www2.icnf.pt/portal/florestas/ifn), showing in our case, that the eucalyptus is the most representative species covering close to 29% of the area involved. As eucalyptus is a fast-growing species, in recent years we have encouraged conversion to native species, contributing to greater infrastructure security, and greater resilience to rural fires, while also increasing biodiversity.

Access Corridor Management and Land Use Conversion

At REN, we are focused on the correct management and conversion of land use, aware of 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. As a way of offsetting this impact, since 2007 REN we have carried out numerous tree planting projects when building new facilities, and since 2013, we have extended this methodology to lines already in operation.

Through our access corridor reforestation programme, we have already planted more than 3,647 ha in recent years (2010- 2021), and involved more than 20,000 land owners.

In 2021, we (re)forested around 723 hectares, where the strawberry tree was the most planted species, with an area of 413 hectares (57%).



The strawberry tree is the species which we have most increased in conversion and land use processes as it is perfectly compatible with the presence of electricity transmission lines. It also has significant economic interest due to the use of its fruit to make brandy (most well-known use) and in the foodstuffs industry. This is an emerging area where potential growth is high.

In a joint programme with the Portuguese Strawberry Tree Cooperative (CPM) and the Coimbra Higher School of Agriculture (ESAC), we created the Strawberry Tree Manual to inform owners about this amazing species, thus promoting good practices when growing these trees.

Increasing levels of biodiversity through reforestation involving the planting of native species, as is the case with the strawberry tree, which represented 57% of the area planted by REN in 2021, and the search for other solutions, such as the use of access corridors for pasture, thus reducing the risk of forest fires and increasing the climate resilience of agriculture are examples of the company's commitment in this area.

distances between vegetation and REN installations. The cumulation of inflammable material, the non-adaptation of species to the location, climate change and monoculture are factors which increase the risk of fire. For this reason, we have developed actions to mitigate such occurrences while also promoting the defence of the forest against fires.

With the setting up of the National System of Forest Defence against Fires (SNDFCI), Firebreak Networks also created were, where REN infrastructure is integrated into the so-called secondary network. Decree-Law No 124/2006 of 28 June (republished by Decree-Law No 17/2009 of 14 January) requires the entity responsible for operating the electricity transmission lines to manage inflammable material in forests as set out in the Municipal Forest Defence Plans against Fires (PMDFCI).

In order to comply with these legal provisions, we 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,

Our commitment to the defense of the forest goes beyond our legal obligations.

As part of these processes, our relationship with stakeholders, and more specifically with land owners, plays a vital role. In 2021, 35,003 owners were contacted whose land is either already used or about to be used for our electricity transmission networks and 1,538 owner compensation processes were concluded.

Protection against Rural Fires

We are committed to improving protection against rural fires. To achieve this goal, we have developed a series of instruments and practices for managing firebreaks in line with the new National Plan for the Integrated Management of Rural Fires, in order to improve security in the operation of our infrastructures, through greater resilience to rural fires and other extreme weather events. This greater resilience also applies to the areas surrounding REN infrastructure.

As 60% of our access corridors can be found within forests, the installation and operation of electricity lines within these areas is of particular importance. Permanent care is required in relation to compliance with safety

we clean undergrowth and fell the trees necessary to ensure the operation of our infrastructure. The aim is to carry out work on the RNT to firstly convert land use/occupation of access corridors, and secondly to increase the resilience of the lines to extreme weather phenomena, including wind. A further aim with regard to the RNTG is to increase resilience to invasive species.

Land owners are also made aware in this regard to not plant species which endanger the safety of our infrastructure. By maintaining the corridors clean, we help prevent the occurrence of fires and we create better access for Civil Protection Agents to these areas thus facilitating firefighting operations.

In 2021, work was carried out on 10,097 ha, 8,982 ha of which was in the RNT and 1,115 ha in the RNTG. This work was conducted in coordination with different entities including ICNF- Institute for the Conservation of Nature and Forests and the municipalities where REN has infrastructure. Accordingly in 2021, REN participated in 477 coordination meetings with these entities, with special emphasis on the meetings of the District and Municipal Commissions for the Defence of the Forest.

In order to contribute to the protection of the forest and REN infrastructure, every year we implement a Prevention, Alert and Action Plan for the rural fire season. The aim of this plan is to both improve prevention, by increasing surveillance in the critical fire season, and to keep a management and operational structure on stand-by to ensure effective coordination with the National Authorities, such as Civil Protection. Our goals are to maintain high standards of service quality and mitigate the negative effects on forests.

As part of this Plan, we have created the Rural Fire Monitoring Group (GAIR), where the main operational departments of the company are represented. This group had scheduled meetings every two weeks from 1 June to 15 October. 2021 was characterized as atypical in terms of rural fires, which continued up to October 15: (i) around 1,100 fewer occurrences of rural fires were registered within 5 km of RNT and RNTG assets; (ii) around 78 ha burned in the RNT access corridors (2,174 ha in 2017); (iii) a single opening of RNT trip mechanisms caused by fires on the Pocinho-Aldeia d'Avila 1 line, on 8 August.

Despite the reduced operational activity in response to emergency situations caused by rural fires, the entire team was prepared and available for any necessary actions. Six prevention and surveillance teams (EPV) were maintained in operation, each consisting of three members and a vehicle equipped with forest clearing equipment. These teams with specific training in first response and post-fire damping down operations were operational 24/7 and are provided with first response equipment allowing them to immediately tackle fire incidents. In addition to other REN workers who are on stand-by at this time of year, these teams support our operation and dispatch rooms for the gas and electricity networks in mainland Portugal.

Also in this regard, REN participates, through its liaison officer, in the weekly and extraordinary meetings of the National Emergency and Civil Protection Command, whenever requested, and particularly during the rural fire season.

As a result of continuous analysis of the impact of forest fires, REN is implementing a series of actions at REN Armazenagem, such as reformulating the network of paths and reforesting the surroundings, thus increasing the resilience of the installation. We have also mounted fire surveillance and detection devices and installed automatic devices to increase the resilience of the installation and ensure that forest fires are both prevented and mitigated. Accordingly, at REN Armazenagem, a plan to adapt the land surrounding the installation to mitigate forest fires (47 ha) was completed. This plan involved the participation of the Association for the Development of Industrial Aerodynamics (ADAI), from the University of Coimbra. Around 63,000 trees were planted on this land. The species included: stone pines, maritime pines, casuarinas, strawberry trees and tamarisks.

Further information on this topic can be consulted on REN's website at www.ren.pt.

Energy

REN's energy consumption in 2021 was as follows:

Energy Consumption (GJ)	2021	2020	2019
Electrical Power (administrative buildings)	73,367	72,653	71,802
Electrical Power (technical and process facilities)	314,556	296,418	301,006
Natural Gas (administrative buildings)	4,771	2,821	7,095
Natural Gas (technical and process facilities)	334,861	321,852	337,004
Propane Gas and Diesel (technical and process facilities)	893	1,030	30
Electrical Power (fleet)	174	---	---
Natural Gas (fleet)	1,051	---	---
Other fuels: diesel and petrol (fleet)	21,109	21,006	27,768
Losses in the electricity transmission network	3,009,600	2,842,778	2,647,516
Losses in the gas transmission and distribution network, storage and LNG Terminal	27,328	2,457	2,290
Total	3,787,710	**3,561,015**	**3,394,511**

Generally, an increase of 6% in 2021 was seen in power consumption compared to 2020. This increase was mainly due to the increases in losses in the Electricity Transmission Grid (6%), fundamentally as a result of the increase in the percentage of losses in the RNT (1.98% in 2021 as opposed to 1.84% in 2020), and having calculated methane losses and the corresponding energy (increase of +1,013% when compared to 2020), for the four gas companies based on new OGMP and international benchmarks.

Intensive Energy Consumption

In accordance with Decree-Law No 71/2008 governing the Intensive Energy Consumption Management System (SGCIE), intensive energy users such as REN – Armazenagem and REN Atlântico, are required to comply with a number of targets to reduce their energy consumption, more specifically with regard to Specific Consumption (SC), Energy Intensity and Carbon Intensity.

Regarding REN Armazenagem, we conducted an energy audit in the 2nd semester of 2021, and the Energy Consumption Rationalization Plan (PREN) was submitted for approval to ADENE/DGEG for the 2021 to 2028 period. Of note is the fact that no rationalization measures were identified with a cost-benefit analysis which would be favourable to implementation.

As planned for 2021, we carried out an engineering study for the renovation and technological upgrading of the installation's power factor offsetting system. It is expected to be implemented by the end of January 2022.

With respect to REN Atlântico, in 2021, the Progress Report on the 2019-2020 period was drawn up. Main results include comply with the legal goals established for the specific consumption (Sc) and carbon intensity (Ci) indicators.

With regard to the energy intensity indicator (GVA), a deviation of around 154% was seen from the established target. This was a result of the decrease in GVA compared to the reference year which, together with the increase in energy consumption, led to a sharp increase in Energy Intensity. REN Atlântico is a regulated company and part of the SNG and, therefore, GVA is not directly related to the variation in production.

Emissions

At REN, we are aware of the impacts that our activities have on the environment, in particular with regard to climate change. This awareness results not only in the monitoring of this impact, but also in the development of ambitious reduction targets. As part of the Capital Markets Day, we communicated our commitments to reducing our GHG emissions and implementing robust strategies to estimate, measure, monitor and manage our impacts in terms of emissions in the different areas. We will also implement initiatives to help achieve these goals.

Since 2010, REN has provided information on company policies and activity with regard to climate change, in line with the Carbon Disclosure Project (CDP) on Climate Change. In the last evaluation carried out, we obtained a classification of C. Participation in CDP has allowed us to reflect on the risks and opportunities to which we are exposed in terms of climate change, providing a sound basis for continued preparation and alignment with the recommendations from the Task-Force on Climate-Related Financial Disclosure (TCFD).

We would also like to highlight employee training under the (SBTi) Science-based target initiative in 2021, in order to allow us, in 2022, to publicly confirm that the targets set for the reduction of GHGs are "science-based", in other words, in line with what current climate science indicates is necessary for the goals of the Paris Agreement to be achieved.

Further information on the Carbon Disclosure Project is available at https://www.cdp.net/en.

Greenhouse Gas Emissions (TCO_2EQ)	2021	2020	2019
Scope 1			
Natural Gas (administrative buildings)	269	158	398
Natural Gas (technical and process facilities)	18,786	18,056	18,906
Natural Gas (fleet)	59	---	---
Natural Gas (losses)	12,893	1,159	1,080
Propane Gas (technical and process facilities)	4	6	2
Diesel (technical and process facilities)	62	69	93
Diesel and petrol (fleet)	1,550	1,551	1,959
Sulphur hexafluoride (SF_6) (technical and process facilities)	566	738	567
Scope 1	34,187	21,737	23,005
Scope 2			
Electricity (administrative buildings)	4,182	3,976	3,855
Electricity (technical and process facilities)	17,930	16,211	---
Electricity (losses)	92,127	155,571	206,624
Electricity (fleet)	10	---	---
Scope 2	114,249	175,758	210,479
Scope 3			
Air Travel	35	106	557
Train travel	0	0	0
Scope 3	36	106	557
Total (scope 1 + 2 + 3)	148,472	197,601	234,041

In general with regard to emissions, a significant reduction was seen in 2021 (-25%), with an increase in scope 1 emissions of 57% and a reduction in scope 2 emissions of 35%, when compared to 2020. Significant changes with regard to important headings were also seen. In relation to natural gas losses, as mentioned in the sub-chapter on "Energy", methane emissions increased (+1,012%), as the base methodology was changed. This significant increase was caused by the fact that REN now calculates emissions based on the references of OGMP international benchmark associations, and how they apply to the four gas companies, including Portgás. Losses in the Electricity Transmission Grid (-41%) basically result from the application of a lower EF (Emission Factor) (110.2 gCO_2/kWh in 2021 as opposed to 197.0 gCO_2/kWh in 2020), as a result of applying a different calculation methodology based on all SEN emissions (strongly influenced by the continuous growth of RES and the significant reduction of -67% in the use of coal for electricity production). When a supplier's reference value is used, an increase in the percentage of losses in the RNT was seen (1.98% in 2021 and 1.84% in 2020).

We monitor the impacts of our activities on the environment and we set ambitious targets to reduce these impacts.

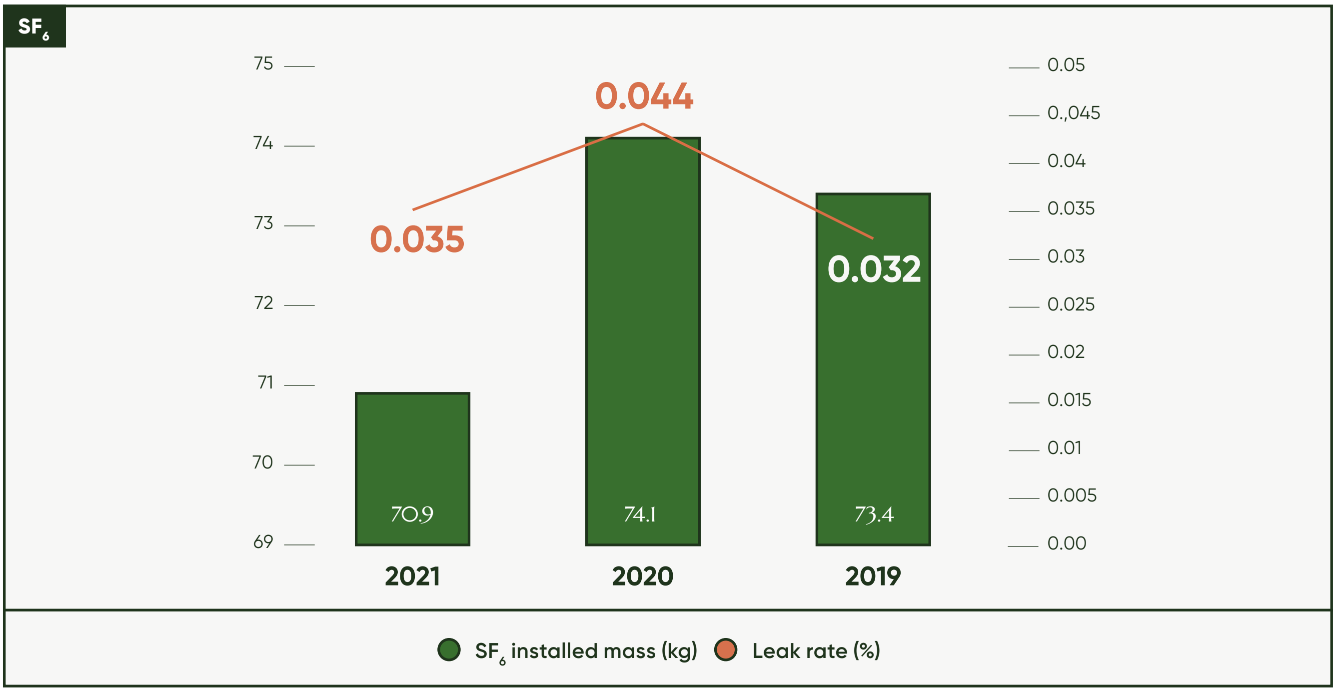
We are also committed to reducing methane emission by at least 20% by 2025. We have also developed an investment programme for the National Electricity and Gas Transmission Networks, as well as for Gas Distribution, which will lead to gradual and sustained reduction in emissions from these infrastructures.

Emissions from Transemel's operations were not considered in 2021, as this company is a Transmission Operator (and, as such, does not have System Operation data) and it was not possible to implement data collection methodologies. Values will be reported in 2022.

SF_6 Emissions

With regard to emissions of sulphur hexafluoride (SF_6), a gas used as an electrical insulator (dielectric) in various high and extra-high voltage equipment, the figure for 2021 remained at low levels, as in previous years. The company's efforts to reduce SF_6 leakages is reflected in the evolution of the leakage rates for this gas, with results considered to be highly positive from a technical viewpoint on an international level. In 2021, for the first time, we carried out a process of controlled disposal of degraded SF_6 with no possibility of recovery, which consisted of an international forwarding process to an incineration unit licensed on a European level for environmentally controlled disposal.

	2021	2020	2019
SF_6 installed mass (kg)	70.9	74.1	73.4
Leak Rate (%)	0.035	0.044	0.032

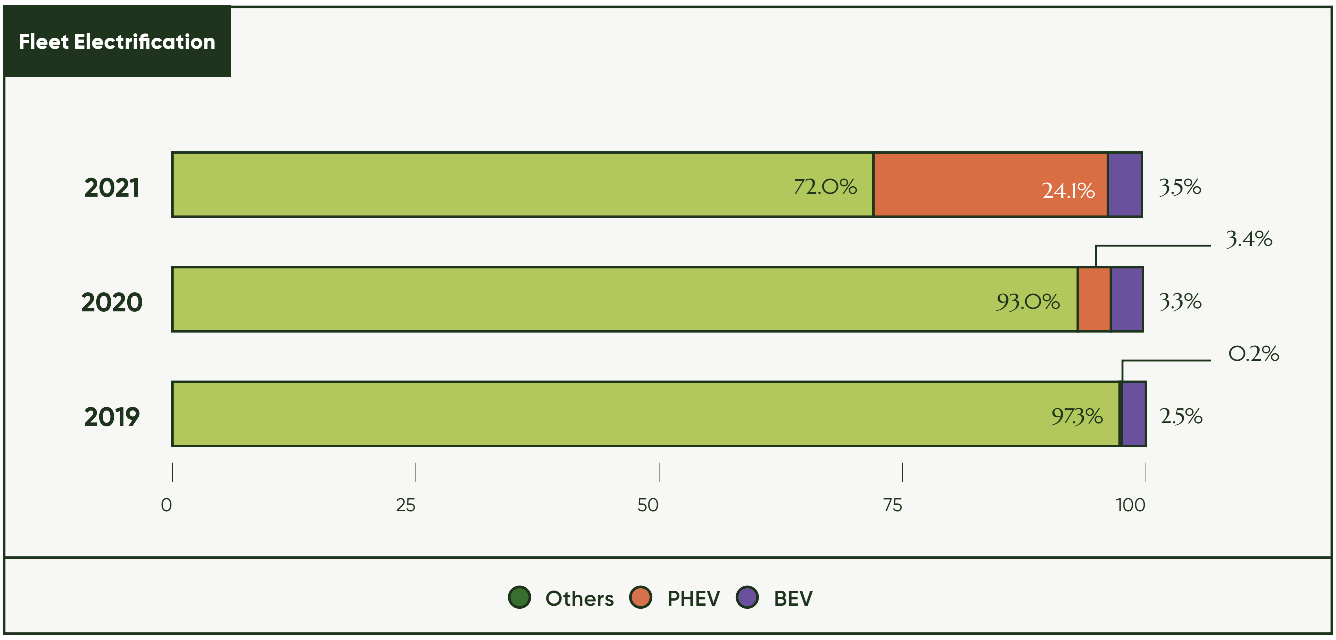


56%

of new vehicles purchased were electric (BEV or PHEV).

Fleet Emissions

The fleet electrification policy which aims to reduce emissions from this type of asset, continues the process of consolidation, and in 2021, 56% of new vehicles purchased were electric (BEV – battery electric vehicle or PHEV – plug in hybrid electric vehicle), currently representing 28% of the total fleet. With the change in market purchase specifications, most types of new vehicles acquired are now electric, with only a small number of segments which, for operational reasons, are still unable to find a suitable solution in terms of market supply.



The increase in total emissions recorded in 2021, of 4%, is a result of the increase in mobility (+17% of km travelled), against a background of a less serious pandemic, in comparison to 2020. However, despite the increase in kilometres travelled, we recorded a decrease in emissions per km travelled of -11%, which reveals the positive results of the gradual electrification of the fleet.

Emissions management in buildings

In 2021, a holistic study was initiated based on the environmental impacts on different levels associated with buildings. In addition to these impacts, it was also important to assess the interior environment (thermal comfort, air quality, lighting quality, acoustic conditions). This work will allow an exhaustive dashboard to be obtained for more effective monitoring of the energy performance of buildings, as well as address measures to reduce energy and increase energy efficiency.

In addition to this holistic study, we carried out a number of other initiatives in this area:

- Continuation of the project to build the New REN Headquarters and the New National Dispatch centre for REN Eléctrica at the existing Sacavém complex. This project seeks to improve the conditions of working spaces, the technical resilience of the National Dispatch facility and create more efficient systems with a direct impact on the sustainability of these buildings;
- Monitoring the operation and maintenance of facilities and technical approach of administrative buildings, national offices and Data Centres with a view to improving the resilience and efficiency of these facilities;
- Start of the project to analyze and implement sustainability measures in administrative buildings, national offices and Data Centres;
- Setting up of an Innovation Room in the building on Av. EUA, in Lisbon.
- Projects to improve working conditions, resolve issues and implement safety perimeters at several REN Eléctrica substations.

Managing CO_2 emissions from plants with PPAs

Within the scope of its regulated activity as a Commercial Agent, REN Trading is a company that plays an active role in the challenges presented by climate change. The management of plants which had Power Purchase Agreements (PPAs), i.e., Tejo Energia and Turbogás, is conditioned by the rules of the European Emissions Trading Scheme (EU ETS).

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

ETS was the tool implemented in the EU to comply with the Kyoto objectives and continues to be a key-element in policies to limit GHG, after the international consensus achieved in the Paris Agreement of 2015 and the implementation 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 the costs of emissions licences (on the total amount of emissions made by PPA plants, with the end of allocations for the national electricity production sector), and as such, the total costs incurred by consumers of electricity, in compliance with ERSE regulations, REN Trading was active on the futures market in 2021 as a member of the ICE (Intercontinental Exchange), and as of the end of the year, as an order-router member of 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 two PPA plants, which requires buying EUA (European unit allowance) licenses.

The strategy of REN Trading with regard to the market sale of electricity production from these plants has always taken into account the most recent emissions forecast and the associated cost, measured through the EUA market price. It can be seen that, under certain circumstances, as was the case in 2020, the incorporation of CO_2 costs into production costs at the Pego plant (coal fired, a more polluting fuel) could alter its position in the order of merit of supply in the electricity market, making it less competitive. This would therefore require it to be replaced with a less polluting alternative, such as Turbogas (natural gas fired and producing less emissions than coal for power production). In essence, through ELT, impact on the operation of the electricity market is managed and the consequence of this European mechanism can be seen on the emissions of plants and the electrical power programme.

In 2021, there was an increase in activity compared with the previous year. REN Trading was active in the futures market only in transactions for the purchase of around 2.214 million tonnes of CO_2, 29% more than in 2020.

With respect to market behaviour, there was a sharp increase in prices in comparison to 2020, where the average spot market price rose significantly by around 224% (from € 24.51/t to €79.38/t).

This price increase related to the market stabilization reserve mechanism, which entered operation in 2019, with the aim of establishing a robust price signal for the cost of GHG with subsequent reflection on production and investment decisions (by internalizing this important environmental externality), thus contributing to the decarbonisation effort. This resulted in an increase in emissions prices throughout 2021 and which significantly affected the annual average.

DEFINED BY RESPON-SIBILITY

6

An identity of total transparency.

Consolidated and Individual Accounts

Consolidated Financial Statements

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position as of 31 December 2021 and 2020

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of financial position originally issued in Portuguese - Note 37)

		31 December	
Assets	Notes	**2021**	2020
Non-current assets			
Property, plant and equipment	8	119,551	127,119
Intangible assets	8	4,123,069	4,130,562
Goodwill	9	4,757	5,367
Investments in associates and joint ventures	10	169,283	158,845
Investments in equity instruments at fair value through other comprehensive income	12 and 13	162,724	150,850
Derivative financial instruments	12 and 16	19,347	25,685
Other financial assets	12	137	102
Trade and other receivables	12 and 14	37,026	45,507
Deferred tax assets	11	96,673	92,575
		4,732,567	**4,736,611**
Current assets			
Inventories	15	8,545	2,450
Trade and other receivables	12 and 14	448,171	448,099
Derivative financial instruments	12 and 16	474	-
Cash and cash equivalents	12 and 17	398,759	61,499
		855,949	**512,048**
Total assets	7	5,588,516	**5,248,658**
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	311,988	289,887
Retained earnings		232,978	240,853
Other changes in equity	18	(5,561)	(5,561)
Net profit for the period		97,153	109,249
Total equity		1,409,830	**1,407,700**
Liabilities			
Non-current liabilities			
Borrowings	12 and 20	2,390,852	2,260,875
Liability for retirement benefits and others	21	94,109	100,507
Derivative financial instruments	12 and 16	23,112	29,215
Provisions	22	8,872	8,508
Trade and other payables	12 and 23	507,606	371,886
Deferred tax liabilities	11	107,569	144,969
		3,132,120	**2,915,960**
Current liabilities			
Borrowings	12 and 20	375,221	562,557
Trade and other payables	12 and 23	644,701	353,800
Income tax payable	11 and 12	26,644	8,641
		1,046,566	**924,999**
Total liabilities	7	4,178,686	**3,840,958**
Total equity and liabilities		5,588,516	**5,248,658**

The accompanying notes form an integral part of the consolidated statement of financial position as of 31 December 2021.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated Statements of Profit and Loss for the years ended 31 December 2021 and 2020

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of other comprehensive income originally issued in Portuguese - Note 37)

		Year ended	
	Notes	31.12.2021	31.12.2020
Sales	7 and 24	734	64
Services rendered	7 and 24	565,103	563,232
Revenue from construction of concession assets	7 and 25	237,696	160,856
Gains / (losses) from associates and joint ventures	10	6,431	7,498
Other operating income	26	28,389	26,683
Operating income		838,353	**758,333**
Cost of goods sold	15	(1,212)	(719)
Costs with construction of concession assets	25	(215,253)	(142,036)
External supplies and services	27	(84,695)	(69,022)
Personnel costs	28	(56,108)	(55,529)
Depreciation and amortizations	8	(241,940)	(241,165)
Provisions	22	(365)	(185)
Impairments	8, 9 and 14	(1,313)	87
Other expenses	29	(18,604)	(20,895)
Operating costs		(619,490)	**(529,464)**
Operating results		218,863	228,869
Financial costs	30	(54,356)	(59,637)
Financial income	30	3,272	5,651
Investment income - dividends	13	8,496	7,318
Financial results		(42,588)	**(46,667)**
Profit before income tax and ESEC		176,275	**182,202**
Income tax expense	11	(52,081)	(44,858)
Energy sector extraordinary contribution (ESEC)	35	(27,041)	(28,095)
Consolidated profit for the period		97,153	**109,249**
Attributable to:			
Equity holders of the Company		97,153	**109,249**
Non-controlled interest		-	-
Consolidated profit for the period		97,153	**109,249**
Earnings per share (expressed in euro per share)	31	0.15	**0.16**

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2021.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated statements of other Comprehensive Income for the years ended 31 December 2021 and 2020

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of other comprehensive income originally issued in Portuguese - Note 37)

	Notes	31.12.2021	Year ended 31.12.2020
Consolidated Profit for the period		**97,153**	**109,249**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains / (losses) - gross of tax		2,436	(1,750)
Tax effect on actuarial gains / (losses)	11	(731)	524
Other changes in equity		184	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(5,917)	(24,324)
Increase / (decrease) in hedging reserves - cash flow derivatives	16	18,097	(7,525)
Tax effect on hedging reserves	11 and 16	(4,678)	1,881
Gain/(loss) in fair value reserve - Investments in equity instruments at fair value through other comprehensive income	13	11,860	(4,826)
Tax effect on items recorded directly in equity	11 and 13	(3,007)	1,765
Other changes in equity	10	159	(11)
Comprehensive income for the period		115,556	**74,983**
Attributable to:			
Equity holders of the company		115,556	74,983
Non-controlled interest		-	-
		115,556	**74,983**

The accompanying notes form an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2021.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated Statements of Changes in Equity for the years ended 31 December 2021 and 2020

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of changes in equity originally issued in Portuguese - Note 37)

Attributable to shareholders

Changes in the year	Notes	Share capital	Own shares	Share premium	Legal Reserve	Fair Value reserve (Note 13)	Hedging reserve (Note 16)	Other reserves	Other changes in equity	Retained earnings	Profit for the year	Total
At 1 January 2020		**667,191**	**(10,728)**	**116,809**	**118,828**	**51,966**	**(19,901)**	**165,787**	**(5,561)**	**242,853**	**118,899**	**1,446,144**
Net profit of the period and other comprehensive income		-	-	-	-	(3,061)	(5,644)	(24,335)	-	(1,226)	109,249	**74,983**
Transfer to other reserves		-	-	-	6,247	-	-	-	-	112,652	(118,899)	**-**
Distribution of dividends	32	-	-	-	-	-	-	-	-	(113,426)	-	**(113,426)**
At 31 December 2020		**667,191**	**(10,728)**	**116,809**	**125,075**	**48,905**	**(25,545)**	**141,452**	**(5,561)**	**240,853**	**109,249**	**1,407,700**
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**

The accompanying notes form an integral part of the consolidated statement of changes in equity for the year ended 31 December 2021.

THE ACCOUNTANT THE BOARD OF DIRECTORS

Consolidated Statements of Cash Flow for the years ended 31 december 2021 and 2020

(Amounts expressed in thousands of Euros – tEuros)
(Translation of statements of cash flow originally issued in Portuguese - Note 37)

	Notes	31.12.2021		Year ended 31.12.2020	
Cash flow from operating activities:					
Cash receipts from customers		**2,784,889**	a)	1,838,089	a)
Cash paid to suppliers		**(1,873,431)**	a)	(1,323,307)	a)
Cash paid to employees		**(75,741)**		(78,820)	
Income tax received/paid		**(74,253)**		(11,456)	
Other receipts / (payments) relating to operating activities		**(61,427)**		(48,242)	
Net cash flows from operating activities (1)		**700,037**		**376,264**	
Cash flow from investing activities:					
Receipts related to:					
Investments in associates	10	**199**		220	
Investment grants		**28,533**		34,747	
Dividends	10 and 13	**13,218**		15,105	
Payments related to:					
Equity instruments through other comprehensive income	13	**(15)**		-	
Property, plant and equipment		**(4,840)**		(13,985)	
Intangible assets		**(196,762)**		(156,631)	
Net cash flow used in investing activities (2)		**(159,667)**		**(120,544)**	
Cash flow from financing activities:					
Receipts related to:					
Borrowings	20	**2,035,000**		2,426,000	
Payments related to:					
Borrowings	20	**(2,081,311)**		(2,472,647)	
Interests and other similar expense		**(39,725)**		(53,169)	
Leasings	20	**(2,065)**		(1,768)	
Interests of Leasings		**(29)**		**(32)**	
Dividends	32	**(113,426)**		(113,426)	
Net cash from / (used in) financing activities (3)		**(201,556)**		(215,042)	
Net (decrease) / increase in cash and cash equivalents (1)+(2)+(3)		**338,814**		40,677	
Effect of exchange rates		**(1,224)**		(29)	
Cash and cash equivalents at the beginning of the year	17	**61,169**		20,521	
Cash and cash equivalents at the end of the period	17	**398,759**		61,169	
Detail of cash and cash equivalents					
Cash	17	**-**		-	
Bank overdrafts	17	**-**		(330)	
Bank deposits	17	**398,759**		61,499	
		398,759		**61,169**	

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 2021.

THE ACCOUNTANT THE BOARD OF DIRECTORS

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Translation of notes originally issued in Portuguese - Note 37)

1. GENERAL INFORMATION

REN – Redes Energéticas Nacionais, SGPS, S.A. (referred to in this document as "REN" or "the Company" together with its subsidiaries, referred to as "the Group" or "the REN Group"), with head office in Avenida Estados Unidos da América, 55 – Lisbon, 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;

d) Empresa de Transmisión Eléctrica Transemel, S.A. ("Transemel"), was incorporated on 1 October 2019, following the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate purpose of promoting, developing and carrying out projects and developments in the gas sector, as well as defining the overall strategy and coordination of the companies in which it has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression);

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company comprise the supply, reception, storage and re-gasification of liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures;

e) REN Portgás Distribuição, S.A. ("REN Portgás"), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in e) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. ("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 2021, 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 29/2006 of 15 February 2006, 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 Gás - RNTG);

iii) dispatch of gas by specialised trucks; and

iv) the construction, utilization, maintenance and expansion of the LNG Terminal infrastructures.

The model of the concession contract ensures contractual equilibrium in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered are as follows:

- the LNG terminal and related infrastructures installed in the port of Sines;
- the infrastructures related to liquefied natural gas reception, storage, treatment and regasification, including all the equipment necessary to control, regulate and measure all the infrastructures and LNG terminal operations;
- the infrastructures used to inject natural gas into the National Natural Gas Transport Network or the loading and dispatch of LNG through trucks or methane vessels; and
- the infrastructures related to telecommunications, telemetry and remote control, used to manage all the infrastructures and the LNG terminal.

In addition, the following are also considered as concession assets:

- the real estate owned by REN Atlântico Terminal de GNL, SA, where the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession;
- any intellectual or industrial rights owned by REN Atlântico Terminal de GNL, SA; and
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services.

REN Atlântico Terminal de GNL, S.A. must, during the concession period maintain the assets in good operating condition, ensure the maintenance and security of the assets and related means, carrying out the necessary repairs, renewals and adaptations needed to keep the assets in the required technical conditions.

REN Atlântico Terminal de GNL, S.A. has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets and related means to the State.

The concession contract can be terminated by the conceding entity when any one of following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, eminent failure or interruption of the concession operations; deficiencies in the management and of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can cancel the concession, whenever the public interest justifies, but only after a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible future profit losses.

2.4. NATURAL UNDERGROUND GAS STORAGE

The concession of underground storage activity was attributed to REN Armazenagem, S.A. for a period of 40 years, under the legal regime applicable to the organization, operation of the national gas system and to the reception, storage and regasification activities of liquefied natural gas, underground gas storage, transport and gas distribution approved by Decree-Law 62/2020 of 28 August 2020, which replaced the 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;
- management of RNDGN interconnection with RNTG.

The model of the concession contract ensures contractual equilibrium, in the conditions of an efficient management, through recovery of the eligible investment costs, operating and maintenance costs and adequate remuneration of the concession assets, to be reflected in the tariffs applicable to REN.

The concession assets considered include:

- natural gas distribution pipelines, and equipment necessary for the development of the natural gas distribution activity;
- infrastructures used in the operation of delivery of natural gas to final customers, as well as all the control, regulation and measurement equipment necessary to ensure the proper functioning of the natural gas distribution system;
- telecommunications and infrastructures and equipment, telemetry and remote control, used in the management of all infrastructures and in the delivery of natural gas to consumers.

In addition, the following are also considered as concession assets:

- the property owned by REN Portgás, in which the above mentioned equipment is installed as well as the related rights of way;
- other assets necessary for the operations of the concession activities;
- any intellectual or industrial rights owned by REN Portgás;
- any funds or reserves assigned to guarantee the fulfillment of the obligations of REN Portgás;
- all the legal relationships established during the concession, such as: labour contracts, subcontracts, leasing and external services;
- intangible assets acquired by Portgás, related with the processes for connecting final consumers to the natural gas distribution network.

REN Portgás has an obligation to, during the concession period, maintain the assets in good operating condition, maintenance and security, carrying out the needed repairs, renewals and adaptations necessary to keep the assets in the required technical conditions.

REN Portgás has the right to operate the assets of the concession until its maturity. These assets may only be used for the purposes of the concession. At the termination date of the concession the concession assets revert to the State in accordance with the contract, which provides for an indemnity to be paid corresponding to the net book value of the concession assets.

The concession can be cancelled by agreement between the parties, through early termination, redemption or maturity date term. Cancellation of the concession results in transmission of all the concession assets to the State.

The concession contract can be terminated by the conceding entity if any of the following events occurs, with a significant impact on the operations of the concession: non-application of the concession principles, imminent failure or interruption of the concession operations; deficient management of the concession's operations; or deficiencies in the maintenance and repair of the infrastructure that compromises the quality of the service; application of higher tariffs than those authorized by the regulator; and the unauthorized transmission of the concession.

The conceding entity can redeem the concession, whenever the public interest justifies it, but only after at least a 15 year period as from the date of the beginning of the concession. By cancelling the concession, the operator has the right to an indemnity in accordance with the book value of the assets as of the date they revert, as well as to possible futures profit losses.

2.6. OPERATION OF A PILOT SITE FOR THE ENERGY OF OCEAN WAVES

The Portuguese State has granted a concession to Enondas, Energia das Ondas, S.A. ("Enondas" or "the Operator"), a wholly owned subsidiary of REN, under the terms of item 3, article 5 of Decree-Laws 5/2008 of 8 January and 238/2008 of 15 December, to operate a pilot area to produce electricity from ocean waves.

In accordance with Decree-Law 238/2008 of 15 December the concession has a period of 45 years and includes authorization to install the infrastructures to connect to the public electricity network and utilization of the public hydro resources, and monitoring of the use by third parties of the water resources necessary to produce electricity from waves, as well as competency to grant licences for the establishment and operation of the production of electric energy and related monitoring.

In accordance with the concession contract and applicable legislation, REN will have the right to an adequate remuneration from the concession through recognition of the costs of the investment, operation and maintenance, provided that they are approved in advance by the Government member responsible for the energy area, after the binding opinion of ERSE.

Amendments to concession contracts

On February 21, 2012, the following amendments to the concession agreements in effect between the Portuguese State and the Group companies were signed, namely: i) the concession of transport activity of electricity through the National Network of Transport of Electricity signed with REN – Rede Eléctrica Nacional, S.A.; ii) the concession of transport activity of natural gas through the National Network of Natural Gas Transportation, signed with REN Gasodutos, S.A.; iii) the concession activity of reception, storage and regasification of liquefied natural gas to the terminal in Sines, signed with REN Atlântico, terminal GNL, S.A.; and iv) the concession of the activity of underground storage of natural, signed with REN Armazenagem, S.A..

These concession contracts were amended with the main purposes of: i) detailing the functions of the operators of the national networks of electricity and natural gas transportation; ii) develop arrangements for monitoring and supervising the activities of dealers by the Portuguese State and iii) specify the terms applicable to provide information by each of the dealers, adapting the respective contractual clauses to the legal provisions and regulations in force, in particular Decree-Law no. No. 77/2011 and n. No. 78/2011, both of 20 June.

On April 23, 2018, a second amendment to the concession contract was signed between the Portuguese State and REN - Rede Eléctrica Nacional, S.A., through which the Portuguese State determined REN, as a concessionaire, in particular, the execution of the installation work of an underwater cable off Viana do Castelo to the Public Service Electricity Network on land, including the development of studies and projects that prove necessary, the operation, maintenance and exploration of the cable, as well as the execution of interconnection work both at sea and on land.

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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 2021.

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 2021, current liabilities in the amount of 1,046,566 thousand Euros are greater than current assets, which total 855,949 thousand Euros.

However, in addition to the consolidated results and cash flows estimated for 2022, the Group has, as of 31 December 2021, credit lines in the form of commercial paper available for use in the amount of 1,475,000 thousands Euros (Note 20). In addition, the Group has, with reference to 31 December 2021, a Revolving Credit Facility with SMBC EU AG in the amount of 150,000 thousand Euros, two loan lines with the Industrial Commercial Bank of China and Bank of China Limited, available for use in the amount of 85,000 thousand Euros and 240,000 thousand Euros, respectively, and also has 80,000 thousand Euros in credit lines contracted and not used (Note 20).

In result of this assessment, the Board concludes that the Group has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the financial statements.

Such standards includes the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), issued by the International Accounting Standards Committee ("IASC") and respective IFRIC and SIC interpretations, issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standard Interpretation Committee ("SIC"), that have been adopted by the European Union. The standards and interpretations are hereinafter referred generically to as IFRS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, assumptions and judgements in the process of adopting REN's accounting policies, with a significant impact on the carrying amounts of assets, liabilities as well as expenses and income for the reporting period.

Although the estimates are based in the best experience of the Board of Directors and their best expectations in relation to current and future events and actions, the current and future results may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas in which the assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

As a result of the pandemic corona virus (COVID-19), there was a 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 REN Group does not have or estimate to have, as of this date, significant effects on its operability and regulatory duties. It should be noted that the REN Group operates, essentially, in two business areas, Electricity and Gas, according to concession contracts attributed to the Group. These concession contracts are regulated, which in a certain way minimizes the possible impacts of the pandemic.

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 2020, as described in the notes to the consolidated financial statements of 2020, except regarding the adoption of new effective rules for periods beginning on or after 1 January 2021.

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 24 March 2022, 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 2021:

- **Amendments to IFRS 4 - Insurance Contracts: Deferral of IFRS 9**
  These amendments are related to the insurance contracts Standard (IFRS 4), so that eligible insurers can still apply IFRS 9 - Financial Instruments alongside IFRS 17. The amendment provides some entities with a temporary exemption from application of IFRS 9 and gives all entities with insurance contracts the option, following full adoption of IFRS 9, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (referred to as the "overlay approach"). The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2**
  These amendments finalises the Board's response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. These amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

- **Amendments to IFRS 16 – Leases: Covid-19 Related Rent Concessions beyond 30 June 2021**
  These amendments permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The adoption of these amendments does not result in significant impacts on REN's consolidated financial statements.

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in future economic exercises:

- **Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020 (new standard to be applied for periods beginning on or after 1 January 2022)**
  These amendments clarify the wording or correct minor consequences, oversights or conflits between requirements in the Standards. Amendments to IFRS 3 update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37 specify which costs a company includes when assessing whether a contract will be loss-making. Annual Improvements make minor amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and the illustrative examples accompanying IFRS 16 - Leases. The future adoption of this standard is not expected to have significant impacts on REN's consolidated financial statements.

- **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 amountsin 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. n 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.

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 2021.

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-23	These amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa.
"Amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	01-Jan-23	The main change in these amendments is an exemption from the initial recognition exemption. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
"Amendments to IFRS 17 - Insurance Contracts: Initial Application of IFRS 17 and Amendments to IFRS 9 – Comparative Information"	01-Jan-23	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.

These standards and interpretations were not yet endorsed by the European Union and consequently REN has not adopted them on the 31 December 2021 consolidated financial statements.

3.2. CONSOLIDATION BASES

The consolidation methods used by the Group are as follows:

a) Investments in Group companies (subsidiaries)

Subsidiaries are all entities (including special purpose entities) over which REN has cumulatively the following elements of control: (i) the ability to manage the relevant activities (activities that significantly affect the investee's results); (ii) exposure or rights to variable results of the investee; and (iii) the ability to affect those results through the power REN holds, which is usually associated with the control, directly or indirectly, of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured at the fair value of the delivered assets, the capital instruments issued and the liabilities incurred, or assumed on the date of acquisition. Acquisition-related costs are recognized in profit or loss as incurred, except for the costs of issuing debt or equity instruments, which must be recognized in accordance with IAS 32 and IFRS 9.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date, regardless of the existence of uncontrolled interests. The excess of the acquisition cost in relation to the fair value of the Group's portion of the identifiable assets and liabilities acquired is recorded as Goodwill, in cases where control acquisition is verified, which is detailed in Note 9.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the statement of income under "Other operating income".

The acquisition cost is subsequently adjusted when the acquisition / attribution price is contingent upon the occurrence of specific events agreed with the seller/shareholder (eg, realization of fair value of assets acquired).

Any contingent payments to be transferred by the Group are recognized at fair value at the acquisition date. If the assumed obligation constitutes a financial liability, subsequent changes in fair value are recognized in profit or loss. If the assumed obligation constitutes an equity instrument, there is no change in the initially estimated amount.

The amounts of assets and liabilities acquired within the scope of a business combination may be reviewed over a period not exceeding one year after the date of acquisition on facts and circumstances that existed on the date of acquisition.

REN reassesses power over a subsidiary when there is evidence of changes in one or more control elements indicated above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from the consolidation as from the date that control ceases. The net income of the subsidiaries acquired or sold during the period is included in the consolidated financial statement from the date of acquisition or until the date it has been sold. Subsidiaries are included in the accompanying financial statements in accordance with the full consolidation method.

Equity and net profit for the year corresponding to third party participation in subsidiaries are reflected separately in the consolidated statement of financial position and income statement in the caption "Non-controlling interests".

The comprehensive income is attributable to the company's shareholders and to the non-controlling interests, even if that results in a negative balance of the non-controlling interests.

Whenever necessary, adjustments are made to the financial statements of subsidiaries for consistency with Group accounting policies. Transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

The entities that qualify as subsidiaries are listed in Note 6.

b) Investments in associates and joint-ventures

Associates

Investments in associates (companies in which the Group has significant influence but does not have control or joint control through participation in the company's financial and operating decisions, normally where it holds between 20% to 50% of the share capital) are recorded in accordance with the equity method.

In accordance with the equity method investments are recorded at cost and subsequently, adjusted by the Group's share of the investee's post acquisition changes in net equity (including net result) of the associated company by corresponding entry to the income statement.

Additionally, dividends received are recorded as a decrease on the carrying amount of the associate, and proportional portion in the equity changes is recorded as a variation in the Group's equity and as an increase or decrease of the associate.

The excess of cost in relation to the fair value of the identifiable assets and liabilities of the associated company at the date of acquisition is recognised as goodwill and presented in a caption of Investments in associates and joint ventures. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognised as a gain in the period.

Valuations are made of investments in associates when there are facts that might indicate that the participation is impaired, being recorded an impairment losses in the income statement, if exists.

When the Group's proportion on the accumulated losses of an associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Group has assumed commitments to cover the losses of the associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Group only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with associates are eliminated proportionally to the Group`s interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

The interests in associates are detailed in Note 10.

Joint ventures

Investments in joint ventures are a joint agreement whereby the parties have rights to the net assets of the agreement, by a binding contractual agreement that should give the parties joint control. Conceptually, joint control is the sharing of the decisions of the relevant activities, on which it is required unanimous consent of the parties.

The recognition and measurement of joint ventures included in the consolidated financial statements is made using the equity method. The Group's share of the earnings or losses of the joint venture is recognized in the income statement as operating income and the share of movements in reserves of the joint venture, if any, is recognized in reserves. The unrealized gains and losses on transactions with jointly controlled entities are eliminated in proportion to the Group's interest in the jointly controlled company, against the investment in the entity.

The accounting policies of joint ventures are standardized, when necessary, to ensure that they are consistently applied in the consolidated financial statements.

Investments in joint ventures are detailed in Note 10.

Associates with no significant influence

Investments in associates (companies in which the Group does not have significant influence or control, normally where it holds less than 20% of the share capital) are recorded at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability.

The investments in associates are classified as investments in equity instruments at fair value through other comprehensive income in accordance with IFRS 9, being presented as non-current assets when considered strategic to the Group.

Associates with no significant influence are presented in Note 13.

c) Goodwill

Differences between the cost of acquisition of investments in subsidiaries and the fair value of the identifiable assets and liabilities of these companies as of the date of the acquisition or during a period of 12 months after that date, if positive, are recorded as goodwill (in the case of subsidiaries). If this difference is negative, they are immediately recorded in the consolidated profit and loss statement.

Goodwill is not amortised, but is subject to impairment tests at least annually to verify the existence of impairment losses.

Goodwill impairment test is based on the recoverable amount of the cash generating unit, comparing the recoverable amount with the carrying amount. If the carrying amount exceeds the recoverable amount an impairment loss is recorded immediately in the consolidated financial statements, reducing the asset value and recording an impairment loss on the consolidated statement of profit and loss which is not reversible. The recoverable amount is determined based on the use value of the cash generating unit, being this value calculated by discounting the future cash flows, considering the business risks, the temporal value as well as market conditions.

If the initial accounting for a business combination can be determined only provisionally at the end of the reporting period in which the combination occurs (because the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquiree or the cost of the concentration can only be determined provisionally), the Group accounts for the business combination using the available information. Those provisional amounts are adjusted upon the final determination of the fair values of the assets and liabilities occurring up to a maximum period of twelve months after the acquisition date. During this period Goodwill or any recognized gain will be adjusted from the acquisition date by an amount equal to the fair value adjustment at the acquisition date of the identifiable assets, liabilities and contingent liabilities to be recognized or adjusted and the comparative information presented for the periods prior to the completion of the initial accounting of the concentration. This includes any depreciation, amortization or other gain or loss effect recognized as a result of completing the initial accounting.

3.3. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

Items included in the financial statements of each of the REN Group entities are recorded using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements including these notes are presented in thousands of Euros, unless otherwise indicated, the Group's functional currency.

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency in the separate financial statements of the subsidiaries are translated into the functional currency of each subsidiary using the exchange rates prevailing on the date of the statement of financial position for each period. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are translated into the functional currency of each subsidiary using the exchange rate prevailing on the date the fair value was determined.

Foreign exchange gains and losses arising from the differences between the exchange rates prevailing on the date of the transactions and those in force at the date of collection, payments or at the date of the statement of financial position are recorded as income and / or expenses in the consolidated income statement for the year under the same captions where the income and losses associated with these transactions are reflected, except for those relating to non-monetary amounts whose fair value changes are recorded directly in equity.

The separate financial statements of the associates of the Group are prepared in the functional currency of the entities. Exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate are booked against "Other Reserves".

The foreign currency exchange rates used for the translation of the foreign currency balances are as follows:

Currency	2021	2020
US Dollar (USD)	1.13	1.23
Pound sterling (GBP)	0.84	0.90
Japan Yen (Yen-JPY)	130.38	126.49
Chilean pesos (CLP)	968.98	868.89

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;
- Already existing to which the operator is given access.

Therefore, considering the above the REN Group's concessions are covered by this IFRIC for the following reasons:

i) the REN Group companies (REN – Rede Eléctrica Nacional, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., S.A., REN Atlântico, Terminal de GNL, S.A., REN Portgás Distribuição, S.A. and Enondas, Energia das Ondas, S.A.) have a public service concession contract signed with the Portuguese State ("Conceding Entity") for a predefined period;

ii) the companies render public transport services, reception and storage of gas and transmission of electricity through utilization of gas pipelines, branches and underground tanks, in the case of gas, and lines, stations and substations in the case of electricity;

iii) the conceding entity controls the services rendered and the conditions under which they are rendered, through the regulator ERSE; and

iv) the assets used to render the services revert to the conceding entity at the end of the concession contracts.

This interpretation establishes the general principles for the recognition and measurement of the rights and obligations under the concession contracts with the features mentioned earlier and define the following models:

i) Financial asset model – when the operator has the unconditional contractual right to receive cash or other financial asset from the conceding entity, corresponding to specific or determinable amounts, the operator must record a financial asset (receivable). In this model the conceding entity has few or no discretionary power to avoid the payment, as the agreement is usually legally binding;

ii) Intangible asset model – when the operator receives from the conceding entity the right to collect a tariff based on use of the structure, it must record an intangible asset;

iii) Bifurcated/mixed model – this model applies when the concession includes simultaneously commitments of guaranteed remuneration by the conceding entity and commitments of remuneration dependent on the level of utilization of the concession infrastructures.

Considering the nature of concession of the REN Group, as regards the legal nature of its concessions, REN decided that the best model for its business case is the intangible model due essentially to the risk of changes in the tariff regulation imposed by the regulator ERSE.

In this respect and in relation to the residual value of the assets relating to the concession (in accordance with the concession contracts, REN has the right to be reimbursed at the end of the concession contract for the net book value of the conceded assets), they were also considered as part of the intangible assets. The residual value of the conceded assets was not significant as of 31 December 2021.

Attending to the above, concession assets (intangible assets) are valuated at its acquisition cost or production cost which include financial costs incurred during the construction period. The revaluations that were recorded in the concessions assets on the date of transition to IFRS are part of its cost.

For amortization purposes of the concession assets, REN Group follows IAS 38 – Intangible assets, that states in paragraph 98 that: "A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight line method, the declining balance method and the production units method. The method used is selected based on the expected consumption model of the future economic benefits incorporated in the asset and is applied consistently from period to period, unless there is a change in the expected consumption model of these future economic benefits". Therefore considering this, REN understands that the amortization method that best reflects the expected standard of consumption of future benefits of this asset is amortization based on the rate of amortization of the gas and electricity infrastructures approved by the regulator ERSE, as this is the basis of its annual income, that is the conceded assets are amortized based on the remuneration model underlying the Tariff Regulations.

Therefore, in accordance with IFRIC 12 the right granted under the concession contract consists of the possibility of REN charging tariffs based on the costs incurred with the infrastructures. However, considering the methodology for determining REN's tariffs, the remuneration base is determined considering each concession asset, specifically, which implies the need to componentize the right. Consequently, in the case of REN's concessions it is considered that the right is componentized by separate parts as the various remuneration bases are established.

Therefore the intangible asset is:

i) increased as the various projects relating to the concession are concluded (increase in the concession rights), being recorded based on cost; and

ii) decreased as the future economic benefits are consumed.

In accordance with IFRIC 12 construction of the infrastructure by the operator is a service that it provides to the conceding entity, distinct from the operation and maintenance service and, as such, will be remunerated by it. However, in applying IFRIC 12 the REN Group assumes that there is no margin in the construction but only in the operation business. Nevertheless, construction costs and income relating to construction are recorded in the consolidated statement of profit and loss for the year, considering the requirements of IFRIC 12 in the captions "revenue from construction of concession assets" and "costs with construction of concession assets".

The REN Group makes impairment tests of the assets relating to the concessions whenever events or circumstances indicate that book value exceeds its recoverable amount, being that difference, if any, recorded in the statement of profit and loss. The cash generating units defined for the purpose are directly associated with each concession contract, considering that the conceded assets relating to them belong to the same cash generating unit.

Lands relating to the electricity producing plants are covered by the Concession Contracts entered into between REN and the Portuguese State and are remunerated based on its amortization, not being disassociated, as such from the other assets of the concession, being an integral part of a common cash generating unit.

Investment grants relating to assets are recognized in the statement of profit and loss at the same rate as amortization of the assets. IAS 20 in paragraphs 24 and 25 states that: "Government grants relating to assets, including non-monetary grants at fair value must be presented in the statement of financial position considering the grant as deferred income or deducting the grant to the cost of the asset".

Therefore given the existence of these two alternatives for the presentation of grants in the financial statements and IFRIC 12 not mentioning the treatment of investment grants received, REN maintained the grants recorded as liabilities.

Considering this, and as a result of applying IFRIC 12, the REN Group classifies assets relating to the concessions in accordance with the intangible asset model, being amortized on a straight line basis as from the date in which they become available for use in accordance with the expected consumption of future benefits model, which corresponds to the regulatory period defined by ERSE and considering that at the end of the concession the Group has the right to receive the net book value of the assets.

Intangible assets in progress reflect the concession's assets still under construction, being recorded at cost less any impairment losses, being amortized as from the time the investment projects are completed or available for use.

3.5. LEASES

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the

Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group adopted IFRS 16 using the modified retrospective method of adoption with an initial application date of 1 January 2019.

3.6. FINANCIAL ASSETS AND LIABILITIES

Financial Assets

The Board of Directors determines the classification and measurement of investments in financial assets according to the business model, evaluated in the initial application data, used in its management and the characteristics of the contractual cash flows.

Investments in financial assets may be classified under the following categories:

a) Financial assets at amortised cost - The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

b) Financial assets at fair value through other comprehensive income (equity instruments) - The financial asset is held within a business model whose objective is both to hold to collect contractual cash flows, and to sell financial assets, and the contractual terms of such financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Group expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the date of the transaction - the date on which REN commits itself to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value being the transaction costs expensed in the consolidated statement of profit and loss. Such assets are subsequently adjusted to fair value, gains and losses arising from changes in fair value being recorded in the consolidated statement of profit and loss caption “Financial costs” for the period in which they arise, which also includes interest income and dividends received.

Equity instruments at fair value trought other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value or at cost, since the companies are not listed in any stock exchange and the fair value cannot be measured with reliability, being the change in fair value recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its acquisition cost for an extended period, where the accumulated gain or loss is recorded in the income statement.

Dividends and interest income from financial assets at fair value through other comprehensive income are recognised in the statement of profit and loss caption financial income for the period in which the right to receive them is established.

The fair value of listed investments is based on current market prices (“bid”). If the market for a financial asset is not active, REN establishes fair value by using valuation techniques. These include the use of recent transactions, provided that they are at market prices, reference to other instruments that are substantially the same and discounted cash flow analysis when information is available, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

In the situations where the investments are equity instruments not valued under active market quotations, and for which is not possible to estimate with reliability its fair value, these investments are measured at the acquisition cost deducted of impairments losses, if any, being the impairment losses recorded in the profit and loss statement of the year.

Loans and receivables are classified as “Trade and other receivables” in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to the receivables.

Financial assets are derecognised when the rights to receive cash flows from the investments expire or are transferred, as well as all the risks and rewards of ownership.

Cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are presented in the “Borrowings” caption in current liabilities in the statement of financial position, and are included in the consolidated statement of cash flows, as cash and cash equivalents.

Financial Liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists to the issuer to liquidate capital and/or interests, by the delivery of cash or another financial asset, independently on its legal form.

IFRS 9 established the classification of financial liabilities in two categories:

i) Finantial liabilities at fair value trought profit and loss;

ii) Other financial liabilities.

Other financial liabilities include “Borrowings” and “Trade and other payables”.

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever REN decides, in its initial recognition, to designate the financial liability at fair value through profit and loss, using the fair value option.

Financial liabilities are classified as current liabilities unless REN has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognised when the related obligations are extinguished through payment, are cancelled or expire.

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions "Finance income" or "Finance costs". If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to its market value. In the absence of market value, the fair value is determined by external independent entities, thought valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Group assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 regarding the reform of interest rate benchmarks. This policy is applicable to some hedging relationships designated at 31 December 2021 in a total notional amount of 1,560,000 thousand Euros (960,000 thousand Euros at 31 December 2020).

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;

  ii) The credit risk effect does not dominate the changes in value that result from this economic relationship;

iii) The coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the Group documents the hedging relationship between the hedging instrument and the hedged item, its objectives and its risk management strategy. Additionally, it is assessed, both on the hedge start date and on each accounting reporting date, whether the derivative instruments designated as hedging instruments are highly effective in offsetting changes in the fair value or cash flows of the respective hedged items (including an analysis of inefficiency sources and how the coverage rate is determined).

The effectiveness requirements in a hedging relationship are as follows:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The fair value of the derivative financial instruments contracted and the movements in the hedging reserves are disclosed in Note 16.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged.

Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss.

The hedge ineffectiveness can arise from:

- Differences in cash flows timing for hedged items and hedging instruments;
- Different indices (and, consequently, different curves) associated with the hedged risk of the hedged items and hedging instruments;
- Counterparty credit risk has a different impact on movements in the fair value of hedging instruments and hedged items;
- Changes in the expected amount of cash flows from hedged items and hedging instruments.

Hedge accounting is discontinued only when a hedging relationship (or part of that hedging relationship) no longer complies with the hedge accounting criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes cases where the hedging instrument expires or is sold, terminated or exercised.

In circumstances where a derivative financial instrument no longer qualify as a hedging instrument, the Group assess: (i) in fair value hedge instruments, the existence of fair value adjustments to the hedged item, which will be amortized through the method the straight line for the remainder period of the hedged item; and (ii) in cash flow hedge, the existence of fair value differences recognized under hedging reserves in Equity, which amount will be reclassified to the income statement.

Any amount recorded in the caption "Other reserves – hedging reserves" is only reclassified to the statement of profit and loss when the hedged position affects results. When the hedged position relates to a future transaction which is not expected to occur, any amount recorded as "Other reserves – hedge reserves" is immediately reclassified to the statement of profit and loss.

In the case of aggregated exposures, the Group designates as hedged instruments a combination of an exposure and a derivative financial instrument. For this purpose, and when designating the hedged item based on an aggregated exposure, the Group considers the combined effect of the items that constitute the aggregated exposure for the purposes of assessing the hedge effectiveness and measuring its ineffectiveness. These instruments continue, however, to be accounted for separately.

3.7. BORROWING COSTS

Borrowing costs are recorded as expense when incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible and intangible assets are capitalised as part of the cost of the qualified asset (assets that need a substantial period of time to be prepared for its intended use).

Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the project is suspended.

Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, are deducted from the financial expenses that qualify for capitalisation.

3.8. GOVERNMENT GRANTS AND OTHERS

These refer to grants received for investment in intangible assets and are recorded as deferred income in the caption "Trade and other payables".

Grants received from the Portuguese State and the European Union are recorded when there is reasonable certainty that the grant will be received.

Operating assets delivered to REN by new producers connected to the National Transmission Network or others are also recorded as grants received.

Grants are subsequently recorded to the consolidated statement of profit and loss on a systematic basis in accordance with amortization of the related assets.

Exploration grants are recognized in the consolidated statement of profit and loss in the period in which the related costs are incurred.

3.9. 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 2021, in the estimates previously made by management.

3.15. ACCRUALS BASIS

Revenue and expenses are recognised in the period to which they relate, independently of the date they are received or paid, in accordance with the accrual basis of accounting. Differences between the amounts received and paid and the related income and costs are recognised as assets or liabilities, if they qualify so.

3.16. REVENUE

Revenue is measured by the fair value of the benefit received or be received. Revenue is deducted by the amount from devolutions, discounts and other rebates and it does not include VAT or other taxes related to the sale.

The revenue from the sale of goods is recorded when all the following conditions are met:

- The significant risks and rewards related with the property were transferred to the buyer;
- The Group does not maintain any control on the goods sold;
- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group; and
- The expenses incurred or to be incurred with the transaction can be reliably estimated.

Revenue from services of non-regulated activities is recognized, by the percentage of completion of the respective transaction or services at the reporting date, when all the following conditions are met:

- The amount of revenue can be reliably measured;
- It's probable that future economic benefits related with the transaction will flow to the Group;
- The expenses incurred or to be incurred with the services can be reliably estimated; and
- The stage of completion of the transaction/service rendered can be reliably measured.

The revenue from interests is recognized using the effective interest method, provided that it is probable that economic benefits flow to the Group and its amount can be reliably measured.

The revenue from dividends are recognized when it is established the right of the Group to receive the correspondent amount.

Revenue from services rendered on the Group regulated activities are recorded in the consolidated statement of profit and loss in accordance with the criteria defined in IFRIC 12, described in greater detail in Note 3.4 – Tangible and intangible assets, and in accordance the description of each business segments.

Electricity segment

Revenue recognition for concession activities is determined based on the revenue cap set by the regulator, on the electricity transmitted to National Transport Network (Rede Nacional de Transporte - RNT) by producers to distributors and the implicit services provided, considering the tariffs defined annually by the regulator, for transmission of electricity and global management of the system.

Revenue obtained from these activities is regulated by ERSE, the Portuguese electricity regulator. In accordance with the regulatory terms and conditions, the tariffs to be charged to final customers (domestic consumers, industry customers and others), are determined annually for each component of the system value chain, such as: generation, transmission and distribution. REN – Rede Eléctrica Nacional, S.A. income relates mainly to electricity transmission and global management of the electricity system.

The tariff for electricity transmission aims to recover:

i) amortization of the concession assets related with the electricity transmission activity;

ii) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator; and

iii) operating costs relating with the activity.

The tariff for global management of the system aims to recover:

i) amortization of the concession assets relating to global management of the system;

ii) amortization of the concession assets relating to the generating station sites;

iii) a return on the average net book value of the generating station sites (land);

iv) a return on the average net book value of the assets relating to this activity, in accordance with the rates determined annually by the regulator;

v) operating costs related with the activity.

The "Commercial Agent" activity, carried out by the group company REN Trading which is responsible for the management of the electricity produced under the two PPA's (power purchase agreements) that have not been terminated (Tejo Energia and Turbogás), is remunerated through an incentive mechanism established by ERSE.

Revenue obtained by use of these mechanisms, are the main part of the results obtained from the "Commercial Agent" activity. This entity operates completely independently of the REN group within the rules established by the regulator.

Regarding the activities of transmission and transformation of electricity and the development, operation and commercialization of transmission systems, carried out by the Group's company, Transemel, these consist of allowing free access to the electricity market in Chile.

The revenue obtained from electricity transmission and transformation services is recorded based on the actual billing of the consumption period, as well as includes an estimate of the services provided until the end of the period, since the contracts define a performance obligation. Additionally, interest income is recognized based on the effective rate method.

Gas segment

Revenue from gas concession operations is determined based on the revenue cap allowed by the regulator based on: i) information relating to the gas units unloaded and re-gasification of gas units in the LNG terminal and the number of tanker loads ii) the gas units injected, stored and extracted in the underground tanks; and iii) the used capacity and gas units transmitted through the high, medium and low pressure transmission network.

Telecommunications segment

Revenue from the telecommunications segment results from services rendered by the group company, RENTELECOM, through the lease of fibre optics capacity, benefiting from the excess capacity of the telecommunications equipment installed. In this area services relating to management of private voice networks are also rendered. Revenue is recognised in the period the services are rendered, based on the percentage of the stage of completion of each specific transaction, valued considering the actual services already rendered and the total services to be rendered.

Tariff deviations

The Tariff Regulations for the electricity and gas business, issued by ERSE, define the formula for calculating the revenue cap for the regulated activities and consider in the calculation formula, the determination of the tariff deviations that are recovered up to the second year after the date in which they were generated, the period on which the tariff deviations are recovered.

In this way the REN Group determines at each reporting date, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced.

Considering the legislation and the regulatory environment in force, the tariff deviations determined by REN each year comply with a series of characteristics (measurement reliability, right of recovery, transmissibility, identification of the debtor and interest base) that support their recognition as revenue and as an asset, in the year in which they are determined, as being reliably measurable and for it being virtually certain that the financial benefits relating to the transaction(s) will flow to the Company. This rationale is also valid when negative tariff deviations are determined, which are considered as liabilities and revenue deduction.

Despite IFRS do not include a reference regarding the recording of tariff deviations, paragraph 12 of IAS 8, the FASB ASC 980 – Regulated Operations (which replaces previous SFAS 71 – Accounting for the effects of certain types of regulation), strengthens the position of recording assets and liabilities tariff deviations under conditions on which the electricity and gas regulations are established for REN.

The Decree-law n.º 165/2008 dated 21 August for the electricity segment and the Decree-Law 87/2011 dated 18 July for the gas segment, reinforce the exposed, establishing the applicable regime to the recognition and transmission of tariff deviations, within the scope of the Concession contracts held by the Group.

3.17. SEGMENT REPORTING

An operational segment is a component of an entity which:

a) develops business activities from which can obtain revenue and incur in expenses (including revenue and expenses related with transactions and other components of the same entity);

b) operating results are regularly reviewed by the main responsible for the operational decision making process of the entity of for the purpose of decision making regarding the recourses imputation to the segment and the evaluation of its performance; and

c) the financial data available is distinct.

The operating segments are reported consistently with the internal model of management information made available to the main responsible for the operational decision making of the Entity.

REN identified the Executive Committee as the entity responsible for the operating making decisions. The Executive Committee reviews the information prepared internally so as to assess the Group's performance and the allocation of resources.

The REN Group is organized in two main business segments: Electricity and Gas and one secondary segment, the telecommunications. The Electricity segment includes the transmission of very high tension electricity and overall management of the public electricity supply system and management of power purchase agreements ("PPA") not terminated on 30 June 2007, as well as the management of the concession pilot zone for electricity production based on sea waves. The Gas segment includes the transport of very high pressure gas and overall management of the national natural gas system, as well as operation of the LNG regasification terminal, the distribution of natural gas in low and medium pressure and underground storage of natural gas.

The telecommunications segment is presented separately although it does not qualify for disclosure.

The 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.

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 2021, and all other factors remaining constant, would lead to a decrease on equity in the amount of 259 thousands Euros (398 thousand Euros as of 31 December 2020), while a decrease of that exchange rate would lead to an increase on equity in the amount of 291 thousand Euros (increase of 438 thousand Euros as of 31 December 2020).

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 2021, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,379 thousand Euros (6,895 thousands Euros as of 31 December 2020), while a decrease of that exchange rate would lead to an increase on equity in the amount of 8,156 thousand Euros (7,621 thousand Euros as of 31 December 2020).

An increase of 5% in the exchange rate of Euro/Chilean Peso, with reference to 31 December 2021, and all other factors remaining constant, would lead to a decrease on equity in the amount of 3,337 thousand Euros (3,538 thousands Euros as of 31 December 2020), while a decrease of that exchange rate would lead to an increase on equity in the amount of 3,689 thousand Euros (3,910 thousands Euros as of 31 December 2020).

ii) Credit risk

REN's exposure to credit risk is not significant, since a substantial portion of services rendered are recorded through amounts invoiced to electricity and natural gas distributors in regulated markets. In addition, in general, contracts with clients establish guarantees (Note 33.3), to cover the collection and default risk.

The Group's counterparty risk on bank deposits, financial applications, and financial derivative instruments is mitigated by the selection of top rating international institutions with solid credit ratings and well known national institutions.

iii) Liquidity risk

REN's liquidity risk management is carried out through the dynamic and flexible management of commercial paper programs, with subscription guarantee, as well as by negotiating credit limits that enable it, not only to ensure that the current treasury needs of the REN Group are met, but also provide some flexibility. For that effect we highlight, on one hand, 250,000 thousand Euros available in commercial paper programmes with subscription guarantee and, on the other hand, 475,000 thousand Euros available in different credit lines.

The Group has also credit lines negotiated and not used in the amount of 80,000 thousand Euros, maturing up to one year, which are automatically renewable periodically (if they are not resigned in the contractually specified period for that purpose), and from the total amount, 70,000 thousands of Euros, respects to a group line, which can be used in total or in portions by several group companies (Note 20).

The following table shows the Group's liabilities by intervals of residual contracted maturity and includes derivative financial instruments whose financial liquidation of the related flows is made at the net amount. The amounts shown in the table are non-discounted cash flows contracted and include future interests; as so, do not correspond to the respective carrying amounts.

	31 December 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	465,606	37,304	-	**502,910**

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	**Total**
Borrowings:				
Bank borrowings	96,003	422,352	165,217	**683,572**
Bonds	28,390	1,215,676	315,750	**1,559,816**
Commercial paper	457,817	125,000	-	**707,817**
Others	1,576	3,207	-	**4,783**
	583,786	**1,766,235**	**605,967**	**2,955,987**
Derivative financial instruments	4,873	25,031	-	**29,904**
Trade and others payables	288,594	51,650	-	**340,244**

The following table shows the derivative financial instruments, financial settlement of which is made at gross amounts:

	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**

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	**Total**
Cross Currency Interest Rate Swap				
Outflows	(1,016)	(75,439)	-	**(76,455)**
Inflows	2,142	84,414	-	**86,556**
	1,127	**8,974**	**-**	**10,101**

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 2021 and 2020, with the following assumptions:

- Changes in market interest rates affect interest income and costs of variable financial instruments;
- Changes in market interest rates only affect results or equity in relation to fixed interest rate financial instruments if they are recognized at fair value (or remeasured by the interest rate risk in a fair value hedge);
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities; and
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated discounting future cash flows, using market rates at the year end.

Using these assumptions a 0.25% increase in market interest rates for all the currencies in which the Group has borrowings or derivative financial instruments at 31 December 2020 would result in a decrease of profit before tax of, approximately, 3,406 thousand Euros (3,297 thousand Euros as of 31 December 2020).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 7,073 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2020 corresponded to an increase of 3,521 thousand Euros).

The sensitivity analysis is merely projected, and do not represent any present real gain or loss, neither other real changes in the net results nor in equity.

v) Price risk

REN's exposure to price risk results essentially from its investment in REE. A variation of 10% in the price of shares of REE at 31 December 2021 would have an impact on equity of 10,302 thousand Euros (9,083 thousand Euros in 31 December 2020).

vi) Regulated activity risk

Gains recognized by REN in each period result directly from the assumptions considered by the regulator, ERSE, in defining the regulated tariffs for the electricity and gas sectors.

4.2. CAPITAL RISK MANAGEMENT

The REN Group's objective relating to the capital management, which is a broader concept than the equity disclosed on the face of the statement of financial position, is to maintain an optimal equity structure, through rational use of debt.

The necessity of debt increases are analysed periodically considering the Group financing needs and its liquidity position.

REN also monitors its total capital based on the gearing ratio, which is calculated as net debt over the total capital.

Net debt is calculated as total borrowings (including current and non-current borrowings as presented in the consolidated statement of financial position), adjusted by the amounts of cash and cash equivalents and hedge derivatives. Total capital is calculated as equity (as presented in the consolidated statement of financial position) plus net debt. The Group's Gearing ratio comfortably meets the limits set by contract, being on 31 December 2021 above the minimum in 83%.

5. MAIN ESTIMATES AND JUDGEMENTS

The estimates and assumptions with impact on REN's consolidated financial statements are continuously evaluated, representing at each reporting date the Board of Directors best estimates, considering historical performance, past accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of these estimates may cause different impacts on financial statements from those previously estimated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Significant accounting estimates

5.1. PROVISIONS

The REN Group periodically analyses the existence of possible liabilities resulting from past events that should be recognized or disclosed.

The subjectivity inherent to the determination of the probability and amount of the resources necessary to settle these liabilities may result in significant adjustments, due to changes in the assumptions used or because previously disclosed contingent liabilities may have to be recognised as provisions.

5.2. ACTUARIAL ASSUMPTIONS

Determination of the liability for retirement pensions and healthcare plans requires the use of assumptions and estimates of a demographic and financial nature, which may significantly affect the liability calculated at each reporting date. The most sensitive assumptions refer to: the discount rates used to update the liability, the return on plan assets and the mortality tables.

5.3. TANGIBLE AND INTANGIBLE ASSETS

Determination of the periods of useful life of the assets, as well as the amortization and depreciation method to be used are essential for determining the amount of amortization and depreciation to be recognized in the consolidated statement of profit and loss for each year.

These two parameters are defined in accordance with Management's best judgement for the assets and business.

5.4. IMPAIRMENT

The recognition of possible impairment loss may be identified by the occurrence of events, many outside the control of the REN Group, such as: Future availability of financing; the cost of debt; or maintenance of the current market regulatory structure, as well as other changes of the REN Group, both internal and external.

The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board of Directors, as regards the evaluation of impairment indicators, estimated cash flows, discount rates used, useful lives and residual values.

In REN's specific activities there are other factors to consider in impairment testing, since commitments to increase the network of infrastructures, changes in expected tariffs, or changes in the strategy of the shareholders of REN, which together with other factors can result in changes in the future cash flow trends and amounts.

5.5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based on market quotations, when available, and in the absence of a quotation is determined based on the use of prices of recent and similar transactions carried out under market conditions or determined by external entities, or based on valuation methodologies, supported by discounted future cash flow techniques, considering the market conditions, the time value, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

Consequently, the use of different methodologies and different assumptions or judgments in the application of a given model could lead to financial results different from those reported.

5.6. IMPAIRMENT OF GOODWILL

The Group performs annual impairment tests on Goodwill, as indicated in Note 3.2 c). The recoverable amounts of the cash-generating units were determined based on the value in use. For the calculation of the value in use, the Group estimated the expected future cash flows from the cash generating units, as well as the appropriate discount rate to calculate the present value of these flows. The value of Goodwill is recognized in Note 9.

5.7. TARIFF DEVIATIONS

The Group performs calculation of tariff deviations at each reporting date, as indicated in Note 3.16. The REN Group determines, in accordance with the criteria defined by the tariff regulations published by ERSE, the deviations determined between the revenue cap defined and actual revenue invoiced. As a result of ERSE's approval, eventual adjustments, in future tariffs, may arise from the adjustments arising from any excesses or insufficiencies of the referred recovery (tariff deviations).

6. CONSOLIDATION PERIMETER

The following companies were included in the consolidation perimeter as of 31 December 2021 and 2020:

Designation / adress	Country	Activity	2021 % Owned Group	2021 % Owned Individual	2020 % Owned Group	2020 % Owned 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, nº7 - 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	100%	-	100%	-
Owned by Apolo Chile SPA (99.99%) and Aerio Chile SPA (<0.001%):						
Empresa de Transmisión Eléctrica Transemel, S.A. Santiago do Chile	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

- 2021

There were no changes to the consolidation perimeter in 2021 compared to that reported on 31 December 2020..

- 2020

There were no changes to the consolidation perimeter in 2020 compared to that reported on 31 December 2019..

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 2021 were as follows:

31 December 2021

	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**

The results by segment for the year ended 31 December 2020 were as follows:

	31 December 2020					
	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Sales and services provided	367,095	196,869	6,726	37,617	(45,011)	563,296
Inter-segments	1,884	6,100	-	37,027	(45,011)	-
Revenues from external customers	365,211	190,769	6,726	591	-	563,296
Revenue from construction of concession assets	126,405	34,452	-	-	-	160,856
Cost with construction of concession assets	(112,239)	(29,797)	-	-	-	(142,036)
Gains / (losses) from associates and joint ventures	-	-	-	7,498	-	7,498
Personnel costs	(65,631)	(38,443)	(2,981)	(13,308)	51,341	(69,022)
Employee compensation and benefit expense	(17,889)	(12,527)	(296)	(24,817)	-	(55,529)
Other expenses and operating income	10,962	610	(48)	(125)	(6,330)	5,069
Operating cash flow	**308,703**	**151,163**	**3,401**	**6,865**	**-**	**470,132**
Investment income - dividends	-	-	-	7,318	-	7,318
Non reimbursursable expenses						
Depreciation and amortizations	(159,014)	(81,949)	(11)	(191)	-	(241,165)
Provisions	(669)	264	-	219	-	(185)
Impairments	435	30	-	(377)	-	87
Financial results						
Financial income	851	4,751	22	141,929	(141,901)	5,651
Financial costs	(37,325)	(19,135)	-	(145,078)	141,901	(59,637)
Profit before income tax and ESEC	**112,981**	**55,125**	**3,412**	**10,684**	**-**	**182,202**
Income tax expense	(31,968)	(14,429)	(821)	2,361	-	(44,858)
Energy sector extraordinary contribution (ESEC)	(17,392)	(10,704)	-	-	-	(28,095)
Profit for the period	**63,621**	**29,991**	**2,591**	**13,045**	**-**	**109,249**

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 2021 were as follows:

31 December 2021

	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	**190,505**	**56,410**	**-**	**196**	**-**	**247,110**
Capital expenditure - property, plant and equipment (Note 8)	8,354	-	-	196	-	8,550
Capital expenditure - other intangible assets (Note 8)	864	-	-	-	-	864
Capital expenditure - intangible assets (Note 8)	181,287	56,410	-	-	-	237,696
Investments in associates (Note 10)	-	-	-	166,541	-	166,541
Investments in joint ventures (Note 10)	-	-	-	2,742	-	2,742

Os ativos e passivos por segmento, bem como os investimentos em ativos fixos tangíveis e intangíveis para o exercício findo em 31 December de 2020, são como se segue:

31 December 2020

	Electricity	Gas	Telecommunications	Others	Eliminations	Consolidated
Segment assets						
Group investments held	-	891,981	-	2,220,494	(3,112,474)	-
Property, plant and equipment and intangible assets	2,697,339	1,559,871	5	467	-	4,257,681
Other assets	542,035	386,983	8,621	6,249,669	(6,196,330)	990,977
Total assets	**3,239,374**	**2,838,834**	**8,625**	**8,470,629**	**(9,308,804)**	**5,248,658**
Total liabilities	**2,350,210**	**1,286,030**	**4,069**	**6,396,979**	**(6,196,330)**	**3,840,958**
Capital expenditure - total	**138,496**	**34,452**	**-**	**347**	**-**	**173,294**
Capital expenditure - property, plant and equipment (Note 8)	12,091	-	-	347	-	12,438
Capital expenditure - intangible assets (Note 8)	126,405	34,452	-	-	-	160,856
Investments in associates (Note 10)	-	-	-	156,183	-	156,183
Investments in joint ventures (Note 10)	-	-	-	2,662	-	2,662

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 2021, the changes in tangible and intangible assets were as follows:

	Property, plant and equipment					
	Transmission and electronic equipment	**Transport equipment**	**Office equipment**	**Property, plant and equipment in progress**	**Assets in progress**	**Total**
Cost:						
At 1 January 2021	**97,396**	**958**	**712**	**1,231**	**32,260**	**132,557**
Additions	145	113	98	-	8,194	**8,550**
Disposals, write-offs and impairments	(125)	(288)	(11)	-	-	**(424)**
Transfers	7,196	-	-	-	(7,196)	**-**
Exchange rate differences	(11,663)	(1)	104	(19)	(3,311)	**(14,890)**
At 31 December 2021	**92,949**	**782**	**903**	**1,212**	**29,947**	**125,793**
Accumulated depreciation:						
At 1 January 2021	**(4,047)**	**(516)**	**(582)**	**(32)**	**(261)**	**(5,437)**
Depreciation charge	(3,185)	(199)	(49)	-	-	**(3,433)**
Depreciation of disposals and write-offs and other reclassifications	73	248	11	-	-	**332**
Exchange rate differences	1,923	1	93	19	261	**2,297**
At 31 December 2021	(5,236)	(466)	(527)	(13)	-	**(6,241)**
Net book value:						
At 1 January 2021	**93,349**	**442**	**131**	**1,199**	**31,999**	**127,119**
At 31 December 2021	**87,713**	**316**	**377**	**1,199**	**29,947**	**119,551**

Intangible assets					
Concession assets	Concession assets in progress	Other intangible assets	Intangible assets in progress	Total	Total
8,377,108	176,374	60,587	-	**8,614,069**	**8,746,626**
5,090	232,606	-	864	**238,560**	**247,110**
(38,142)	-	-	-	**(38,142)**	**(38,566)**
287,021	(287,021)	864	(864)	**-**	**-**
-	-	(6,183)	-	**(6,183)**	**(21,073)**
8,631,076	121,959	55,268	-	**8,808,304**	**8,934,097**
(4,483,720)	-	212	-	**(4,483,508)**	**(4,488,946)**
(238,416)	-	(91)	-	**(238,507)**	**(241,940)**
37,126	-	-	-	**37,126**	**37,458**
-	-	(346)	-	**(346)**	**1,951**
(4,685,010)	-	(225)	-	**(4,685,235)**	**(4,691,477)**
3,893,388	**176,374**	**60,799**	**-**	**4,130,562**	**4,257,681**
3,946,067	**121,959**	**55,043**	**-**	**4,123,069**	**4,242,620**

The changes in tangible and intangible assets in the
in the year ended 31 December 2020 were as follows:

	Property, plant and equipment					
	Transmission and electronic equipment	**Transport equipment**	**Office equipment**	**Property, plant and equipment in progress**	**Assets in progress**	**Total**
Cost:						
At 1 January 2020	**103,937**	**944**	**685**	**1,270**	**20,743**	**127,579**
Additions	-	312	35	-	12,091	**12,438**
Disposals, write-offs and impairments	-	(297)	-	-	-	**(297)**
Transfers	-	-	-	-	-	**-**
Exchange rate differences	(6,541)	(1)	(8)	(39)	(574)	**(7,163)**
At 31 December 2020	**97,396**	**958**	**712**	**1,231**	**32,260**	**132,557**
Accumulated depreciation:						
At 1 January 2020	**(1,000)**	**(567)**	**(333)**	**(30)**	**-**	**(1,929)**
Depreciation charge	(3,246)	(213)	(27)	(2)	-	**(3,488)**
Depreciation of disposals and write-offs and other reclassifications	199	264	(222)	-	(261)	**(20)**
At 31 December 2020	**(4,047)**	**(516)**	**(582)**	**(32)**	**(261)**	**(5,437)**
Net book value:						
At 1 January 2020	**102,937**	**377**	**353**	**1,240**	**20,743**	**125,649**
At 31 December 2020	**93,349**	**442**	**131**	**1,199**	**31,999**	**127,119**

	Intangible assets				
	Concession assets	Concession assets in progress	Other intangible assets	Total	Total
	8,356,669	**97,606**	**66,581**	**8,520,856**	**8,648,435**
	4,807	156,049	-	**160,856**	**173,294**
	(61,649)	-	-	**(61,649)**	**(61,946)**
	77,281	(77,281)	-	**-**	**-**
	-	-	(5,994)	**(5,994)**	**(13,157)**
	8,377,108	**176,374**	**60,587**	**8,614,069**	**8,746,626**
	(4,305,938)	-	(2)	**(4,305,940)**	**(4,307,869)**
	(237,665)	-	(12)	**(237,677)**	**(241,165)**
	59,883	-	225	**60,108**	**60,088**
	(4,483,720)	**-**	**212**	**(4,483,508)**	**(4,488,946)**
	4,050,731	**97,606**	**66,579**	**4,214,916**	**4,340,564**
	3,893,388	**176,374**	**60,799**	**4,130,562**	**4,257,681**

The main additions verified in the periods ended 2021 and 2020 are made up as follows:

	2021	2020
Electricity segment:		
Power line construction (220 KV, 150 KV and others)	25,955	16,660
Power line construction (400 KV)	54,145	48,811
Construction of new substations	39,085	20,561
Substation Expansion	37,368	21,249
Other renovations in substations	6,818	3,419
Telecommunications and information system	8,883	8,933
Pilot zone construction - wave energy	186	178
Buildings related to concession	3,033	1,029
Transmission and transformation of electricity in Chile	9,218	12,091
Other assets	5,812	5,564
Gas segment:		
Expansion and improvements to gas transmission network	21,719	6,442
Construction project of cavity underground storage of natural gas in Pombal	3,983	2,200
Construction project and operating upgrade - LNG facilities	3,803	3,224
Natural gas distribution projects	26,904	22,586
Others segments:		
Other assets	195	347
Total of additions	**247,110**	**173,294**

The main transfers that were concluded and began activity during the periods ended 2021 and 2020 are made up as follows:

	2021	2020
Electricity segment:		
Power line construction (220 KV, 150 KV and others)	22,031	3,856
Power line construction (400 KV)	87,642	8,896
Substation Expansion	104,080	12,516
Other renovations in substations	6,934	5,945
Telecommunications and information system	8,996	8,367
Buildings related to concession	283	1,973
Transmission and transformation of electricity in Chile	7,196	-
Other assets under concession	2,942	1,863
Gas segment:		
Expansion and improvements to natural gas transmission network	20,259	5,484
Construction project of cavity underground storage of natural gas in Pombal	4,864	1,050
Construction project and operating upgrade - LNG facilities	3,464	5,323
Natural gas distribution and transmission projects	25,526	22,008
Total of transfers	**294,217**	**77,281**

The intangible assets in progress at 31 December 2021 and 2020 are as follows:

	2021	2020
Electricity segment:		
Power line construction (400 KV, 220 KV, 150 KV and others)	74,475	104,047
Substation Expansion	22,188	22,773
New substations projects	2,213	29,892
Buildings related to concession	4,165	1,416
Transmission and transformation of electricity in Chile	29,947	31,999
Other projects	1,909	1,719
Gas segment:		
Expansion and improvements to natural gas transmission network	8,160	7,700
Construction project of cavity underground storage of natural gas in Pombal	2,864	3,875
Construction project and operating upgrade - LNG facilities	695	548
Natural gas distribution projects	5,290	4,404
Total of assets in progress	**151,906**	**208,373**

Borrowing costs capitalized on intangible assets in progress in the year ended 31 December 2021 amounted to 3,534 thousand Euros (2,392 thousand Euros as of 31 December 2020), while overhead and management costs capitalized amounted to 18,909 thousand Euros (16,429 thousand Euros as of 31 December 2020) (Note 25). The average rate of the financial costs capitalized was of 0.15%.

During the year ended 31 December 2021, there was an impairment loss in the amount of 940 thousand Euros related to fixed assets.

During the year ended 31 December 2020, there was a reversal of impairment loss net of reinforcements in the amount of 451 thousand Euros related to fixed assets.

The net book value of the intangible assets acquired through finance lease contracts at 31 December 2021 and 2020 was as follows:

	2021			2020		
	Cost	Accumulated depreciation and amortization	Net book value	Cost	Accumulated depreciation and amortization	Net book value
Initial value	**8,337**	**(3,735)**	**4,602**	**7,066**	**(3,036)**	**4,030**
Additions (Note 20)	1,494	-	1,494	2,452	-	2,452
Disposals and write-offs	(522)	1,298	776	(1,181)	1,082	(99)
Depreciation charge	-	(2,016)	(2,016)	-	(1,781)	(1,781)
Final value	**9,309**	**(4,453)**	**4,856**	**8,337**	**(3,735)**	**4,602**

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 2021 and 2020 is detailed as follows:

Subsidiaries	Year of acquisition	Acquisition cost	%	2021	2020
REN Atlântico, Terminal de GNL, S.A.	2006	32,580	100%	1,510	1,887
REN Portgás Distribuição, S.A.	2017	503,015	100%	1,235	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	2019	155,482	100%	2,013	2,245
				4,757	**5,367**

O movimento nos exercícios findos em 31 December de 2021 e 2020 foi o seguinte:

Subsidiaries	At 1 January 2020	Increases	Decreases	Exchange rate differences	At 31 December 2020
REN Atlântico, Terminal de GNL, S.A.	2,264	-	(377)	-	1,887
REN Portgás Distribuição, S.A.	1,235	-	-	-	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	2,470	-	-	(225)	2,245
	5,969	**-**	**(377)**	**(225)**	**5,367**

Subsidiaries	Increases	Decreases	Exchange rate differences	At 31 December 2021
REN Atlântico, Terminal de GNL, S.A.	-	(377)	-	1,510
REN Portgás Distribuição, S.A.	-	-	-	1,235
Empresa de Transmisión Eléctrica Transemel, S.A.	-	-	(232)	2,013
	-	**(377)**	**(232)**	**4,757**

During the year ended 31 December 2020, the Group recorded the purchase price allocation process definitively, relative to the subsidiary Empresa de Transmisión Eléctrica Transemel, S.A., with no correction to the acquisition price initially defined.

Impairment test of Goodwill – REN Atlântico, Terminal de GNL, S.A.

REN made the impairment test of goodwill at 31 December 2021 and 2020, at the cash generating unit level to which REN Atlântico belongs. The business of REN

Atlântico is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 40 years beginning on the 26 September 2006), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments, which is decreasing along the projections from the year ended 2021 until end the of concession.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the natural gas regasification activities risk, of 5% (post-tax discount rate of 3.6%).

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	3.8% (pre-tax) 2.7% (post-tax)

In accordance with the assumptions considered and the analysis made, the Group recorded an impairment loss in the amount of 377 thousand Euros.

Impairment test of Goodwill – REN Portgás Distribuição, S.A.

REN made the impairment test of goodwill at 31 December 2021 and 2020, at the cash generating unit level to which REN Portgás Distribuição, S.A belongs. The business of the company is subject to a concession contract and regulated tariffs so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession (concession for a period of 30 years and 3 months beginning on October 2017), which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 3.8% (post-tax discount rate of 2.7%).

Unidade geradora de caixa	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	6% (pre-tax) 5.14% (post-tax)

In accordance with the assumptions and analysis made, the Group did not recorded any impairment losses in Goodwill.

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) considering an increase of 50 basis points and the RoR rate after 2020 considering an increase of 50 basis points; and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

Impairment test of Goodwill – Empresa de Transmisión Eléctrica Transemel, S.A.

REN made the impairment test of goodwill at 31 December 2021 and 2020, at the cash generating unit level to which Empresa de Transmisión Eléctrica Transemel, S.A. belongs. The business of the company is subject to a concession contract so that the recoverable amount was determined based on value-in-use calculations. The cash flow projections considered the expected regulatory terms in place for the remaining term of the concession, which cash inflows associated to cash-generating unit correspond to the regulated remuneration obtained over the net book value of the underlying investments.

To determine the fair value of the assets, the main assumptions considered were as follows:

- Regulated assets - "Discounted Free Cash Flow method", projection period of 30 years (in line with the remaining fixed assets at the valuation date);
- Concession rights - "Discounted Free Cash Flow method", indefinite projection period, taking into account that Transemel has indefinite usage licenses;
- Non-regulated assets (contracts) - "Multiperiod excess earnings method", projection period defined based on the useful life defined in each contract.

The cash flow was discounted considering an average market pre-tax interest rate, adjusted for the company activities risk, of 6% (post-tax discount rate of 5.14%).

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	"6% (pre-tax) 5.14% (post-tax)"

In accordance with the assumptions and analysis made, the Group did not recorded any impairment losses in Goodwill.

Stress testing was performed on the valuation model, with the following assumptions: (i) discounted rate (WACC) and ii) synergies, considering non-materialization throughout the projection period. These analyses would determine a valuation value higher than the book value.

The Board of Directors has concluded that there are no indications of impairment, however, considering the uncertainties as to the recoverability of the assets because they are based on the best available information at the date, changes in assumptions may result in impacts on the determination of impairment and, consequently, in the results of the Company, therefore these investments are monitored repeatedly.

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10. INVESTMENTS IN ASSOCIATES AND JOIN VENTURES

At 31 December 2021 and 2020, the financial information regarding the financial interest held is as follows:

	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities
Equity method:						
Associate:						
"OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (i)"	Holding company	Lisbon	2,610	732	28,892	**166**
Electrogas, S.A.	Gas Transportation	Chile	18,776	7,316	32,734	**3,473**
Joint venture:						
"Centro de Investigação em Energia REN - STATE GRID, S.A."	Research & Development	Lisbon	3,000	6,488	117	**1,116**

(i) Financial Statements at 31 December 2021, subject to audit review.

	Activity	Head office	Share capital	Current assets	Non-current assets	Current liabilities
Equity method:						
Associate:						
"OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A."	Holding company	Lisbon	2,610	902	28,295	**277**
Electrogas, S.A.	Gas Transportation	Chile	17,330	8,843	33,619	**3,652**
Joint venture: conjunto:						
"Centro de Investigação em Energia REN - STATE GRID, S.A."	Research & Development	Lisbon	3,000	6,486	98	**1,251**

31 December 2021

Non-current liabilities	Revenues	Net profit/ (loss)	Share capital	%	Carrying amount	Group share of profit/(loss)
-	1,534	1,036	29,458	**40**	11,576	394
7,087	28,166	13,996	29,490	**42,5**	154,965	5,949
					166,541	**6,343**
-	1,644	176	5,490	**50**	2,742	88
					169,283	**6,431**

31 December 2020

Non-current liabilities	Revenues	Net profit/ (loss)	Share capital	%	Carrying amount	Group share of profit/(loss)
-	1,091	524	28,919	**40**	11,381	240
7,425	31,247	17,016	31,385	**42,5**	144,802	7,232
					156,183	**7,472**
3	1,549	51	5,329	**50**	2,662	26
					158,845	**7,498**

Associates

The changes in the caption "Investments in associates" during the years ended at 31 December 2021 and 2020 was as follows:

Investments in associates

At 1 de january de 2020	**169,642**
Effect of applying the equity method - Net Profit	7,472
Currency Translation Reserves	(13,231)
Dividends of Electrogas	(7,469)
Receipt of Supplementary Obligations of OMIP	(220)
Other changes in equity	(11)
At 31 December 2020	**156,183**
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**

The total amount of dividends recognized by associates was 8,109 thousand Euros, during the year ended 31 December 2021, relating to the distribution of 2020 results (5,107 thousand Euros) and the anticipated distribution of dividends related to the year of 2021 (3,002 thousand Euros) (Note 34). The amount of 5,017 thousands of Euros was received and included in the cash flow statement, related to the distribution of 2020 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 2021 and 2020 was as follows:

Investments in joint ventures

At 1 January 2020	**2,636**
Effect of applying the equity method	26
At 31 December 2020	**2,662**
Effect of applying the equity method	88
Dividends distribution	(8)
At 31 December 2021	**2,742**

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 8 thousand Euros, during the year ended 31 December 2021, relating to the distribution of 2020 results, which were received and included in the cash flow statement.

At 31 December 2021 and 2020, the financial information of the joint venture was as follows:

31 December 2021

	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax-(cost)/income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	6,010	2	-	(53)	(2)	(5)

31 December 2020

	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciations and amortizations	Financial costs	Income tax-(cost)/income
Joint venture:						
Centro de Investigação em Energia REN - STATE GRID, S.A.	5,625	5	3	(42)	(2)	(4)

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 69° 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 2018 to 2021 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 2021 and 2020.

In 2021, 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 2021, the computation of the deferred taxes, was updated in accordance with Law 75-B/2020, of 31 December, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2022.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2021, 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 2021 and 2020 was as follows:

	2021	2020
Current income tax	**64,267**	41,194
Adjustments of income tax	**38,234**	-
Adjustments of income tax from previous years	**(2,324)**	(6,441)
Deferred income tax	**(48,096)**	10,105
Income tax	**52,081**	**44,858**

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 2,324 thousand Euros on 31 December 2021 (6,441 thousand Euros on 31 December 2020), essentially refers to the recovery of CIT from previous years to the level of deductibility of financial charges and tax benefits.

Reconciliation between tax calculated at the nominal tax rate and tax recorded in the consolidated statement of profit and loss is as follows:

	2021	2020
Consolidated profit before income tax	**176,275**	**182,202**
Permanent differences:		
Non deductible/taxable Costs/Income	**11,077**	10,176
Timing differences:		
Tariff deviations	**41,401**	(38,753)
Provisions and impairment	**491**	(151)
Revaluations	**(3,501)**	(3,232)
Pension, helthcare assistence and life insurance plans	**(4,092)**	(4,895)
Derivative financial instruments	**(52)**	47
Others	**1,395**	192
Taxable income	**222,995**	**145,586**
Income tax	**47,033**	30,392
State surcharge tax	**13,458**	7,933
Municipal surcharge	**3,206**	2,280
Autonomous taxation	**570**	588
Current income tax	**64,267**	**41,194**
Deferred income tax	**(48,096)**	10,105
Adjustments of income tax	**38,234**	-
Adjustments of income tax from previous years	**(2,324)**	(6,441)
Income tax	**52,081**	**44,858**
Effective tax rate	**29.5%**	24.6%

Income tax

The caption “Income tax” payable and receivable
at 31 December 2021 and 2020 is made up as follows:

	2021	2020
Income tax:		
Corporate income tax - estimated tax	(64,267)	(41,194)
Corporate income tax - payments on account	35,853	30,759
Income withholding tax by third parties	1,552	1,576
Income recoverable / (payable)	219	218
Income tax recoverable	**(26,644)**	**(8,641)**

Deferred taxes

The effect of the changes in the deferred tax captions
in the years presented was as follows:

	2021	2020
Impact on the statement of profit and loss:		
Deferred tax assets	9,230	(3,648)
Deferred tax liabilities	38,866	(6,458)
	48,096	**(10,105)**
Impact on equity:		
Deferred tax assets	(5,133)	2,556
Deferred tax liabilities	(1,466)	3,263
	(6,599)	**5,818**
Net impact of deferred taxes	**41,497**	**(4,287)**

The changes in deferred tax by nature were as follows:

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**

Change in deferred tax assets – December 2020

	Provisions and Impairments	Pensions	Tariff deviations	Derivative financial instruments	Revalued assets	Others	Total
At 1 January 2020	**2,705**	**30,953**	**33,967**	**4,659**	**19,264**	**2,116**	**93,666**
Increase/decrease through reserves	-	524	-	1,881	-	150	**2,556**
Reversal through profit and loss	(102)	(1,360)	-	(161)	(2,366)	-	**(3,990)**
Increase through profit and loss	156	-	60	12	-	114	**342**
Change in the period	54	(836)	60	1,732	(2,366)	264	**(1,092)**
At 31 December 2020	**2,759**	**30,117**	**34,027**	**6,391**	**16,898**	**2,380**	**92,575**

Deferred tax assets at 31 December 2021 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 2021

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	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**

Evolution of deferred tax liabilities – December 2020

	Tariff deviations	Revaluations	Fair value	Investments in equity instruments at fair value through other comprehensive income	Others	Total
At 1 January 2020	**53,526**	**19,981**	**52,357**	**11,795**	**4,115**	**141,774**
Increase/decrease through equity	-	-	-	(1,765)	(12)	**(1,777)**
Reversal trough profit and loss	-	(1,358)	(1,836)	-	(731)	**(3,925)**
Increase through profit and loss	10,383	-	-	-	-	**10,383**
Exchange rate differences	-	-	-	-	(1,486)	**(1,486)**
Change in the period	10,383	(1,358)	(1,836)	(1,765)	(2,229)	**3,195**
At 31 December 2020	**63,909**	**18,623**	**50,521**	**10,030**	**1,887**	**144,969**

Deferred tax liabilities relating to revaluations result from revaluations made in preceding years under legislation. The effect of these deferred taxes reflects the non-tax deductibility of 40% of future depreciation of the revaluation component (included in the assets considered cost at the time of the transition to IFRS).

The legal documents that establish these revaluations were the following:

Legislation (Revaluation)

Electricity segment	Natural gas segment
Decree-Law nº 430/78	Decree-Law nº 140/2006
Decree-Law nº 399-G/81	Decree-Law nº 66/2016
Decree-Law nº 219/82	
Decree-Law nº 171/85	
Decree-Law nº 118-B/86	
Decree-Law nº 111/88	
Decree-Law nº 7/91	
Decree-Law nº 49/91	
Decree-Law nº 264/92	

12. FINANCIAL ASSETS AND LIABILITIES

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

	Notes	Financial assets at amortized cost	Financial assets at fair value – Equity instruments through other comprehensive income
Assets			
Cash and cash equivalents	17	-	-
Trade and other receivables	14	485,196	-
Other financial assets		-	-
Investments in equity instruments at fair value through other comprehensive income	13	-	162,724
Derivative financial instruments	16	-	19,821
		485,196	**182,545**
Liabilities			
Borrowings	20	-	-
Trade and other payables	23	-	-
Income tax payable	11	-	-
Drivative financial instruments	16	-	21,283
		-	**21,283**

	Notes	Financial assets at amortized cost	Financial assets at fair value – Equity instruments through other comprehensive income
Assets			
Cash and cash equivalents	17	-	-
Trade and other receivables	14	493,606	-
Other financial assets		-	-
Investments in equity instruments at fair value through other comprehensive income	13	-	150,850
Derivative financial instruments	16	-	25,685
		493,606	**176,534**
Liabilities			
Borrowings	20	-	-
Trade and other payables	23	-	-
Income tax payable	11	-	-
Drivative financial instruments	16	-	26,019
		-	**26,019**

December 2021

"Financial assets/liabilities at fair value – Profit for the year"	Borrowing and other payables	Other financial assets/liabilities	Total carrying amount	Fair value
–	–	398,759	398,759	398,759
–	–	–	485,196	485,196
–	–	137	137	137
–	–	–	162,724	162,724
–	–	–	19,821	19,821
-	**-**	**398,896**	**1,066,637**	**1,066,637**
–	2,766,073	–	2,766,073	2,862,725
–	881,313	–	881,313	881,313
–	26,644	–	26,644	26,644
1,828	–	–	23,112	23,112
1,828	**3,674,030**	**-**	**3,697,142**	**3,793,794**

December 2020

"Financial assets/liabilities at fair value – Profit for the year"	Borrowing and other payables	Other financial assets/liabilities	Total carrying amount	Fair value
–	–	61.499	61.499	61.499
–	–	–	493,606	493,606
–	–	102	102	102
–	–	–	150,850	150,850
–	–	–	25,685	25,685
-	**-**	**61,601**	**731,741**	**731,741**
–	2,823,432	–	2,823,432	2,932,603
–	444,531	–	444,531	444,531
–	8,641	–	8,641	8,641
3,196	–	–	29,215	29,215
3,196	**3,276,605**	**-**	**3,305,819**	**3,414,990**

Loans obtained, as referred to in Note 3.6, are measured, initially at fair value and subsequently at amortized cost, except for those which it has been contracted derivative fair value hedges (Note 16) which are measured at fair value. Nevertheless, REN proceeds to the disclosure of the fair value of the caption Borrowings, based on a set of relevant observable data, which fall within Level 2 of the fair value hierarchy.

The fair value of borrowings and derivatives are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan.

The range of market rates used to calculate the fair value ranges between -0.574% and 0.302% (maturities of one week and ten years, respectively).

The fair value of borrowings contracted by the Group at 31 December 2021 is 2,862,725 thousand Euros (at 31 December 2020 was 2,932,603 thousand Euros), of which 601,546 thousand Euros are partially recorded at amortized cost (600,000 thousands of Euros) and the remainder (1,546 thousands of Euros) is recorded at fair value resulting from movements in the interest rate (at 31 December 2020 the amount recorded at amortized cost was 300,000 thousands Euros and the value recorded at fair value was 13,831 thousand Euros).

Estimated fair value – assets measured at fair value

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2021 in accordance with the following hierarchy levels of fair value:

- **Level 1:** the fair value of financial instruments is based on net market prices as of the date of the statement of financial position;
- **Level 2:** the fair value of financial instruments is not determined based on active market quotes but using valuation models. The main inputs of the models are observable in the market, in relation to derivative finantial instruments;
- **Level 3:** the fair value of financial instruments is not determined based on active market quotes, but using valuation models, whose main inputs are not observable in the market.

During the year ended 31 December 2021, there was no transfer of financial assets and liabilities between fair value hierarchy levels.

		2021			
		Level 1	**Level 2**	**Level 3**	**Total**
Assets:					
Investments in equity instruments at fair value through other comprehensive income	Shares	103,017	-	56,111	159,128
Financial assets at fair value	Cash flow hedge derivatives	-	10,511	-	10,511
Financial assets at fair value	Fair value hedge derivatives	-	9,310	-	9,310
		103,017	**19,821**	**56,111**	**178,949**
Liabilities:					
Financial liabilities at fair value	Loans	-	601,546	-	601,546
Financial liabilities at fair value	Cash flow hedge derivatives	-	15,917	-	15,917
Financial liabilities at fair value	Fair value hedge derivatives	-	5,366	-	5,366
Financial liabilities at fair value through profit and loss	Trading derivatives	-	1,828	-	1,828
		-	**624,657**	**-**	**624,657**

		Level 1	Level 2	Level 3	Total
					2020
Assets:					
Investments in equity instruments at fair value through other comprehensive income	Shares	90,833	-	56,435	147,268
Financial assets at fair value	Cash flow hedge derivatives	-	9,755	-	9,755
Financial assets at fair value	Fair value hedge derivatives	-	15,930	-	15,930
		90,833	**25,685**	**56,435**	**172,953**
Liabilities:					
Financial liabilities at fair value	Loans	-	313,831	-	313,831
Financial liabilities at fair value	Cash flow hedge derivatives	-	26,019	-	26,019
Financial liabilities at fair value	Fair value hedge derivatives	-	-	-	-
Financial liabilities at fair value through profit and loss	Trading derivatives	-	3,196	-	3,196
		-	**343,046**	**-**	**343,046**

During the year ended 31 December 2021, REN proceeded to a valuation of the financial interests held Hidroeléctrica de Cahora Bassa, S.A., which is classified as Investments in equity instruments at fair value through other comprehensive income (Note 13). The fair value of this asset reflects the price at which the asset would be sold in an orderly transaction.

For this purpose, REN has opted for a revenue approach, which reflects current market expectations regarding future amounts.

The fair value of the investment amounted to 56,111 thousand Euros for the year ended on 31 December 2021.

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:

	2021	2020
Trade and other receivables		
BBB	107,480	119,459
Others without rating	377,717	374,147
	485,197	**493,606**
Cash and cash equivalents		
A+ to A-	122,615	5,016
BBB+ to BBB-	20,580	287
Until BB+	255,565	56,187
Without rating	-	9
	398,759	**61,499**

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 2021, overdue or impaired credits are as follows:

i) Trade and other receivables include 2,947 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 2021 and 2020 corresponds to equity interests held on strategic entities for the Group, which can be detailed as follows:

	Head office			Book value	
	City	Country	% owned	2021	2020
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%	103,017	90,833
Hidroeléctrica de Cahora Bassa ("HCB")	Maputo	Mozambique	7.50%	56,111	56,435
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%	48	48
Associação HyLab - Green Hydrogen Collaborative Laboratory	Sines	Portugal	15.00%	15	-
				162,724	**150,850**

Os movimentos registados nesta rubrica foram os seguintes:

	OMEL	HCB	REE	Coreso	MIBGÁS	MIBGÁS Derivatives	HyLab	Total
At 1 January 2020	3,167	55,035	97,060	164	202	48	-	155,676
Fair value adjustments	-	1,400	(6,227)	-	-	-	-	(4,826)
At 31 December 2020	**3,167**	**56,435**	**90,833**	**164**	**202**	**48**	**-**	**150,850**
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
At 31 December 2021	**3,167**	**56,111**	**103,017**	**164**	**202**	**48**	**15**	**162,724**

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 2021.

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 2021, 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 2021, 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 2021, 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 2021.

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 2021 and 2020 is made up as follows:

	Fair value reserve (Note 19)
1 January 2020	**51,966**
Changes in fair value	(4,826)
Tax effect	1,765
31 December 2020	**48,905**
1 January 2021	**48,905**
Changes in fair value	11,860
Tax effect	(3,007)
31 December 2021	**57,758**

In the year ended 31 December 2021, the total amount of 8,496 thousand Euros recognized in the consolidated statement of profit and loss is relative to associated companies' dividends, of which 6,716 thousand Euros were received during 2021. Additionally, the amount of 1,477 thousand Euros was received relative to dividends recognized during the year ended 31 December 2020. These amounts were included in the cash flows statement.

In the year ended 31 December 2021 and 2020, the dividends attributable to the Group are as follows:

	2021	2020
Red Electrica Corporación, S.A. ("REE")	**5,415**	5,695
Hidroeléctrica de Cahora Bassa, S.A ("HCB")	**3,032**	1,542
OMEL - Operador del Mercado Ibérico de Energia (Pólo Espanhol)	**49**	81
	8,496	**7,318**

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables at 31 December 2021 and 2020 are made up as follows:

	2021			2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	357,212	1,775	358,987	226,542	576	227,118
Impairment of trade receivables	(2,947)	-	(2,947)	(2,951)	-	(2,951)
Trade receivables net	**354,265**	**1,775**	**356,040**	**223,591**	**576**	**224,167**
Tariff deviations	73,647	35,251	108,898	208,332	44,931	253,263
State and Other Public Entities	20,259	-	20,259	16,176	-	16,176
Trade and other receivables	**448,171**	**37,026**	**485,197**	**448,099**	**45,507**	**493,606**

The most relevant balances included in the trade and other receivables caption as of 31 December 2021 are: (i) the receivable of EDP – Distribuição de Energia, SA in the amount of 97,091 thousand Euros (94,060 thousand Euros at 31 December 2020), (ii) the receivable of Galp Gás Natural, S.A., in the amount of 8,878 thousand Euros (12,918 thousand Euros at 31 December 2020), (iii) the receivable of EDP – Gestão da Produção de Energia, S.A., in the amount of 9,185 thousand Euros (9,385 thousand Euros at 31 December 2020), (iv) the receivable of Sunshining, S.A., in the amount of 16,157 thousand Euros (no amount at 31 December 2020) and (v) the receivable of Endesa Generación, S.A., in the amount of 8,893 thousand Euros (9,616 thousand Euros at 31 December 2020).

In the trade and other receivables also stands out the amounts not yet invoiced of the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade), in the amount of 116,941 thousand Euros (30,220 thousand Euros at 31 December 2020) and the amount to invoice to EDP – Distribuição de Energia, S.A., of 6,379 thousand Euros (104 thousand Euros at31 December 2020) regarding the CMEC, also reflected in the caption "Suppliers and other accounts payable" (Note 23).

This transaction is set up as an "Agent" transaction, being off set in the consolidated income statement.

Changes to the impairment losses for trade receivable and other accounts receivable are made up as follows:

	2021	2020
Begining balance	(2,951)	(2,964)
Increases	-	(17)
Reversing	4	30
Ending balance	**(2,947)**	**(2,951)**

The ageing of trade receivables, net of impairment, is as follows:

	2021	2020
Not due and due up to 30 days	**333,968**	205,988
31-60 days	**4,690**	1,466
61-90 days	**3,251**	260
91-120 days	**1,021**	189
More than 120 days	**13,110**	16,264
	356,040	**224,167**

15. INVENTORIES

Inventories at 31 December 2021 and 2020 are made up as follows:

	2021	2020
Other materials	**8,550**	2,455
Inventories adjustment	**(5)**	(5)
Inventories	**8,545**	**2,450**

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 2021 and 2020, is detailed as follows:

	2021	2020
Opening balance	**2,450**	3,919
Acquisitions	**7,499**	1,025
Transfers and reclassifications	**(192)**	(1,775)
Closing balance	**8,545**	2,450
Cost of goods sold and materials consumed	**1,212**	**719**

16 DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2021 and 2020, the REN Group had the following derivative financial instruments contracted:

31 December 2021

		Assets		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 TEUR	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**

31 December 2020

		Assets		Liabilities	
	Notional	**Current**	**Non-current**	**Current**	**Non-current**
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 TEUR	-	-	-	26.019
Currency and interest rate swaps	10,000,000 TJPY	-	9,755	-	-
		-	**9,755**	**-**	**26.019**
Derivatives designated as fair value hedges					
Interest rate swaps	300,000 TEUR	-	15,930	-	-
		-	**15,930**	**-**	**-**
Trading derivatives					
Trading derivatives	60,000 TEUR	**-**	**-**	**-**	**3.196**
		-	-	-	3.196
Derivative financial instruments		**-**	**25.685**	**-**	**29.215**

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);
- 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 2021 related to these financial instruments, in the net amount receivable of 2,199 thousand Euros (at 31 December 2020 it was 1,960 thousand Euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2021 and 2020 were as follows:

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31 December 2021	Fair value at 31 December 2020
Cash flow hedge:							
Interest rate swaps	900,000 TEuros	EUR	[0.75%;1.266%]	[Euribor 3m; Euribor 6m]	[dec-2024; feb-2025]	**(11.809)**	(26.019)
Currency ans interest rate swaps	10,000,000 TJPY	EUR/JPY	[Euribor 6m; + 1.9%]	[2.71%]	[jun-2024]	**5.342**	9.755
Non-Deliverable Forward	6,360,000 TCLP	EUR/CLP	[854,4 to 893,1 CLP]	[854,4 to 893,1 EUR]	[jul-2021; dec-2023]	**1.061**	-
						(5.406)	**(16.264)**
Fair value hedge:							
Interest rate swaps	300,000 TEuros	EUR	[Euribor 6m]	[0.611%; 0.6285%]	[feb-2025]	**9.310**	15.930
Interest rate swaps	300,000 TEuros	EUR	[Euribor 6m]	[-0.095%]	[apr-2029]	**(5.366)**	-
						3.944	**15.930**
Trading:							
Interest rate swaps	60,000 Teuros	EUR	[0.99%]	[Euribor 6m]	[jun-2024]	**(1.828)**	(3.196)
						(1.828)	**(3.196)**
Total						**(3.291)**	**(3.530)**

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 2021 and 2020 is presented in the following table:

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**

2020

	2021	2022	2023	2024	2025	Following years	Total
Interest rate swap (cash flow hedge)	-	-	-	300,000	300,000	-	600,000
Currency and interest rate swap (cash flow hedge)	-	-	-	72,899	-	-	72,899
Interest rate swap (fair value hedge)	-	-	-	-	300,000	-	300,000
Interest rate swap (trading)	-	-	-	60,000	-	-	60,000
Total	**-**	**-**	**-**	**432,899**	**600,000**	**-**	**1,032,899**

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 2021, 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 2020 it was 600,000 thousand Euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2021, is negative 11,809 thousand Euros (at 31 December 2020 it was negative 26,019 thousand Euros).

Of the derivatives described above, two contracts in a total amount of 600,000 thousand Euros (at 31 December 2020 it was 300,000 thousand Euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 11,809 thousand Euros (at 31 December 2020 it was 25,836 thousand Euros).

The hedged instruments of cash flow hedging relationships present the following conditions:

	Maturity	Hedged notional	Interest rate	Hedged Carrying Amount 2021	Hedged Carrying Amount 2020	Note
Cash Flow Hedging Instruments						
European Investment Bank (EIB) Loan	16/12/2024	300,000 TEuros	Euribor 3m	**299,912**	299,889	20
Bond Issue (Euro Medium Term Notes)1	12/02/2025	300,000 TEuros	2.5%	**293,363**	293,361	20
Bond Issue (Euro Medium Term Notes)2	16/04/2029	300,000 TEuros	0.50%	**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 2021 is positive 5,342 thousand Euros (at 31 December 2020 it was positive 9,755 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 risk1;
- 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 2021, the Group has a total of twenty-four active non-deliverable forwards contracts

[1] The currency effect of the underlying (loan), in the year 2021, was favorable in the amount of 2,359 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 2020 was favorable in 2,950 thousand Euros).

[2] The ineffective cash flow hedge component of the exchange rate risk recognised in the income statement, was negative 4,843 thousand Euros which was offset by the effect of the trading derivative negotiated in positive 1,367 thousand Euros (as of 31 December 2020 it was positive 2,199 thousand Euros against negative 16 thousand Euros of the effect of the trading derivative). Therefore, the net effect on the income statement for the period ended on 31 December 2021 amounted to negative 3,476 thousand Euros (as of 31 December 2020 was positive 2,183 thousand Euros).

denominated as cash flow hedging instruments in the global amount of 7,286 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 2021, is positive 1,061 thousand Euros. The amount recorded in reserves, referring to the cash flow hedges mentioned above, as at 31 December 2021, is 1,089 thousand Euros. Additionally, an amount of 29 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. 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:

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)**

2020

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(4,318)	(4,318)	-	-
Swaps of exchange rate and interest rate	(3,958)	(3,208)	2,199	(2,950)
	(8,277)	**(7,526)**	**2,199**	**(2,950)**

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 2020	(26,534)	6,634	(19,901)
Changes in fair value and ineffectiveness	(7,525)	1,881	(5,644)
31 December 2020	**(34,059)**	**8,515**	**(25,545)**
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)**

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 2021, the Group has a total of three fair value hedging derivative contracts amounting to 600,000 thousand Euros (as of 31 December 2020 it was 300,000 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 2021, the fair value of interest rate swaps designated as fair value hedging instruments was positive 3,944 thousand Euros (as of 31 December 2020 it was positive 15,930 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:

2021

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated Fair value adjustment	Variation of the year-end 2021	Nota
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**	

2020

	Maturity	Hedged notional	Interest rate	Carrying amount	Accumulated Fair value adjustment	Variation of the year-end 2021	Nota
Fair value hedging instruments							
Bond Issue (Euro Medium Term Notes)	16/10/2020	300,000 TEuros	4.75%	-	-	(137)	20
Bond Issue (Euro Medium Term Notes)	12/02/2025	300,000 TEuros	2.50%	307,192	(13,831)	(2,433)	20
					(13,831)	**(2,570)**	

In 2021, the change in fair value of the debt related to interest rate risk recognized in the income statement was positive 12,286 thousand Euros (at 31 December 2020 it was negative 2,570 thousand Euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately positive 52 thousand Euros (at 31 December 2020 it was negative 55 thousand Euros). The ineffectiveness recognized is related to the effect of the fixed leg spread of the hedging instruments that is not reflected in the hedged item.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of fair value hedges were as follows:

	2021	2020
Fair value Hedging instruments	**Hedging inefficiency recorded in Profit for the Year**	**Hedging inefficiency recorded in Profit for the Year**
Swaps of interest rate	52	(55)

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 2021 (at 31 December 2020 it was 60,000 thousand Euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2021, is negative 1,828 thousand Euros (on 31 December 2020 it was negative 3,196 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 2021, related to the effect of the fair value of the trading derivative was positive 1,367 thousand Euros (as of 31 December 2020 it was 16 thousand Euros negative).

17. CASH AND CASH EQUIVALENTS

The amounts considered as cash and cash equivalents in the consolidated statements of cash flows for the years ended 31 December 2021 and 2020 are made up as follows:

	2021	2020
Cash	-	-
Bank deposits	398,759	61,499
Cash and cash equivalents in the statement of financial position	**398,759**	**61,499**
Bank overdrafts (Note 20)	-	(330)
Cash and cash equivalents in cash flow statement	**398,759**	**61,169**

In the years ended 31 December 2021 and 2020, there are no cash and cash equivalents that are not available for the group to use.

18. EQUITY INSTRUMENTS

As of 31 December 2021 and 2020, REN's subscribed and paid up share capital is made up of 667,191,262 shares of 1 euro each.

	2021		2020	
	Number of shares	**Share Capital**	**Number of shares**	**Share Capital**
Share Capital	667,191,262	667,191	667,191,262	667,191

The caption "Other changes in equity" in the years ended 31 December 2021 and 2020 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 2021 and 2020 amounted to 116,809 thousand Euros.

At 31 December 2021, 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 2021 and 2020.

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 311,988 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 2021 this caption amounts to 130,662 thousand Euros;
- **Fair value reserve:** includes changes in the fair value of available for sale financial assets (57,758 thousand Euros positive), as detailed in Note 13;
- **Hedging reserve:** includes changes in the fair value of hedging derivative financial instruments when cash flow hedge is effective (negative 12,126 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 2021, this caption amounts to 135,694 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 2021 and 2020 was as follows:

	2021			2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bonds	-	1,726,240	1,726,240	-	1,442,889	1,442,889
Bank Borrowings	158,313	416,583	574,897	96,567	574,897	671,464
Commercial Paper	200,000	250,000	450,000	450,000	250,000	700,000
Bank overdrafts (Note 17)	-	-	-	330	-	330
Leases	1,481	2,731	4,212	1,576	3,207	4,783
	359,794	**2,395,554**	**2,755,348**	**548,473**	**2,270,992**	**2,819,465**
Accrued interest	23,803	-	23,803	22,421	-	22,421
Prepaid interest	(8,377)	(4,702)	(13,079)	(8,337)	(10,117)	(18,454)
Borrowings	**375,221**	**2,390,852**	**2,766,073**	**562,557**	**2,260,875**	**2,823,433**

The change in borrowings during the year ended 31 December 2021 was as follows:

	Opening balance 01.01.2021	Subscriptions	Reimbursement	Exchange evaluation
NON-CURRENT				
Bonds	1,442,889	300,000	-	(2,359)
Bank Borrowings	574,897	-	-	-
Commercial Paper	250,000	500,000	(500,000)	-
Finance Lease	3,207	-	(1,970)	-
	2,270,992	**800,000**	**(501,970)**	**(2,359)**
CURRENT				
Bonds	-	-	-	-
Bank Borrowings	96,567	-	(96,311)	-
Commercial Paper	450,000	1,235,000	(1,485,000)	-
Bank overdrafts	330	-	-	-
Finance Lease	1,576	-	(95)	-
	548,473	**1,235,000**	**(1,581,406)**	**-**
Borrowings	**2,819,465**	**2,035,000**	**(2,083,376)**	**(2,359)**

The borrowings settlement plan was as follows:

	2022	2023	2024	2025	2026	Following years	Total
Debt - Non current	-	619,511	316,412	571,528	164,721	723,383	2,395,554
Debt - Current	359,794	-	-	-	-	-	359,794
	359,794	**619,511**	**316,412**	**571,528**	**164,721**	**723,383**	**2,755,348**

Fair value	Reclassification Non-Current to Current	Increase Finance Lease	Change in Bank overdrafts	Other	Exchange rate differences	Closing balance 31.12.2021
(12,286)	-	-	-	(2,005)	-	1,726,240
-	(158,313)	-	-	-	-	416,583
-	-	-	-	-	-	250,000
-	-	1,494	-	-	-	2,731
(12,286)	**(158,313)**	**1,494**	**-**	**(2,005)**	**-**	**2,395,554**
-	-	-	-	-	-	-
-	158,313	-	-	-	(256)	158,313
-	-	-	-	-	-	200,000
-	-	-	(330)	-	-	-
-	-	-	-	-	-	1,481
-	**158,313**	**-**	**(330)**	**-**	**(256)**	**359,794**
(12,286)	**-**	**1,494**	**(330)**	**(2,005)**	**(256)**	**2,755,348**

Detailed information regarding bond issues as of 31 December 2021 is as follows:

31 December 2021

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 2021, the Group has nine commercial paper programs in the amount of 1,925,000 thousand Euros, of which 1,475,000 thousand Euros are available for utilization. Of the total amount 500,000 thousand Euros have a guaranteed placement, of which 250,000 thousand Euros are available for utilization at 31 December 2021.

In 2021, the Group contracted a Euro-Commercial Paper Program with a maximum amount of 600,000 thousand Euros, with the amount of 400,000 thousand Euros available for use.

As part of the financing contract, signed in 2015, with the European Investment Bank (EIB) for the financing of projects in the electricity business, in June 2020, the second and third of three tranches in the amount of 20,000 and 70,000 thousand Euros was disbursed.

Bank loans are mostly composed of loans contracted with the European Investment Bank (EIB), which at 31 December 2021 amounted to 430,897 thousand Euros (at 31 December 2020 it was 480,840 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 6,953 thousand Euros (11,836 thousand Euros in 31 December 2020) 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 12,286 thousand Euros (positive) (at 31 December 2020 was 2,570 thousand Euros (negative)) (Note 16).

The Company's financial liabilities have the following main types of covenants: Cross default, Pari Passu, Negative Pledge and Gearing.

The bank loans with BEI include also covenants related with rating and other financial ratios in which the Group may be called upon to present an acceptable guarantee in the event of rating and financial ratios below the established values.

As of 31 December 2021, the REN Group complies with all covenants to which it is contractually bound.

REN and its subsidiaries are a part of certain financing agreements and debt issues, which include change in control clauses typical in this type of transactions (including, though not so expressed, changes in control as a result of takeover bids) and essential to the realization of such transactions on the appropriate market context. In any case, the practical application of these clauses is limited to considering the legal ownership of shares of REN restrictions.

Following the legal standards and usual market practices, contractual terms and free market competition, establish that neither REN nor its counterparts in borrowing agreements are authorized to disclose further information regarding the content of these financing agreements.

The exposure of the Group's borrowings to changes in interest rates on the contractual re-pricing dates is as follows:

	2021	2020
6 month or less	**1,363,907**	1,340,431
6 - 12 month	**1,538**	-
1 - 5 years	**788,534**	872,870
Over 5 years	**597,995**	600,000
	2,751,974	**2,813,301**

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 1.57% in 2021 and 1.81% in 2020.

Leases

Minimal payments regarding lease contacts and the carrying amount of the finance lease liabilities as of 31 December 2021 and 2020 are made up as follows:

	2021	2020
Lease liabilities - minimum lease payments		
No later than 1 year	1,500	1,597
Later than 1 year and no later than 5 years	2,748	3,232
	4,248	**4,829**
Future finance charges on leases	(36)	(47)
Present value of lease liabilities	4,212	**4,783**
The present value of lease liabilities is as follows		
No later than 1 year	1,481	1,576
Later than 1 year and no later than 5 years	2,731	3,207
	4,212	**4,783**

21. POS-EMPLOYMENT BENEFITS AND OTHERS BENEFITS

As explained in Note 3.10, REN – Rede Eléctrica Nacional, S.A. grants supplementary retirement, early-retirement and survivor pensions (hereinafter referred to as Pension Plan), provides its retirees and pensioners with a health care plan on a similar basis to that of its serving personnel, and grants other benefits such as long service award, retirement award and a death subsidy (referred to as "Other benefits"). The Group also grants their employees life assurance plans. The long service award is applicable to all Group companies.

In November 2012, the Group terminated the Collective Bargaining Agreement ("ACT") which covered only part of REN employees (about 50%) proposing to the unions a new ACT applicable to all Group companies.

This proposal aimed to integrate in a single document several and disperse existing documentation, adapting the new document do the Group current needs.

On 30 January 2015 the Group signed a new agreement with its employees effective on 1 February 2015, incorporating the following changes on future liabilities of long-term benefits:

- **Health care plan:** were considered new reimbursement limits;
- **Other benefits:** (i) long service bonus extended to all Group employees; (ii) Energy benefit was included.

At 31 December 2021 and 2020, the Group had the following amounts recorded relating to liabilities for retirement and other benefits:

	2021	2020
Liability on statement of financial position		
Pension plan	49,619	54,726
Healthcare plan and other benefits	44,490	45,781
	94,109	**100,507**

The reconciliation of the remeasurement of the net benefit liability is as follows:

	2021	2020
Initial balance	100,507	103,309
Current service costs and Net interest on net defined benefit liability	3,447	3,602
Actuarial gains/(losses)	(2,455)	1,773
Benefits paid	(7,390)	(8,176)
Final balance	94,109	**100,507**

During the years ended 31 December 2021 and 2020, the following operating expenses were recorded regarding benefit plans with employees:

	2021	2020
Charges to the statement of profit and loss (Note 28)		
Pension plan	2,621	2,734
Healthcare plan and other benefits	807	890
	3,428	**3,624**

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:

	2021	2020
Annual discount rate	Full Yield Curve	Full Yield Curve
"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%

	2021	2020
Rate of salary increase	**2.80%**	2.50%
Pension increase	**1.80%**	1.50%
Future increases of Social Security Pension amount	**1.80%**	1.30%
Inflation rate	**1.80%**	1.50%
Medical trend	**1.80%**	1.50%
Management costs (per employee/year)	**€289**	€297
Expenses medical trend	**1.80%**	1.50%
Retirement age (number of years)	**66**	66
Mortality table	**TV 88/90**	TV 88/90

The annual discount rate used in the valuation of liabilities, was obtained through an analysis of rates of return on bonds considered appropriate and in line with the duration of the obligations associated with different benefit plans (see discount rate determination in note 3.10).

Employees who meet certain predefined conditions of age and seniority and who chose to take early retirement, as well as those that agree with the Company to take early retirement, are also included in the plans.

Sensitivity analysis

In the year ended 31 December 2021, 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 1%, 1.06% and 1.13%, respectively, was considered.

In the scenario where we apply an increase and a decrease of 1% to discount rate in determination of the responsibilities with pension plan and medical and other benefits plan, the following changes would occur:

	Discount rate for sensitivity analysis		
	0%	**1%**	**2%**
Pension plan			
Liabilities	94,380	84,159	75,547
Impact on liabilities	10,221	-	(8,612)
	0.06%	**1.06%**	**2.06%**
Healthcare plan			
Liabilities	17,881	15,578	13,732
Impact on liabilities	2,303	-	(1,846)
	0.13%	**1.13%**	**2.13%**
Other benefits			
Liabilities	34,142	28,912	24,854
Impact on liabilities	5,230	-	(4,058)

The evolution of the eligible population for the pension plan and the healthcare and other benefits plan is as follows:

	2021	2020
Active (Pension plan, Healthcare plan and Other benefits)[(a)]	**248**	259
Active (Long service award benefit)	**699**	699
Pre-retires and earlier retires	**99**	131
Retires	**667**	663

[(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 2021 and 2020, 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:

	2022	**2023**	**2024**	**2025**	**2026**	**2027-2031**
Expected benefits payments	5,335	4,786	4,200	3,946	3,874	19,924

The weighted average duration of the obligations of the pension plan is 11 years.

The portfolio of assets of the REN Pension Fund as of 31 December 2021 and 2020 were as follows, in accordance with information provided by the financial institution in charge for the management of REN`s Pension Fund:

Plan assets	**2021**	%	2020	%
Bonds	**30,141**	88%	31,772	88%
Shares	**4,340**	11%	4,090	11%
Readily available deposits	**57**	1%	252	1%
Absolute return	**1**	0%	99	0%
Total	**34,539**	**100%**	**36,213**	**100%**

Evolution of the assets of the Pension Fund in 2021 and 2020 was as follows:

	2021	2020
At 1 January	**36,213**	37,746
Actuarial gain/(loss)	**475**	636
Benefits paid	**(2,279)**	(2,346)
Return on plan assets [i]	**131**	177
At 31 December	**34,540**	**36,213**

[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:

	2021	2020
Present value of the liability	**(84,159)**	(90,939)
Fair value of plan assets	**34,540**	36,213
	(49,619)	**(54,726)**

The reconciliation of the remeasurement of liability net of benefits is as follows:

	2021	2020
At 1 January	**54,726**	57,696
Current service costs	**2,330**	2,378
Net interest on net defined benefit liability	**291**	356
Actuarial gains/(losses)	**(1,869)**	1,179
Benefits paid	**(5,859)**	(6,882)
At 31 December	**49,619**	**54,726**

The changes in the present value of the underlying liability of the pension plan were as follows:

Reconciliation of the obligation of the pension plan

	2021	2020
At 1 January	90,939	**95,442**
Current service costs	2,330	2,378
Interest costs	422	533
Benefits paid	(8,138)	(9,228)
Actuarial(gains)/losses	(1,394)	1,815
At 31 December	84,159	**90,939**

The impact on the consolidated statement of profit and loss for the year was as follows:

	2021	2020
Current service costs	2,330	2,378
Net interest on net defined benefit liability	291	356
Total included in personnel costs	2,621	**2,734**

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:

	2021	2020
Discount rate	Full Yield Curve	Full Yield Curve
Liabilities amount	84,159	90,939
Value of the fund	34,540	36,213
Actuarial gains/(losses) on liabilities	1,394	(1,815)
- for change in assumptions	1,409	(3,053)
- from experience	(15)	1,238
Actuarial gains/(losses) on fund assets	475	636

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:

	2021	2020
Present value of the obligation	44,490	45,781
Liability in the statement of financial position	**44,490**	**45,781**

The changes in the amount of the obligation for healthcare and other benefits were as follows:

	2021	2020
At 1 January	**45,781**	**45,613**
Current service costs	570	535
Interest costs	256	333
Benefits paid	(1,531)	(1,294)
Actuarial (gain)/loss	(586)	594
At 31 December	**44,490**	**45,781**

The effects of the plan on the consolidated statements of profit and loss were as follows:

	2021	2020
Current service costs	570	535
Interest costs	256	333
(Gains)/losses of other long term employee benefit plans	(20)	22
Total included in personnel costs	**806**	**890**

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 10% increase in liabilities, where a decrease of one percentage point results in a decrease of 8% in liabilities as shown below:

	Growth rate for sensitivity analysis		
	0.80%	**1.80%**	**2.80%**
Current service and interest costs	249	290	343
Impact on current service and interest costs	(41)	-	53
Past service liabilities	14,274	15,578	17,167
Impact on past service liabilities	(1,304)	-	1,589

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:

	2021	2020
Discount rate	**Full Yield Curve**	Full Yield Curve
Liabilities amount	**(44,490)**	(45,781)
Actuarial (gains)/losses on liabilities	**586**	(594)
for change in assumptions	**333**	(1,421)
from experience	**254**	828

The expected payments plan, given its maturity, of the obligations of the pension plan is in the following table:

	2022	**2023**	**2024**	**2025**	**2026**	**2027-2031**
Expected benefits payments	1,961	1,874	1,899	1,898	1,829	8,908

The weigh average duration of these liabilities is 14 years for healthcare and 16 years for other benefits.

22. PROVISIONS FOR OTHER RISKS AND CHARGES

The changes in provisions for other risks and charges in the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
Begining balance	**8,508**	8,416
Increases	521	669
Reversing	(156)	(484)
Utilization	-	(93)
Ending balance	**8,872**	**8,508**
Non-current provision	8,872	8,508
	8,872	**8,508**

At 31 December 2021, 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 restructuring in the amount of 521 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 2021 and 2020 was made up as follows:

	2021			2020		
	Current	Non current	Total	Current	Non current	Total
Trade payables						
Current suppliers (Note 12)	252,043	-	252,043	164,595	-	164,595
Other creditors						
Other creditors (Note 12)	59,547	37,304	96,851	52,976	51,650	104,626
Tariff deviations (Note 12)	208,575	166,901	375,476	45,252	59,035	104,287
Fixed assets suppliers (Note 12)	72,658	-	72,658	45,676	-	45,676
Tax payables (Note 12) (i)	26,608	-	26,608	19,927	-	19,927
Deferred income						
Grants related to assets	19,773	251,221	270,993	19,954	261,201	281,155
Bilateral agreements - Grants	-	52,180	52,180	-	-	-
Accrued costs						
Holidays and holidays subsidies (Note 12)	5,498	-	5,498	5,420	-	5,420
Trade and other payables	**644,701**	**507,606**	**1,152,307**	**353,800**	**371,886**	**725,686**

(i) Tax payables refer to VAT, personnel income taxes and other taxes.

The caption "Trade and other payables" includes: (i) the amount of 31,783 thousand Euros, regarding the management of CAEs from Turbogás and Tejo Energia (29,441 thousand Euros at 31 December 2020); (ii) the amount of 30,013 thousand Euros of investment projects not yet invoiced (9,994 thousand Euros at 31 December 2020); (iii) the amount of 116,941 thousand Euros (30,220 thousand Euros at 31 December 2020) from the activity of the Market Manager (MIBEL – Mercado Ibérico de Electricidade); and (iv) the amount of 6,379 thousand Euros of "CMEC – Custo para a Manutenção do Equilíbrio Contratual" to be invoiced by EDP – Gestão da Produção de Energia, S.A. (104 thousand Euros at 31 December 2020), 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 5,857 thousand Euros (11,813 thousand Euros at 31 December 2020) 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	2021	2020
Not due and due up to 30 days	358,044	237,966
31-60 days	236	1,011
61-90 days	196	1,299
91-120 days	110	74
More than 120 days	62,967	74,548
	421,552	**314,897**

The movement in the caption "Grants related to assets" current and non-current, in the years ended 31 December 2021 and 2020 was as follows:

Grants	
At 1 January 2020	260,316
Increases	40,085
Other reclassifications	(228)
Recognition of investment subsidies in profit and loss (Note 26)	(19,018)
At 31 December 2020	**281,155**
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**

24. SALES AND SERVICES RENDERED

Sales and services rendered recognized in the consolidated statement of profit and loss for the years ended 31 December 2021 and 2020 is made up as follows:

	2021	2020
Goods:		
Domestic market	734	64
	734	**64**
Services - Domestic market:		
Electricity transmission and overall systems management	348,330	353,270
Natural gas transmission	84,640	78,616
Natural gas distribution	54,741	53,730
Regasification	34,945	40,007
Underground gas storage	21,313	18,415
Telecommunications network	6,929	6,662
Trading	1,593	1,797
Others	712	593
Services - External market (Chile):		
Transmission and transformation of electricity	11,899	10,141
	565,103	**563,232**
Total sales and services rendered	565,837	**563,296**

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 2021 and 2020 were made up as follows:

	2021	2020
Revenue from construction of concession assets		
Acquisitions	215,253	142,036
Own work capitalised :		
Financial expenses (Note 8)	3,534	2,392
Overhead and management costs (Note 8)	18,909	16,429
	237,696	**160,856**
Cost of construction of concession assets		
Acquisitions	215,253	142,036
	215,253	**142,036**

26. OTHER OPERATING INCOME

The caption “Other operating income” loss for the years ended 31 December 2021 and 2020 is made up as follows:

	2021	2020
Recognition of investment subsidies in profit and loss (Note 23)	18,725	19,018
Underground occupancy tax	3,922	4,023
Supplementary income	1,774	1,155
Disposal of unused materials	1,088	354
Others	2,880	2,133
	28,389	**26,683**

27. EXTERNAL SUPPLIES AND SERVICES

The caption “External supplies and services” for the years ended 31 December 2021 and 2020 is made up as follows:

	2021	2020
Maintenance costs	20,309	20,725
Fees relating to external entities i)	16,404	16,647
Electric energy costs	12,109	7,304
Cross border interconnection costs ii)	11,256	8,928
Gas operation - Pass through iii)	5,753	-
Gas transport subcontracts	5,652	4,315
Insurance costs	5,441	3,716
Security and surveillance	2,148	2,342
Advertising and communication costs	1,214	942
Travel and transportation costs	574	588
Other	3,837	3,516
External supplies and services	**84,695**	**69,022**

[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 2021, as follows:

	2021	2020
Audit and statutory audit	283	274
Other assurance services	132	116
Services other than audit and statutory audit	25	48
	440	**438**

28. PERSONNEL COSTS

Personnel costs for the years ended 31 December 2021 and 2020 are made up as follows:

	2021	2020
Remuneration:		
Board of directors	3,665	3,566
Personnel	38,658	38,156
	42,323	**41,722**
Social charges and other expenses:		
Social security costs	8,270	8,175
Post-employement and other benefits cost (Note 21)	3,428	3,624
Social support costs	1,760	1,712
Other	326	297
	13,785	**13,807**
Total personnel costs	**56,108**	**55,529**

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 2021 was 701 (695 in 2020).

29. OTHER OPERATING COSTS

Other operating costs for the years ended 31 December 2021 and 2020 are made up as follows:

	2021	2020
ERSE operating costs [i]	10,909	11,475
Underground occupancy tax	3,907	4,078
Donations and quotizations	1,582	2,090
Others	2,206	3,251
	18,604	**20,895**

[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 2021 and 2020 are made up as follows:

	2021	2020
Financial costs		
Interest on bonds issued	30,556	43,245
Other borrowing interests	10,973	10,081
Interest on commercial paper issued	4,301	3,202
Derivative financial instruments	4,872	1,573
Exchange rate differences	2,319	268
Other financing expenditure	1,335	1,268
	54,356	**59,637**
Financial income		
Derivative financial instruments	869	2,743
Other financial investments	1,781	2,909
Interest income	622	-
	3,272	**5,651**

31. EARNINGS PER SHARE

Earnings per share were calculated as follows:

		2021	2020
Consolidated net profit used to calculate earnings per share	(1)	97,153	109,249
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)	0.15	**0.16**

The basic earnings per share are the same as the diluted earnings as there are no situations that could origin dilution effects.

32. DIVIDENDS PER SHARE

During the Shareholders General Assembly meeting held on 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.

During the Shareholders General Assembly meeting held on 7 May 2020, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2019, in the amount of 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

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 2021 and 2020, were as follows:

	2021	2020
Power lines	60,161	57,881
Substations	60,050	58,529
Gas pipelines	1,855	2,386
Sines Terminal	486	375
Underground gas storage	447	802
	122,999	**119,973**

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 2021 and 2020.

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 2021 amounts to, approximately, 66 million Euros.

REN Trading and REN Elétrica consider that, with the existing legal framework, this possibility depends on the recognition that the associated charges can be considered as general costs of the national electricity system, the only way to guarantee the economic neutrality of REN Trading's contractual position.

All of these disputes 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 2021 and 2020, the REN Group had given the following bank guarantees:

Beneficiary	Scope	2021	2020
European Investment Bank (EIB)	To guarantee loans	242,548	277,693
General Directorate of Energy and Geology	To guarantee compliance with the contract relating to the public service concession	23,788	23,788
Tax Authority and Customs	Ensure the suspension of tax enforcement proceedings	22,571	24,482
Judge of District Court	Guarantee for expropriation processes	5,549	5,549
Mibgás	To guarantee the liabilities incurred from the participation in the natural gas organized market	4,000	-
Municipal Council of Seixal	Guarantee for litigation	3,133	3,133
Portuguese State	Guarantee for litigation	2,232	2,242
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	502	555
Municipal Council of Porto	Guarantee for litigation	368	368
Municipal Council of Silves	Guarantee for expropriation processes	352	352
NORSCUT - Concessionária de Auto-estradas	To guarantee prompt payment of liabilities assumed by REN in the contract ceding utilization	200	200
District Court of Lisbon	Guarantee for suspension of continuation of pending enforcement proceedings	-	140
Others (loss then 100 thousand Euros)	Guarantee for litigation	204	109
		308,131	341,294

The given guarantees have the following maturities:

	31 de dezembro de 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**

	31 de dezembro de 2020			
	Less 1 year	1 - 5 years	Over 5 years	Total
Guarantees on borrowings	27,645	137,176	112,872	277,693
Other guarantees	-	-	63,601	63,601
	27,645	**137,176**	**176,473**	**341,294**

33.4. GUARANTEES RECEIVED

REN has collateral guarantees regarding accounts receivable, namely bank guarantees, which amount to, approximately, 416,156 thousand Euros as of 31 December 2021 (47,384 thousand Euros as of 31 December 2020). The increase in 2021 compared to 2020 essentially refers to the receipt of guarantees issued by Photovoltaic Power Plants, within the scope of the connections of the Production Centers to the Very High Voltage Grid.

34. RELATED PARTIES

Main shareholders and shares held by corporate bodies

At 31 December 2021 and 2020, the shareholder structure of Group REN was as follows:

	2021		2020	
	Number of shares	**%**	**Number of shares**	**%**
State Grid Europe Limited (Group State Grid)	166,797,815	25.0%	166,797,815	25.0%
Pontegadea Inversiones S.L. [i]	80,100,000	12.0%	-	0.0%
Mazoon B.V. (Group Oman Oil Company S.A.O.C.) [i]	-	0.0%	80,100,000	12.0%
Lazard Asset Management LLC	41,067,351	6.2%	46,611,245	7.0%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
Great-West Lifeco, Inc.	27,666,567	4.1%	18,225,165	2.7%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Others	278,822,168	41.8%	282,719,676	42.4%
	667,191,262	**100%**	**667,191,262**	**100%**

[i] On 30 July 2021, REN received information that Mazoon B.V. transferred to Pontegadea Inversiones S.L. all the shares it held in REN. As a result of this acquisition, Pontegadea Inversiones S.L. directly holds 12.006% of the voting rights in REN, and such voting rights are also attributable to Mr. Amancio Ortega Gaona under the terms of the Portuguese Securities Code.

The number of shares of REN SGPS held by corporate bodies at 31 December 2021 and 2020 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 2021 amounted to 3,304 thousand Euros (3,130 thousand Euros in 31 December 2020), as shown in the following table:

	2021	2020
Remuneration and other short term benefits	1,647	1,596
Management bonuses (estimate)	1,657	1,534
	3,304	**3,130**

Transaction of shares by the members of the Board of Directors

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 2021 and 2020, Group REN carried out the following transactions with reference shareholders, qualified shareholders and related parties:

Revenue	2021	2020
Sales and services provided		
Invoicing issued- OMIP	40	45
Invoicing issued - REE	81	462
Invoicing issued - Centro de Investigação em Energia REN - State Grid	152	289
Dividends received		
Electrogás (Note 10)	8,109	7,469
Centro de Investigação em Energia REN - State Grid (Note 10)	8	-
REE (Note 13)	5,415	5,695
	13,805	**13,960**

Expenses	2021	2020
External supplies and services		
Invoicing received - REE	885	1,646
Invoicing received - Centro de Investigação em Energia REN - State Grid	105	-
Invoicing received - CMS Rui Pena & Arnaut[1]	184	106
Invoicing received - Lazard Chile	106	-
	1,280	1,752

[1] Entity related to the Administrator José Luís Arnaut. During 2021, 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 2021 and 2020 resulting from transactions with related parties were as follows:

	2021	2020
Trade and other receivables		
REE - Dividends	1,477	1,477
Electrogás - Dividends	3,002	13
Centro de Investigação em Energia REN - State Grid - Other receivables	74	31
	4,553	1,521
Trade and other payables		
Centro de Investigação em Energia REN - State Grid - Other payables	104	2
REE - Trade payables	-	7
CMS - Rui Pena & Arnaut - Trade payables[1]	30	27
SPECO - Shandong Power Equipment CO - Trade payables[2]	1,415	251
	1.549	287

[1] Entity related to the Administrator José Luís Arnaut. During 2021, 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.

[2] 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.

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 and Law 75-B/2020, 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 2021 (1 January 2021) 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 2021) 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 2021 amounted to 27,041 thousand Euros (28,095 thousand Euros at 31 December 2020). The Group payed the ECES for the year ended 31 December 2021 in October 2021.

36. SUBSEQUENT EVENTS

On 16 December 2021, REN informed the market and the general public that the Energy Services Regulatory Authority ("ERSE"), following the publication of the current Tariff Regulation approved by Regulation no. 813/2021, of November 16, 2021, published on this date the final document on "Tariffs and prices for electricity and other services in 2022 and parameters for the period of regulation 2022-2025" in force in Portugal.

On 24 February 2022, Russia carried out a large-scale military invasion of Ukraine, which led to a worsening general climate of global uncertainty with negative effects on the outlook for the evolution of the world economy and financial markets. The REN Group is actively monitoring this situation, as well as the pandemic caused by the COVID-19 virus, has activated all the necessary plans and, despite the situation being unpredictable, REN Group does not have or estimate to have, as of this date, significant effects on its operability and regulatory duties. It should be noted, once again, that the REN Group operates, essentially, in two business areas, Electricity and Gas, according to concession contracts attributed to the Group. These concession contracts are regulated, which to a certain extent minimizes the possible impacts of the Russian invasion of Ukraine as well as the pandemic.

37. EXPLANATION ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as endorsed by the European Union at 1 January 2021. In the event of discrepancies, the Portuguese language version prevails.

DECLARATION OF CONFORMITY

DECLARATION PROVIDED IN THE ARTICLE 29-G (1) (C) OF THE PORTUGUESE SECURITIES CODE

In accordance with and for the purposes of article 29-G (1) (c) of the Portuguese Securities Code, each one of the members of the Board of Directors of REN – Redes Energéticas Nacionais, SGPS, S.A., nominally identified below, has underwritten the declaration transcribed hereafter[1]:

"I hereby declare, pursuant to and for the purposes specified in Article 29-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. and of the companies included in its scope of consolidation, and that the management report relating to the tax year of 2021 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, March 24, 2022"

Rodrigo Costa (Chaiman 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)

Mengrong Cheng (Member of the Board of Directors)

Lequan Li (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 of the Audit Committee)

Rosa Freitas Soares (Member of the Board of Directors 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)

[1] The original of the mentioned individual statements are available, for consultation, at the Company's head office.

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)

Mengrong Cheng
(Member of the Board of Directors)

Lequan Li
(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)

Manuel Sebastião
(Member of the Board of Directors
and Chairman of the Audit Committee)

José Luis Arnaut
(Member of the Board of Directors)

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.

AUDIT COMMITTEE REPORT ON THE FINANCIAL YEAR OF 2021

(PURSUANT TO THE PROVISIONS OF ARTICLE 423-F(1)(G) OF THE PORTUGUESE COMPANY CODE)

1. INTRODUCTION

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

The Committee comprises of the following three non-executive and independent members of the Board of Directors:

- Chairman, Manuel Sebastião;
- Member, Gonçalo Gil Mata; and
- Member, Rosa Freitas Soares.

The Chairman and Member Gonçalo Gil Mata were re-elected at the General Meeting held on April 23, 2021, for the three-year period 2021-2023. Member Rosa Freitas Soares was elected for the same three-year term at the General Meeting held on April 23, 2021.

Despite the challenges that have arisen during its term of office, the Committee has complied with its obligations and was aware of the needs and challenges facing the REN Group.

The year 2021 continued to be challenging due to the pandemic, which significantly changed the circumstances in which the Committee performed its activities.

All Committee members comply with compatibility criteria for performing their respective duties as set out in Article 4 of the Audit Committee Terms of Reference.

The main powers and competencies, forms of organisation and functioning of the Committee are described in the respective Terms of Reference, which may be consulted on REN's official Internet site at http://www.ren.pt/ in Portuguese and English.

2. AUDIT COMMITTEE ACTIVITY DURING THE FINANCIAL YEAR OF 2021

The year 2021 continued to be marked by the Covid-19 pandemic. The Committee held 14 meetings during the year. Three members were present at all of the meetings, and whenever necessary, meetings were held by video conference due to restrictions imposed by the pandemic.

At the invitation of the Committee, whenever reasonable, the Head of the Internal Audit Department, the External Auditor, the Chief Financial Officer, and other REN managers took part in these meetings.

When performing its duties, the Committee has the means and resources necessary for the purpose. The Committee's work concentrated on aspects which will be analysed below.

2.1. Supervision of REN management and observance of compliance with the law and the Articles of Association

In 2021, the Committee monitored the operation of the corporate governance system implemented by REN.

Work carried out by the Committee on compliance with the law and the Articles of Association progressed throughout the year and always took into account the structure of Corporate Governance in effect at the Company. This included, among others, the analysis and assessment of the conclusions of the External Auditor.

The Committee also monitored the evolution of legal and regulatory provisions and the relevant recommendations for it to perform its duties, more specifically concerning monitoring the activities of the External Auditor.

To perform its supervisory work, the Committee had access to all the necessary information and Company employees to assess the Company's situation and outlook for development. Notably, the Committee received and analysed the minutes of meetings held by the Executive Committee in 2021 (including the respective supporting documents). It also requested additional clarifications whenever considered reasonable, and these clarifications were duly provided.

2.2. Inspection of Financial Information

In this regard, Committee meetings were held with the External Auditor, the CFO and the Head of Control, Accounting and Taxation.

Supervision of compliance with accounting criteria, policies and practices, estimates, judgements decisions, relevant disclosures and their consistent application over different financial years and the reliability of financial information was also conducted. This was achieved by analysing the audit conclusions and assessments of procedures carried out during the financial year by the External Auditor.

The Committee appraised the REN, SGPS, S.A. Consolidated Financial Statements for the period ending 30 June 2021.

The Committee audited the legal review and external audit to accounts documents for the financial year of 2021. It concluded that these processes were suitably carried out and covered the activities required by Articles 446 and 451 of the Portuguese Commercial Companies Code (more specifically, concerning the correctness of accounting records and supporting documentation, accounting policies and evaluation criteria, the accuracy of documents and legal certification of accounts).

The Committee also analysed the REN Corporate Governance Report.

2.3. Monitoring and inspection of the effectiveness of the internal control and risk management systems

The Committee conducted several actions to monitor, inspect and assess the operation and suitability of the internal control, risk management and internal audit processes.

The Committee continues to consider that the REN management and supervisory bodies have given appropriate relevance to the development and improvement of internal control and risk management processes, strategic, operating, economic and financial aspects, compliance, human resources, and safeguarding of assets.

Work undertaken concerning these processes has had a relevant effect on REN's company activity, in line with its size, business characteristics, and the complexity of the risks inherent to the operations.

The Committee took steps to monitor, audit and evaluate the functioning and adequacy of the internal control and risk management processes. It held several meetings with the External Auditor as well as with the heads of different departments whose activities affect the internal control and risk management processes, more specifically:

- Purchasing:
- Control, Accounting and Taxation;
- General operations;
- Information Systems;
- Institutional Relations; and
- Legal Services.

The Committee analysed reports, in this regard, drawn up by the External Auditor. The company's management bodies were informed of the conclusions deemed relevant and provided with the reports prepared by the Internal Audit Department.

Implementation was also monitored of the recommendations arising from diverse internal audits and the work carried out by the REN Risk Management Committee, whose mission is to support the Board of Directors about Group risks. Accordingly, the Committee held a hearing with the Risk Management Committee.

2.4. Supervising the activity of the REN Internal Audit Department

The Committee supervised the activity of the REN Internal Audit Department, which reports functionally to the Committee.

The Internal Audit Department carried out its work following an annual plan authorised by the Committee. To determine the priority of activities, the Committee considered the scope of the initiatives, their relevance and the availability of resources used in this activity.

Work carried out by the Internal Audit Department was regularly monitored by the Committee, more specifically concerning findings about how risks are managed in relation to company processes, systems and business units. Proposals for improvement – presented as recommendations – to internal control and risk management processes were targeted for monitoring. For this purpose, the Committee had access to all the reports drawn up by the Internal Audit Department, including internal control, risk management and compliance.

The Committee considers that the Internal Audit Department performed its duties with independence, objectivity and competence and that when conducting internal audits, particular attention was paid to the assessment of internal control systems, compliance with established procedures, the integrity of the information produced and disclosed, the efficient use of resources, the effective monitoring of processes, compliance with laws and regulations in force and to the assessment and minimisation of identified risks.

Whenever deemed suitable, the results of the work carried out by the Internal Audit Department were conveyed to the Executive Committee, the Board of Directors and the External Auditor, in line with the duties performed by each of these bodies in the management and supervision of the Company business.

2.5. Analysis of the activity and inspection of the independence of the External Auditor

During the year, the Committee performed its duty as the company's interlocutor with the External Auditor. The Committee received the respective reports and took all steps necessary to ensure that suitable conditions existed, enabling their services to be provided.

In 2021, the Committee assessed the activity of the External Auditor through regular monitoring of their actions, namely through the analysis of periodic reports and overseeing the performance of audit and review services, as well as by assessing any changes in procedures recommended by the External Auditor.

The Committee further conducted an annual assessment of work by the External Auditor in 2021 and considered that they provided their services in a satisfactory manner. They also complied with applicable standards and regulations, including international standards on auditing in effect, and they performed their duties with reasonable technical accuracy.

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

In compliance with the rules of independence established in relation to the External Auditor, over the year, the Committee monitored the provision of non-audit services to ensure that situations of conflict of interests did not arise and that the costs respected the limits established by the Statutes of the Association of Statutory Auditors and the Legal Regime for Audit Supervision. The Committee approved the provision of these services by the External Auditor because it involved matters about which their specific knowledge of REN in terms of auditing, as well their complementarity regarding audit services, justified such award.

In 2021, the Committee authorised four requests for non-audit services, relating to the following requirements (i) limited review of the interim accounts of 30 June 2021; (ii) reliability guarantee procedures provided by the External Auditor regarding the issue of letters of comfort relating to the EMTN – Euro Medium Term Notes programme, under which the REN Group issues bonds; (iii) financial ratios defined in the financing contract with EIB – European Investment Bank; and (iv) examination of the repercussion of subsoil occupancy rates, for reporting to ERSE, relating to the period ending 31 December 2020.

2.6. Company business with related parties

The 2021 Corporate Governance Report describes the main elements of the business and operations carried out between REN Group companies and holders of qualified shareholdings or entities with which they are in any relationship, under the terms of Article 20 of the Portuguese Securities Code.

During the year, the Committee conducted prior verification of three commercial transactions, as the criteria arose in which such intervention is required, in accordance with Internal Regulations (Analysis and control of transactions with related parties and prevention of conflict of interests).

Following the analysis of the suitability of pre-contractual and contractual procedures adopted for the operations and the reasonableness and suitability of the justification presented - particularly about corporate interests and comparability with normal market conditions - the Committee decided to issue favourable prior opinions.

2.7. Communication of irregularities

The Chapter "Procedures applicable to the handling of the communication and investigation of irregularities", included in the REN Group Code of Conduct, which was updated in 2021, describes the procedures applicable to the receipt and processing of such communications submitted by interested parties and to the investigation of possible irregularities and their remedy.

Shareholders, members of corporate bodies, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies may communicate any irregular practices they know of. In addition, these stakeholders have the ability to communicate situations where they have substantiated doubts, including whistleblowing. This procedure aims to prevent, stop and remedy irregularities and allow the sanctioning of whoever is considered an infringer.

In 2021, the Committee was informed of two cases liable to constitute potential irregularities, both cases having been duly concluded in 2021, in accordance with the investigation conducted by REN. In 2021, two instances of possible irregularities reported in 2020 were complemented.

Lisbon, 24 March 2022

Mr. Manuel Ramos de Sousa Sebastião (Chairman)

Mr. Gonçalo Miguel Marques dos Santos Gil Mata (Member)

Ms. Rosa Freitas Soares (Member)

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

REPORT AND OPINION OF THE AUDIT COMMITTEE CONSOLIDATED ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the consolidated financial information comprised within the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries attached thereto in relation to the financial year ended on December 31, 2021 which consist of the Consolidated Financial Statement, evidencing a total of 5,588,516 thousand Euros and 1,409,830 thousand Euros of Equity Capital, including a Consolidated Net Profit of 97,153 thousand Euros, the Consolidated Profit and Loss Accounts, 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 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, 24 March 2022

Manuel Sebastião (Chairman)

Rosa Maria 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 2021 (showing a total of 5,588,516 thousand euros and a total equity of 1,409,830 thousand euros, including a net profit for the year of 97,153 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 2021, 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.

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
A member firm of Ernst & Young Global Limited

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 2021, the Intangible assets caption amounts to 4,123,069 thousand euros (4,130,562 thousand euros in 2020), 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 2021, represents 74% of the Group's total assets (79% in 2020), 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 2021; ► 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 2021, 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 2021, the tariff deviations assets and liabilities amount to 108,898 thousand euros and 375,476 thousand euros respectively (2020: 253,263 thousand euros and 104,287 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 2021; ► We performed the recalculation of the tariff deviations and compared the results obtained with the amounts reported by the Group; ► We have read the correspondence exchanged with ERSE in order to understand the matters being discussed with the Group; ► We reviewed the definition of tariff deviations assets and liabilities and their appropriate classification as Current or Non-current Assets or Liabilities, based on the recovery period thereof, as defined by the Tariff Regulations of the electricity and gas sectors; and ► We evaluated the consistency of the criteria used in relation to previous years. Our approach also included analysis of the applicable disclosures included in Note 3.16, 14 and 23 of the notes to the consolidated financial statements.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that presents a true and fair view of the Group´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management report, the Corporate Governance Report, 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 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 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 24 March 2022;
- 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 2021 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, 24 March 2022

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

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FINANCIAL STATEMENTS

REN

FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS

Statements of Financial Position as of 31 December 2021 and 2020

(Amounts expressed in thousands of Euros)
(Translation of statements of balance sheet originally issued in Portuguese - Note 30)

		31 December	
Assets	Notes	**2021**	2020
Non-current assets			
Tangible assets	5	386	465
Investments - equity method	7	1,381,025	1,365,588
Goodwill	8	1,510	1,887
Investments in equity instruments at fair value for other comprehensive income	12	59,278	59,601
Other receivables	10	2,132,385	2,385,548
Other financial assets	10	19	17
Derivative financial instruments	11	18,760	25,685
Deferred tax assets	9	3,927	8,530
Total non-current assets		3,597,290	**3,847,321**
Current assets			
State and other public entities	16	1	-
Other receivables	10	690,446	615,948
Deferrals		144	120
Cash and bank deposits	4	386,546	45,031
Total current assets		1,077,137	**661,099**
Total assets		4,674,427	**4,508,420**
Equity and Liabilities			
Equity			
Share Capital		667,191	667,191
Own shares		(10,728)	(10,728)
Shares premium		116,809	116,809
Legal reserve		130,662	125,075
Other reserves		180,960	168,458
Adjustments to financial assets		(76,139)	(80,769)
Retained earnings		298,134	305,408
Other changes in equity		(5,561)	(5,561)
		1,301,327	1,285,883
Net profit for the period		100,792	111,739
Total equity		1,402,118	**1,397,622**
Liabilities			
Non-current liabilities			
Borrowings	6 and 15	2,391,899	2,263,982
Provisions	14	539	-
Post employment benefit liabilities		13	12
Derivative financial instruments	11	23,112	29,215
Deferred tax liabilities	9	3,728	**4,221**
Total non-current liabilities		2,419,292	**2,297,430**
Current liabilities			
Borrowings	6 and 15	571,331	750,421
Trade payables	15	309	845
State and other public entities	16	26,725	8,176
Other payables	15	254,604	53,916
Deferrals		48	10
Total current liabilities		853,016	**813,368**
Total liabilities		3,272,308	**3,110,797**
Total equity and liabilities		4,674,427	**4,508,420**

The accompanying notes form an integral part of the statement of balance sheet as of 31 December 2021.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

Statements of Profit and Loss by Nature for the Years Ended 31 December 2021 and 2020

(Amounts expressed in thousands of Euros)
(Translation of statements of balance sheet originally issued in Portuguese - Note 30)

Revenues and expenses	Notes	2021	2020
Services rendered	17	10,700	9,390
Gains/(losses) from associates and joint ventures	7 and 18	103,978	104,767
Supplies and services	19	(4,371)	(3,103)
Personnel costs	20	(5,792)	(5,980)
Provisions (increases)/decreases	14	(381)	-
Other income	21	1,255	29
Other expenses	22	(194)	(223)
Profit before amortization, depreciation, finance costs and taxes		105,195	**104,880**
Depreciation and amortization (charge)/reversal	5 and 8	(568)	(568)
Operating profit (before finance costs and taxes)		104,627	**104,312**
Interest and similar income	23	47,930	67,464
Interest and similar costs	23	(56,654)	(64,103)
Dividends	24	3,082	1,623
Profit before taxes		98,985	**109,295**
Income tax expense for the period	9	1,807	**2,444**
Net profit for the period		100,792	**111,739**
Basic earnings per share		0.15	**0.17**

The accompanying notes form an integral part of the statement of profit and loss for the year ended 31 December 2021.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

Statement of Changes in Equity for the Years Ended 31 December 2021 and 2020

(Amounts stated in thousands of Euros)
(Translation of statements of equity changes originally issued in Portuguese - Note 30)

	Notes	Capital subscrito	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)
Balances at the beginning of 2021		**667,191**	**(10,728)**	**116,809**	**125,075**	**(25,545)**
Changes in the year:						
Changes in fair value	11 and 12	-	-	-	-	12,330
Appropriation of the profit for the preceding year	13	-	-	-	5,586	-
Adjustments in financial assets	7	-	-	-	-	-
		-	**-**	**-**	**5,586**	**12,330**
Operations during the year with shareholders						
Distribution of dividends	13	-	-	-	-	-
		-	**-**	**-**	**-**	**-**
Net profit for the year						
Comprehensive income		**-**	**-**	**-**	**-**	**12,330**
Balances at the end of 2021		**667,191**	**(10,728)**	**116,809**	**130,662**	**(13,215)**

	Notes	Capital subscrito	Own shares	Share premium	Legal reserve	Hedging reserve (Note 11)
Balances at the beginning of 2020		**667,191**	**(10,728)**	**116,809**	**118,828**	**(19,901)**
Changes in the year:						
Capital increase	13	-	-	-	-	-
Changes in fair value	11 and 12	-	-	-	-	(5,644)
Appropriation of the profit for the preceding year	13	-	-	-	6,246	-
Stock Plan		-	-	-	-	-
Adjustments in financial assets	7	-	-	-	-	-
		-	**-**	**-**	**6,246**	**(5,644)**
Operations during the year with shareholders						
Distribution of dividends	13	-	-	-	-	-
		-	**-**	**-**	**-**	**-**
Net profit for the year						
Comprehensive income		**-**	**-**	**-**	**-**	**(5,644)**
Balances at the end of 2020		**667,191**	**(10,728)**	**116,809**	**125,075**	**(25,545)**

The accompanying notes form an integral part of the statement of changes in equity for the year ended 31 December 2021.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

2021

	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
	13,813	**180,190**	**(5,561)**	**305,408**	**(80,769)**	**111,739**	**1,397,622**
	171	–	–	–	–	–	12,501
	–	–	–	(7,274)	–	1,687	–
	–	–	–	–	4,628	–	4,628
-	171	**-**	**-**	**(7,274)**	**4,628**	**1,687**	**17,129**
	–	–	–	–	–	(113,426)	(113,426)
	-	**-**	**-**	**-**	**-**	**(113,426)**	**(113,426)**
	171	**-**	**-**	**-**	**4,628**	**100,792**	**117,921**
	13,986	**180,190**	**(5,561)**	**298,134**	**(76,139)**	**100,792**	**1,402,118**

2020

	Fair value reserve (Note 12)	Other reserves	Other changes in Equity	Retained earnings	Adjustment of financial assets (Note 7 and 13)	Net profit for the period	Total equity
	12,476	**180,190**	**(5,561)**	**300,147**	**(50,808)**	**124,933**	**1,433,576**
	–	–	–	–	–	–	–
	1,337	–	–	–	–	–	(4,307)
	–	–	–	5,261	–	(11,507)	–
	–	–	–	–	–	–	–
	–	–	–	–	(29,962)	–	(29,962)
-	1,337	**-**	**-**	**5,261**	**(29,962)**	**(11,507)**	**(34,270)**
	–	–	–	–	–	(113,426)	(113,426)
	-	**-**	**-**	**-**	**-**	**(113,426)**	**(113,426)**
	1,337	**-**	**-**	**-**	**(29,962)**	**111,739**	**77,470**
	13,813	**180,190**	**(5,561)**	**305,408**	**(80,769)**	**111,739**	**1,397,623**

Statements of Cash Flow for the Years Ended 31 December 2021 and 2020

(Amounts stated in thousands of Euros)
(Translation of statements of cash flow originally issued in Portuguese - Note 30)

	Notes	2021		2020	
CASH FLOW FROM OPERATING ACTIVITIES:					
Cash receipts from customers		18,077		13,556	
Cash paid to suppliers		(5,399)		(5,957)	
Cash paid to emplyees		(8,159)		(8,501)	
Cash generated by operations		4,519		(903)	
Income tax received/(paid)		(32,796)		18,896	
Other receipts/(payments) relating to operating activities		(2,085)		(928)	
Flows generated by/(used in) operating activities [1]			(30,362)		**17,065**
FLOWS FROM INVESTING ACTIVITIES:					
Payments relating to:					
Financial Investments	7	(4,000)		(24,000)	
Tangible assets		(55)	(4,055)	(20)	(24,020)
Receipts relating to:					
Derivative financial instruments	7	199		220	
Dividends	24	99,907	100,107	103,860	104,080
Flows generated by investing activities [2]			96,052		**80,060**
FLOWS FROM FINANCING ACTIVITIES:					
Receipts relating to:					
Borrowings		2,835,603		2,836,750	
Shareholders loans		125,091		607,137	
Interest and other similar expense		-	2,960,695	4,515	3,448,402
Payments relating to:					
Borrowings		(2,469,378)		(2,908,476)	
Shareholders loans		(100,000)		(485,000)	
Interest and other similar expense		(2,066)		-	
Dividends	13	(113,426)	(2,684,869)	(113,426)	(3,506,902)
Flows used in financing activities [3]			275,825		**(58,499)**
Changes in cash and cash equivalents [4]=[1]+[2]+[3]			341,515		38,626
Cash and cash equivalents at the beginning of the year	4		45,031		6,405
Cash and cash equivalents at the end of the year	4		386,546		45,031

The accompanying notes form an integral part of the statement of cash flow for the year ended 31 December 2021.

THE CERTIFIED ACCOUNTANT THE BOARD OF DIRECTORS

2. NOTES TO THE FINANCIAL STATEMENTAS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Euros)

1. INTRODUCTORY NOTE

REN – Redes Energéticas Nacionais, SGPS, S.A. (hereinafter referred to as “REN SGPS” or “the Company”), with head office in Avenida Estados Unidos da América, 55 – Lisbon, resulted from the transformation on 5 January 2007 of REN – Rede Eléctrica Nacional, S.A. into an investment holding company.

At the same time a spin-off was made of the electricity business from REN – Rede Eléctrica Nacional, S.A. to the group company REN – Serviços de Rede, S.A., the name of which was subsequently changed to REN – Rede Eléctrica Nacional, S.A.

REN SGPS is the parent company of the REN Group and is organized into two main business segments, Electricity and Gas, and one secondary business, in the area of Telecommunications.

The Electricity business segment includes the following companies:

a) REN – Rede Eléctrica Nacional, S.A., was incorporated on 26 September 2006, whose activities are carried out under a concession contract for a period of 50 years as from 2007, which establishes the overall management of the Public Electricity Supply System (Sistema Eléctrico de Abastecimento Público - SEP);

b) REN Trading, S.A., was incorporated on 13 June 2007, whose main function is the management of Power Purchase Agreements (PPA) from Turbogás, S.A. and Tejo Energia, S.A., which did not terminate on 30 June 2007, date of the entry into force of the new Contracts for the Maintenance of the Contractual Equilibrium (Contratos para a Manutenção do Equilíbrio Contratual – CMEC). The operations of this company include the trading of electricity produced and of the installed production capacity, to domestic and international distributors;

c) Enondas, Energia das Ondas, S.A. was incorporated on 14 October 2010, its capital being fully owned by REN - Redes Energéticas Nacionais, SGPS, S.A., which the main activity being the management of the concession to operate a pilot area for the production of electric energy from sea waves. The Portuguese government awarded the Company the concession to operate a pilot area for the production of electricity from sea waves in accordance with paragraph 3, Article 5 of Decree –Law 5 / 2008 of 8 January and Decree-Law 238/2008 of 15 December. In accordance with Decree-Law 238/2008 of 15 December, the concession has a duration of 45 years, and includes the authorization to install the infrastructures necessary to connect to the public electricity network and use the water resources of the public water area, monitoring the use by others of the water resources needed to produce electricity from waves energy, as well as competence to award licenses for the establishment and operation of the business of electricity generation and its monitoring;

d) Empresa de Transmisión Eléctrica Transemel, S.A. (Transemel), acquired on October 1, 2019, as part of the expansion of the electricity business in Chile. The company's activity consists of providing electricity transmission and transformation services and the development, operation and commercialization of transmission systems, allowing free access to the different players in the electricity market in Chile.

The Gas business includes the following companies:

a) REN Gás, S.A. was incorporated on 29 March 2011, with the corporate objective of promoting, developing and carrying out projects and developments in the natural gas sector, as well as defining the overall strategy and coordination of the companies in which has direct interests;

b) REN Gasodutos, S.A., was incorporated on 26 September 2006, the capital of which was paid up through carve-in of the gas transport infrastructures (network, connections and compression). The company's purpose is the high pressure transportation of natural gas and the overall technical management of the National Natural Gas System, considering the security and continuity of supply of natural gas in Portugal mainland. This includes especially the management and operation of the National Natural Gas Transportation Network, including the transport of natural gas, the planning, construction, maintenance and operation of the necessary infrastructures and installations, in accordance with the law and its public service concession, as well as any other related services;

c) REN Armazenagem, S.A., was incorporated on 26 September 2006, the capital of which was paid up through integration into the company of the gas underground storage assets. The company's purpose is the underground storage of natural gas and the construction, operation and maintenance of the infrastructures and facilities necessary for that purpose, in accordance with the law and the company's public service concession, and any other related activities;

d) REN Atlântico, Terminal de GNL, S.A., acquired under the acquisition of the gas business, previously designated "SGNL – Sociedade Portuguesa de Gás Natural Liquefeito". The operations of this company comprise the supply, reception, storage and re-gasification of natural liquefied gas through the GNL marine terminal, being responsible for the construction, utilization and maintenance of the necessary infrastructures;

e) REN Portgás Distribuição, S.A. (REN Portgás), acquired as part of the expansion of the gas business on 4 October 2017. The operations of this company comprise the distribution of natural gas in low and medium pressure, as well as production and distribution of other channelled fuel gases and other activities related, namely the production and sale of flaring equipment.

The operations of the companies indicated in b) to d) above are developed in accordance with the three concession contracts separately granted for periods of 40 years starting 2006. The company indicated in e) above develops its activities in accordance with one concession contract granted for 40 years starting 2008.

The telecommunications business is managed by RENTELECOM – Comunicações, S.A. whose activity is the establishment, management and operation of telecommunications infrastructures and systems, the rendering of telecommunications services and optimizing the optical fibre excess capacity of the installations owned by REN Group.

REN SGPS fully owns REN Serviços, S.A., a company whose purpose is the rendering of services in the energetic area and the general services of business development support to group companies and third parties, receiving a fee for the services rendered, as well as the management of financial participations in other companies.

In addition, on November 21, 2018, REN PRO, SA, a company wholly owned by REN SGPS, headquartered in Lisbon, was created and incorporated. The corporate purpose is to provide support services, namely administrative, logistical, communication and development support of the business, as well as business consulting, in a remunerated manner, either to companies that are in a group relation or to any third party, and to computer consulting.

On 10 May 2013 REN Finance, B.V., a company based in Netherlands and fully owned by REN SGPS, whose purpose is to participate, finance, collaborate and lead the management of group companies, was incorporated.

Additionally on 24 May 2013, together with China Electric Power Research Institute, a State Grid Group company, Centro de Investigação em Energia REN SGPS, S.A. – State Grid, S.A. ("Centro de Investigação") was incorporated under a Joint Venture Agreement on which REN holds 1,499,997 shares representing 49.99% of the total share capital. The purpose of this company is to implement a Research and Development centre in Portugal, dedicated to the research, development, innovation and demonstration in the areas of electricity transmission and systems management, the rendering of advisory services and education and training services as part of these activities, as well as performing all related activities and complementary services to its object.

The subsidiaries REN Gás, S.A., Aério Chile Spa, Apolo Chile Spa, Empresa de Transmisión Eléctrica Transemel, S.A., REN Gasodutos, S.A., REN Armazenagem, S.A., REN Portgás Distribuição, S.A., are indirectly fully owned by REN SGPS, S.A. through its subsidiary REN Serviços, S.A. (fully owned by REN SGPS).

As of 31 December 2021, REN SGPS also holds:

a) 40% interest in the share capital of OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A. (OMIP SGPS), being its purpose the management of participations in other companies as an indirect way of exercising economic activities. The company is shareholder of OMIP – Operador do Mercado Ibérico de Energia (Portuguese Pole), SGMR, S.A. (OMIP), which function is the management of the MIBEL derivatives market together with OMIClear – Sociedade de Compensação de Mercados de Energia, S.A., a company fully owned by OMIP, which acts as the clearing house and central counterparty for transactions in the futures market;

b) 10% interest in the share capital of OMEL - Operador do Mercado Ibérico de Energia, S.A., the Spanish pole of the Sole Operator;

c) 7.5% interest in the share capital of Hidroeléctrica de Cahora Bassa, S.A. (HCB); and

d) An indirect 42.5% interest in the share capital of Electrogas, S.A., a Chilean company provider of natural gas and other fuels transportation. The participation was acquired on 7 February 2017.

The Board of Directors meeting held on 24 March 2021 approved the accompanying financial statements. However, they are still subject to approval by the Shareholders' Meeting under the terms of current Portuguese legislation.

The Board of Directors understands that the financial statements fairly reflect the Company's financial position, the results of its operations, changes in its equity and its cash flows.

2. ACCOUNTING FRAMEWORK: FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the requirements of Decree-Law 158/2009 of 13 July, republished by the Decree-Law 98/2015 of 2 June and by Portaria 220/2015 of 24 July, in accordance with the conceptual framework, accounting and financial reporting standards and interpretations applicable to the year ended 31 December 2021.

The accompanying financial statements are presented in thousands of Euros.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used to prepare these financial statements are as follows:

3.1. BASES OF PRESENTATION

The accompanying financial statements were prepared on a going concern basis from the accounting records of the Company, maintained in accordance with generally accepted accounting principles in Portugal.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date.

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 2021, has credit lines contracted and not used in the amount of 80,000 thousand Euros, and nine commercial paper programs, in the amount of 1,925,000 thousand Euros, being available 1,475,000 thousand Euros as of 31 December 2021. From the total amount of commercial paper programs, 500,000 thousand Euros have subscription guarantee (of which 250,000 thousand Euros were available as of 31 December 2020) (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 corona virus (COVID-19) pandemic, there was a climate of global uncertainty with negative effects on the outlook 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 at the moment there are no, nor are it estimated, significant effects on its operations and regulatory duties. It should be noted that the REN Group essentially operates in two business areas, Electricity and Gas, in accordance with concession contracts awarded to the Group and that they are regulated, which to a certain extent minimizes the possible impacts of the pandemic.

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 2020, as described in the notes to the 2020 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 2021, in relation to the accompanying separate financial statements, the following differences:

	Increase/ (Decrease)
Total net assets	914,088
Total liabilities	906,378
Net profit for the period	(3,639)
Total revenue	683,176
Total equity	7,712

As of December 31, 2021, the differences between net income and equity (individual and consolidated accounts) essentially result from: i) the fact that the participation of the associate OMIP SGPS in the consolidated accounts, prepared in accordance with IFRS, was revalued in 2011, following the loss of control, from subsidiary to associate; ii) the impact of the application of IFRS 9 on the consolidated accounts under IFRS; iii) refinancing bond issues through an exchange offer, and; iv) also from Goodwill of REN Portgás Distribuição S.A. which is being amortized over the remaining concession.

3.2. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries and associates are recorded by the equity method, under which they are initially recorded at cost and then adjusted based on the post-acquisition changes in the Company's share of the net assets of these companies. The Company's results include the proportion of the results of these entities. Additionally, dividends received from these companies are recorded as decreases in the amount of investments.

The excess of cost in relation to the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognized as goodwill and is presented in a separate line of the statement of the financial position. If the difference between cost and the fair value of assets and liabilities is negative, it is recognized as gain of the period.

Goodwill with an undefined useful life is amortized over a period of 10 years.

A valuation of investments is made when there are indications that an asset can be impaired, any impairment losses being recorded as cost in the profit and loss statement.

When the Company's proportion on the accumulated losses of a subsidiary or associate exceeds its carrying amount, the investment is recorded at a nil amount, except when the Company has assumed commitments to cover the losses of the subsidiary or associate, when the additional losses require the recognition of a liability. If these companies subsequently report net profits, the Company only starts recognizing its share on those profits only after its profit share equals the unrecorded losses.

Unrealized gains on transactions with subsidiaries and associates are eliminated proportionally to the Company's interests, by corresponding entry to the investment caption. Unrealized losses are also eliminated but only up to the point that such loss does not result from the transferred asset being impaired.

1.1. TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

The cost includes the purchase price of the asset, costs directly attributable to its acquisition and costs incurred to prepare the asset to start operating.

Repairs and maintenance costs are charged to the statement of profit and loss in the period in which they are incurred.

Tangible assets are depreciated on a straight-line basis over their estimated useful life period, from the date they are ready for use.

The estimated periods of useful life of tangible assets are as follows:

	Years
Transport Equipment	4 years
Administrative Equipment	Between 3 and 10 years

Useful life of the assets are reviewed annually. A change in useful life period is accounted as changes in accounting estimates and therefore is applied prospectively.

Gains and losses on the sale of assets are determined by the difference between the proceeds of the sale and the net carrying amount of the asset, these being recorded in the statement of profit and loss of the period.

3.4. LEASES

Lease agreements are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than the legal form of the agreement.

Leases agreements on which the Company has substantially all the risks and rewards of ownership of an asset, are classified as finance leases. Agreements in which an analysis of one or more of the conditions of the contract indicate a finance lease are also classified as such. All other leases are classified as operating leases.

Finance lease contracts are initially recognized at the lower of the fair value of the leased assets or the present value of the minimum lease payments, determined at the inception date.

The lease liability is recognized net of borrowing costs in the caption Borrowings. Borrowing costs included in the lease payments and the depreciation of the leased assets are both recognized in the statement of profit and loss in the period they refer to.

Tangible assets acquired under finance lease contracts, are depreciated considering the lower period between the useful life period of the asset and the maturity of the lease contract, when the company does not have a purchase option on the maturity date, or by the useful life period estimated, when the Company has the commitment to acquire the asset by the end period of the contract.

Under operating lease contracts, the lease payments due are recognized as expenses in the statement of profit and loss, on a straight-line basis over the lease term.

3.5. FINANCIAL ASSETS AND LIABILITIES

The Company choose to fully apply IAS 32 - Financial Instruments: Presentation, IFRS 9 - Financial Instruments Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures, in accordance with paragraph 2 of NCRF 27.

The Board of Directors determines the classification and measurement of investments in financial assets based on the business model, measured at the date of initial application, used in its management and the characteristics of the contractual cash flows.

Financial assets

Investments in financial assets can be classified as:

a) Financial assets at amortized cost - Financial assets are held within the scope of a business model whose purpose is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

b) Investment in equity instruments at fair value through other comprehensive income - Financial assets are held under a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets and the contractual terms of financial assets give rise, at defined dates, to cash flows that are only capital repayments and interest payments on the outstanding capital;

c) Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Company expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset up to twelve months after the reporting date; or (iv) the asset is cash or cash equivalents.

Purchases and sales of investments in financial assets are recorded at the date of the transaction, that is, on the date that the Company undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized in the income statement. These assets are subsequently measured at fair value, and the income and expenses resulting from the change in fair value are recognized in the income statement for the period under the heading of net financial costs, which also include the amounts of interest income and dividends obtained.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs. In subsequent periods, they are measured at fair value, and the change in fair value is recognized in the fair value reserve in equity until the investment is sold or received or until the fair value of the investment is below its cost of acquisition, in which the accumulated gain or loss is recorded in the income statement.

Dividends and interest earned on equity instruments at fair value through other comprehensive income are recognized in income for the period in which they occur, under the heading of financial income, when the right to receive is established.

The fair value of quoted financial assets is based on market prices (bid). If there is no active market, the Company establishes fair value through valuation techniques. These techniques include the use of prices charged in recent transactions, provided that market conditions, comparison with substantially similar instruments, and the calculation of discounted cash flows when information is available, making the maximum use of market information in internal information of the target entity.

In situations where investments are in equity instruments that are not admitted to listing on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at their acquisition cost less any impairment losses , and these impairment losses are recorded against income.

Loans and receivables are classified in the statement of financial position as “Customers and other accounts receivable” and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. The adjustment for the impairment of accounts receivable is made when there is objective evidence that the Company will not be able to receive the amounts due in accordance with the initial conditions of the transactions that gave rise to it and is recorded in the income statement in the line item “Impairment of receivables”.

Financial assets are derecognized when the rights to receive the cash flows arising from these investments expire or are transferred, as well as all the risks and benefits associated with their possession.

The caption “Cash and cash equivalents” includes cash, bank deposits, other short-term investments of high liquidity and with initial maturities of up to three months and bank overdrafts. Bank overdrafts are presented in current liabilities under the caption “Current loans” in the statement of financial position and are considered in the preparation of the statement of cash flows as “Cash and cash equivalents”.

Financial liabilities

A financial instrument is classified as a financial liability when there is a contractual obligation on the part of the issuer to settle capital and/or interest, through the delivery of cash or other financial asset, regardless of its legal form.

IFRS 9 provides for the classification of financial liabilities into two categories:

i) Financial liabilities at fair value through profit or loss;

ii) Other financial liabilities.

Other financial liabilities include "Borrowings" and "Trade and other payables".

Trade and other payables are initially measured at fair value and subsequently at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, the difference between the nominal value and the initial fair value being recognised in the consolidated statement of profit and loss over the term of the borrowing, using the effective interest rate method; or at fair value, whenever 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 are initially recorded at fair value at the date of the transaction, being subsequently measured at fair value. The method for the recognition of fair value gains or losses depends on the designation made of the derivative financial instruments. If they are designated as derivative financial instruments for trading, gains or losses resulting from fair value changes are recorded in the consolidated statement of profit and loss captions "Finance income" or "Finance costs". If they are designated as hedging derivative financial instruments, gains or losses resulting from fair value changes depends on the nature of the hedged item, which can be a fair value hedge or a cash flow hedge.

The fair value of derivative financial instruments corresponds to their market value. In the absence of market value, fair value is determined by external and independent entities using valuation techniques accepted in the market.

Derivative financial instruments are recognized in the caption "Derivative financial instruments", and if they have a positive or negative fair value they are recorded as financial assets or liabilities, respectively.

In accordance with IFRS 13, the fair value of non-listed derivative financial instruments is adjusted by the effect of counterpart credit risk (Credit Value Adjustment) and own credit risk (Debt Value Adjustment). The credit risk adjustments are determined by market information, namely recent debt issued with similar conditions and risk exposure, Credit Default Swaps (CDS) spreads, among other data observed in the market.

In assessing the existence of an economic relationship between the hedged instruments and the hedging instruments, the Company assumes that the interest rate benchmark (Euribor) will not be changed following the reform of the interest rate benchmarks as permitted by the changes to IAS 39, IFRS 7 and IFRS 9 regarding the reform of interest rate benchmarks. This policy is applicable to some hedging relationships designated at 31 December 2021 in a total notional amount of 1,560,000 thousand Euros (960,000 thousand Euros at 31 December 2020).

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);
- The hedge relationship meets all of the following hedge effectiveness:

i) There is an economic relationship between the hedged item and the hedging instrument;

ii) The credit risk effect does not dominate the changes in value that result from this economic relationship;

iii) The coverage ratio of the hedging relationship is the same as that resulting from the quantity of the item actually covered and the amount of the hedging instrument actually used to cover that amount of the hedged item. However, this designation should not reflect an imbalance between the weights of the covered item and those of the hedging instrument which could create an ineffectiveness of the hedge (regardless of whether or not it is recognized) which could lead to an accounting result incompatible with the hedge accounting objective.

At the beginning of the hedging operation, the 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 II.

In the fair value hedge of an asset or liability, the book value of the asset or liability, determined based on the accounting policy used, is adjusted so as to reflect the variation of its fair value attributable to the risk hedged. Changes in the fair value of the hedging instruments are recognized in the statement of profit and loss together with changes in the fair value of the assets or liabilities hedged attributable to the risk hedged.

Changes in the fair value of hedging derivatives are recognized in the income statement together with changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

In a hedging operation on the exposure to changes of high probability in future cash flows (cash flow hedge) the effective part of the fair value variation of the hedging instrument is recognized in hedging reserves, being transferred to the statement of profit and loss in the period the item hedged affects results. The ineffective part of the hedge is recorded in the consolidated statement of profit and loss, 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;

- 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 tax refers to temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the temporary differences revert, based on tax rates (and tax laws) that have been formally enacted on the date of the financial statements.

Deferred tax assets are recorded only when there are reasonable expectations of sufficient future taxable income to use them. On each balance sheet date, a reappraisal of the temporary differences underlying the deferred tax assets is carried out in order to recognize deferred tax assets not previously recorded because they did not fulfill the conditions for their recording and or to reduce the amounts of deferred tax assets recorded according to 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 2021.

3.11. ACCRUAL BASIS OF ACCOUNTING

Income and expenses are recognised on an accruals basis, under which income and expenses are recorded in the period to which they relate, independently of when the correspondent amounts are collected or paid. Differences between the amounts received and paid and the related income and expenses are recorded as assets or liabilities.

3.12. DISTRIBUTION OF DIVIDENDS

The distribution of dividends to shareholders is recognized as a liability in the Company's financial statements in the period the dividends are approved by the shareholders and up to the moment of their payment.

3.13. SHARE CAPITAL AND OWN SHARES

Ordinary shares are classified in the share capital caption by its nominal value. Differences between the nominal value and the subscription price are recorded in the caption "Share Premium". Incremental costs directly attributable to the issuance of new shares or options are shown net of tax, as a deduction in equity from the amount issued.

Own shares acquired through contract or directly on the stock market are recognized as a deduction in equity. In accordance with the Portuguese Commercial Company Code, REN SGPS must at any time ensure that there enough reserves in Equity to cover the value of own shares, limiting the amount of reserves available for distribution.

Own shares are recorded at cost if they are acquired in a spot transaction or at estimated fair value if acquired in a deferred purchase.

3.14. CASH FLOW STATEMENT

The caption cash and cash equivalents includes cash on hand, bank deposits, other short-term highly liquid investments with initial maturities of up to three months, and bank overdrafts. Bank overdrafts are shown in the current liabilities "Borrowings" caption on the statement of financial position, and are included in the statement of cash flows as cash and cash equivalents.

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

The Company classifies interests and dividends received as investment activities and interests and dividends paid as financing activities unless if related with cash flows that relate with a hedge contract of an identifiable position, which are classified in accordance with the cash flows of the hedged position.

3.15. BORROWING COSTS

Borrowings costs are recognized as costs in the period they are incurred.

3.16. FINANCIAL RISK MANAGEMENT POLICIES

Financial risk factors

The Company`s activities are exposed to a variety of financial risks: exchange rate risk, credit risk, liquidity risk and cash flow risk relating to interest rate, among others risk factors.

The Company developed and implemented a risk management program that, together with permanent monitoring of the financial markets, seeks to minimise potential adverse effects on the REN`s financial performance.

Risk management is carried out by the financial management department under policies approved by the Board of Directors. The financial management department identifies, assesses and 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 2021, all other factors remaining constant, would lead to a decrease on equity in the amount of 259 thousand Euros as of 31 December 2021 (398 thousand Euros as of 31 December 2020), while a decrease of 5% of that exchange rate would lead to an increase on equity in the amount of 291 thousand Euros as of 31 December 2021 (438 thousand Euros as of 31 December 2020).

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 2021, and all other factors remaining constant, would lead to a decrease on equity in the amount of 7,379 thousands Euros (6,895 thousand Euros as of 31 December 2020), while a decrease of 5% of that exchange rate would lead to an increase on equity in the amount of 8,156 thousand Euros (7,621 thousand Euros as of 31 December 2020).

A 5% increase in the Euro exchange rate against the Chilean peso, with reference to December 31, 2021, and keeping all other variables constant, would result in a decrease in the Company's' equity of 3,337 thousand Euros (3,538 thousand Euros as of 31 December 2020), while a decrease of 5% of that exchange rate would result in an increase of 3,689 thousand Euros in equity (3,910 thousand Euros as of 31 December 2020).

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 2021, has credit lines contracted in the amount of 80,000 thousand Euros and nine commercial paper programs, in the amount of 1,950,000 thousand Euros, being available 1,475,000 thousand Euros as of 31 December 2021. From the total amount of commercial paper programs, 500,000 thousand Euros have subscription guarantee (of which 250,000 thousand Euros were available as of 31 December 31 2020) (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:

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	31 December 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**

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	**Total**
Borrowings:				
Bank borrowings	51,815	271,000	165,235	**488,049**
Bonds	78,015	1,388,156	320,229	**1,786,400**
Commercial paper	639,851	125,000	125,000	**889,851**
Others	23,721	248	-	**23,969**
	793,401	**1,784,404**	**610,464**	**3,188,269**
Derivative financial instruments	4,860	24,932	-	**29,792**
Trade and others payables	54,761	-	-	**54,761**
Total	**853,022**	**1,809,336**	**610,464**	**3,272,821**

The following table shows the derivative financial instruments, which cash settlement is made at gross amounts:

	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**

	31 December 2020			
	Less than 1 year	1 - 5 years	Over 5 years	**Total**
Cross Currency Interest Rate Swap:				
Outflows	(1,016)	(75,439)	-	**(76,455)**
Inflows	2,142	84,414	-	**86,556**
	1,127	**8,974**	**-**	**10,101**

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 2021 and 2020, 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 2021 would result in a decrease of profit before tax of, approximately, 3,743 thousand Euros, (3,874 thousand Euros as of 31 December 2020).

The increase in equity resulting from an increase in interest rates of 0.25% would be, approximately, 7,073 thousand Euros, this impact entirely attributed to derivatives (on 31 December 2020 corresponded to an increase of 3,521 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 2021 and 2020 is detailed as follows:

	2021	2020
Bank deposits repayable on demand	286,546	45,031
Term deposits up to 3 months	100,000	-
Cash and cash equivalents	**386,546**	**45,031**

5. TANGIBLE ASSETS

The changes in tangible assets, accumulated depreciation and impairment losses in the years ended 31 December 2021 and 2020 were as follows:

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**

2020

	Transport equipment	Administrative and IT equipment	Total
Assets			
Beginning balance	734	261	**995**
Acquisitions	312	35	**347**
Sales/write offs	(225)	–	**(225)**
Ending balance	**820**	**296**	**1,116**
Accumulated depreciations and impairment losses			
Beginning balance	453	200	**653**
Depreciation for the year	176	15	**191**
Depreciation Sales/write offs	(193)	–	**(193)**
Ending balance	**436**	**215**	**651**
Net Assets	**384**	**82**	**465**

6. FINANCE LEASES

The Company had the following assets under finance lease agreements at 31 December 2021 and 2020:

	2021			2020
	Cost	Depreciation	Carrying amount	Carrying amount
Transport equipment			286	350
	555	**(269)**	**286**	**350**

The minimum payments under finance lease contracts at 31 December 2021 and 2020 are as follows:

	Present value of minimum payments		Minimum payments	
	2021	2020	2021	2020
Up to 1 year (Note 15)	103	97	105	77
From 1 to 5 years (Note 15)	182	248	183	131
	285	**345**	**288**	**207**

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company's investments in subsidiaries and associates as of 31 December 2021 and 2020 are as follows:

Entity	Head office	Share Capital	Assets	Liabilities
Equity method:				
Subsidiaries:				
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,968,027	2,235,669
REN Trading, S.A.	Lisbon	50	274,409	274,567
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	197,248	134,741
RENTELECOM - Comunicações, S.A.	Lisbon	100	15,421	10,291
REN Serviços, S.A.	Lisbon	336,050	1,578,062	1,211,377
Enondas, Energia das Ondas, S.A.	Pombal	2,250	3,070	158
REN Pro, S.A.	Lisbon	2,050	4,600	1,500
Ren Finance, BV	Amsterdam	20	2,022,528	1,823,945
Associates:				
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	29,624	166
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,606	1,116

(i) The proportional value of the result includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method by REN SGPS.

Entity	Head office	Share Capital	Assets	Liabilities
Equity method:				
Subsidiaries:				
REN - Rede Eléctrica Nacional, S.A.	Lisbon	586,759	2,804,097	2,088,034
REN Trading, S.A.	Lisbon	50	228,834	226,265
REN Atlântico, Terminal de GNL, S.A.	Sines	13,000	208,198	139,951
RENTELECOM - Comunicações, S.A.	Lisbon	100	8,625	4,069
REN Serviços, S.A.	Lisbon	336,050	1,592,192	1,227,605
Enondas, Energia das Ondas, S.A.	Pombal	250	2,023	1,186
REN PRO, S.A.	Lisbon	50	2,828	1,904
REN Finance, B.V.	Amsterdam	20	2,039,503	1,841,172
Associates:				
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	Lisbon	2,610	29,234	264
Centro de Investigação em Energia REN - STATE GRID, S.A.	Lisbon	3,000	6,584	1,255

(i) The proportional value of the result in OMIP, SGPS. includes the effect of the adjustment arising from changes to the financial statements of the previous year made after application of the equity method by REN SGPS.

31 December 2021			Investment held			
Equity	Revenue	Net result	%	Investment	Provision (Note 14)	Proportional amount of result (Note 18)
732,359	388,759	**70,090**	100	732,359	-	**70,090**
(158)	1,595	**(2,727)**	100	-	(158)	**(2,727)**
62,507	42,061	**820**	100	62,507	-	**820**
5,130	7,677	**3,035**	100	5,130	-	**3,035**
366,685	45,192	**26,274**	100	366,685	-	**26,274**
2,912	626	**75**	100	2,912	-	**75**
3,100	6,307	**177**	100	3,100	-	**177**
198,583	(1,124)	**5,752**	100	198,583	-	**5,752**
				1,371,276	**(158)**	**103,496**
29,458	1,534	**1,036**	40	7,010	-	**394** (i)
5,490	1,644	**176**	50	2,739	-	**88**
				9,749	**-**	**482**
				1,381,025	**(158)**	**103,978**

31 December 2020			Investment held			
Equity	Revenue	Net result	%	Investment	Provision (Note 14)	Proportional amount of result (Note 18)
716,064	390,628	**60,593**	100	716,064	-	**60,593**
2,568	1,802	**120**	100	2,568	-	**120**
68,247	44,391	**6,560**	100	68,247	-	**6,560**
4,557	6,727	**2,591**	100	4,557	-	**2,591**
364,587	49,132	**28,526**	100	364,587	-	**28,526**
837	610	**53**	100	837	-	**53**
923	5,931	**(72)**	100	923	-	**(72)**
198,331	53,984	**6,131**	100	198,331	-	**6,131**
				1,356,114	**-**	**104,502**
28,970	1,143	**575**	40	6,815	-	**240** (i
5,329	1,548	**51**	50	2,659	-	**25**
				9,474	**-**	**266**
				1,365,588	**-**	**104,767**

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 2021 and 2020 were as follows:

2021

	Proportion of capital held (assets)	Total
Beginning balance	**1,365,588**	**1,365,588**
Result appropriated by the equity method (Note 18)	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**

2020

	Proportion of capital held (assets)	Total
Beginning balance	**1,369,393**	**1,369,393**
Result appropriated by the equity method (Note 18)	104,767	104,767
Distribution of dividends by subsidiaries and associates	(102,392)	(102,392)
Other appropriation of changes in equity in subsidiaries (Note 13)	(29,962)	(29,962)
Devolution Supplementary Payments OMIP	24,000	24,000
Capital increase on subsidiaries	(220)	(220)
Ending balance	**1,365,588**	**1,365,588**

8. GOODWILL

The investment in the subsidiary REN Atlântico, includes a goodwill in the amount of 3,744 thousand Euros, which is amortized for a period of 10 years starting in 1 January 2016.

Goodwill represents the difference between the amount paid on the acquisition of the participation in subsidiaries and the fair value of the equity of REN Atlântico, S.A. on the acquisition date, under the natural gas business unbundling process. As of 31 December 2021 and 2020, the amount is as follows:

			Percentage interest held		Goodwill				
Entity	**Year of acquisition**	**Acquisition cost**	**%**	**Amount**	**Amount at 01.01.2021**	**Increases**	**Decreases**	**Amount at 31.12.2021**	**Amount at 31.12.2020**
REN Atlântico , Terminal de GNL, S.A.	2006	32,580	100%	28,806	**1,887**	-	(377)	**1,510**	1,887

The Company carried out an impairment test on Goodwill on 31 December 2021 and 2020, 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 2021 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% (discount rate after tax of 3.6%).

		Pressupostos		
Cash generation unit	**Method**	**Cash flow**	**Growing factor**	**Discounted rate**
REN Atlântico , Terminal de GNL, S.A.	DFC (discounted cash flow)	Operating flow projected to the remaining concession period	The rate decrease according of average rate of assets depreciation	"5% (pre-tax) 3.6% (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 2018 to 2021 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 2021 and 2020.

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; a nd 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 2021, the computation of the deferred taxes, was updated in accordance with Law 75-B/2020, of 31 December 2020, that established a Corporate Income Tax rate of 21%, increased by a municipal surcharge up the maximum of 1.5% over the taxable profit; and a State surcharge of an additional (i) 3% of taxable profit between 1,500 thousand Euros and 7,500 thousand Euros; (ii) of 5% over the taxable profit in excess of 7,500 thousand Euros and up to 35,000 thousand Euros; and (iii) 9% for taxable profits in excess of 35,000 thousand Euros, which results in a maximum aggregate tax rate of 31.5%. The above taxes shall apply to taxable profits relating to taxation periods beginning on or after 1 January 2022.

The tax rate used in the valuation of temporary taxable and deductible differences as of 31 December 2021, 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 2021 and 2020 was as follows:

	2021	2020
Current tax	788	(1,322)
Adjustments relating to previous years income tax	946	3,752
Deferred tax	73	14
Income tax	1,807	**2,444**

The reconciliation of current income tax as of 31 December 2021 and 2020 is as follows:

	2021	2020
Profit before income tax	98,985	109,295
Permanent differences:		
Non tax deductible costs	3,455	716
Non taxable income	(106,943)	(105,079)
Timing differences:		
Provisions and impairments	383	2
Derivative Financial Instruments	(52)	47
Others	-	(1)
Taxable profit	(4,172)	**4,981**
Cost/(credit) of income tax at the rate of 21%	(876)	1,046
Statesurcharge tax	-	104
Municipal taxation	-	75
Autonomous taxation	83	98
Income tax from previous years	6	-
Current tax	(787)	**1,323**
Deferred tax	(73)	(14)
Adjustments relating to prior years income tax	(946)	(3,752)
Income tax	1,807	**2,444**
Efective rate	-1.83%	**-2.24%**

The non-taxable income amounts refer mainly to the equity method effect in the measurement of investments in subsidiaries and associates.

The amount of 946 thousand Euros, as at 31 December 2021, refers, essentially, to the recovery of IRC from previous years at the level of deductibility of financial charges.

Deferred taxes

The amounts of deferred tax assets and liabilities as of 31 December 2021 and 2020, in accordance with the underlying temporary differences are as follows:

	31 December				Increase/(decrease) in the period	
	2021		2020			
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	13	3	12	3		-
Derivative financial instruments - Cash Flow	17,052	3,837	34,060	8,515	-	(4,678)
Derivative financial instruments - Fair Value	6	1	47	12	(10)	-
	17,452	**3,927**	**34,119**	**8,530**	**75**	**(4,678)**
Deferred tax liabilities:						
Derivative financial instruments-Fair value	10	2	-	-	2	-
Fair value of assets	17,711	3,726	18,035	4,221	-	(495)
	17,722	**3,728**	**18,035**	**4,221**	**2**	**(495)**
Deferred tax					**73**	**(4,183)**

10. FINANCIAL ASSETS

Trade receivables and other receivables

Trade receivables and other receivables at 31 December 2021 and 2020 are as follows:

	2021	2020
Non current:		
Group companies - Shareholders loans (Note 25)	2,132,385	2,385,548
Current:		
Group companies - Shareholders loans (Note 25)	228,072	-
Group companies - Treasury management (Note 25)	334,339	537,991
Group companies - RETGS (Note 25)	62,395	41,442
Group companies - Other debtors (Note 25)	35,335	3,758
Group companies - Interest receivable from shareholders loans (Note 25)	28,949	30,667
Group companies - Accruals (Note 25)	1,175	1,920
Other	180	170
	690,446	**615,948**
	2,822,831	**3,001,496**

The Company agreed a Central Cash pooling agreement. This agreement is valid for annual periods, renewable for equal periods, with market conditions.

The caption "Other receivables – Group companies - RETGS" includes income tax charged to subsidiaries resulting from the adoption of the CIT special regime for taxation of groups companies.

Other financial assets

The caption "Other financial assets" as of 31 December 2021 and 2020 is as follows:

	2021	2020
Non current:		
Labor compensation fund	**19**	17
	19	17
Other financial assets	**19**	**17**

11. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2021 and 2020, the Company had the following derivative financial instruments negotiated:

		31 December de 2021			
		Assets		**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 / 72,899 tEUR	-	5,342	-	-
		-	**9,450**	**-**	**15,917**
Derivatives designated as fair value hedges:					
Interest rate swaps	600,000 tEUR	-	9,310	-	5,366
		-	**9,310**	**-**	**5,366**
Trading derivatives	60,000 tEUR	-	-	-	1,828
Derivative financial instruments		**-**	**18,760**	**-**	**23,112**

	Notional	31 December de 2020			
		Assets		Liabilities	
		Current	Non-current	Current	Non-current
Derivatives designated as cash flow hedges					
Interest rate swaps	600,000 tEUR	-	-	-	26,019
Currency and interest rate swaps	10,000,000 tJPY / 72,899 tEUR	-	9,755	-	-
		-	**9,755**	**-**	**26,019**
Derivatives designated as fair value hedges					
Interest rate swaps	400,000 tEUR	-	15,930	-	-
		-	**15,930**	**-**	**-**
Trading derivatives	60,000 tEUR	-	-	-	3,196
Derivative financial instruments		**-**	**25,685**	**-**	**29,215**

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);
- 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 2021 related to these financial instruments, in the net amount receivable of 2,199 thousand Euros (at 31 December 2020 it was 1,960 thousand Euros receivable).

The characteristics of the derivative financial instruments negotiated at 31 December 2021 and 2020 were as follows:

	Notional	Currency	REN pays	REN receives	Maturity	Fair value at 31.12.2021	Fair value at 31.12.2020
Cash flow hedge							
Interest rate swaps	900,000 tEUR	EUR	[0.75%;1.266%]	[Eur3m; Eur6m]	[dec-2024; fev-2025]	(11,809)	(26,019)
Currency and interest rate swaps	10,000,000 tJPY / 72,899 tEUR"	EUR/JPY	[Eur6m;+1.9%]	2.71%	[jun-2024]	5,342	9,755
						(6,467)	**(16,264)**
Fair value hedge							
Interest rate swaps	300,000 tEUR	EUR	[Eur6m]	[0.611%;0.6285%]	[feb-2025]	9,310	15,930
Interest rate swaps	300,000 tEUR	EUR	[Eur6m]	[-0.095%]	[abr-2029]	(5,366)	-
						3,944	**15,930**
Trading derivatives							
Interest rate swaps	60,000 tEUR	EUR	[0.99%]	[Eur6m]	[jun-2024]	(1,828)	(3,196)
						(1,828)	**(3,196)**
Total						**(4,351)**	**(3,530)**

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 2021 and 2020 is presented in the following table:

	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**

	2020						
	2021	**2022**	**2023**	**2024**	**2025**	**Following years**	**Total**
Interest rate swap (cash flow hedge)	-	-	-	300,000	300,000	-	600,000
Currency and interest rate swap (cash flow hedge)	-	-	-	72,899	-	-	72,899
Interest rate swap (fair value hedge)	-	-	-	-	300,000	-	300,000
Trading derivatives	-	-	-	60,000	-	-	60,000
Total	**-**	**-**	**-**	**432,899**	**600,000**	**-**	**1,032,899**

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 2021, the Company 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 2020 it was 600,000 thousand Euros). The hedged risk is the variable rate index associated to the interest payments of the loans Credit risk is not being hedged.

The fair value of the interest rate swaps, at 31 December 2021, is negative 11,809 thousand Euros (at 31 December 2020 it was negative 26,019 thousand Euros).

Of the derivatives described above, two contracts in a total amount of 600,000 thousand Euros (at 31 December 2020 it was 300,000 thousand Euros) are designated to hedge an aggregated exposure composed by the net effect of floating rate debt and interest rate swaps designated as fair value hedging instruments.

The amount recognised in reserves, relating to the cash flow hedges referred to above, was 11,617 thousand Euros (at 31 December 2020 it was 25,836 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	tEUR 300,000	Eur3m	299,889	Note 15
Bonds (Euro Medium Term Notes)[1]	12.02.2025	tEUR 300,000	2.50%	293,361	Note 15
Bonds (Euro Medium Term Notes)[2]	16.04.2029	tEUR 300,000	0.50%	298,932	Note 15

[1] This hedged instrument is designated jointly with derivatives of fair value hedging amounting to Euro 300 million (see conditions in the table above) in a hedge of an aggregate exposure to Euribor 6 months in the period from 2023 to 2025 and, as such, eligible for cash flow coverage.

[2] This hedged instrument is designated jointly with derivatives of fair value hedging amounting to Euro 300 million (see conditions in the table above) in a hedge of an aggregate exposure to Euribor 6 months in the period from 2023 to 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 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 2021 is 5,342 thousand Euros positive (at 31 December 2020 it was 9,755 thousand Euros positive).

Changes in the fair value of the hedging instrument are also being recorded in the hedge reserves in equity, with the exception of:

- The offsetting of the exchange rate effect of the spot update of the hedged instrument (bond issue in yen) at each reference date, resulting from the coverage of the exchange rate risk[1];
- The ineffective effect of the hedge resulting from the accounting designation made (REN hired a trading derivative to hedge this inefficiency economically - see Trading Derivative[2]. This inefficiency is caused by the change in the interest profile of the hedging instrument, which starts to pay a variable rate in the period from 2019 to 2024.

Integral Income:

The movements recorded in the statement of comprehensive income through the application of cash flow hedges were as follows:

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)**

2020

Cash Flow Hedging Instruments	Change in the Fair Value of Hedging Instruments	Of which: Effective amount recorded in Hedge Reserves	Hedging inefficiency recorded in Profit for the Year	Coverage Reserve reclassifications to Results for the Year
Swaps of interest rate	(4,318)	(4,318)	-	-
Swaps of exchange and interest rate	(3,958)	(3,208)	2,199	(2,950)
	(8,277)	**(7,526)**	**2,199**	**(2,950)**

[1] The exchange effect of the underlying (loan), in the year of 2021, was favorable in the amount of 2,359 thousand Euros, having been offset, in the same amount, by the favorable effect of the hedging instrument in the income statement for the year (on 31 December 2020 was favorable at 2,950 thousand Euros).

[2] The ineffective component related to the cash flow hedging of interest rate and foreign exchange risk, recorded in the income statement, was 4,843 thousand Euros negative, having been offset by the effect of the trading derivative contracted in 1,367 thousand Euros positive (on December 31, 2020 it was 2,199 thousand Euros positive compared to 16 thousand Euros negative from the effect of the trading derivative). Accordingly, the net effect on the income statement for the period ended 31 December 2021 amounts to 3,476 thousand Euros negative (on 31 December 2020 it was 2,183 thousand Euros positive).

Hedging Reserve:

The movements recorded in the hedging reserve were as follows:

	Fair value	Deferred taxes impact (Note 9)	Hedging reserves
1 January 2020	(26,534)	6,634	(19,901)
Changes in fair value and ineffectiveness	(7,526)	1,881	(5,644)
31 December 2020	**(34,060)**	**8,515**	**(25,545)**
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)**

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 2021, the Company has a total of four fair value hedging derivative contracts amounting to 600,000 thousand Euros (as of 31 December 2020 it was 300,000 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 2021, the fair value of interest rate swaps designated as fair value hedging instruments was positive 3,944 thousand Euros (as of 31 December 2020 it was positive 15,930 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:

2021

	Maturity	Hedged Capital	Interest Rate	Outstanding Amount	There of Fair Value adjustments	Variation	Note
Fair value hedged Instruments:							
Bonds (Euro Medium Term Notes)	16.10.2020	tEUR 300,000	2.50%	300,409	(7,046)	6,785	Note 15
Bonds (Euro Medium Term Notes)	12.02.2025	tEUR 300,000	0.50%	293,431	5,500	5,500	Note 15
					(1,546)	**12,286**	

2020

	Maturity	Hedged Capital	Interest Rate	Outstanding Amount	There of Fair Value adjustments	Variation	Note
Fair value hedged Instruments:							
Bonds (Euro Medium Term Notes)	16.10.2020	tEUR 100,000	4.75%	-	-	(137)	Note 15
Bonds (Euro Medium Term Notes)	12.02.2025	tEUR 300,000	2.50%	307,192	(13,831)	(2,433)	Note 15
					(13,831)	**(2,570)**	

In 2021, the change in fair value of the debt related to interest rate risk recognized in the income statement was positive 12,286 thousand Euros (at 31 December 2020 it was negative 2,570 thousand Euros), resulting in an ineffective component, after considering the effect of the hedged items in the income statement, of approximately positive 52 thousand Euros (at 31 December 2020 it was negative 55 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:

2021

Cash Flow Hedging Instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	52

2020

Cash Flow Hedging Instruments	Hedging inefficiency recorded in Profit for the Year
Swaps of interest rate	(55)

Trading derivatives

The Company negotiated an interest rate swap, with a starting date in 2019 and maturity in 2024, which pays fixed rate and receives variable rate. This instrument, although not designated as hedge accounting considering IFRS 9 criteria, is currently hedging the effect of the ineffectiveness of the cash flow hedge of the interest and exchange rate risks of the bond issue in Yen, relative to the fluctuation of interest rates for the hedging period (see Cash Flow Hedge – Interest and Exchange Rate Swaps).

The notional amount of this trading derivative is 60,000 thousand Euros as of 31 December 2021 (at 31 December 2020 it was 60,000 thousand Euros). Credit risk is not being hedged. The fair value of the trading derivative, on 31 December 2021, is negative 1,828 thousand Euros (on 31 December 2020 it was negative 3,196 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 2021, related to the effect of the fair value of the trading derivative was positive 1,367 thousand Euros (as of 31 December 2020 it was 16 thousand Euros negative).

12. INVESTMENTS IN EQUITY INSTRUMENTS AT FAIR VALUE FOR OTHER COMPREHENSIVE PERFORMANCE

The assets recognized in this caption at 31 December 2021 and 2020 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	2021	2020	2021	2020
OMEL - Operador del Mercado Ibérico de Energia (Polo Espanhol)	Madrid	Spain	10.00%	10.00%	3,167	3,167
Hidroeléctrica de Cahora Bassa	Maputo	Mozambique	7.50%	7.50%	56,111	56,435
					59,278	**59,601**

The changes in this caption were as follows:

	OMEL	HCB	Total
1 January 2020	3,167	55,035	58,201
Fair value adjustments	-	1,400	1,400
31 December 2020	**3,167**	**56,435**	**59,601**
1 January 2021	3,167	56,435	59,601
Fair value adjustments	-	(323)	(323)
31 December 2021	**3,167**	**56,111**	**59,278**

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 2021, REN SGPS holds an interest in OMEL, Operador del Mercado Ibérico, S.A. (OMEL). In the process to create the Sole Operator of the Iberian Electricity Market (Operador Único do Mercado Ibérico de Electricidade - OMI) and in accordance with the Agreement between the Portuguese Republic and the Kingdom of Spain regarding the creation Iberian electric energy market, REN SGPS acquired 10% of the shares of OMEL for 3,167 thousand Euros.

As there are no available market price for the above referred investment (OMEL), and as it is not possible to determine the fair value using comparable transactions, these investment is recorded at acquisition cost deducted by impairment losses.

At this date, no evidences of impairment losses related with OMEL exist.

Adjustments to the fair value investments in equity instruments at fair value for other comprehensive income are recorded in equity under the caption "fair value reserve", which as of 31 December 2021 and 2020 presents the following amounts:

	Fair value reserve
1 January 2020	12,476
Changes in fair value	1,400
Fiscal effect (Note 9)	(62)
31 December 2020	**13,814**
1 January 2021	13,814
Changes in fair value	(323)
Fiscal effect (Note 9)	495
31 December 2021	**13,986**

The dividends distributed are detailed in Note 24.

13. EQUITY INSTRUMENTS

Share Capital

As of 31 December 2021, 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 2021 and 2020 is detailed as follows:

	2021		2020	
	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 2021 and 2020, amounts to 5,561 thousand Euros.

The main shareholders at 31 December 2021 and 2020 and were as follows:

	31.12.2021		31.12.2020	
	Shares	**%**	**Shares**	**%**
State Grid Europe Limited (Grupo State Grid)	166,797,815	25.0%	166,797,815	25.0%
Pontegadea Inversiones S.L.	80,100,000	12.0%	-	0.0%
Mazoon B.V. (Grupo Oman Oil Company S.A.O.C.)	-	0.0%	80,100,000	12.0%
Lazard Asset Management LLC	41,067,351	6.2%	46,611,245	7.0%
Fidelidade - Companhia de Seguros, S.A.	35,496,424	5.3%	35,496,424	5.3%
Red Eléctrica Internacional, S.A.U.	33,359,563	5.0%	33,359,563	5.0%
Great-West Lifeco, Inc.	27,666,567	4.1%	18,225,165	2.7%
Own shares	3,881,374	0.6%	3,881,374	0.6%
Free float	278,822,168	41.8%	282,719,676	42.4%
	667,191,262	**100.0%**	**667,191,262**	**100.0%**

On 30 July 2021, REN received information that the company Mazoon B.V. had transferred to the company Pontegadea Inversiones S.L. all the shares it held in REN. As a result of this acquisition, Pontegadea Inversiones S.L. directly holds 12.0% of the voting rights in REN, with such voting rights also attributable to Mr. Amancio Ortega Gaona under the terms of the Securities Code (Código dos Valores Mobiliários).

Own Shares

At 31 December 2021 and 2020, the Company had the following own shares:

	Number of shares	Percentage of capital	Amount
Own shares	3,881,374	0.6%	10,728

There were no purchases or sales of own shares in the year ended 31 December 2021 and 2020.

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 2021 the caption "Legal reserve" amounted to 130,662 thousand Euros (125,075 thousand Euros as of 31 December 2020).

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 2021, the Company has in Equity the amount of 771 thousand Euros positive (11,731 thousand Euros negative in 2020) related to reductions arising from the application of fair value, namely: (i) fair value reserve of Investments in equity instruments at fair value for other comprehensive income in the amount of 13,986 thousand Euros positive (Note 12) and (ii) the hedge reserve of derivative financial instruments in the amount of 13,215 thousand Euros negative (Note 11).

The caption "Other Reserves" includes free reserves in the amount of 180,190 thousand Euros. This caption is increased with the application of net profits, being eligible for distribution to the shareholders, except for the limitation set on the Commercial Company Code in relation to own shares and income from the application of the equity method.

Adjustments to financial assets

The caption "Adjustments to financial assets" reflects changes in the subsidiaries equity when applying the equity method.

At 31 December 2021 this caption amounted to 76,139 thousand Euros negative (80,769 thousand Euros negative as of 31 December 2020). The change in the amount of 4,628 thousand Euros (Note 7) includes mainly the (i) the effect of equity changes of REN – Rede Eléctrica Nacional, S.A., due to the recognition of actuarial gains and losses of the year in the total amount of 1,706 thousand Euros; (ii) the effect of the fair value changes in the fair value of REN Serviços, S.A. due to the changes in the fair value of Red Elétrica Corporación in the amount of 8,682 thousand Euros and; (iii) the effect of exchange rate variations on the financial investments held by REN Serviços in Transemel and Electrogas, appropriated by the equity method by the Company, which in 2021 amounted to 5,758 thousand Euros.

In accordance with the Portuguese legislation, income and other positive equity changes recognized as a result of the equity method can only be distributed to shareholders when paid-up. The Portuguese legislation establishes that the difference between the equity method gains and the amount of paid or deliberated dividends are equivalent to legal reserve.

Dividends distributions

During the Shareholders General Assembly meeting held on 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.

During the Shareholders General Assembly meeting held on 7 May 2020, the Shareholders approved the distribution of dividends, with respect to the Net profit of 2019, in the amount of 114,090 thousand Euros (0.171 Euros per share). The dividends attributable to own shares amounted to 664 thousand Euros, being paid to the shareholders a total amount of 113,426 thousand of Euros.

14. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGEN ASSETS

Guarantees given

At 31 December 2021 and 2020, the Company had given the following bank guarantees:

Beneficiary	Object	2021	2020
European Investment Bank	For loan outstanding balances	241,003	274,593
Tax Authorithies	Ensure the suspension of tax enforcement proceedings	22,566	24,277
		263,568	**298,870**

The guarantees given have the following maturities:

	31 December 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**

	31 December 2020			
	Less 1 year	1 - 5 years	Over 5 years	**Total**
Guarantees on borrowing	26,091	135,631	112,872	274,593
Other guarantees	-	-	24,277	24,277
	26,091	**135,631**	**137,149**	**298,870**

Provisions

At 31 December 2021 and 2020 the captions "Provisions" were made up as follows:

	2021			2020	
	Investments (Note 7)	**Other provisions**	**Provisions**	**Other provisions**	**Provisions**
Non current:					
Increases	158	381	539	-	-
Ending balance	158	381	539	-	-

The provision in the amount of 381 thousand Euros relates to the ongoing restructuring process of the Company.

15. FINANCIAL LIABILITIES

Trade Payables and Other Payables

At 31 December 2021 and 2020 the captions "Trade payables" and "Other payables" were made up as follows:

	2021	2020
Current		
Trade payables:		
National	155	282
Foreign	154	563
	309	**845**
Other payables:		
Capex suppliers	22	24
Group companies - RETGS (Note 25)	1,434	5,813
Group companies - Treasury management (Note 25)	223,824	23,645
Accrued costs:		
Remunerations	209	240
Others	2,284	1,443
Other Creditors:		
Group (Note 25)	26,792	22,718
Others	39	33
	254,604	**53,916**
	254,912	**54,761**

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 2021 and 2020 as follows:

	2021	2020
Non-current:		
Commercial paper	250,000	250,000
Bonds	78,244	92,889
Bank loans	371,583	429,358
Finance leases (Note 6)	182	248
Group Companies - Bonds (Note 25)	1,693,147	1,494,000
Other deferred borrowing costs	(1,423)	(1,729)
Other deferred borrowing costs - Group companies (Note 25)	166	(784)
	2,391,899	**2,263,982**

	2021	2020
Current:		
Commercial paper	200,000	175,000
Group Companies - Commercial Paper (Note 25)	188,400	463,400
Group Companies - Bonds (Note 25)	99,000	39,000
Bank loans	57,775	48,405
Finance leases (Note 6)	103	97
Group Companies - Interests and other similar costs (Note 25)	29,408	28,157
Interest payable	802	478
Other deferred borrowing costs	(1,858)	(1,503)
Other deferred borrowing costs - Group companies (Note 25)	(2,300)	(2,613)
	571,331	**750,421**
	2,963,230	**3,014,404**

The company external borrowings have the following capital repayment schedule:

	2022	2023	2024	2025	2026	Anos seguintes	Total
Debt - Non current	-	68,374	270,591	70,955	164,703	125,387	700,010
Debt - Current	257,878	-	-	-	-	-	257,878
	257,878	**68,374**	**270,591**	**70,955**	**164,703**	**125,387**	**957,888**

The company internal borrowings have the following capital repayment schedule:

	2022	2023	2024	2025	2026	Anos seguintes	Total
Commercial paper	188,400	-	-	-	-	-	188,400
Bonds	99,000	550,000	45,000	500,000	-	600,000	1,794,000
	287,400	**550,000**	**45,000**	**500,000**	**-**	**600,000**	**1,982,400**

Detailed information regarding bond issues as of 31 December 2021 is as follows:

31 December 2021

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	tJPY 10,000,000 (i)	tJPY 10,000,000	Fixed rate (ii)	Semi-annual

(i) These issues correspond to private placements.

(ii) These issues has interest and currency rate swaps associated.

In the period ended 31 December 2021, REN SGPS together with REN Finance BV established a Euro-Commercial Paper program, with a maximum amount of 600,000 thousand euros, with the amount of 400,000 thousand euros available for use.

Bank loans consist mostly of loans contracted with the European Investment Bank, which on December 31, 2021 amounted to 429,358 thousand Euros (on December 31, 2020 it was 477,763 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 12,286 thousand Euros was recognized. (on December 31, 2020 it was negative 2,570 thousand Euros).

Subscribed within the Group, the Company had, on December 31, 2021, issued commercial paper in the amount of 188,400 thousand Euros (on December 31, 2020 it was 463,400 thousand Euros) and held bond loans contracted in the amount of 1,792,000 thousand Euros (on December 31, 2020 it was 1,533,000 thousand Euros). The financial conditions of these loans are in line with market conditions.

As of December 31 2021, the Company has nine commercial paper programs, in the amount of 1,925,000 thousand Euros, with 1,475,000 thousand Euros available. Of the total value of commercial paper programs, 500,000 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, 2021, the Company 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 2021 and 2020 the caption "State and other public entities" is detailed as follows:

	2021	2020
Current assets:		
Other taxes	1	-
State and other public entities - Asset	**1**	**-**
Current liabilities:		
Income tax	26,405	7,933
VAT payable	155	50
Retained tax	87	93
Social security	78	100
State and other public entities - Liability	**26,725**	**8,176**

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 2021 and 2020 was as follows:

	2021	2020
Services rendered:		
Technical and admninistrative management of REN Group (Note 25)	10,686	9,378
Other services (Note 25)	14	12
	10,700	**9,390**

18. GAINS AND LOSSES FROM SUBSIDIARIES AND ASSOCIATES

The gains and losses from subsidiaries and associates in the years ended 31 December 2021 and 2020 are detailed as follows:

	2021	2020
Subsidiaries:		
REN - Rede Eléctrica Nacional, S.A.	70,090	60,593
REN Atlântico, Terminal de GNL, S.A.,	820	6,560
Rentelecom - Comunicações, S.A.	3,035	2,591
REN Serviços, S.A.	26,274	28,526
Enondas – Energia das Ondas, S.A.	75	53
REN PRO, S.A.	177	(72)
REN Trading, S.A.	(2,727)	120
REN Finance, B.V.	5,752	6,131
Associates:		
OMIP, SGPS, S.A.	394	240
Centro de Investigação em Energia REN - State Grid, S.A.	88	25
	103,978	**104,767**

19. SUPPLIES AND SERVICES

The caption “Supplies and services” for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Specialized services	2,990	1,684
Services rendered to Group companies (Note 25)	862	899
Insurances	289	212
Travel and lodging	65	90
Rentals and rents	53	53
Fuel	31	27
Other supplies and external services (values below 25 tEUR)	81	137
	4,371	**3,103**

20. PERSONNEL COSTS

The caption “Personnel costs” for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Remunerations:		
Board of directors	3,304	3,130
Personnel	1,677	1,970
	4,981	**5,100**
Charges on remuneration and other:		
Charges on remuneration	711	755
Other	17	30
Insurance	83	95
	811	**880**
Personnel costs	5,792	**5,980**

The board of Directors caption includes the Board of Directors members’ remunerations.

Personnel employed

During the years ended 31 December 2021 and 2020 the average number of personnel employed by the Company was 19 and 21, respectively.

21. OTHER INCOME

The caption “Other income” for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Supplementary income	688	-
Other income	567	29
	1,255	**29**

22. OTHER EXPENSES

The caption “Other expenses” for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Subscriptions	108	87
Taxes	83	133
Other expenses	3	2
	194	**223**

23. INTEREST AND SIMILAR INCOME AND EXPENSES

The caption "Interest and similar income and expenses" for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Interest and similar costs:		
Bonds	2,079	2,264
Bank loans	3,210	3,938
Commercial paper	4,173	3,162
Derivative financial instruments (Note 11)	4,327	657
Centralized treasury management (Note 25)	129	26
Commercial paper -Group companies (Note 25)	1,600	1,858
Bonds -Group companies (Note 25)	40,880	51,960
Other financial costs	256	239
	56,654	**64,103**
Interest and similar income:		
Interest on sharehoders loans (Note 25)	44,755	62,092
Commercial paper	208	-
Interest on centralized treasury management (Note 25)	927	1,115
Interest on bank deposits	6	-
Derivative financial instruments (Note 11)	1,419	4,257
Other income (Note 10)	616	-
	47,930	**67,464**

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 2021 and 2020, the Company received the following dividends from investments in equity instruments at fair value for other comprehensive income:

	2021	2020
Dividends received:		
HCB	3,032	1,542
OMEL	49	81
	3,082	**1,623**

The total amount of dividends received from subsidiaries, associates and investments in equity instruments at fair value for other comprehensive income amounted to 99,907 thousand Euros (103,860 thousand Euros in 31 December 2020).

25. RELATED PARTIES

During the years ended 31 December 2021 and 2020 the following transactions were carried out with related parties:

Group

Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)
REN - Rede Eléctrica Nacional, S.A.	5,730	21,102	168
REN Trading, S.A.	-	-	81
ENONDAS, S.A.	11	-	1
REN Gasodutos, S.A.	1,621	-	37
REN Armazenagem, S.A.	291	-	-
REN Atlântico, Terminal de GNL, S.A.	702	2,372	12
REN Gás, S.A.	-	-	0
REN Portgás Distribuição, S.A.	255	-	42
RENTELECOM - Comunicações, S.A.	101	-	-
REN Serviços, S.A.	1,634	21,281	238
REN Finance, B.V.	-	-	346
REN PRO, S.A.	342	-	0
	10,686	**44,755**	**927**

Related party	Services rendered (Note 17)	Interest and similar income - Shareholders loans (Note 23)	Interest and similar income - Treasury management (Note 23)
REN - Rede Eléctrica Nacional, S.A.	4,938	35,638	304
REN Trading, S.A.	-	-	342
ENONDAS, S.A.	10	-	2
REN Gasodutos, S.A.	1,468	-	37
REN Armazenagem, S.A.	284	-	-
REN Atlântico, Terminal de GNL, S.A.	635	2,801	85
REN Gás, S.A.	-	-	2
REN Portgás Distribuição, S.A.	283	-	77
RENTELECOM - Comunicações, S.A.	84	-	-
REN Serviços, S.A.	1,372	23,653	209
REN Finance, B.V.	-	-	55
REN PRO, S.A.	304	-	1
	9,378	**62,092**	**1,115**

2021

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)
391	1	-	-
-	82	-	-
-	0	-	-
-	-	-	-
-	18	-	-
-	7	-	-
-	10	-	-
-	-	-	-
-	10	-	-
420	-	-	-
6	-	1,600	40,880
45	2	-	-
862	**129**	**1,600**	**40,880**

2020

Supplies and services (Note 19)	Interest and other similar costs - Treasury management (Note 23)	Interest and other similar costs - Commercial paper (Note 23)	Interest and other similar costs -Bonds (Note 23)
384	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	13	9	-
-	-	-	-
-	9	52	-
-	-	-	-
-	2	19	-
421	-	-	-
39	-	1,774	51,960
55	1	3	-
899	**26**	**1,858**	**51,960**

Other Related Parties

	2021	2020
Services rendered:		
Centro de Investigação em Energia REN - State Grid, S.A. (Note 17)	14	12
	14	**12**
External supplies and services:		
CMS - Rui Pena & Arnaut [1]	-	11
	-	**11**

1 Entity related to the administrator José Luís Arnaut. During 2020, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, responsibility, equality and impartiality.

As of 31 December 2021 and 2020, the Company had the following balances with related parties:

Group

Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	19,231	169,755	13,695
REN Trading, S.A.	-	-	-
ENONDAS, S.A.	-	-	-
REN Gasodutos, S.A.	-	47,791	-
REN Armazenagem, S.A.	-	-	-
REN Atlântico, Terminal de GNL, S.A.	8,841	-	91
REN Gás, S.A.	-	10,453	-
REN Portgás Distribuição, S.A.	-	20,476	-
RENTELECOM - Comunicações, S.A.	-	-	-
REN Serviços, S.A.	200,000	85,864	15,163
REN Finance, B.V.	-	-	-
REN PRO, S.A.	-	-	-
	228,072	**334,339**	**28,949**

2021

Other receivables – RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables – Shareholders loans (Note 10)
		Current assets	**Non current assets**
33,095	20	549	1,207,692
142	34,681	-	-
-	-	1	-
12,346	6	153	-
1,992	-	18	-
10,734	-	60	29,693
-	-	-	-
3,066	5	25	-
889	-	9	-
120	16	128	895,000
-	606	213	-
12	1	21	-
62,395	**35,335**	**1,175**	**2,132,385**

Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from bonds (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-
REN Trading, S.A.	187,999	-	-
ENONDAS, S.A.	1,214	19	-
REN Gasodutos, S.A.	-	-	-
REN Armazenagem, S.A.	12,681	-	-
REN Atlântico, Terminal de GNL, S.A.	8,269	-	-
REN Gás, S.A.	-	1,415	-
REN Portgás Distribuição, S.A.	5	-	-
RENTELECOM - Comunicações, S.A.	10,094	-	-
REN Serviços, S.A.	-	-	-
REN Finance, B.V.	-	-	29,408
REN PRO, S.A.	3,562	-	-
	223,824	**1,434**	**29,408**

Related party	Other receivables - Shareholders loans (Note 10)	Other receivables - Treasury management (Note 10)	Other receivables - Interest receivables from shareholders loans (Note 10)
REN - Rede Eléctrica Nacional, S.A.	-	177,654	13,711
REN Trading, S.A.	-	146,975	-
ENONDAS, S.A.	-	1,019	-
REN Gasodutos, S.A.	-	24,270	-
REN Armazenagem, S.A.	-	-	-
REN Atlântico, Terminal de GNL, S.A.	-	37,327	111
REN Gás, S.A.	-	-	-
REN Portgás Distribuição, S.A.	-	26,683	-
RENTELECOM - Comunicações, S.A.	-	-	-
REN Serviços, S.A.	-	124,059	16,844
REN Finance, B.V.	-	-	-
REN PRO, S.A.	-	5	-
	-	**537,991**	**30,667**

2021

Others creditors (Note 15)	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)
Current liabilities				Non Current liabilities	
88	-	-	7	-	-
26,205	-	-	-	-	-
-	-	-	-	-	-
20	-	-	-	-	-
3	-	-	-	-	-
7	-	-	-	-	-
1	-	-	-	-	-
-	-	-	-	-	-
2	-	-	-	-	-
23	-	-	56	-	-
437	188,400	99,000	(2,377)	1,693,147	166
6	-	-	14	-	-
26,792	**188,400**	**99,000**	**(2,300)**	**1,693,147**	**166**

2020

Other receivables - RETGS (Note 10)	Other debtors (Note 10)	Income accruals (Note 10)	Other receivables - Shareholders loans (Note 10)
Current liabilities			Non Current liabilities
20,618	-	988	1,263,654
-	20	-	-
15	-	2	-
9,153	3	295	-
3,201	-	75	-
4,237	5	122	46,894
-	12	-	-
3,419	3	20	-
792	-	16	-
-	17	326	1,075,000
-	3,680	4	-
7	19	72	-
41,442	**3,758**	**1,920**	**2,385,548**

Related party	Other payables - Treasury management (Note 15)	Other payables - RETGS (Note 15)	Other payables - Interest payables from Bonds (Note 15)
REN - Rede Eléctrica Nacional, S.A.	-	-	-
REN Trading, S.A.	-	3,622	-
ENONDAS, S.A.	6,475	-	-
REN Armazenagem, S.A.	10,756	-	-
REN Gás, S.A.	5,340	1,380	-
RENTELECOM - Comunicações, S.A.	-	811	-
REN Finance, B.V.	5	-	28,157
REN PRO, S.A.	1,069	-	-
	23,645	**5,813**	**28,157**

Other Related Parties

	2021	2020
Assets		
Other debtors:		
Other receivables - OMI	**1**	-
Other receivables - OMEL	**3**	15
Other receivables - Hidroelectrica Cahora Bassa	**155**	78
Other receivables - Centro de Investigação em Energia REN - State Grid, S.A.	**-**	15
	158	**108**
Liabilities		
Other creditors:		
Centro de Investigação em Energia REN - State Grid, S.A.	**2**	-
	2	**-**
Suppliers:		
CMS - Rui Pena & Arnaut[1]	**-**	5
	-	**5**

1 Entity related to the administrator José Luís Arnaut. During 2020, the contract for the provision of legal services in the area of law and public procurement, awarded in 2017 to the law firm CMS Rui Pena and Arnaut, an entity related to the Director José Luís Arnaut, remained in force. The contract, under a waiver regime, was signed in 2017, for a period of three years. The procedure for awarding this contract took place through consultation with five entities, on a competitive basis and under the terms of REN's Operational Purchasing Manual, which establishes the general principles and relationships with suppliers that are based, namely, on the respect for the competition, transparency, responsibility, equality and impartiality.

2020

	Current liabilities			Non Current liabilities	
Others creditors (Note 15)	Other payables - Commercial paper (Note 15)	Other payables - Bonds (Note 15)	Deferred borrowing costs (Note 15)	Other payables - Commercial paper (Note 15)	Deferred borrowing costs (Note 15)
89	-	-	-	-	-
22,528	-	-	-	-	-
1	-	-	-	-	-
1	-	-	-	-	-
1	-	-	-	-	-
8	-	-	-	-	-
90	463,400	39,000	(2,613)	1,494,000	(784)
-	-	-	-	-	-
22,718	**463,400**	**39,000**	**(2,613)**	**1,494,000**	**(784)**

Information on share transactions by members of the Board of Directors

During the period ended 31 December 2021, 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 2021 and 2020 was as follows:

	2021	2020
Remuneration and other short term benefits	1,647	1,596
Management bonuses (estimated)	1,657	1,534
	3,304	3,130

There are no loans granted to the members of the Board of Directors.

27. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The accounting policies for financial instruments in accordance with the IFRS 9 categories have been applied to the following financial assets and liabilities:

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives
Assets				
Cash and cash equivalents	4	-	-	-
Trade and other receivables	10	2,822,831	-	-
Other financial assets	10	-	-	-
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-
Derivative financial instruments	11	-	18,760	-
Total financial assets		2,822,831	18,760	-
Liabilities				
Borrowings	15	-	-	-
Trade and other payables	15	-	-	-
Income tax payables	16	-	-	-
Drivative financial instruments	11	-	21,283	1,828
Total financial liabilities		**-**	**21,283**	**1,828**

	Notes	Credits and other receivables	Fair value - hedging derivative financial instruments	Fair value - Negotiable derivatives
Assets				
Cash and cash equivalents	4	-	-	-
Trade and other receivables	10	3,001,496	-	-
Other investments	10	-	-	-
Investments in equity instruments at fair value for other comprehensive income	12	-	-	-
Income tax receivable	16	-	-	-
Derivative financial instruments	11	-	25,685	-
Total financial assets		3,001,496	25,685	-
Liabilities				
Borrowings	15	-	-	-
Trade and other payables	15	-	-	-
Income tax payable	16	-	-	-
Derivative financial instruments	11	-	26,019	3,196
Total financial liabilities		**-**	**26,019**	**3,196**

2021

Fair value - Equity instruments for other comprehensive income	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
-	-	386,546	386,546	386,546
-	-	-	2,822,831	2,822,831
-	19	144	163	163
59,278	-	-	59,278	59,278
-	-	-	18,760	18,760
59,278	**19**	**386,691**	**3,287,580**	**3,287,580**
-	-	2,963,230	2,963,230	2,888,206
-	-	254,960	254,960	254,960
-	-	26,725	26,725	26,725
-	-	-	23,112	23,112
-	**-**	**3,244,916**	**3,268,027**	**3,193,002**

2020

Fair value - Equity instruments for other comprehensive income	Fair value - through profit and loss	Other financial assets/liabilities	Total carrying amount	Fair value
-	-	45,031	45,031	45,031
-	-	-	3,001,496	3,001,496
-	17	120	138	138
59,601	-	-	59,601	59,601
-	-	-	-	-
-	-	-	25,685	25,685
59,601	**17**	**45,151**	**3,131,951**	**3,131,951**
-	-	3,014,404	3,014,404	2,704,167
-	-	54,771	54,771	54,771
-	-	8,176	8,176	8,176
-	-	-	29,215	29,215
-	**-**	**3,077,350**	**3,106,565**	**2,796,328**

Estimated fair value – assets measured at fair value

The following table presents the Company assets and liabilities measured at fair value at 31 December 2021 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 2021, no transfers of financial assets and liabilities were made between fair value hierarchy levels.

		2021			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments in equity instruments at fair value for other comprehensive income	Shares	-	-	56,111	56,111
Financial assets at fair value	Cash flow hedge derivatives	-	9,450		9,450
Financial assets at fair value	Fair value hedge derivatives	-	9,310	-	9,310
		-	**18,760**	**56,111**	**74,872**
Liabilities:					
Financial liabilities at fair value	Borrowings	-	601,546	-	601,546
Financial liabilities at fair value	Cash flow hedge derivatives	-	15,917	-	15,917
Financial liabilities at fair value	Fair value hedge derivatives	-	5,366	-	5,366
Financial liabilitie at fair value recorded in income	Trading derivatives	-	1,828	-	1,828
		-	**624,657**	**-**	**624,657**

During the year ended 31 December 2021, 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:

	2021	2020
Cash and cash equivalents:		
A+ to A-	120,021	24
BBB+ to BBB-	20,073	38
BB+ to B-	238,178	42,693
Up to CCC+	8,274	2,267
Without rating	-	9
Total cash and cash equivalents	**386,546**	**45,031**
Other financial assets:		
Without rating	163	138
Total other financial assets	**163**	**138**

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 24 February 2022, Russia carried out a large-scale military invasion of Ukraine, which led to a worsening general climate of global uncertainty with negative effects on the outlook for the evolution of the world economy and financial markets.

The REN Group is actively monitoring this situation, as well as the pandemic caused by the COVID-19 virus, has activated all the necessary plans and, despite the situation being unpredictable, REN Group does not have or estimate to have, as of this date, significant effects on its operability and regulatory duties. It should be noted, once again, that the REN Group operates, essentially, in two business areas, Electricity and Gas, according to concession contracts attributed to the Group. These concession contracts are regulated, which to a certain extent minimizes the possible impacts of the Russian invasion of Ukraine as well as the pandemic.

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)

Mengrong Cheng
(Member of the Board of Directors)

Lequan Li
(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)

Manuel Sebastião
(Member of the Board of Directors
and Chairman of the Audit Committee)

José Luis Arnaut
(Member of the Board of Directors)

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.

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

REPORT AND OPINION OF THE AUDIT COMMITTEE INDIVIDUAL ACCOUNTS

Within the scope of its duties, the Audit Committee has monitored the development of the activity of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. and its subsidiaries, supervised compliance with the law, regulations and the Articles of Association, supervised compliance with accountancy policies and practices, and supervised the process of preparation and disclosure of financial information, the legal review of accounts and the effectiveness of the internal control and risk management systems. It further supervised the activity of the Statutory Auditor and the External Auditor, including their independence and impartiality.

The Audit Committee also examined the individual financial information included in the Management Report and the financial statement of REN – REDES ENERGÉTICAS NACIONAIS, SGPS, S.A. attached thereto in relation to the financial year ended on December 31, 2021 which consist of the Balance Sheet as of December 31, 2021, evidencing a total of 4,674,427 thousand Euros and 1,402,118 thousand Euros of Equity , including Net Profit for the year of 100,792 thousand Euros, the Statements of Profit and Loss , Changes in Equity and Cash Flows in relation to the financial year closed on the above mentioned date and the respective Annex.

The Audit Committee reviewed the Legal Certification of Accounts and the Audit Report on the individual financial information, prepared by the Statutory Auditor and the External Auditor.

Within the context of the analysis undertaken, the Audit Committee further supervised the compliance and adequacy of the accounting policies, procedures, practices and adopted valuation criteria, as well as the regulatory and quality of the Company´s accounting information.

In light of the above, it is the opinion of the Audit Committee that the individual Financial Statements and Consolidated Management Report, as well as the proposal expressed therein, abide by applicable accounting, legal and statutory provisions, therefore it recommends its approval by the General Meeting of Shareholders.

Lisboa, 24 de março de 2022

Manuel Sebastião (Presidente)

Rosa Maria Soares (Vogal)

Gonçalo Gil Mata (Vogal)

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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 2021 (showing a total of 4,674,427 thousand euros and a total equity of 1,402,118 thousand euros, including a net profit for the year of 100,792 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 2021, 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 2021, the investments in subsidiaries and associates amounts to 1,381,025 thousand euros (2020: 1,365,588 thousand euros), equivalent to 30% of total Assets (30% in 2020). Additionally, as at 31 December 2021, a substantial part of the Entity's revenues, in the amount of 103,978 thousand euros (2020: 104,767 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 2021, 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;
- 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.

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 2021

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 the remunerations report

Pursuant to article 26-G, nr. 6 of the Securities Code, we hereby inform that the Entity 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 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 24 March 2022; 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.

Lisbon, 24 March 2022

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

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(Translation from the original document in the Portuguese language.
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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 2021 (showing a total of 4,674,427 thousand euros and a total equity of 1,402,118 thousand euros, including a net profit for the year of 100,792 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 2021, 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.

Building a better working world

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 2021

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 24 March 2022;
- 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 2021 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, 24 March 2022

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº178)
Represented by:

(Signed)

Rui Abel Serra Martins (ROC nr. 1119)
Registered with the Portuguese Securities Market Commission under license nr. 20160731

HUMANITY

7

A company always
at the service of society.

Corporate Governance

7 CORPORATE GOVERNANCE

People and communities
are the reasons why we exist.

PART 1

A 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 GOVERNANCE

7.1.1. ECONOMIC ENVIRONMENT

I. CAPITAL STRUCTURE

I.1. Capital structure (capital, number of shares, distribution of capital among shareholders, etc.), including information on shares not admitted to trading, different classes of shares, inherent rights and duties and percentage of capital which each class represents (Art. 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.

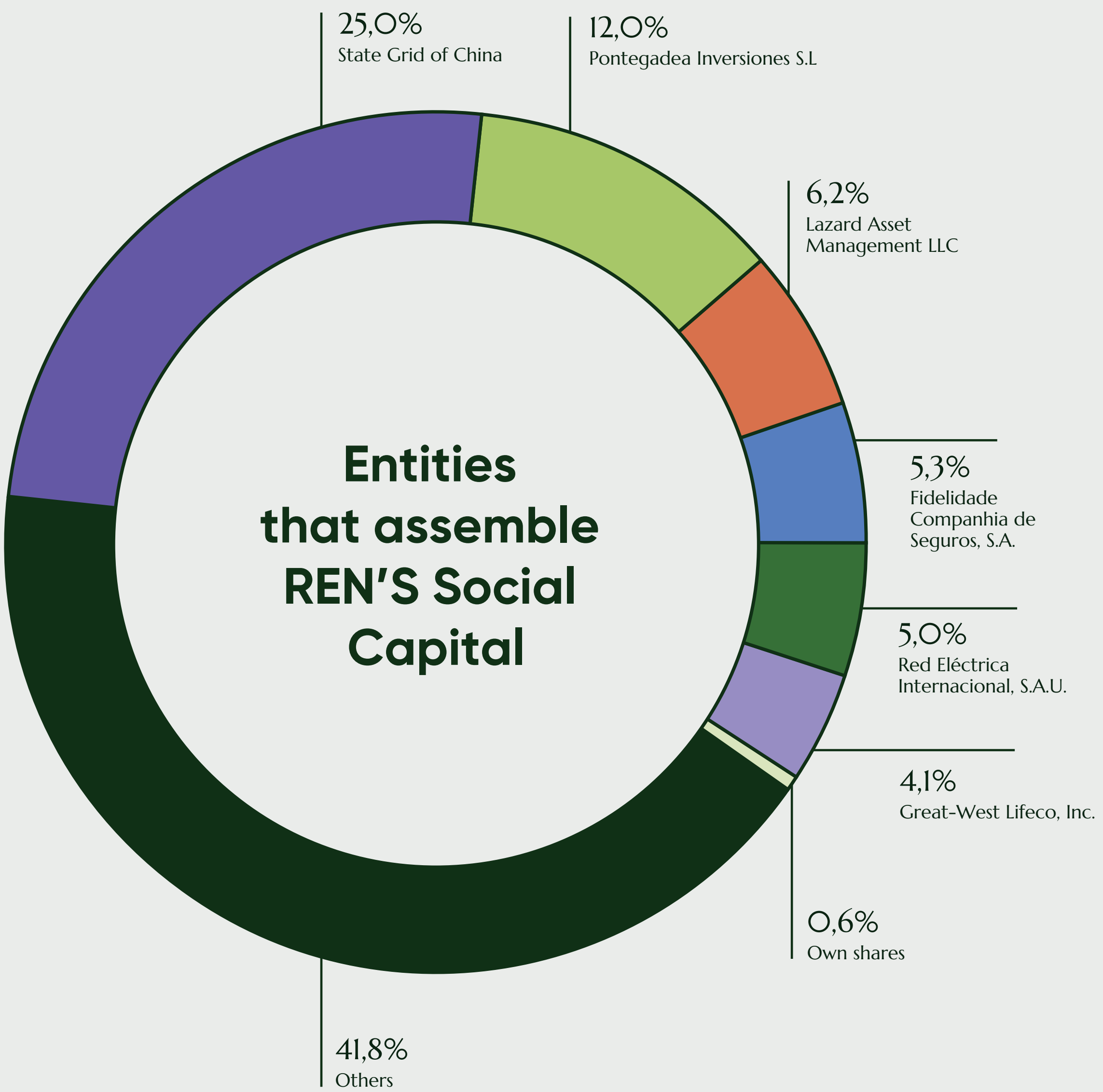
REN shares are ordinary shares that do not grant special rights to their holders, beyond the general rights inherent as a shareholder under the law.

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 PTRELOAMOOO8.

SHAREHOLDER STRUCTURE AT 31 DECEMBER 2021

For more detailed information on the main company shareholders of the company see II.7 bellow.

Shareholder Structure on December 31, 2021



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 .

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) .

It should be further noted that on 9 September 2014 , ERSE – The Energy Services Regulator (ERSE) issued a decision on the certification of REN – Rede Eléctrica Nacional, S.A. and REN – Gasodutos, S.A. (both wholly owned by REN) as operators of the National Electricity Transmission System and the National Natural Gas Transmission System (the ERSE Decision), respectively, under full ownership unbundling which remains in force.

In accordance with the ERSE Decision, certification was dependent on compliance with a series of conditions intended to ensure the independence of these operators, including, inter alia, (i) restrictions on the exercising of rights related to the REN General Shareholders' Meeting; (ii) restrictions on the exercising of positions on the Board of Directors or Audit Committee of REN or the Transmission System Operators; and (iii) the amendment to REN's Articles of Association with a view to complying with the restrictions set out in (i) and (ii).

The amendments to REN's Articles of Association required to comply with the ERSE Decision were approved by the REN General Shareholders' Meeting which was held on 17 April 2015. With regard to the exercising of rights at the REN General Shareholders' Meeting, the following changes were included:

- Shareholders which, directly or indirectly, exercise control over a company which either produces or sells electricity or natural gas are not allowed to exercise voting rights at the General Shareholders' Meeting over any Company shares, except when ERSE recognizes that no risk of conflict of interest exists;

- The persons who exercise control or rights over companies which either produce or sell electricity or natural gas may not appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it on their own or through others with whom they are connected via shareholders' agreements, except (i) when ERSE recognizes that there is no risk of conflicts of interest due to the fact that the respective production or sale of electricity or natural gas of such a shareholder takes place in geographical locations which have no direct or indirect connection or interface with Portuguese networks and (ii) provided that there were no changes as to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators.

Therefore, limitations on the ownership of shares (as well as the exercising of rights) are exclusively due to legal and regulatory requirements or compliance with administrative decisions which the 2018 Corporate Governance Code of the Portuguese Institute of Corporate Governance (Instituto Portugês de Corporate Governance) as amended in 2020 (IPCG Code) cannot overturn. As such, recommendation II.5 of the IPCG Code must be considered as non-applicable to REN.

[1] Cfr. alínea i) do n.º 2 do artigo 226.º do Decreto-Lei n.º 15/2022, de 14 de fevereiro (na sua redação atual), bem como alínea b) do n.º 3 do artigo 122.º e alínea h) do n.º 3 do artigo 125.º do Decreto-Lei n.º 62/2020, de 28 de agosto (na sua redação atual).

[2] *Vide* números 3 e 4 do artigo 12.º dos Estatutos da REN.

[3] A ERSE – Entidade Reguladora dos Serviços Energéticos notificou a REN no dia 4 de agosto de 2015 relativamente à decisão de verificar cumpridas as condições de certificação que havia determinado a 9 de setembro de 2014, tornando-se efetiva a decisão de certificação.

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 2021, shareholders having a qualifying holding (representing at least 2% of REN's share capital), calculated in accordance with Article 20 of the Securities Code (version prior to 30 January 2022), were as follows:

State Grid Corporation of China[4, 5]	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.	No of shares	% share capital with voting rights
Directly	80,100,000	12.006%
Indirectly	0	0%
Total imputável	**80,100,000**	**12.006%**

Lazard Asset Management LLC	No of shares	% share capital with voting rights
Directly	0	0
Indirectly	41,067,351[7]	6.155%
Total imputável	**41,067,351**	**6.155%**

[4] In accordance with the communications sent by the company and by Mazoon B.V. (controlled by Oman Oil Holding Europe, B.V., which is controlled by OQ SAOC, in turn controlled by the Sultanate of Oman), on July 30, 2021, the company acquired the 80 100 000 shares from Mazoon B.V.

[5] 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.

[6] 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.

[7] accordance with information made available by Lazard Asset Management LLC on February 9, 2022, by reference to December 31, 2021.

Fidelidade Companhia de Seguros, S.A.[8]	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 [9]	98,732	0.01%
Through Multicare – Seguros de Saúde, S.A., which is controlled by the common shareholder Longrun[10]	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%**

Great-West Lifeco, Inc.[11, 12]	No of shares	% share capital with voting rights
Directly	0	0%
Through the collective investment undertakings managed by Setanta Management Limited, a company in a relationship of control with Great-West Lifeco, Inc.	27,072,526	4.058%
Through the collective investment undertakings managed by Irish Life Investment Managers Limited, a company in a relationship of control with Great-West Lifeco, Inc.[13]	29,053	0.004%
Through the collective investment undertakings managed by Mackenzie Financial Corporation, an affiliate entity.	564,988	0.085
Total attributable	**27,666,567[14]**	**4.147%**

As from 30 January 2022, in accordance with Article 16 of the Securities Code, the duty to communicate qualifying holdings representing 2% of REN's share capital has been eliminated, the minimum threshold of 5% being now applicable.

[8] 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.

[9] Longrun holds, also, 80% of the share capital of Fidelidade Assistência – Companhia de Seguros, S.A.

[10] Longrun holds, also, 80% of the share capital of Multicare – Seguros de Saúde, S.A.

[11] In accordance with information received on October 5, 2016 and updated on January 6, 2021, the ultimate controlling shareholders of Great-West Lifeco, Inc. are The Desmarais Family Trust and its trustees Sophie Desmarais, Paul Desmarais, Jr., André Desmarais, Michel Plessis– Bélair and Guy Fortin, to whom are attributed, under the terms of article 20(1)(b) of the Securities Code, the 4,147% voting rights in REN. The same voting rights are also attributable to the following companies controlled by The Demarais Trust: Power Financial Corporation, Power Corporation of Canada and Pansolo Holdings Inc.

[12] In its communication of January 6, 2021, Great-West Lifeco, Inc. informed REN of: (i) the merger by amalgamation of the subsidiaries Canada Life Capital Corporation Inc., GWL Holdings Inc., London Life Financial Corporation and London Reinsurance Group Inc. into a single entity under the name of The Canada Life Capital Corporation Inc. on January 2, 2021 and (ii) the dissolution of 171263 Canada, Inc., the former parent company of Great-West Lifeco, thus no longer in control of Great-West Lifeco Inc. On January 6, 2021, the shareholder Great-West Lifeco, Inc. informed REN. of the holding of an indirect qualifying holding corresponding to 24,821,784 shares, representing 3.72% of its share capital. Further details on the collective investment undertakings and their holdings are available at https://www.ren.pt/files/2021-01/2021-01-08190901_4c65f7f1-2e56-4968-a1af-585420fa64e0$f7ccbca3-1839-4b33-af32-24602a9b0fd3$e340c9a4-bc68-4d6a-bd10-007b6c325ca6pt_filept$1.pdf. The voting rights attached to those shares, under the terms of article 20(1)(b) of the Securities Code, are also attributed to the following companies controlled by Great-West Lifeco, Inc: The Canada Life Assurance Company, Canada Life Capital Corporation Inc, Canada Life International Holdings Limited and The Canada Life Group (U.K.) Limited. Such voting rights are also attributed to the following companies controlled by The Desmarais Trust, which controls Great-West Lifeco, Inc.: Power Financial Corporation, Power Corporation of Canada and Pansolo Holding Inc.

[13] Further details on the collective investment undertakings and respective holdings available at https://www.ren.pt/files/2021-04/2021-04-28182327_4c65f7f1-2e56-4968-a1af-585420fa64e0$$b171a323-0c38-4f12-bcaf-d569f060f2be$$2b5841c6-8383-4e7d-86e7-d56a0d63a585$$en_gb__file$$pt$$1.pdf (ren.pt). The voting rights of said collective investment undertakings are also attributable, pursuant to article 20(1)(b) of the Securities Code, to the following companies controlled by Great-West Lifeco, Inc.: Canada Life Assurance Company, Canada Life Capital Corporation Inc., Canada Life International Holdings Limited and The Canada Life Group (U.K.) Limited.

[14] In accordance with information made available by Great-West Lifeco, Inc. on February 25, 2022, by reference to December 31, 2021.

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, as well as all their acquisitions, encumbrances or disposals with reference to the financial year 2021, based on communications with the company, were as follows:

Board of Directors (Including the Audit Committee)

Board of Directors	Acquisitions (in 2021)	Encumbrances (in 2021)	Disposals (in 2021)	No of shares at 31.12.2021
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)
Omar Al-Wahaibi[16]	-	-	-	0 (zero)
Jorge Magalhães Correia		-	-	35,496,424[17]
Manuel Ramos de Sousa Sebastião	-	-	-	35 000
Gonçalo Gil Mata	-	-	-	0 (zero)
Rosa Freitas Soares[18]	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)
Ana Pinho	-	-	-	0 (zero)
Ana da Cunha Barros[19]	-	-	-	0 (zero)
José Luís Arnaut[20]		-	-	7,587

[15] 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.

[16] Submitted to the Chairman of the Board of Directors of REN his resignation as a member of the Board of Directors, as from 31 August 2021. Thus, the last information available relates to that date.

[17] Corresponding to the shares held by Fidelidade Companhia de Seguros, S.A., which are attributable for the purposes of art. 447 of the Portuguese Companies Code, due to the performance of duties of member of the board of directors and the executive committee of that company, as set out in: http://web3.cmvm.pt/sdi/emitentes/docs/fsd430883.pdf

[18] Elected for her first term of office in the General Meeting of 23 April 2021. Thus, the information available refers to the preparatory information made available for that election.

[19] Elected for her first term of office in the General Meeting of 23 April 2021. Thus, the information available refers to the preparatory information made available for that election.

[20] 480 shares held directly and the remainder held by Platinumdetails – Consultoria e Investimentos, Lda, in which 68% of the share capital is held.

In accordance with and for the purposes of Article 447 of the Portuguese Companies Code, in particular paragraph 5 thereof, the number of bonds held by the members of the REN management and supervisory bodies and by the persons related to them pursuant to paragraph 2 of the abovementioned article, as well as all their acquisitions, encumbrances or disposals with reference to the financial year of 2021, based on communications sent to the company, were as follows:

Board of Directors	Acquisitions (in 2021)	Encumbrances (in 2021)	Disposals (in 2021)	No of bonds at 31.12.2021
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)
Omar Al-Wahaibi[22]	-	-	-	0 (zero)
Jorge Manuel Magalhães Correia	-	-		1,200,000[23]
Manuel Ramos de Sousa Sebastião	-	-	-	0 (zero)
Gonçalo Gil Mata	-	-	-	0 (zero)
Rosa Freitas Soares[24]	-	-	-	0 (zero)
Maria Estela Barbot	-	-	-	0 (zero)
Ana Pinho	-	-	-	0 (zero)
Ana da Cunha Barros[25]	-	-	-	0 (zero)
José Luís Arnaut	-	-	-	0 (zero)

[21] 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.

[22] Submitted to the Chairman of the Board of Directors of REN his resignation as a member of the Board of Directors, as from 31 August 2021. Thus, the last information available relates to that date.

[23] 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.

[24] Elected for her first term of office in the General Meeting of 23 April 2021. Thus, the information available refers to the preparatory information made available for that election.

[25] Elected for her first term of office in the General Meeting of 23 April 2021. Thus, the information available refers to the preparatory information made available for that election.

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 (see summary of these competences and powers in II.21), and as such, the management body does not have special powers.

Particularly, concerning resolutions on any increase in capital, it should be noted that REN's Articles of Association do not authorize the Board of Directors to increase the Company's share capital.

II.10. Information on significant relationships of a commercial nature between the owners of qualified holdings and the Company

There are no significant relationships of a commercial nature between the holders of qualified shareholdings and the company.

In accordance with internal regulations on the assessment and control of transactions with related parties 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;

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 , in particular:

(i) transactions considered significant are subject to prior opinion from the Audit Committee (and are communicated to the Audit Committee, a minimum of 15 days in advance of the transaction);

(ii) all other transactions are only subject to subsequent appreciation, and must be communicated to the Audit Committee before the last day of January or July, depending on whether the Transactions occurred in the current previous semester.

Moreover, in accordance with the Board of Directors internal regulations, the approval of transactions with related parties for sums exceeding 500,000 euros or, regardless of the sum, any transaction which may be considered as not being executed under market conditions 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 2021, there were a number of significant transactions with related parties as further described in I.90 below.

[26] See Article 15 of the Articles of Association and Article 3 of the Board of Directors Regulations.

[27] 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.

[28] 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 referenc

II.11. Identification and position of the members of the Board of the General Meeting and respective term of office (start and end)

The following members of the Board of the General Meeting were elected for the term of office 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.12. Possible restrictions with regard to voting rights, such as limitations on exercising voting rights depending on the ownership of a number or percentage of shares, terms imposed for exercising voting rights or systems for detaching ownership content (Art. 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' .

Without prejudice to that referred to in 1.2 and 1.5, there are no restrictions on voting rights, such as limitations on exercising voting rights depending on the number or percentage of shares.

Owners of one or more shares on the 'Record Date' may attend, participate in and vote at the REN General Shareholders' Meeting, provided that they comply with the following requirements:

a) Shareholders wishing to participate in the General Meeting should express this intention in writing to the financial intermediary, with whom they have opened the relevant individual securities account (until 2021 it was also necessary to express such intention to the Chairman of the Board of the General Meeting), up to the day before the 'Record Date' . This communication may be sent by e-mail ;

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 ;

d) 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;

e) 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

[29] See Article 12(2) of Articles of Association.
[30] See Article 23-C of the Securities Code.
[31] See Article 12(9) of the Articles of Association.
[32] See Article 12(10) of the Articles of Association.

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 ;

f) Shareholders which are recognized by ERSE as not having a risk of conflict of interest – as the respective production or sale of electricity or natural gas by such shareholders takes place in locations which have no direct or indirect connection or interface with Portuguese networks – and provided that no changes have occurred with regard to the grounds or objective circumstances which led ERSE to recognize no conflict of interest existed with Portuguese transmission network operators, are not required to provide proof of this recognition with the abovementioned declaration. The exception will only be should changes have taken place to the grounds and objective circumstances which led to such recognition which determines the prohibition of the respective policy rights and/or re-examination of certification conditions by ERSE .

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 .

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 .

This letter should be addressed to the Chairman of the Board of the General Shareholders' Meeting and sent by post with acknowledgement of receipt to REN's registered office at least three business days prior to the date of the General Shareholders' Meeting, except if the relevant notice of meeting establishes a different time. The Chairman of the Board of the General Shareholders' Meeting shall verify the authenticity and regularity of the votes cast by correspondence as well as ensure that they remain confidential until the voting takes place .

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

In order to facilitate votes by correspondence, REN provides a voting ballot on its website which may be used for such purpose, and upon request, may also send a voting ballot and an envelope to shareholders for the purpose of postal submission.

Should there be express indication in the notice to convene the General Shareholders' Meeting, shareholders may exercise voting rights electronically, in accordance with the terms, time and conditions set out in the respective call .

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.

Bearing in mind the positive experience of the last two 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), 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.

[33] See Article 12(12)(13) and (15) of the Articles of Association.
[34] See article 12(14) of the Articles of Association.
[35] See Article 12(11) of the Articles of Association.
[36] See article 12(5) of the Articles of Association.
[37] See Article 12(5) and (7) of the Articles of Association.
[38] www.ren.pt
[39] See article 12(6) of the Articles of Association.

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 Annual General Meeting was held exclusively using telematic means and ensuring the corresponding exercise of voting rights at a distance by electronic means.

In summary, REN considers that it provides all the necessary mechanisms to encourage its shareholders to participate and vote in General Shareholders' Meetings, either in person or remotely.

REN's Articles of Association do not provide for any systems for detaching ownership content and there is no mechanism in place to cause any conflict between the right to receive dividends or the underwriting of new securities and the principle of 'one share, one vote', with the exception of the provision set out in the Articles of Association as described in 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

[40] "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).

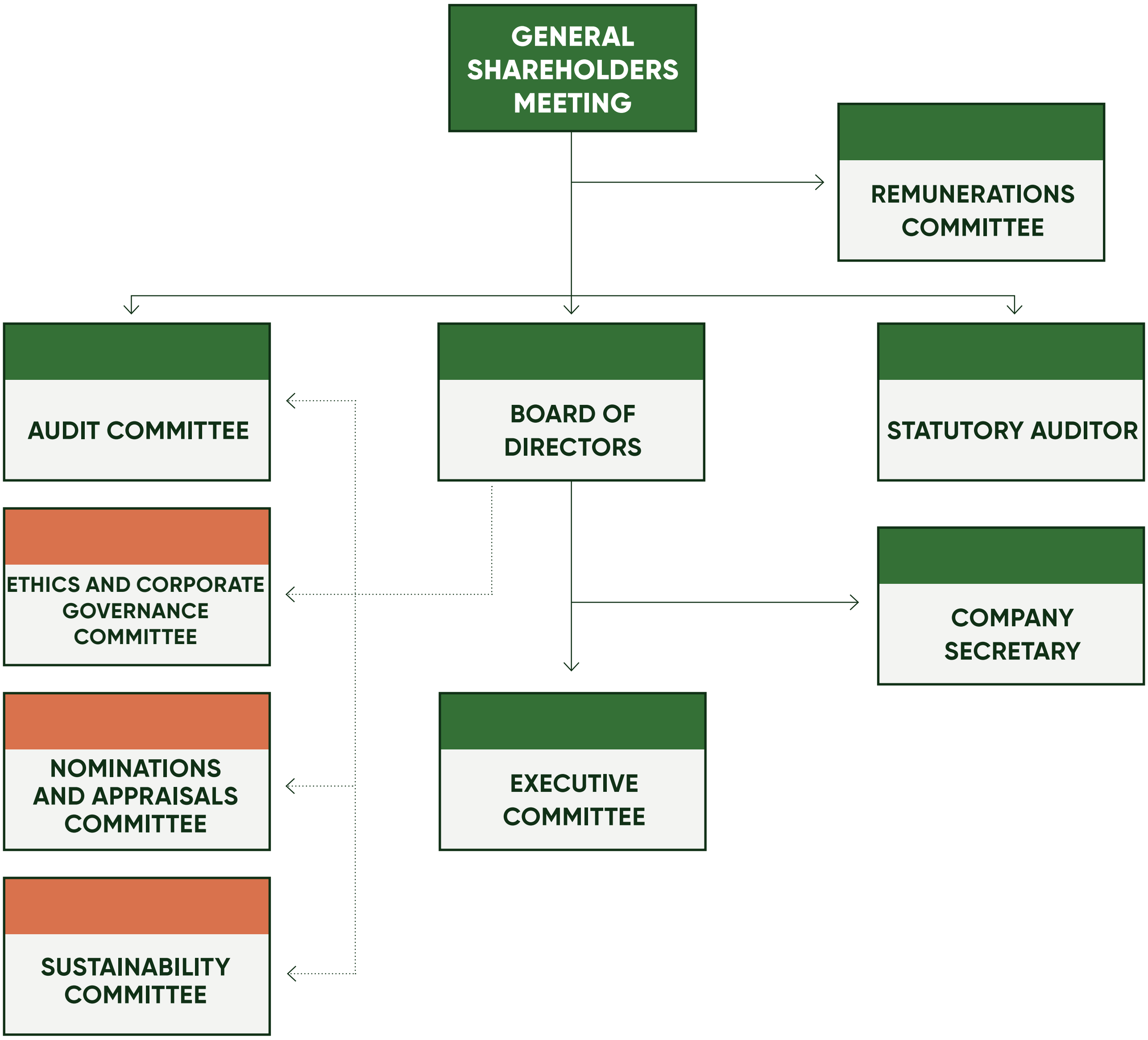
and the ERSE Decision, relating to full ownership unbundling, as best described in section I.2 above.

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 : (i) a Board of Directors, responsible for the management of the Company's business, which delegates day-to-day management to the Executive Committee 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[43].



[41] See article 8(2)(b) of the Articles of Association.
[42] See article 8(1) of the Board of Directors regulations.
[43] See article 3(3) of the Audit Committee regulations.

II.16. Statutory rules relating to the procedural requirements and applicable provisions for the appointment and substitution of members of the Board of Directors (Art. 29-H(1)(h)).

NIn accordance with the law and the Articles of Association[44], 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[45], a minority of shareholders voting against the winning proposal may appoint at least one director, provided that this minority represents at least 10% of the Company's share capital.

Within the scope of REN's Nominations and Appraisals Committee's functions, in particular with regard to the support provided in the identification and selection of potential candidates for the Board of Directors[46], it should be highlighted that REN's Diversity and Selection Policy was approved in 2021, 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 Selection Policy provides a reference for drawing up and understanding the recommendations issued, particularly with regard to incompatibilities, independence and conflicts of interest. The aim is thus to ensure compliance with the best corporate governance practices, taking into account a selection policy that reconciles individual attributes with diversity requirements, as a key driver in the professional development, efficiency and competitiveness of the organisation.

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.
- 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;
- Ensuring appropriate gender representation, guaranteeing compliance with legal requirements, based on the individual skills, aptitudes, experience and qualifications of each candidate; The candidates' previous training and experience, when assessed collectively, should allow for a balanced mix of knowledge in the areas of management, energy,

[44] Cfr. alínea b), do n.º 2, do artigo 8.º, e n.º 3, do artigo 14.º, ambos dos Estatutos; e n.º 1, do artigo 2.º, do regulamento do Conselho de Administração.
[45] Cfr. n.º 2, do artigo 14.º
[46] Cfr. subalíneas (i) e (ii), da alínea a), do n.º 2 do artigo 3.º do regulamento da Comissão de Nomeações e Avaliação.

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;

- 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 with regard to the substitution of members of the Board of Directors, given that neither the Company's Articles of Association, nor the Board of Directors or Audit Committee Regulations have special rules on this matter. The Board of Directors will only participate in said process in the event of replacement by co-option of missing directors, as described below. In this case, 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 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 .

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 2021, 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	Director	2012	2023
Lequan Li	Director	2018	2023
Jorge Magalhães Correia	Director	2015	2023
Manuel Ramos de Sousa Sebastião	Director / Chairman of the Audit Committee	2023	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

[47] See article 393(3).
[48] See article 8(19) and (9).
[49] See Articles 8(2)(b) and 14(1) both of the Articles of Association.

Mr. Omar Al-Wahaibi, also elected at the Annual General Meeting, resigned from his position as a Member of the Board of Directors of REN, with effect from 31 August 2021.

In accordance with the Articles of Association , 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 2021 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 2021 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;

ii) The size of the company, its shareholder structure and the relevant free float (which was 41.8 % of share capital at 31 December 2021).

In light of the above, REN fully complies with CMVM recommendations III.2, III.3 and III.4 of the IPCG Code, as the Board of Directors consists of an adequate number of non-executive members (considerably superior to the number of executive members) and, among these, more than one third are independent members.

Moreover, Article 7-A and 7-B of the Articles of Association govern the special system of incompatibilities applicable to the election and performance of duties at any REN corporate body.

[50] See Article 27(1).

The aim of the provisions of Article 7-A of the Articles of Association is to establish a system of incompatibilities relating to the potential conflicts of interest arising from the direct or indirect exercising of activities in the electricity or natural gas sectors, either in Portugal or abroad. Furthermore, the system set out in Article 7-B of the Articles of Association also seeks to prevent persons who exercise control or rights over companies which either produce or sell electricity or natural gas to appoint members to the Board of Directors or the statutory auditor, or members of bodies which legally represent it, on their own or through others with whom they are connected through shareholders' agreements, except when ERSE recognizes that there is no risk of conflicts of interest. Additionally, and in accordance with Article 12 of the Board of Directors' regulations, all directors are obliged to report any circumstance that could create a potential conflict.

The members of the corporate bodies and internal committees promptly inform the respective body or committee of the facts that might constitute or cause a conflict between their own interest and the corporate interest, and there are internal procedures in place so that such members of the corporate bodies and committees do not interfere in the decision-making process. 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) .

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 2021 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 .

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;

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 .

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..

[51] 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.

[52] See article 11 of the Board of Directors Regulations..

[53] 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 31.12.2021

RODRIGO COSTA

Co-Founder of several technology and retail companies and IT consultant at national and international corporations. Manager at Microsoft Corporation, carrying out different duties over a period of 15 years: founder and General Manager of Microsoft Portugal 1990-2000, General Manager of Microsoft Brazil, 2000, and, from 2001 to 2005, Corporate Vice-President of Microsoft Corporation in Redmond, Washington, USA. He was also Director and Executive Vice-Chairman of the PT group and CEO of PTC between December 2005 and September 2007. He was CEO of ZON Multimédia (Telecommunications and Media Group) between 2007 and 2013. He also held the position of Chairman and CEO at Unicre (Electronic Payments and Credit Cards). Non-executive Board Member at NOS SGPS (ZON Multimedia and Optimus merger) from 2013-2015.

He was appointed REN non-executive board member in December 2014 and designated CEO with effects as from February 2015, and put forward for the position of REN Chairman and CEO at the General Meeting of 17th April 2015.

Over the years he has contributed to different organizations and has been member of the General Counsel of Coimbra University and also a member of the General Counsel of Porto Business School; Vice-President of the Portuguese – American Chamber of Commerce; Member of the Portuguese Council for Foreign Investment; Member of the Advisory Board for the National Technological Plan. He was awarded by the Portuguese Republic President as Great Officer of Ordem do Infante D. Henrique for services to Portugal; he is frequently invited as Speaker/Moderator – to local and international forum's (Industry, Government, Universities, Investors Conferences). He holds a Corporate Governance Certificate from INSEAD and attended Corporate Governance training at the Harvard Business School.

GONÇALO MORAIS SOARES

Holds a degree in Economy from the Universidade Nova de Lisboa. Also concluded an MBA at Georgetown University (Washington), in 2010, completed an Advanced Management Program at the Kellogg Business School (Chicago) and the Lisbon Catholic University, in 2018, the LEAP ("Leadership Excellence through Awareness and Practice") programme at INSEAD Business School, and, in 2021, the IDP (International Director's Program) at INSEAD.

Since 2012 is the Chief Financial Officer of REN.

Previously, he worked at ZON SGPS, ZON TV Cabo and ZON Lusomundo Audovisuais from 2007 to 2012, at Portugal Telecom from 2003 to 2007, at Jazztel from 2000 to 2003, at Santander Investment from 1996 to 2000, and at Reditus from 1993 to 1994.

JOÃO FARIA CONCEIÇÃO

Holds a degree in Aerospace Engineering from the Instituto Superior Técnico, and completed his Master's Degree in Aerodynamics at the Von Karman Institute for Fluid Dynamics (Belgium) and an MBA at INSEAD Business School (France).

From 2000 to 2007 he was a consultant at the Boston Consulting Group. Between 2007 and 2009 he supported the Ministery of Economy and Innovation in the field of Energy.

Since 2009 is member of the Board of Directors and of the Executive Committee of REN.

GUANGCHAO ZHU

Holds a degree in Relay Protection Systems from the University of Shandong (China), and completed his Master's Degree in Electrical Systems and Automation at the same faculty. He later concluded an MBA at Baylor University (USA).

Between 2007 and 2009, he was Vice-Chairman of the preparatory group for the National Grid Corporation of the Philippines (NGCP), as well as Consultative Chairman, Chief Executive Advisor and in 2009 a member of the Board of Directors of the National Grid Corporation of the Philippines. From that date until 2010, he was Director General of the International Cooperation Department of the State Grid Corporation of China.

From 2010 to 2011, he was senior executive Vice-Chairman and member of the Board of Directors of State Grid International Development Co. Ltd..

From 2012 to 2015, he was President, Chief Executive Officer and member of the Board of Directors of State Grid International Development Co. Ltd., Chairman of the Board of Directors of State Grid Brazil Holding S.A., and Chairman of the Board of Directors of State Grid Europe Limited.

He currently holds the positions of Deputy Chief Engineer of the State Grid Corporation of China and General Director of the International Cooperation Department of the State Grid Corporation of China . He is also Chairman of the Board of Directors of National Grid Corporation of the Philippines and Board Member HK Electric Investments Limited in Hong Kong, China.

Since 2012, has held the position of Vice-Chairman of the Board of Directors of REN.

MENGRONG CHENG

Completed a Master's Degree in Business Management from Tsinghua University (Beijing, China).

She started her career in 1991 at the International Cooperation Department of the China Electricity Council. Since then, she has been intensely involved in international cooperation business in major projects and events between China's power sector and international community. She worked in the then Ministry of Power Industry since 1993, and later held major positions in charge of international affairs in China State Power Corporation (1996-2003) and State Grid Corporation of China (2003 until now). Mengrong Cheng is also a Director of Sherpa on the Management Committee of the Global Sustainable Electricity Partnership (G-SEP).

Currently, she is the Deputy Director General of the International Cooperation Department of State Grid Corporation of China (SGCC) , President of SGCC U.S. Office and Acting Chief of GEIDCO (Global Energy Interconnection Development and Cooperation Organization) North America Office..

LEQUAN LI

Holds a degree in Atmospheric Physics from Nanjing University and a Master's Degree in Atmospheric Physics and Atmospheric Environment from the Research Institute of Atmosphere Physics of the Chinese Academy of Sciences. He also holds a Master Degree in Business Administration from the City University, Washington, USA.

He began his career in the China Electricity Council in 1988 and has been in the power industry over a span for over 30 years. Since 2009, he has worked at State Grid International Development Co. Ltd. and is in charge of the merger and acquisition of overseas power transmission and distribution assets.

From July 2015 to December 2019, his responsibilities have been extended to include the management of the company's legal affairs.

From 2009 to 2012, he was Vice Chief Economist, Head of the Business Development & Strategy Department of State Grid International Development Co. Ltd.. From 2012 to April 2021, he was Senior Vice President of State Grid International Development Co. Ltd..

From December 2012 to October 2018, he was Board Member of ElectraNet Pty Limited in Australia on behalf of State Grid International Development Co. Ltd.. Since October 2018, he is member of the Board of Directors of AusNet Services, Australia. From June 2020 to April 2021, he was member of the Board of Directors of Chilquinta Energia S.A., Chile.

Currently, he is the Consultant of State Grid International Development Corporation Limited, a Board Member of AusNet Services, Australia.

JORGE MAGALHÃES CORREIA

Jorge Magalhães Correia is chairman of the Board of Directors Fidelidade – Companhia de Seguros, S.A. 5 . He is also Chairman of the Board of Directors of Luz Saúde, S.A., Vice-Chairman of Board of Directors of Millennium BCP Bank and non-executive director of Longrun Portugal, SGPS, S.A.

Regarding his professionally related associations, he is vice-chairman of the Portuguese Insurers Association and member of The Geneva Association. He is also member of several consulting bodies of cultural institutions and universities.

He holds a degree in Law from Lisbon University and started his professional career as a lecturer at the Lisbon Faculty of Law. He has worked at the Portuguese Inspectorate-General of Finance and at the Securities Market Commission.

He has undertaken duties at different companies in the finance and insurance area, including director at the Mundial-Confiança, Fidelidade Mundial, Império Bonança and Via Directa insurance companies, later becoming Chairman of the Board of Directors of Fidelidade Group.

In the area of health, he was a director of USP Hospitales (Barcelona), director and later chairman of the board of directors at HPP - Hospitais Privados de Portugal SGPS. He was also Vice-Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.

He has been a member of the REN Board of Directors since 2015

MANUEL RAMOS DE SOUSA SEBASTIÃO

Manuel Sebastião has been Non-Executive Director and Chairman of the Audit Committee of REN – Redes Energéticas Nacionais, SGPS, S.A. since April 2015, and non-executive member and Chairman of the Audit Committee of Banco BPI since November 2020.

Previously, he was Chairman of the Supervisor Board of Banco BPI (July 2018 – November 2020), advisor to the Board of Directors of Banco de Portugal (the central bank of Portugal), (September 2013 – April 2015), Chairman of the Portuguese Competition Authority (March 2008 – September 2013), member of the Board of Directors of Banco de Portugal (February 2000 – March 2008), member of the Board of Directors of the Portuguese Insurance and Pension Funds Supervisory Authority (1998-2000), member of the Board of Directors of the state-owned bank Banco de Fomento e Exterior (1992-1996), economist with the International Monetary Fund (1988-1992), and economist with Banco de Portugal (1986-1988).

He was a professor of economics and finance at different stages of his career. He has an undergraduate degree from the School of Economics, Technical University of Lisbon in 1973, a Doctorate de 3ème Cycle from Université de Paris I, Panthéon-Sorbonne in 1978, and a PhD in economics from Columbia University in the city of New York in 1986.

He is a Portuguese national, born in Luanda, Angola, in 1949.

He has been a non-executive member of the REN Board of Directors and Chairman of the Audit Committee since 2015.

GONÇALO GIL MATA

Holds a Degree in Software Engineering awarded by the University of Coimbra and an MBA awarded by the Nova University of Lisboa. He is an Executive Director and a member of the board of Capital Criativo – Sociedade de Capital de Risco and a member of the board (non-executive) of Arquiled, SA (LED lighting solutions), Summer Portugal, S.A. and Vila Monte, S.A. (tourism resorts). He is also manager at Goma Consulting, Lda. (business consultancy).

For the last five years he has held positions as a director in Corporate Finance at Deutsche Bank (Portugal), S.A and as a Non-Executive Director at MVMS, S.A., ISA Intelligent Sensing Anywhere, S.A. and Gypfor – Gessos Laminados, S.A. as a representative of funds managed by Capital Criativo – Sociedade de Capital de Risco, S.A..

ROSA FREITAS SOARES

RRosa Freitas Soares was until recently (31 May 2020) an Equity Partner at Deloitte Portugal, being the partner responsible for the Global Employer Services (GES) / Private Client Advisory Team. She graduated in Law from the University of Lisbon Law School, in 1985.

She joined Arthur Andersen (merged with Deloitte in 2002) in 1988, as an analyst, was promoted to Senior in 1990, to manager in 1993 and to partner in 1999. She was in charge of a significant portfolio of clients, both at national and international level. In addition to providing tax advice on a continuous basis to the above clients, focusing on the tax issues of their businesses and on the analysis of the tax implications of their structures and products, 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.

In 1999, she launched in Portugal a new service line (GES) covering the entire sector of Human Resources, with focus on expatriation policies, compensation and benefits and pensions and insurance.

Due to her expertise in personal and estate taxes, she became in charge of Family Business matters at Deloitte Portugal and represented the local firm at the Deloitte Family Business Center. In June 2006, she accepted an additional challenge, heading the Portuguese Transfer Pricing practice from that date until June 2018.

She has attended several training/post graduate courses both in Portugal (University of Coimbra Law School and Católica Business School of Lisbon) and abroad (Harvard University Business School) and she 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.

She has written several articles on tax, human resources and corporate governance matters in newspapers and other publications. She was chosen by the Government to be a member of the 2014 Personal Income Tax Reform Commission which introduced changes to the tax law in 2015. She has been elected as a tax expert for the Portuguese market by International Tax Review (ITR).

MARIA ESTELA BARBOT

Currently she is President of the General Council of Universidade Nova de Lisboa, Managing Partner of ALETSE, LDA (Real Estate), Senior International Consultant of Roland Berger Holding GmbH, President of Forum Portugal Global, Member of the Advisory Board of Ar.Co - Centro de Arte e Comunicação Visual, Member of the Council of Founders and of the Remuneration Committee of the Museu de Arte Moderna da Fundação de Serralves. She has a relevant business experience in the area of chemical industrial products, with consequent in-depth knowledge of the corporate world both nationally and internationally.

She is responsible for negotiating and for developing partnerships with various multinational companies (Dupont, BP Chemicals, Rhone Poulenc among others) both for raw-materials and packaging products (namely, Signode Packaging Solutions).

She headed the acquisition process of the Company AGA – Álcool e Genéros Alimentares, S.A. which culminated in the purchasing of this Portuguese state-owned company's (1994), in its restructuring and in the development of new business areas (pharmaceutical products).

In Banking, she has experience in institutional and corporate monitoring, as Member of the Board of Banco Santander de Negócios - from 2005 to 2010 -, and as Member of the Audit Committee and Board of Directors of IFD – Instituição Financeira para o Desenvolvimento – from 2005 to 2008.

She has a vast experience in associativism both nationally, for several years as Vice President of AEP - Associação Empresarial de Portugal and as member of the Consultative Council of CIP – Confederação da Indústria Portuguesa - 2002/2003 -; and internationally, as member of the European Consultative Council of the IMF - International Monetary Fund and as member of the European Consultative Committee of the Trilateral Commission and as President of the Portuguese Group. She also attended the Bilderberg Meeting in 2019.

She has a degree in Economics from the University of Porto, an Executive Programme at LBS - London Business School and attended the Corporate Governance course at Harvard Business School.

She was also Guatemala's Consul General in Portugal from 1994 to 2014 and Commissioner of Expo 98. She was awarded the Dona Adelaide Ferreira Award in 1998, the Businesswoman Award in 1999 and the Entrepreneurship and Excellence Award in 2010.

ANA PINHO

Ana Pinho is the Chairman of the Board of Directors and of the Executive Committee of Serralves Foundation (Fundação de Serralves), Board Member of Arsopi, Board Member of Tecnocom, S.A. and Board Member of ATP _ Associação do Turismo do Porto e Norte.

She was a former member of the board of TAP SGPS, S.A. She was former CEO of UBS Portugal and a former member of the Executive Committee of UBS España, before which she held several positions at UBS AG. Previously she was Equity Analyst at Schroder Securities in London and a Financial Analyst at Banco Português de Investimentos in Porto.

She holds a Degree in Economics from the Faculty of Economics, University of Porto, an MBA from Cass Business School, London and a Corporate Finance Executive Programme from London Business School.

She attended several Art History Courses at the Serralves Foundation Porto, The National Society of Fine Arts Lisbon, Christie's Education London and Sotheby's Institute London.

ANA DA CUNHA BARROS

Ana da Cunha Barros is an Independent Non-Executive Director of Abanca Corporación Bancaria, S.A., in Spain, since June 2019, and a Member of the Risk Committee, and an Independent Non-Executive Director of ECS SGOIC, S.A., in Portugal, since October 2019.

Ana has 25 years of investment banking experience, with a focus on mergers and acquisitions, debt issues and share capital increases, from working for large international banks based in Lisbon, Madrid, London and New York, gaining a solid understanding of finance, financial markets, economy, regulation and risk in a global context.

Ana started her career in London in 1994 as an Analyst in Corporate Finance in Nomura. In 1996, joined Investment Banking in Salomon Brothers in London (later acquired by Citigroup) and, in 2010, Barclays. In her last position, Ana was a Managing Director in Barclays Investment Bank based in Lisbon. Ana was part of the executive committee in Portugal of Citigroup and Barclays and active in many of the business committees.

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 on many landmark private and public markets transactions. Ana has also been exposed to a variety of stakeholders such as financial and corporate clients, debt and equity investors, regulators, rating agencies and media.

Ana has an MBA in Finance from Cass Business School and a degree in Business Management from the Economics University of the Porto University. She has completed the Certificate in Corporate Governance IDP-C from INSEAD in 2019 and the Women on Boards: Succeeding as a Corporate Director Executive Education Programme at Harvard Business School in 2017. In 2021 she completed the course ESG Competent Boards Certificate and Designation.

JOSÉ LUÍS ARNAUT

José Luís Arnaut is graduated in Law from the Lisbon Lusíada University and, in 1999, was awarded the D.E.S.S. (Diploma of Higher Specialized Studies) from the Robert Schuman University, in Strasbourg. His professional work has focused on law and he started as a lawyer in 1989 at the law firm Pena, Machete & Associados. He was a founding partner of Rui Pena, Arnaut & Associates, in 2002, where he is currently Managing Partner, and is a member of the Executive Committee of CMS Legal Services EEIG.

He is Chairman of the Board of Directors of ANA – Aeroportos de Portugal (VINCI Airports), member of the International Advisory Board of Goldman Sachs, member of the Consulting Board of AON, Deputy-President of the Lisbon Turism Association, Chairman of the General Meeting of PORTWAY – Handling de Portugal, S.A. (VINCI Airports), Chairman of the General Meeting of SIEMENS S.A., Chairman of the General Meeting of Grupo Super Bock, Chairman of the General Meeting of Tabaqueira II, S.A. and Chairman of the General Meeting of the Portuguese Football Federation. In 1999, he was elected General Secretary of the Social Democratic Party, led by José Manuel Durão Barroso and became a member of the Portuguese Parliament, where he presided over the Committee on Foreign Affairs and the National Defence Committee.

He was Deputy Prime Minister to the Prime Minister José Manuel Durão Barroso in the XV Portuguese Constitutional Government. He was Minister of Cities, Local Administration, Housing and Regional Development in the XVI Portuguese Constitutional Government. He was Commissioner for Lisbon 94 – European Capital of Culture.

In 1995, he was awarded the Commend of Great Officer of Ordem do Infante Dom Henrique by the President of the Portuguese Republic; in 2004, he was conferred with the Grand Cross Ordem Nacional do Cruzeiro do Sul by the President of the Republic of Brazil. In 2006, he was bestowed with the insignia of Chevalier de la Legion d´Honneur by the President of the French Republic and conferred with the Grand Cross of the Order of Merit by the President of the Lithuanian Republic.

Since 2012 he has been a member of the REN Board of Directors.

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 31.12.2021

Director	Owner of qualified holdings	Relationship
Rodrigo Costa	-	-
João Faria Conceição	-	-
Gonçalo Morais Soares	-	-
Guangchao Zhu (em representação da 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

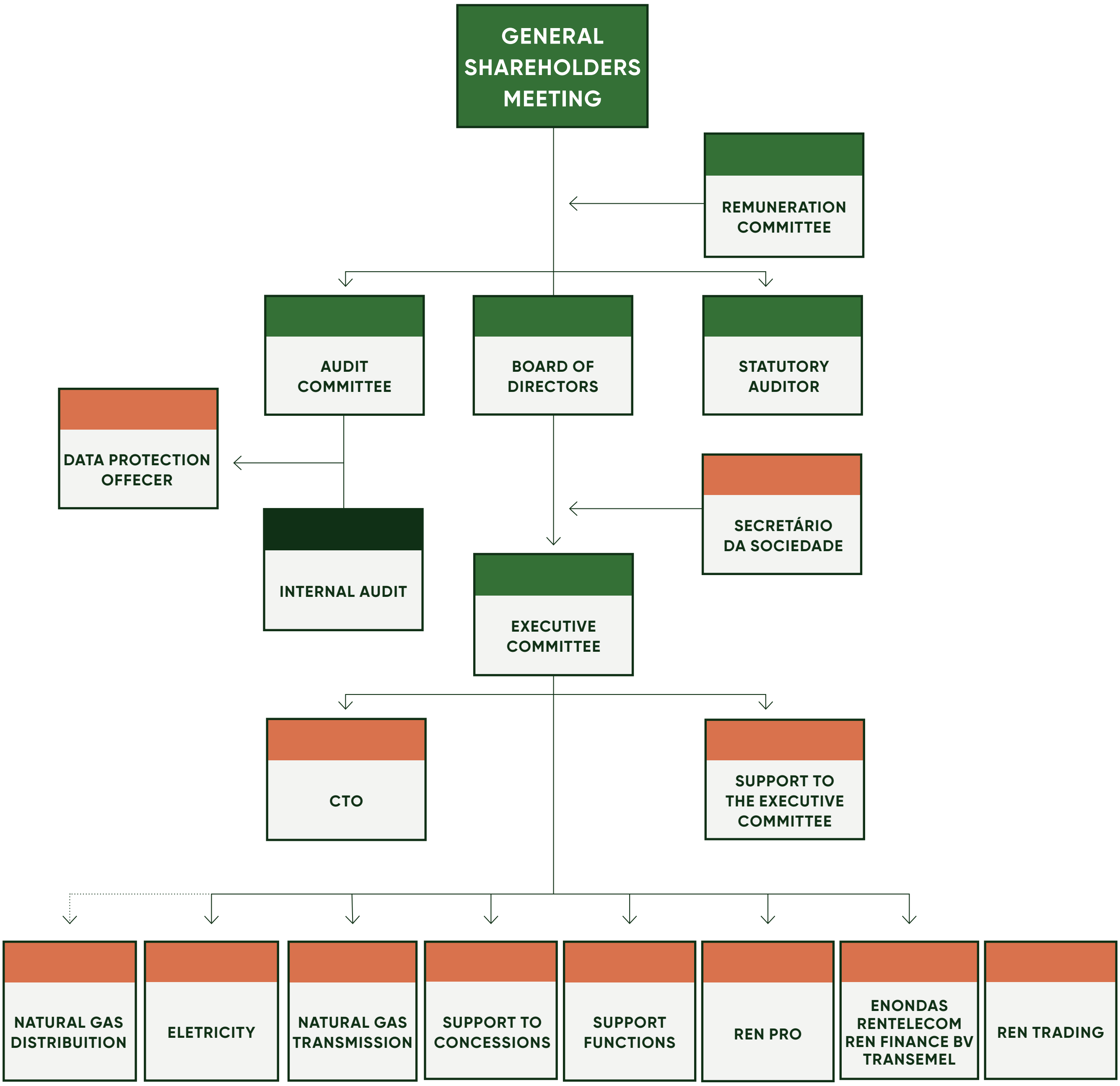
As can be seen in the flowchart in II.15, REN has adopted a corporate governance model based on an Anglo-Saxon model which consists of the following corporate bodies elected by the General Shareholders' Meeting[54] : (i) a Board of Directors, responsible for the management of the Company's business, which delegates the day-to-day management of the Company to the Executive Committee[55] 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 2021[56]:

[54] See article 8(2)(b) of the Articles of Association.

[55] See article 8(1) of the Board of Directors regulations.

[56] This organizational chart was in force until 31 December. On 1 January 2022, a new organization came into force, aimed at representing REN's activity through its value chain, with the following business units which will operate in an integrated cycle of articulation and continuous improvement: (i) Regulation, Planning and Engineering, which will encompass the Direction of Studies and Regulation, the Direction of Planning and Asset Management and the Direction of Engineering and Innovation; and (ii) Operations and System Management, which includes the Direction of Operations, that integrates a single vision on the processes of Investment, Electricity Operation, Gas Operation and Servitudes and the Direction of System Management (Electricity and Gas) and Gas Distribution (which maintains the respective separation). The business units REN PRO and Support Functions also underwent some changes resulting from the concentration of some functions necessary for the efficient operation of the remaining areas, with specialized and dedicated services (Energy Services Department), as well as strengthening competences in sustainability and external communication (Sustainability and Communication Department, Media Relations Department and Operational Sustainability Department).



GENERAL SHAREHOLDERS' MEETING

A 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

O Pursuant to the Portuguese Companies Code and REN's Articles of Association, the Board of Directors is duly empowered . Of special note are the powers to:

a) Define the Company's goals and management policies;

b) Draw up the annual financial and business plans;

c) Manage business and carry out all actions and operations relating to the corporate object which do not fall within the powers attributed to other Company bodies;

d) Represent the Company actively and passively, in and out of court, and propose and pursue lawsuits or arbitrations, with the power to confess, waiver and settle, as well as to enter into arbitration agreements;

e) Acquire, sell or by any other form dispose of or encumber rights or assets, whether real estate or not;

f) Incorporate companies and subscribe for, acquire, encumber and dispose of shareholdings;

g) Submit proposals to the General Shareholders' Meeting on the acquisition and disposal of own shares, in compliance with the applicable legal restrictions;

h) Determine the technical and administrative organization of the Company and the rules for internal operation, more specifically with regard to its personnel and the corresponding remuneration;

i) Appoint the Company Secretary and the respective alternate;

j) Appoint attorneys with the powers deemed convenient, including those of sub-delegation; and

k) Perform any other functions granted by law or by the General Shareholders' Meeting.

In accordance with the Board of Directors regulations, approved on 27 March 2012[58] , matters which cannot be legally delegated to the Executive Committee include the co-option of directors, requests to convene General Shareholders' Meetings, approval of the annual report and accounts to be submitted to the General Shareholders' Meeting, the granting of deposits and personal or in rem guarantees by the Company, the transfer of the registered office, the increase of the Company's registered share capital and the approval of merger, demerger and transformation projects.

In turn, the acquisition and transfer of assets, rights or shareholdings with an economic value greater than 10% of the Company's consolidated fixed assets is subject to prior approval from the General Shareholders' Meeting[59].

EXECUTIVE COMMITTEE

EOn 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;

[57] See article 15(1) of the Articles of Association.

[58] See Article 3(3) and (5).

[59] See Article 2(15) of the Articles of Association and Article 3(6) of the Board of Directors Regulations.

e) Represent the Company actively and passively, in or out of court, and propose or pursue lawsuits with the power to confess, waive and settle, as well as to enter into arbitration agreements;

f) Incorporate companies and subscribe, acquire, hold, create encumbrances over or dispose of shareholdings, provided that those companies or shareholdings are special purpose vehicles (SPVs) for specific investments with an individual or aggregate investment value that does not exceed 7,500,000 euros (seven million and fifty thousand euros) or which have already been approved within the Company's annual budget;

g) negotiate, resolve on, enter into, modify and terminate any agreements, including service provision agreements or labour contracts for a value equal or lower than 5,000,000 euros (five million euros);

h) 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[61];

s) Appoint the representative of the Company at the general meetings of all the companies in which the Company holds a shareholding.

Specifically in relation to the entering into medium or long-term debt agreements not covered by paragraph j) above, and taking into account the objective of ensuring the adequate financing of the REN Group, the Board of Directors delegates to the Executive Committee the necessary powers to negotiate the specific terms of each debt instrument[62] 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;

[60] Together with REN Finance and without prejudice to REN Finance's relevant corporate bodies and correspondent powers.

c) Request to convene the general shareholders' meetings;

d) Approval of the report and annual accounts to submit to the General Shareholders' Meeting;

e) Approval of the six-monthly and quarterly accounts to be published in accordance with the applicable legal provisions;

f) Provision of deposits and personal guarantees or security interests by the Company;

g) Change of the registered office and increase of the share capital, under the terms of the Articles of Association;

h) Projects for the merger, demerger and transformation of the Company;

i) Appointment of the Company Secretary and the respective alternate;

j) Definition of the Company's strategy and general policies;

k) Definition of the Company's goals and management policies;

l) Approval of the annual budget, the business plan and other long-term development plans;

m) Definition of the Group's corporate structure;

n) The approval, on a case-by-case basis, of the transfer of assets and/or rights and investments and the creation of encumbrances to be made by the Company and/or by its subsidiaries, where the individual or aggregate value is higher than 15 million euros, except if already approved within the Company's annual budget and the corresponding value does not exceed individually or in total 25 million euros;

o) Incorporation of companies and the subscription, acquisition, holding, encumbrance and disposal of holdings (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;

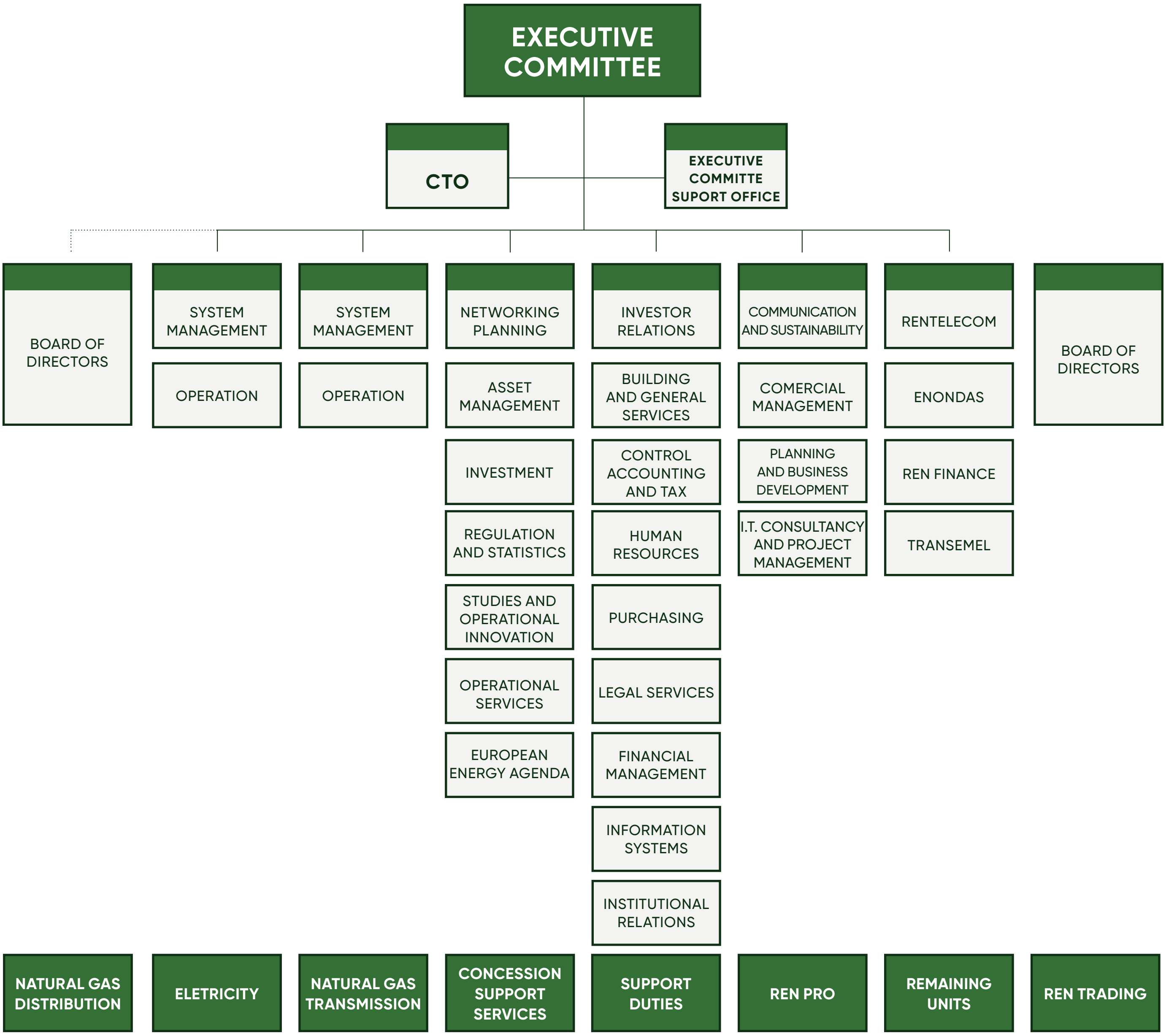
v) The entering of REN into joint ventures, partnerships or strategic cooperation agreements and selection of relevant partners;

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;

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[63]:



[61] On 1 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.

[62] Together with REN Finance and without prejudice to REN Finance's relevant corporate bodies and correspondent powers.

[63] This organizational chart was in force until 31 December. On 1 January 2022, a new organization came into force, aimed at representing REN's activity through its value chain, with the following business units which will operate in an integrated cycle of articulation and continuous improvement: (i) Regulation, Planning and Engineering, which will encompass the Direction of Studies and Regulation, the Direction of Planning and Asset Management and the Direction of Engineering and Innovation; and (ii) Operations and System Management, which includes the Direction of Operations, that integrates a single vision on the processes of Investment, Electricity Operation, Gas Operation and Servitudes and the Direction of System Management (Electricity and Gas) and Gas Distribution (which maintains the respective separation). The business units REN PRO and Support Functions also underwent some changes resulting from the concentration of some functions necessary for the efficient operation of the remaining areas, with specialized and dedicated services (Energy Services Department), as well as strengthening competences in sustainability and external communication (Sustainability and Communication Department, Media Relations Department and Operational Sustainability Department).

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 2021, the responsibility for the direct monitoring of specific Company performance areas, under the terms evidenced in the following chart[64]:

EXECUTIVE COMMITTEE

RODRIGO COSTA
CEO

- HUMAN RESOURCES
- COMUNICATION AND SUSTAINABILITY
- LEGAL SERVICES AND CORPORATE SECRETARY
- STRATEGIC COORDINATION
- INNOVATION

JOÃO FARIA CONCEIÇÃO
COO

- ELECTRICITY BUSINESS UNIT
  - SYSTEM MANAGEMENT
  - OPERATION
- NATURAL GAS TRANSMISSION BUSINESS UNIT
  - SYSTEM MANAGEMENT
  - OPERATION
- GAS DISTRIBUTION BUSINESS UNIT
- NETWORK PLANNING
- ASSET MANAGEMENT
- INVESTMENT
- SEECTOR INSTITUTINAL RELATIONS
- REGULATION AND STATISTICS
- OPERATIONAL SERVICES
- STUDIES AND OPERATIONAL INNOVATION
- COMMERCIAL MANAGEMENT
- EUROPEAN ENERGY AGENDA
- BUSINESS DEVELOPMENT (MOZAMBIQUE)
- ENONDAS
- R&D NESTER

GONÇALO MORAIS SOARES
CFO

- FINANCIAL MANAGEMENT
- CONTROL, ACCOUNTING AND TAXATION
- BUILDING AND GENERAL SERVICES
- INVESTOR RELATIONS
- PLANNING AND BUSINESS DEVELOPMENT (EXCLUDING MOZAMBIQUE)
- PROCUREMENT
- INFORMATION SYSTEMS
- ELETROGÁS
- RENTELCOM

[64] On January 2022, a new allocation of responsibilities was approved, following the organisational and functional changes that took effect on 1 January 2022. According to the new service order for the allocation of responsibilities, the following areas have been formally allocated to Director Rodrigo Costa: Media Relations, in addition to those mentioned in the organisation chart; to Director Gonçalo Morais Soares: REN Finance, Transemel and IT Consulting and Project Management, in addition to those mentioned in the organisation chart; and to Director João Faria Conceição, the following areas: Regulation, Planning and Engineering Business Unit (which includes Studies and Regulation, Planning and Asset Management, Engineering and Innovation), Operations and System Management Business Unit (Operations, Electricity and Gas System Management, Gas Distribution), Institutional Relations, Operational Sustainability, Energy Services, Planning and Business Development - Mozambique, Enondas and R&D Nester.

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[65] 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.

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[66].

In 2021, the Board of Directors held 5 meetings.

The following table shows the number of meetings of the REN Board of Directors at which directors were present or duly represented.

[65] www.ren.pt
[66] See Article 19(1) of the Articles of Association.

ATTENDANCE OF MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS

Name	Present	Representation	Absent	% attendance
Rodrigo Costa	5	0	0	100%
João Faria Conceição	5	0	0	100%
Gonçalo Morais Soares	5	0	0	100%
Guangchao Zhu (em representação da State Grid International Development Limited)	3	2	0	100%
Mengrong Cheng	2	3	0	100%
Lequan Li	5	0	0	100%
Omar Al-Wahaibi[67]	3	0	0	100%
Jorge Magalhães Correia	4	1	0	100%
Manuel Ramos de Sousa Sebastião	5	0	0	100%
Gonçalo Gil Mata	5	0	0	100%
Rosa Freitas Soares[68]	4	0	0	100%
Maria Estela Barbot	5	0	0	100%
Ana Pinho	5	0	0	100%
Ana da Cunha Barros[69]	4	0	0	100%
José Luís Arnaut	5	0	0	100%

In addition, information on the composition of the Board of Directors and the number of meetings held annually can be found at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade/conselho_de_administracao/

Directors and employees of other companies of the REN Group, as well as their respective advisors, may be called upon to participate (but not vote) in meetings of the Board of Directors, whenever the Board of Directors deems that their presence is necessary or convenient.

EXECUTIVE COMMITTEE

Meetings of the Executive Committee are convened and chaired over by the respective Chairman and are held, as a rule, once a week[70].

In 2021, the Executive Committee held 50 meetings.

The Chairman of the Executive Committee (who, as already mentioned, is also Chairman of the Board of Directors), sends to the Chairman of the Audit Committee the minutes of the Executive Committee's meetings, with the supporting documentation, as well as the respective convening notices, when applicable. The Executive Committee provides timely and appropriate information to members of other corporate bodies upon their request[71]. 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.

[67] Submitted to the Chairman of the Board of Directors of REN his resignation as a member of the Board of Directors, effective from 31 August 2021. For the purposes of calculating attendance, only meetings held in 2021 prior to 31 August 2021 are considered.

[68] Elected for the first term of office at the General Meeting of 23 April 2021. For the purposes of calculating attendance, meetings held in 2021 prior to commencement of the term of office are not taken into account.

[69] Elected for the first term of office at the General Meeting of 23 April 2021. For the purposes of calculating attendance, meetings held in 2021 prior to commencement of the term of office are not taken into account.

[70] See article 1(2) of the Audit Committee regulations.

[71] See Article 5 of the Executive Committee Regulations.

ATTENDANCE OF MEMBERS OF THE EXECUTIVE COMMITTEE AT MEETINGS

Name	Present	Representation	Absent	% Attendance
Rodrigo Costa	50	0	0	100%
João Faria Conceição	50	0	0	100%
Gonçalo Morais Soares	49	1	0	100%

In addition, information on the composition of the Executive Committee and the number of meetings held annually can be found at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade/comissao_executiva

II.24 Indication of the competent corporate bodies to conduct the performance assessment of executive directors

The performance of members of the Executive Committee has been assessed by the Nominations and Appraisals Committee and by the Remunerations Committee, within the scope of their respective responsibilities.

Also of note is the role played by the Audit Committee in the verification of the quantitative aspects of assessment.

The Board of Directors, through its Nominations and Appraisals Committee, within the scope of its powers, assesses the overall performance of the Board of Directors and the specialized committees, taking into account compliance with the company's strategic plan and budget, risk management, its internal functioning and the contribution of each member, and the relationship between the company's bodies and committees.

II.25. Predetermined criteria for the performance assessment of executive directors

The annual performance assessment of executive directors is based on predetermined criteria, under the terms outlined in III.71 below.

II.26. Availability of each member 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 2021:

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 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 de Transmisión Eléctrica Transemel S.A.

Director	Duties carried out on management or supervisory bodies
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 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 de 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 B.V. 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 de 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[72], 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 31.12.2021[73].

[72] 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)
[73] of the Board of Directors' Regulations.

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 Member of the Board of Directors of AusNet Services
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

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 31.12.2021[74].

Director	Duties carried out on management or supervisory bodies
Manuel Ramos de Sousa Sebastião	Non-executive member and President of the Audit Committee of Banco BPI, S.A..
Gonçalo Gil Mata	Executive director and a member of the Board of Directors of Capital Criativo – Soc. Capital de Risco Non-executive member of the Board of Directors of Arquiled, S.A., Summer Portugal, SA and Vila Monte, S.A. Manager at Goma Consulting, Lda.
Rosa Freitas Soares	Member of the Remuneration Committee of Sogrape, SGPS, S.A.
Maria Estela Barbot	President of the General Council of the Universidade Nova de Lisboa Managing Partner at ALETSE, Lda (Real Estate, Management Consulting and Public Relations and Communication) International Senior Adviser of Roland Berger Holding GmbH Member of the Advisory Board of Ar.Co – Centro de Arte e Comunicação Visual, Member of the Board of Founders of Museu de Arte Moderna da Fundação de Serralves President of Fórum Portugal Global – FPG

[74] None of the companies identified belong to the REN Group.

Director	Duties carried out on management or supervisory bodies
Ana Pinho	Chairman of the Board of Directors and of the Executive Committee of the Serralves Foundation 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.

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 2021, 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 will be made available on the REN website, once approved.

Also in 2021, the Board of Directors approved the change of the name of the "Corporate Governance Committee" to "Ethics and Corporate Governance Committee", with a view to extending its activity to matters related to ethics, and in particular to monitoring the implementation of the Code of Conduct and related internal rules. The changes to the Committee's internal regulations will be published in due course, once approved.

Their internal regulations can be consulted at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade

Moreover, information on the composition of these committees and the number of meetings held annually may also be consulted at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade

II.28. Composition, if applicable, of the Executive Committee and/or identification of delegated directors

At 31 December 2021, 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 and the Nominations and Appraisals Committee.

The Ethics and Corporate Governance Committee has the powers and competences conferred by its internal regulations[75]. 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:

iii) structure, role and functioning of the corporate bodies;

iv) liaison between the corporate bodies and the internal committees;

v) incompatibilities and independence of the members of corporate bodies;

vi) efficiency of the role of non-executive members of the Board of Directors;

vii) voting, representation and equal treatment of shareholders;

viii) the prevention of conflicts of interests;

ix) transparency in relation to corporate governance, information disclosed to the market and relations with investors and other stakeholders;

d) Issue opinions upon request of the Board of Directors or at its own initiative in relation to any corporate governance matters, in particular with regard to incompatibilities and the independence of the members of the Board of Directors;

e) Prepare the questionnaire evaluating the independence of the members of the Board of Directors;

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;

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[76]. 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;

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;

[75] See Article 3 of the Corporate Governance Committee Regulations.

[76] See Article 3 of the Nominations and Appraisals Committee Regulations.

ii) support the Board of Directors in the annual appraisal of its executive members, the overall performance of the Board of Directors and of the specialized committees;

iii) prepare a report to the Remunerations Committee in relation to the appraisal of the executive members of the Board of Directors, to be delivered by the end of March of the following year;

iv) perform any other duties or responsibilities delegated to the Nominations and Appraisals Committee by the Board of Directors within the scope of its duties;

REN understands that the definition of senior management only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the Nominations and Appraisals Committee for the purpose of appointing other management staff. 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 and the Nominations and Appraisals Committee establish, inter alia, the performance of the respective duties, chairing, attendance of meetings, operation and framework of duties of its members and can be consulted on the official REN website[77] 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[78], 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[79] (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 2021, 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[80] in Portuguese and English.

As provided for in its regulations, its meetings are drawn up, approved and signed by all members who are present.

[78] See II.15. above.
[79] See Article 3(3) of the Audit Committee regulations.
[80] www.ren.pt
[81] See Article 9(1) and (2) of the Audit Committee Regulations.

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.[81]

In 2021, the Audit Committee held 14 meetings.

ATTENDANCE OF MEMBERS OF THE AUDIT COMMITTEE AT MEETINGS

Name	Present	Representation	Absent	% attendance
Manuel Ramos de Sousa Sebastião	14	0	0	100%
Gonçalo Gil Mata	14	0	0	100%
Maria Estela Barbot[82]	6	0	0	100%
Rosa Freitas Soares[83]	8	0	0	100%

Moreover, information on the composition of the Audit Committee and the number of meetings held annually may also be consulted at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade

III.36. Duties of 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[84], 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 2021, 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.

[82] At the General Meeting of 23 April 2021, she was not reappointed to the position of Member of the Audit Committee, which she previously held. For attendance calculation purposes, only the meetings held prior to the General Meeting of 23 April 2021 are considered.

[83] Elected for the first term of office in the General Meeting of 23 April 2021. For the purposes of calculating attendance, meetings held in 2021 prior to the General Meeting of 23 April 2021 are not considered.

[84] See article 6(4)(h) of the Audit Committee regulations.

III.38. Other functions of the supervisory bodies and, where applicable, the Financial Matters Committee

A 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[85]:

a) Supervising the management of the Company;

b) Monitoring compliance with the law, the REN Articles of Association and applicable principles of corporate governance;

c) Confirming that the REN Corporate Governance Report includes the information set out in Article 245-A of the Securities Code (since 1 january 2022, article 29-H) and in CMVM Regulation No 4/2013, as amended;

d) Expressing their agreement or otherwise with regard to the annual management report and the accounts for the financial year;

e) Verifying, when and in the manner they see fit, cash in all its forms and stocks of any type of assets or values belonging to REN or received by REN as a guarantee, deposit or in other form;

f) Inspecting the accuracy of records, supporting documents and accounting books;

g) Verifying whether the accounting policies and the valuation criteria adopted by REN lead to a correct evaluation of property and results;

h) Preparing the annual report on their supervisory work;

i) Issuing an opinion on the report, accounts and proposal to distribute profits presented by management;

j) Convening the General Shareholders' Meeting whenever the Chairman of the Board of the General Shareholders' Meeting fails to do so;

k) Receiving alleged whistleblowing communications, in financial or others matters, submitted by shareholders, company employees or third parties;

l) ensure that the company's arrangements for receiving such communications, in confidence, allow a proportionate and independent investigation of such matters and appropriate follow-up actions;

m) Supervising the preparation and disclosure of financial information, in particular financial information by the Board of Directors or Executive Committee, including the adequacy of accounting policies, estimates, judgements and relevant disclosures, and their consistent application across financial years, in a duly documented and communicated format;

n) Inspecting the review of accounts in accounting documentation;

o) Hiring the services of experts who will assist one or several f its members in exercising their duties. The contracting and remuneration of experts must take into account the importance of the matters they are to deal with and the company's economic situation;

p) Complying with other provisions set out in law or the Articles of Association.

In its relationship with other corporate bodies, the Audit Committee is also responsible for[86]:

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;

[85] See Article 6(3) of the Audit Committee regulations.
[86] See Article 6(4) of the Audit Committee Regulation.

b) Proposing to the General Shareholders' Meeting the appointment of the Statutory Auditor, first and alternate;

c) Supervising the independence of the Statutory Auditor, more specifically with regard to the provision of non-audit of additional services and its suitability for the performance of duties;

d) Representing the Company, for all purposes, with the Statutory Auditor acting as REN's interlocutor with it and being the first recipient of its reports;

e) Ensuring that the proper conditions for the provision of audit services by the REN Statutory Auditor are provided within the company;

f) Monitoring the activities of the Statutory Auditor on a regular basis by analysing their periodic reports and overseeing the audit and review processes. It also assesses any changes in procedures recommended by the or the Statutory Auditor;

g) Assessing the work carried out by the Statutory Auditor on an annual basis;

h) Providing prior approval on the contracting of any audit services from the Statutory Auditor by the Company, or any entity with a participating interest with the said auditor or which is part of the same network, explaining the reasons for such contracting in the annual report on Corporate Governance;

i) Approving the business plan for the following year and the activity report for the previous year from REN's Internal Audit Department; and

j) To approve the annual budget and staff members proposals for the Internal Audit Department of REN, which shall be submitted to the Executive Committee for final assessment, together with the proposals of all other REN departments.

The Audit Committee draws up an annual report on its supervisory activities (including references to any detected constraints). It also submits an opinion on the management report, the financial statements of the financial year, as well as on the Corporate Governance Report. They are published together with accounting documents on the REN website[87], 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[88]. 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[89], 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.

[87] www.ren.pt

[88] See Article 6(4)(f) of the Audit Committee Regulation.

[89] See Article 420.

IV. STATUTORY AUDITOR

IV.39. Identification of the Statutory Auditor and of the key auditor partner representing the Statutory Auditor

The office of permanent Statutory Auditor of the Company is carried out by the auditors Ernst & Young, Audit & Associados, SROC, SA, registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119), who also carries out the duties of External Auditor.

The alternate Statutory Auditor of the Company is Ricardo Miguel Barrocas André, registered with the Portuguese Institute of Statutory Auditors under No 1461..

IV.40. Indication of the number of years which the Statutory Auditor has consecutively carried out duties for the Company and/or group

The REN Statutory Auditor (Ernst & Young, Audit, SROC SA) was initially hired to carry out these duties in 2018. It is currently in its second term of office (2021-2023).

In light of the applicable legal and regulatory framework, the appointment of Ernst & Young, Audit & Associates, SROC SA 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.

V. EXTERNAL AUDITOR

V.42. Identification of the External Auditor for the purposes of Article 8 and of the respective key auditor partner representing the former in the carrying out of these duties, along with the relevant CMVM registration number

REN's External Auditor, as in the case with the Statutory Auditor, is Ernst & Young, Audit & Associados, SROC,S.A., registered with the Portuguese Institute of Statutory Auditors under No 178 and registered at CMVM under No 20161480, represented by Rui Abel Serra Martins (S.A. No 1119)

V.43. Indication of the number of years during which the External Auditor and respective Statutory Auditor have carried out duties for the Company and/or group

REN's External Auditor (Ernst & Young, Audit & Associados, SROC SA), and the respective partner, was initially hired to carry out these duties in 2018.

V.44. Rotation frequency and policy for the External Auditor and respective key auditor partner representing the former in the performance of these duties

REN's External Auditor (Ernst & Young & Associados, SROC S.A.) was initially hired to carry out these duties in 2018. It is currently in its 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 2021, 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 2021, 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 2021.

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[90])

In the financial year ending 31 December 2021, 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 2021, was 439 341 euros, broken down as follows:

- Ernst & Young, Audit & Associados, SROC S.A. and its network – 352 100 euros;
- PricewaterhouseCoopers & Associados – SROC, S.A. and its network – 87 241 euros.

ERNST & YOUNG, AUDIT & ASSOCIADOS, SROC S.A. AND ITS NETWORK

	Company (REN SGPS)[91]	Other companies[92]	Total	%
Audit and legal review of accounts	33,500	240,643	274,143	77.9
Other reliability guarantee services	60,000	17,958	77,958	22.1
Services other than audit services or legal review of accounts	-	-	-	-
	93,500	**258,600**	**352,100**	**100,0**

[90] 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.

[91] Including individual and consolidated accounts.

[92] Including individual and consolidated accounts.

PRICEWATERHOUSECOOPERS & ASSOCIADOS – SROC, S.A.
AND ITS NETWORK

	Company (REN SGPS)[93]	Other companies[94]	Total	%
Audit and legal review of accounts	-	8,400	8,400	9.6
Other reliability guarantee services	-	54,100	54,100	62.0
Services other than audit services or legal review of accounts	-	24,741	24,741	28.4
	-	**87,241**	**87,241**	**100.0**

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[95] and in the Articles of Association themselves[96]. In this regard, please see point 7.1.1, II.14.

II. WHISTLEBLOWING POLICY

II.49. Whistleblowing Policy and Means on irregularities occurring in the Company

Stakeholders (shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies) may communicate any irregular practices they have knowledge or reasonable doubts of to the Audit Committee, in order to prevent, stop or sanction irregularities which could adversely affect the REN Group[97].

This system covers the communication of irregular practices by shareholders, members of corporate bodies, officers, directors, managers, employees, service providers, clients, suppliers and other stakeholders in REN or REN Group companies, due to or during the performance of their respective duties.

In this regard it is important to note that the concept of "Irregularity[98]" includes all situations that any of the individuals detects, or 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 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,

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 REN or the companies of the REN Group, due to or within the context of their duties.

It is understood that reportable irregularities include those that could result in illegal acts which constitute criminal, civil or administrative offences or which are related to:

i) accounting and financial matters;

ii) the internal risk management system;

iii) supervisory activities performed at REN or at any of the REN Group's companies.

[93] Including individual and consolidated accounts
[94] Including individual and consolidated accounts.
[95] See Article 383 of the Portuguese Companies Code.
[96] See Article 11 of REN's Articles of Association.
[97] See Articles 6(3)(k) and (l) and 8 of the Audit Committee Regulations and the document "Applicable procedures for processing communications regarding irregularities and the assessment of irregularities".", available at www.ren.pt
[98] See Section VI (Concept of "Irregularity") of the document "Applicable procedures for processing communications regarding irregularities and the assessment of irregularities"..

Such communication must be made voluntarily, orally or in writing. Oral communications should be made through the telephone number 210013511 and, at the request of the whistleblower, in a face-to-face meeting. The written communications should be sent to the Company's headquarters and addressed to the Chairman of the Audit Committee or to the e-mail address comissão.auditoria@ren.pt, of restricted access to the Audit Committee, and contain all the elements and information that the author has and deems necessary to assess the irregularity[99].

Communications will be dealt with confidentially, except if the whistleblower wishes to reveal his or her identity in the communication of the irregularity, which will only be disclosed for the purposes of investigation should the whistleblower give his or her consent.

The Audit Committee must assess the situation described and determine or propose actions that, in each specific case, are deemed appropriate, in accordance with the internal regulations "Applicable procedures for processing communications regarding irregularities and the assessment of irregularities" approved by the Board of Directors, under a proposal by the Audit Committee[100].

The investigation process by the Audit Committee includes a preliminary stage which is followed by an investigation and a final report. Based on this report, should the conclusions so justify, penalty measures are proposed for approval by the Board of Directors or Executive Committee.

REN implemented the mechanisms with regard to the prevention and detection of fraud and errors and the verification of the operations and business of the REN Group with the applicable legal and regulatory provisions, including the general policies and regulations of REN, carried out by the Risk Management Committee, further described in III.54 below.

In 2021, the REN Group Integrity Policy was also approved, aiming to define the principles and duties applicable to employees of REN Group companies and other partners, in order to prevent the practice of illicit acts, namely crimes of corruption, money laundering and terrorism financing, and to promote ethics, integrity and transparency in doing business, ensuring compliance with the legislation and regulations in force.

REN Group's integrity policy is also embodied in the REN Group Code of Conduct[101], which establishes rules of ethics and professional conduct to be observed by all employees and members of corporate bodies.

Hence, the fight and prevention of the practice of illicit 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 5 of the 2021 Management Report dedicated to "Sustainability" which details the implementation of stakeholder consultation and its results, priorities and new topics materially relevant, including those relating to governance and ethics.

III. INTERNAL CONTROL AND RISK MANAGEMENT

III.50. People, bodies or committees responsible for internal audit and/or for the implementation of internal control systems

The management and supervisory bodies of the Company have attributed growing importance to the development and improvement of the internal control and risk management systems, with a significant impact on the activities of the REN Group companies. This approach has been in line with national and international recommendations, the Company's size and business and the complexity of the associated risks.

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.

[99] See Chapter VII (Communications of Irregularities) of the document "Applicable procedures for processing communications regarding irregularities and the assessment of irregularities".

[100] Available at www.ren.pt

[101] Available at https://www.ren.pt/files/2018-12/2018-12-17095938_f7664ca7-3a1a-4b25-9f46-2056eef44c33$$72f445d4-8e31-416a-bd01-d7b980134d0f$$B438D8D8-09C0-4744-B79B-D8C8C30AAA73$$storage_image$$pt$$1.pdf

[102] See Article 3(4)(a) of the Audit Committee regulations.

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[102]. The Audit Committee reports on the work plans and resources allocated to internal control services, including control of compliance with company rules (compliance services) and internal audit, and receives the reports made by these services. Such reports involve dealing with matters relating to the rendering of accounts, the identification or resolution of conflicts of interest and the detection of potential irregularities. Checks are also made that the risks actually incurred by the company are consistent with the objectives set by the Board of Directors.

For the purposes of this control, the Audit Committee has implemented in particular the following measures: (i) 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 2021, 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;
- Propose, bysubmitting to the Executive Committee, recommendations for prevention, mitigation, sharing or transfer of material risks.

In 2021, 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[103]. To this effect, the Audit Committee carries out an appraisal of the work plans and resources available to the Internal Audit Department, supervises the activity and has access to all reports prepared by the GSAD-AI including, amongst others, matters relating to accounts, potential conflicts of interest and the detection of possible irregular practices.

The Risk Management Committee is 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 2021, the Risk Management Committee, with support from those responsible for managing activities and/or situations with inherent risk, 'risk owners', reviewed the various risks to which REN is exposed, thereby updating the Group's risk profile.

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

#	Category	Subcategory	Nature	Risk event
1	Surrounding Environment	External Context	Regulatory	Changes to the regulatory model and parameters
			Energy Markets	Financial non-compliance by the market agents
2			Financial Markets	Evolution of REN's rating
3				Evolution of interest rates
4	Processes	Operational	Interruption of business	Occurrence of a generalized incident
5			Investment projects	Delay in implementing investment plans
6				Non-entry into operation of assets within planned deadlines of the project
7			Health & Safety	Occurrence of serious work accidents
8			Information technology	Unavailability of information systems
				Occurrence of cybersecurity events

[103] See Article 6(4)(a)(i) and (j) of the Audit Committee regulations.

CHANGES TO THE REGULATORY MODEL AND PARAMETERS

The risk of changes to the regulatory model and/or regulator decisions may affect the company's ability to run its business efficiently and is linked to the fact that the activity carried out by REN is a regulated activity.

REN manages such risk by systematically monitoring the progress of the regulatory strategy as well as European regulatory trends in relation to activities carried out by REN so as to prevent/analyse the impacts of possible changes. This activity is accompanied by continuous monitoring using specific indicators.

EVOLUTION OF REN'S RATING

Changes to REN's rating could have an impact in terms of access to financing as well as the cost of such financing.

REN manages this risk by building a position of sound liquidity and through efficient management of its financing needs through the evolution of some specific indicators and combined with effective initiatives for communicating with both the market and the various financial agents.

It should be noted that the company's rating could be affected by any 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, and remain adequate in 2021.

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.

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 2021.

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;
- 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;
- 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 2021:

Review and updating of the list of greatest risks;

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, on 8 November 2012, the REN Board of Directors approved a first review of the regulations on "Assessment and Monitoring of Transactions with Related Parties and Prevention of Conflicts of Interests" and "Applicable Procedures for Processing Communications Regarding Irregularities and the Assessment of Irregularities".

In 2021, an amendment to the internal regulations "Applicable Procedures for Processing Communications Regarding Irregularities and the Assessment of Irregularities" was approved, 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[104]

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 2021, 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.

[104] Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards incentives for long-term shareholder involvement, transposed into national law by Law 50/2020 of 25 August.

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

Nuno Rosário (Head of Department): nuno.rosario@ren.pt

Alexandra Martins: alexandra.martins@ren.pt

Telma Mendes: telma.mendes@ren.pt

Morada:
REN – Redes Energéticas Nacionais, SGPS, S.A.
C/O: Investor Relations Office

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;

i) Develop and maintain the Investor Relations page on the Company's[105] 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. In 2021, and in light of the pandemic situation experienced, the management's activity remained substantially altered with regard to form, since, as of mid-March 2020, there were no longer any face-to-face meetings. For this reason, in 2021, about 410 requests were received and answered by telephone, 390 by e-mails and there were about 70 contacts both in conferences and roadshows, both with debt and equity investors. Another form of contact with capital markets was through conference calls commenting on the results of each quarter of the year, in which both analysts and institutional investors participated.

Also in relation to information duties, REN published, in line with the stipulated terms, press releases on the Portuguese Securities Market Commission and London Stock Exchange websites, amongst other entities.

REN maintains an updated record of requests for information lodged, as well as the treatment they received.

V. INTERNET SITE

V.59. Address(es)

The Company's[106] 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[107],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[108], under the tab marked 'Investors', there is a tab marked 'Corporate Governance' under which, in turn, there is a tab marked 'Statutes and Regulations'. This latter tab provides access to the Articles of Association, as well as the following regulations and documents:

- Articles of Association;
- Board of Directors Regulations;
- Audit Committee Regulations;
- Executive Committee Regulations;
- Corporate Governance Committee Regulations;
- Nominations and Appraisals Committee Regulations;
- Remuneration Committee Regulations;
- Regulations on transactions with related parties;
- Regulations on transactions of financial instruments by REN directors;
- 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;
- 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[109], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which the composition of the corporate bodies can be found. https://www.ren.pt/en-GB/investidores/governo_da_sociedade

Furthermore, on the REN website[110], under the tab marked 'Investors', there is a tab marked 'Investor Relations' which has information on the identity of the Representative for Market Relations and the Office for Investor Relations, as well as their contact details and powers. https://www.ren.pt/en-GB/investidores/relacoes_com_investidores

[105] www.ren.pt
[106] www.ren.pt
[107] www.ren.pt
[108] www.ren.pt
[109] www.ren.pt
[110] www.ren.pt

V.63. Place where accounting records are made available, which must be accessible for at least ten years[111], 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[112], under the tab marked 'Investors', there is a tab marked 'Investors' where there is a further tab marked 'Results'. Here it is possible to find documents on accounting records, which will be accessible for a minimum of 10 years. https://www.ren.pt/en-GB/investidores/resultados

On the same website[113], 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[114], under the tab marked 'Investors', there is a tab marked 'Corporate Governance', under which, there is a tab marked 'General Meetings, where the Notice to Convene, the proposed resolutions and the minutes of the General Meeting can be found.

https://www.ren.pt/en-GB/investidores/governo_da_sociedade/assembleias_gerais

V.65. Place where a historic record is made available with all the resolutions adopted at the company's General Meetings, the represented share capital and voting results for the previous three years

On the website[115], REN provides extracts from the minutes of General Meetings.

On the website[116], 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.

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[117], 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.

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[111] 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.

[112] www.ren.pt

[113] www.ren.pt

[114] www.ren.pt

[115] www.ren.pt

[116] www.ren.pt

[117] See Article 8(2)(d) of the Articles of Association.

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 2021, 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 (independente)	Chairman
José Galamba de Oliveira (independente)	Member
Fernando Neves de Almeida (independente)	Member

Information on the composition of the Remuneration Committee and the number of meetings held annually can be found at: https://www.ren.pt/en-GB/investidores/governo_da_sociedade

The current Remunerations Committee is comprised by members who are independent from the management. To such extent, the Remunerations Committee does not include any member of other corporate bodies for which it determines the respective remuneration. Its three members in office do not have any family relationship with members of such other bodies, notably spouses, relatives and kin, in a direct line, up to the 3rd degree, inclusive.

To support it in its duties, the Remunerations Committee did not hire any natural or legal person which provides, without its prior authorisation, or has provided in the last three years, services to any structure under the Board of Directors, reporting to the Board of Directors itself or which has any current relationship with the Company or with Company consultants, or any natural or legal person related to these bodies through a work or services contract.

In any case, the Remunerations Committee may, in accordance with its regulations, freely decide on the contracting, by the Company, of the consulting services necessary or convenient for the performance of its functions, within the budgetary limits of the Company, ensuring that the services are provided independently and that the respective providers will not be contracted for the provision of any other services to the Company itself or to others that are in a domain or group relationship without its express authorization.

The Remunerations Committee Regulations, approved in January 2019, which establish, inter alia, the performance of the respective duties, chairing, frequency of meetings, functioning and framework of duties of its members are available at https://www.ren.pt/en-GB/investidores/governo_da_sociedade/estatutos__regulamentos_e_relatorios

As set out in its Regulations, and as was already the case prior to the adoption of these regulations, detailed minutes are drawn up, approved and signed by all the members present at the meetings.

At the Annual General Meeting of 2021, João Duque was present, on behalf of the Remunerations Committee. In addition, the Remunerations Committee Regulations provide for the obligation of the Chairman of the Remunerations Committee or, if not possible, another member of the Remunerations Committee, to be present and to provide information or clarifications requested by the shareholders at the Annual General Meeting. Such presence is also required in any other case where the agenda includes a matter related to the remuneration of the members of the company's bodies and committees or when requested by shareholders.

II.68. Expertise and experience of the Remunerations Committee in matters or remuneration policy

All members of the Remunerations Committee have the necessary knowledge, acquired through their academic training and professional experience required to reflect and decide upon all matters under the Remuneration Committee remit, taking into account that set out below.

Each member of the Remunerations Committee has a specific academic background in management, and one of the members (Fernando Neves de Almeida), holds a degree in human resource management. This training provides them with the necessary and relevant theoretical expertise to perform their duties. It should also be noted that Fernando Neves de Almeida continues his academic work in the field of human resources, being executive coordinator of Ph.D., master and bachelor programmes in the fields of strategic management and human resources areas and has published several papers and books on this area.

Moreover, the Remunerations Committee consists of three members with vast professional experience, working for consultancies, the government and in numerous different sectors of activity, both in Portugal and abroad. Therefore, all the members of the Remunerations Committee have continued to perform duties as (i) members of the management body of several national and international entities in highly varied sectors of activity, (ii) positions of management and consulting in financial regulators, and (iii) positions of management at consultancies in the fields of management, technology and human resources, thus consolidating relevant practical knowledge with regard to remunerations policy, performance assessment systems and complementary areas.

III. REMUNERATION STRUCTURE

III.69. Description of the remuneration policy for management and supervisory bodies as referred to in Article 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, by reference to 2021, 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 for the year 2021 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, shall be due in the event of inadequate performance of a director.

Non-executive directors (including members of the Audit Committee) are entitled to fixed monthly remuneration, defined in line with the best practices observed at large-scale companies in the Portuguese market. The remuneration policy for non executive members of the Board of Directors is guided by the main purpose of compensating the dedication and responsibility required for the performance of their duties.

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed sum.

Currently, there are no approved variable remuneration plans or programmes that consist of the allocation of shares, options to acquire shares or other incentive schemes based on a variation of the price of shares for members of the management or supervisory bodies (or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014), without prejudice to the method of calculating medium/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 I of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

III.71. Reference, if applicable, to the existence of a variable remuneration component and information on possible impact of performance assessment on this component

The remuneration structure of the Executive Committee consists of fixed and variable components, and in accordance with the remuneration policy approved and described in the Remuneration Committee declaration approved by the Annual General Meeting of 2021, the variable component of remuneration for 2021 may include short and medium-term parcels – STVR and MLTVR [117].

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 I of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

[117] Cfr. pontos III.69. e III.70. *supra*.

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 I of this Governance Report dedicated to the Annual Report on Remuneration of REN's Corporate Bodies dedicated to the Annual Report on Remuneration of REN's Corporate Bodies.

III.73. . Criteria on which the awarding of variable remuneration in shares is based, as well as on the maintaining, by the executive directors, of these shares, on possible signing of contracts which refer to the shares, more specifically hedging contracts or risk transfer contracts, the respective limit, and their relation to the value of total annual remuneration

At present, no plans to award variable remuneration in shares exist.

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated, members of the board of directors of the Company have not entered into agreements either with the company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

III.74. Criteria on which the awarding of variable remuneration in options is based and indication of the deferral period and the strike price

There are no variable remuneration plans or programmes that consist of the awarding of options to acquire shares or other incentive systems based on a variation of the price of shares (notwithstanding the method for calculating MTVR) for members of the management or supervisory bodies or persons discharging managerial functions, within the meaning of Article 3(1)(23) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014.

III.75. Main parameters and basis of any system of annual bonuses and any other non-monetary benefits

In 2021, 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 2021 to members of REN's management body, individually and collectively, please see Point 11 of Annex I 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 2021, 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 2021, 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 2021, which REN considers to be the adequate legal instrument for these purposes, in the event of unfair dismissal or termination of duties of an executive member of the Board of Directors through agreement, no compensation will be due, beyond that legally required, if such termination or dismissal is due to the unsuitable performance of the director. The consequences of the termination of the agreement are previously defined in accordance with the reasons for that termination. No other provision exists in the REN remuneration policy or in contractual clauses applicable to this matter, and as such, only the legal rules apply.

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 8 November 2012 and remain in effect.

In 2021, the Board of Directors approved a proposal from the Audit Committee to amend the internal regulation on "Assessing and Monitoring Transactions with Related Parties and Preventing Situations of Conflicts of Interest", with a view to better adjusting its content to the new Corporate Governance requirements as laid down in the 2020 revision of the IPCG Code and to the Shareholders' Directive II[119].

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[120] 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[121].

Finally, the Audit Committee also submits recommendations to the Board of Directors with regard to measures to prevent and identify conflicts of interest[122].

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,

[119] Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC on incentives for long-term shareholder engagement, transposed into national law through Law No. 50/2020 of 25 August.

[120] 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 I 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.

[121] See Points 4 and 5 of point VI of the abovementioned internal regulation.

[122] See Point X(I)(a) of the abovementioned internal regulation.

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) Award of the material damage insurance for the submarine cable and complementary brokerage services, to REN - Rede Eléctrica Nacional, S.A.:

- Approved on January 20, 2021, by the Board of Directors of REN - Rede Eléctrica Nacional, S.A., having been previously discussed and approved at the REN SGPS Board of Directors meeting on November 13, 2020. It also received a favourable opinion from the Audit Committee;

- 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.);

- Maximum value of the award: 1,650,000.00 euros (plus VAT at the legal rate in force).

b) Contracting of Health Insurance and Complementary Brokerage Services for the REN Group:

- Approved on 09 June 2021, by the executive committee of the company REN - Redes Energéticas Nacionais, SGPS, S.A., and by the boards of directors of the group companies, having obtained a favourable opinion from the Audit Committee;

- 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 Trading, S.A., REN Portgás Distribuição, S.A. and Centro de Investigação em Energia REN - State Grid, S.A.;-

- Maximum award value: 636,531.30 euros (plus applicable taxes and fees).

c) Renewal and addition to the maritime civil liability insurance for the REN Group, the original award of which was approved on 13 November 2020:

- Approved on October 13, 2021, by the executive committee of the company REN - Redes Energéticas Nacionais, SGPS, S.A.;

- 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.);

- Maximum award value: 1,207,000.00 euros (an increase of 33,424.56 euros).

- Amendment to the Power Transformers supply contract, for REN - Rede Eléctrica Nacional, S.A., for contracting complementary services for handling and parking the 220/63 kV 170 MVA transformer being installed at the Valdigem substation, the original award of which was approved on 25 September 2019:

- Approved on October 27, 2021, by the Board of Directors of REN - Rede Eléctrica Nacional, S.A.;

- Agreement entered into with a related party, the company SPECO and subsidiary company of REN SGPS, S.A.: REN Eléctrica;

- Maximum value of the award after addendum: EUR 1,004,586.00 (additional value of EUR 21,440.00).

d) Amendment to the Power Transformer Supply Contract, for REN - Rede Eléctrica Nacional, S.A., for contracting complementary services and corresponding additional charges arising from the movement and parking of the 220/63 kV 170 MVA transformer installed at the Carregado substation, the original award of which was approved on 13 May 2020:

- Approved on the 10th of November 2021, by the Board of Directors of REN - Rede Eléctrica Nacional, S.A.;
- Agreement entered into with a related party, the company SPECO and subsidiary company of REN SGPS, S.A.: REN Eléctrica;
- Maximum value of the tender after addendum: EUR 1.088.232,00 (additional value of EUR 23.232,00).

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 2021 Management Report, in accordance with IAS 24, includes a description of the principal elements of business with Related Parties, including business and operations carried out between the Company and holders of qualified shareholdings or associated entities.

Business between the Company and the holders of qualified shareholdings or entities with which they are in any relationship pursuant to Article 20 of the Securities Code was conducted under normal market conditions, during normal REN business, and was largely a result of regulatory obligations.

PART 2

7.2. ASSESSMENT OF CORPORATE GOVERNANCE

1. IDENTIFICATION OF THE CODE OF CORPORATE GOVERNANCE ADOPTED

With regard to the disclosure of information on corporate governance, as an issuer of shares that are admitted to trading on the Euronext Lisbon regulated market, REN is subject to the regime established in the Securities Code and CMVM Regulation No 4/2013 (the latter was approved in 2013 and is applicable to government reports for this year).

In accordance with Article 2 of CMVM Regulation No 4/2013, the Corporate Governance Code which the company is subject to or has voluntarily decided to implement must be identified.

The place where the Corporate Governance Code(s) to which the Company is subject is made available to the public shall also be indicated (Article 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 https://cam.cgov.pt/images/ficheiros/2020/revis%C3%A3o_codigo_en_2018_ebook_copy.pdf.

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);

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:*** ACompanies 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

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
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
I.2.3.	The compositionand the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	Adopted	Part I 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
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.		

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
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 I, 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**[123]	
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 I, 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 I, chapter 7.1.2. s. II 14 The company deems that the majorities provided for in Articles 11(2) and (3) of the Bylaws, which are more strict than those defined by law, are justified by the fact that the matters in question are strategic and of structural importance, and as such requiring a broader consensus from shareholders. With regard to the majority me to in Article 11(3), this is justified by the fact that the articles in question are aimed at enabling the company to monitor compliance with several legal obligations and ERSE (Energy Services Regulatory Authority) Decision on the full unbundling regime.
II.3.	The company should implement adequate means for shareholders to participate in the General Meeting at a distance, in terms proportional to its size.	**Adopted (equivalent explain)**	Part I, 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**	Parte I, capítulo 7.1.1. ss. I.2 e I.5 Part I, 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.

[123] 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.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.
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

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
III.4.	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: (i) having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis; (ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; (iii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; (iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; (v) 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 hareholder of qualifying holding.	**Adopted**	Part I, chapter 7.1.2. s. II.18
III.5.	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).	**N/A**	There is no REN director in this situation.
III.6.	With regard to the powers conferred on it by law, the supervisory body shall assess and decide on strategic lines and risk policy prior to their final approval by the management body.	**Adopted (equivalent**	Part I, 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.

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
III.7.	Companies must have specialised committees for corporate governance, appointments and performance evaluation, separately or cumulatively. If the remuneration committee provided for in article 399 of the Companies Code has been set up, and this is not prohibited by law, this recommendation can be complied with by attributing to this committee competence in the said matters.	Adopted	Part 1, chapter 7.1.2. s. II.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
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 Annual Report, 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

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
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 I, 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 I, chapter 7.1.4. s. I.66
V.2.3.	For each mandate, the remuneration committee or the general meeting, on a proposal from that committee, shall also approve the maximum amount of all compensation to be paid to the member of any body or committee of the company due to the termination of their functions, and shall disclose such situation and amounts in the government report or remuneration report	Adopted	Part I, chapter 7.1.4. s. III.76 and IV.80 e V.83
V.2.4.	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	Adopted	Part I, 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 I, 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 I, 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 I, 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 I, 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 I, chapter 7.1.4. ss. III.74 The variable remuneration does not have the relevant characteristics for the application of the Recommendation

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
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	Adotada	Part 1, chapter 7.1.4. ss. III.69 and III.60
V.3	***Appointments*** ***Principle:*** Regardless of the method of appointment, the profile, knowledge and curriculum of the members of the governing bodies and senior management should suit the function to be performed.		
V.3.1.	The company shall, as it deems appropriate, but in a demonstrable manner, promote that proposals for the election of members of the corporate bodies are accompanied by reasons as to whether the profile, knowledge and curriculum are appropriate to the function to be performed by each candidate.	Adopted	Part 1, chapter 7.1.2. s. II.16
V.3.2.	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	N/A	Part 1, chapter 7.1.2. s. II.27 and 29 REN understands that the definition of senior management only encompasses the members of the company's management and supervisory bodies, hence REN hasn't created an additional nominations committee to the committee already established within the Board of Directors for the purpose of appointing other members of such body.
V.3.3.	This committee includes a majority of independent non-executive members.	N/A/ 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 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**		
IV.A	***Principle:*** *The managing body should debate and approve the company's strategic plan and risk policy, which should include the establishment of limits on risk-taking.*		
VI.1.	The Board of Directors should discuss and approve the company's strategic plan and risk policy, including the setting of risk taking limits.	Adopted	Part 1, Chapter 7.1.2.s II.21 and II.24; Chapter 7.1.3. s. III.50 ss

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
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 I, Chapter 7.1.3. s. III.50, III.51 and III.54
VI.3.	The internal control system, comprising the risk management, compliance and internal audit functions, must be structured in terms appropriate to the size of the company and the complexity of the risks inherent to its activity, and the supervisory body must assess it and, within the scope of its competence to supervise the effectiveness of this system, propose any adjustments that prove necessary.	Adopted	Part I, 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 I, 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 I, 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 I, 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 I, 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 I, Chapter 7.1.3. ss. III.38 and III.55

CORPORATE GOVERNANCE CODE		ASSESSMENT	REFERENCE TO THE CORPORATE GOVERNANCE REPORT /COMMENTS
VII.2.	***Statutory audit of accounts and supervision*** ***Principle:*** The supervisory body should establish and monitor clear and transparent formal procedures on the company's their relationship with the statutory auditor as well as on the supervision of compliance, by the auditor with rules regarding independence imposed by law and professional regulations		
VII.2.1.	The supervisory body shall, in accordance with the applicable legal framework, define the supervisory procedures to ensure the statutory auditor's independence.	Not Adopted	Part 1, Chapter 7.1.2. s. III.38, V.46 The Audit Committee supervises the independence of the Statutory Auditor, particularly with regard to the rendering 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 information 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 2021, for the purpose of paragraph r) of Article 245-A of the Securities Code (currently, Article 29-H), 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, approved this year, 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.

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. STAKEHOLDER CONSULTATION

In 2021, REN has launched a new consultation of its stakeholders, which will be completed in early 2022.

The result of this process, carried out every 2 years, reflects the stakeholders' perception of the company's performance and will serve as a basis for reflection on REN's sustainability strategy, as well as establishing the company's communication priorities.

3.3. INTEGRITY POLICY

In 2021, the REN Group Integrity Policy was approved by the REN Board of Directors, 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, a course is being prepared to cover the topics of the Group's Integrity Policy, as well as, in general, the policies and procedures for the prevention of corruption, as is already the case in relation to the Code of Conduct.

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 2021, REN's Board of directors extended the competence and activities of the Corporate Governance Committee to also expressly cover ethics matters. To this end, the management of risks in matters of ethics and the monitoring of the implementation of the Code of Conduct and internal rules and policies were reinforced. Moreover, accordingly, the name of the committee was changed to 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 Chapter 5 of the 2021 Report and Accounts. Transforming the defined goals into reality implies that all REN activities are guided by sustainability principles.

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 5.2 of the 2021 Annual Report and Accounts.

Also in 2021, and 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.

ANNEX 1 TO THE GOVERNANCE REPORT

Annual Report on the Remuneration of the Corporate Bodies of REN – Redes Energéticas Nacionais

6 MARCH 2022

INDEX

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 ("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 is furthered this 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 for 2022 will already be in total compliance with the approved Plan for the 2021-24 period.

An additional note to mention the concern that has always existed both with internal fairness and with the creation of shareholder value.

Attention is drawn to the topic of sustainability, which is becoming increasingly acute and is emphasised 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 compensation policy is not only a present responsibility, but also a future commitment.

It cannot be stressed enough that 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, continued 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

CHAIRMAN	VOGAL	VOGAL
João Duque	José Galamba de Oliveira	Fernando Neves de Almeida

The REN General Meeting is responsible for appointing the members of the Remuneration Committee, which is responsible for setting the specific remuneration and for submitting a proposal to the General Meeting of a remuneration policy for members of the management and supervisory bodies.

The Remuneration Committee is therefore responsible for presenting and proposing to the shareholders the principles of the corporate bodies' remuneration policy and setting the respective remuneration, including complements.

It should be noted that, within the scope of internal committees, the Nominations and Appraisals Committee, in accordance with its regulation, is responsible for supporting the Board of Directors in the annual assessment of its executive members and for submitting the respective report to the Remuneration Committee by March of each year. The Nominations and Appraisals Committee has no powers with regard to setting the remuneration of the Board of Directors, notwithstanding the fact that the assessment made by this Committee may indirectly influence such remuneration.

REN complies with the recommendations of the Portuguese Corporate Governance Institute (IPCG) Code, with regard to remunerations, namely III.9, as a result of both the competences provided for in the Regulation of the Remuneration Committee and also the connection that the Nominations and Appraisals Committee has with the Remuneration Committee through the former's obligation to present the above-mentioned evaluation report annually.

The current Remuneration Committee is made up of members who are independent from management.

To this extent, the Remuneration Committee does not include any member of another corporate body for which it defines the respective remuneration, and the three members in office do not have any family relationship with members of these other corporate bodies, as their spouses, relatives or kin in a direct 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, which establishes, in particular, the exercise of its powers, chairmanship, frequency of meetings, functioning and the framework of duties of its members, is available on REN's institutional website.

As provided in its regulation, detailed minutes of its meetings are drawn up, approved and signed by all members present.

The Remuneration Committee is always represented at annual General Meetings, and at the 2021 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 2021 in relation to the meetings held are indicated below.

activities	1ºT 2021	2ºt 2021	3ºt 2021	4ºt 2021
Assessment of *KPI's* 2020 of the CE	■			
Assessment of the members of the CE	■			
Definition of the 2020 variable remuneration of the CE	■			
Approval of the *KPI's* and its metrics for the 2021 assessment of the CE	■			
Approval of the 2021 renumeration policy		■		
Monitoring of the evolution of the Company´s activity	■	■	■	■
Monitoring of the evolution of the *KPI's* revevant for the assessment of the CE			■	■

3. 2021-2024 STRATEGY

REN operates in a sector with tremendous challenges in the energy transition, namely in the construction of hydrogen and green gas interconnections.

Generally, there is an ambitious plan, approved for the 2021-2024 period, based on 3 vectors:

ELECTRIFICATION	**A.** Network expansion to accommodate new renewable sources **B.** Ensure a solid and resilient service **C.** Invest in the maintenance network to optimise the respective efficiency and quality
MODERNISATION OF THE GAS NETWORK	Ensure a gas network ready 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:

- carbon neutrality targets by 2040/2050;
- digital operations, cybersecurity and innovation;
- reinforcing gender diversity in management positions;
- 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 2022

Good objective setting is recognised 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 operationalisation of the new strategic plan approved for the 2021/2024 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 organisation.

All of the objectives for the assessment of the EC for the year 2022 will continue to be quantitative.

There will be three macro clusters, as in 2021 (see section 7), but rebalancing the relative weights, reinforcing the Operational and ESG (Environment, Sustainability, Governance) clusters.

Clusters	Weight of the cluster in 2021	Weight of the cluster in 2022
Financial	80%	70%
Operational	10%	15%
ESG	10%	15%

The objectives that make up each of the clusters will also be readjusted in order to become even more aligned with the challenges contained in the strategic plan.

cluster	OBJECTIVE	WEIGHTING 2022
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*	5%
	Gender diversity	5%
	Reduction in GHG emissions[1]	5%

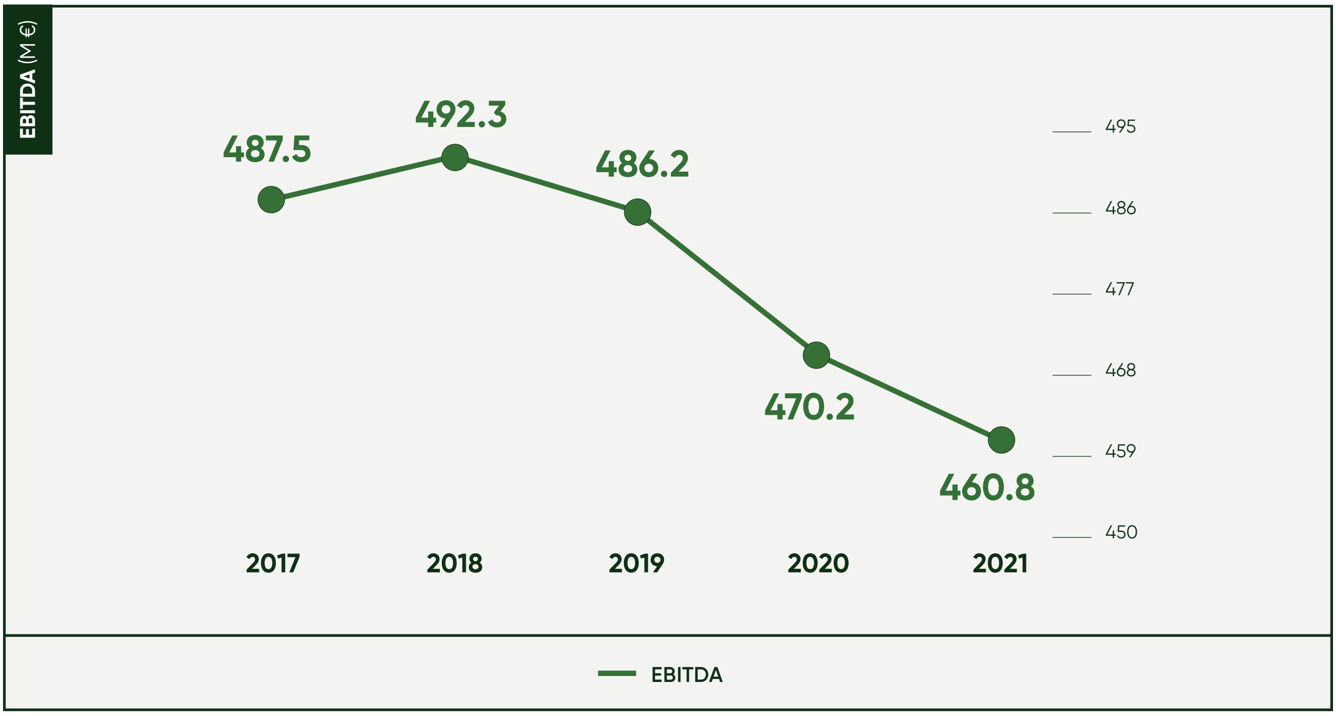
[1]GHG - greenhouse gas emissions

In the objectives for 2022, compared to those for 2021, as explained in section 7 of this report, there is a redistribution of weights between the different financial objectives, with a view to greater alignment with REN's strategic priorities. Additionally, the indicators "EBITDA in investments abroad" and "EBITDA in investments in Portugal" are replaced by "Operational Cash Flow".

Besides the greater alignment with the approved Strategic Plan, this financial indicator frees itself from the methodological aspects that are characteristic of accounting indicators.

In the ESG cluster, two new objectives established in the "business plan" were introduced.

5. RESULTS AND INCENTIVES



The annual results of a company can be assessed according to operational, financial and sustainability indicators.

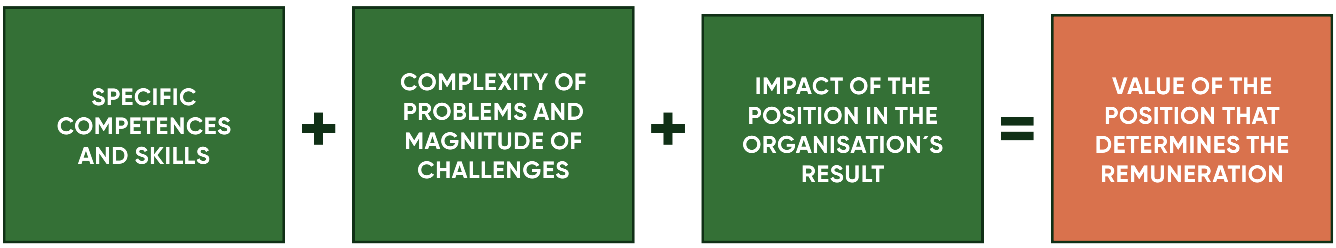
2021 continued to be a year marked by the effects of the pandemic and the approval of a new regulatory plan.

There has already been some recovery in the consumption of electricity and domestic gas, compared to the decrease in 2020.

Despite the inherent difficulties arising from this specific period, the quality of service was always maintained at the highest standards, allowing the objectives set to be fully met.

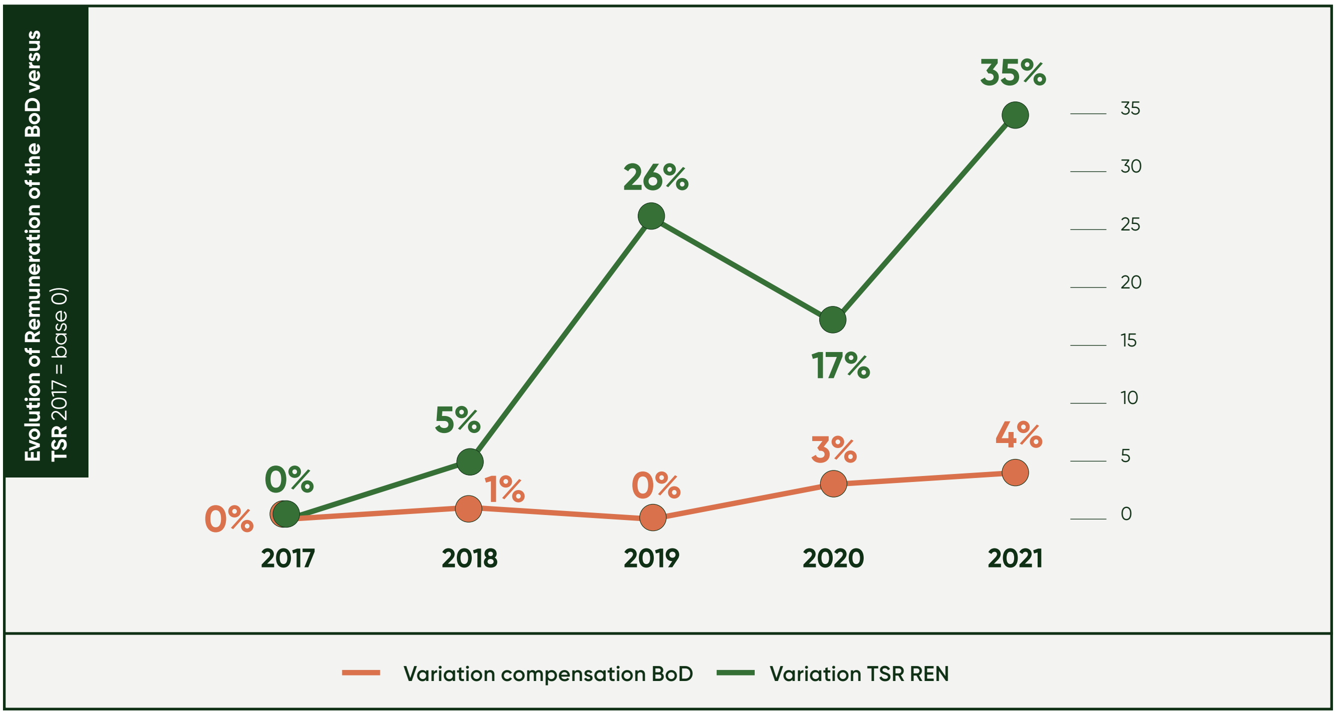
Additionally, the operational and financial objectives were fulfilled as planned, allowing the results measured through the EBITDA aggregate to remain in line with the trend of the last 5 years, despite a small decrease already expected, resulting from the regulatory context.

The remuneration of REN's assets, being determined by the Regulator within the rules of the concession agreement, has been decreasing slightly.



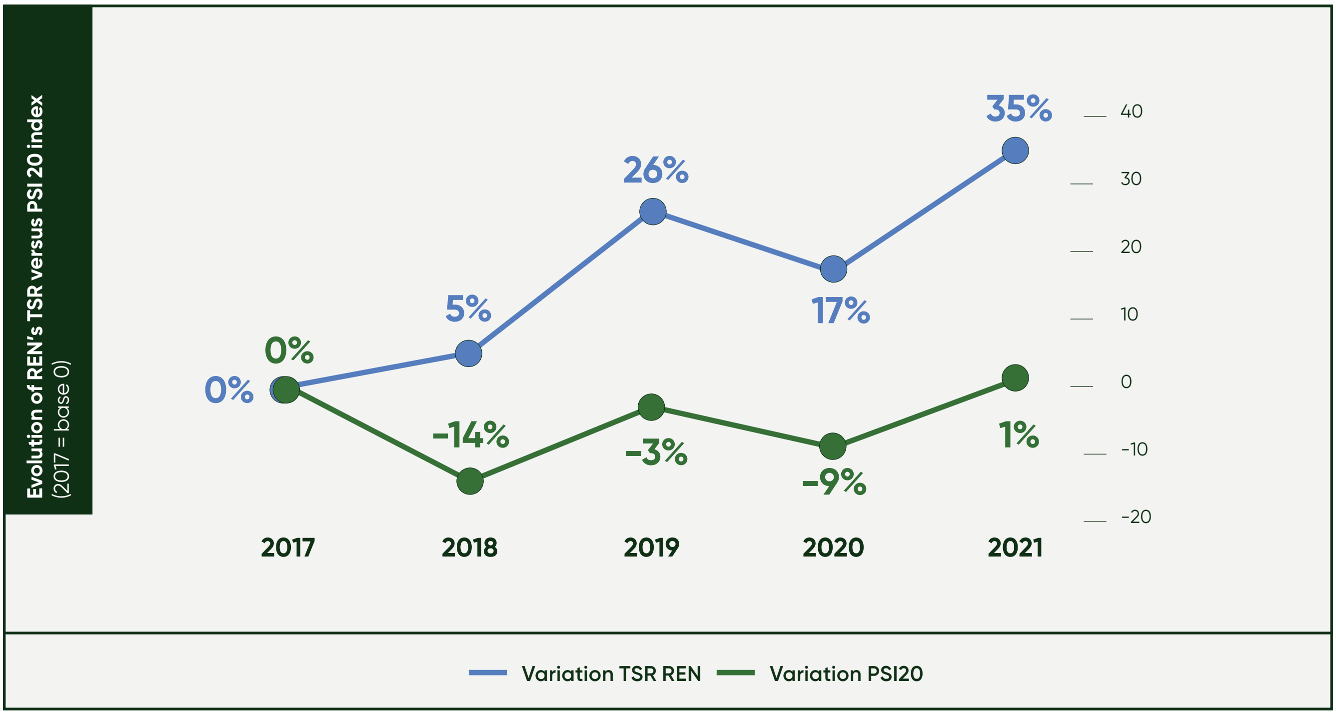
The value of a remuneration is generally a function dependent on various associated variables, namely, specific skills, the complexity of problems and the magnitude of challenges, as well as the impact of the position on the final results.

Without prejudice to the foregoing, which defines the main pillars for the construction of the values of remuneration, the analysis of the percentage evolution of payments made to the Board of Directors (BoD) in the last 5 years, with the TSR (Total Shareholder Return), allows to compare the annual variations of payments to the BoD with the creation of value for the shareholders..



Explanatory notes: The remuneration considered concerns to the value approved annually by the Remuneration Committee, after the appraisal, in the fixed, short-term and medium-term variable components. The TSR, Total Shareholder Return, is the total return of the share and include, in addition to the respective price, the reinvestment of dividends

The following graph provides another vision that is the relationship between the creation of value at REN, measured by TSR, and the performance of the main national stock index – PSI 20.



The best practices of the remuneration systems are a strategic element in the ability to attract, retain and motivate the best professionals in the market. The models for executive members, from the listed companies, favour the integration of the different components, namely a fixed component, operating as "base" remuneration, and a variable component, usually broken down into short-term and medium/long-term. In this context, it should be noted that the components of REN's remuneration system for executive members of the Board are aligned with those practiced by other comparable companies.

The variable remuneration associated with the fulfilment of management objectives is exercised by awarding a short-term annual bonus and a medium/long-term annual bonus.

The value of the variable remuneration proposed by the Remuneration Committee to shareholders depends on the individual appraisal of each executive member and the respective alignment with the results achieved.

The medium/long-term variable remuneration is paid over time through Remuneration Units, which are explained in detail in the specific chapter called "Alignment of the remuneration policy with the creation of sustainable value" and aims to ensure the alignment of individual interest with the corporate objectives and the interests of REN shareholders, rewarding the fulfilment of objectives which presuppose the sustained creation of value.

Non-executive members of the Board of Directors, since they do not have responsibilities in the operationalisation of the defined strategies, have a compensation system that does not provide for any of the components of the variable remuneration, including only a fixed component.

The benchmark conducted at the end of 2020 by a well-known international entity, with 77 companies in the domestic market and 385 in the European market, in the following sectors,

The following sectors:

CONSTRUCTION	CONSUMPTION	DISTRIBUTION	ENERGY
BANKING & INSURANCE	AUTOMOTIVE INDUSTRY	MANUFACTURING	PAPER PULPL
CHEMISTRY	HEALTH	INFORMATION TECHNOLOGIES	TRANSPORT

of the following countries:

LIST OF EUROPEAN COUNTRIES SUBJECT TO BENCHMARK						
GERMANY	AUSTRIA	BELGIUM	DENMARK	SPAIN	FINLAND	FRANCE
GREECE	IRELAND	ITALY	LUXEMBOURG	NORWAY	THE NETHERLANDS	PORTUGAL
POLAND	CZECH REPUBLIC	RUSSIA	UNITED KINGDOM	SWEDEN	SWITZERLAND	TURKEY

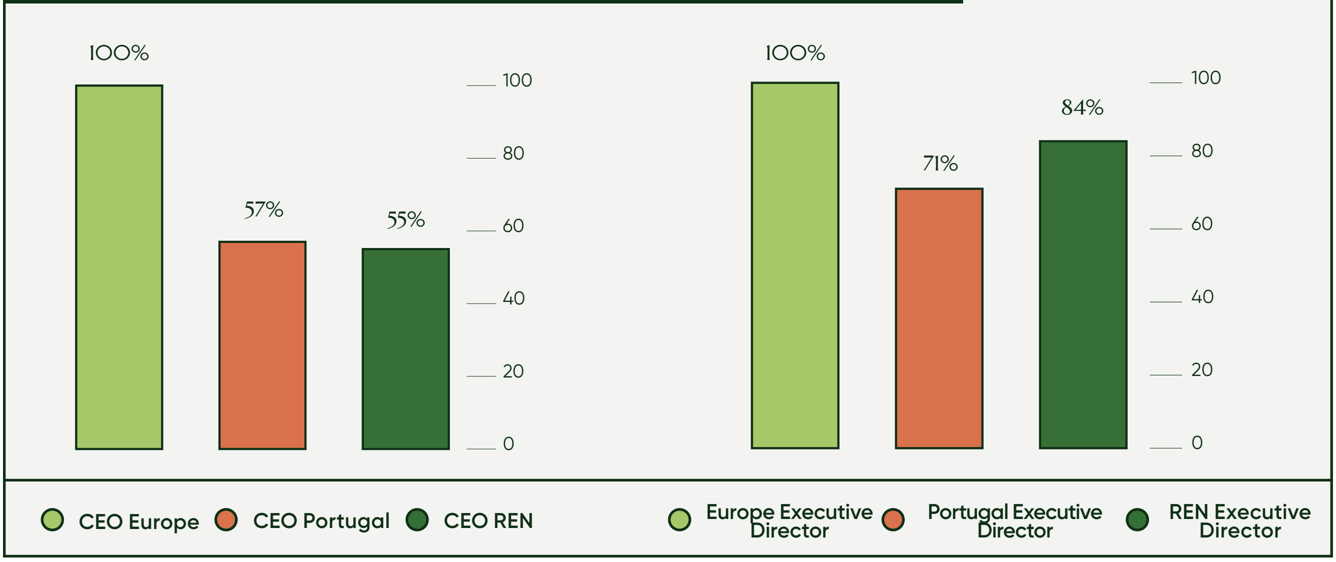
whose results are still valid, given the stability of the salary policy, which as a general rule is constant during the period of each term of office, made it possible to analyse in a structured way the remuneration policy in force at the Company, in relation to its executive and non-executive members, based on a set of entities comparable to REN:.

EXECUTIVE MEMBERS

The analysis of the remuneration with groups of executives in similar positions in comparable companies proves that the remuneration policy followed by REN has a conservative profile in the perspective of the benchmark carried out with European executives – the remuneration of REN's CEO corresponds to the

55th percentile of the median value for positions in comparable companies - demonstrating to be more aligned with the median value of equivalent positions in the domestic market.

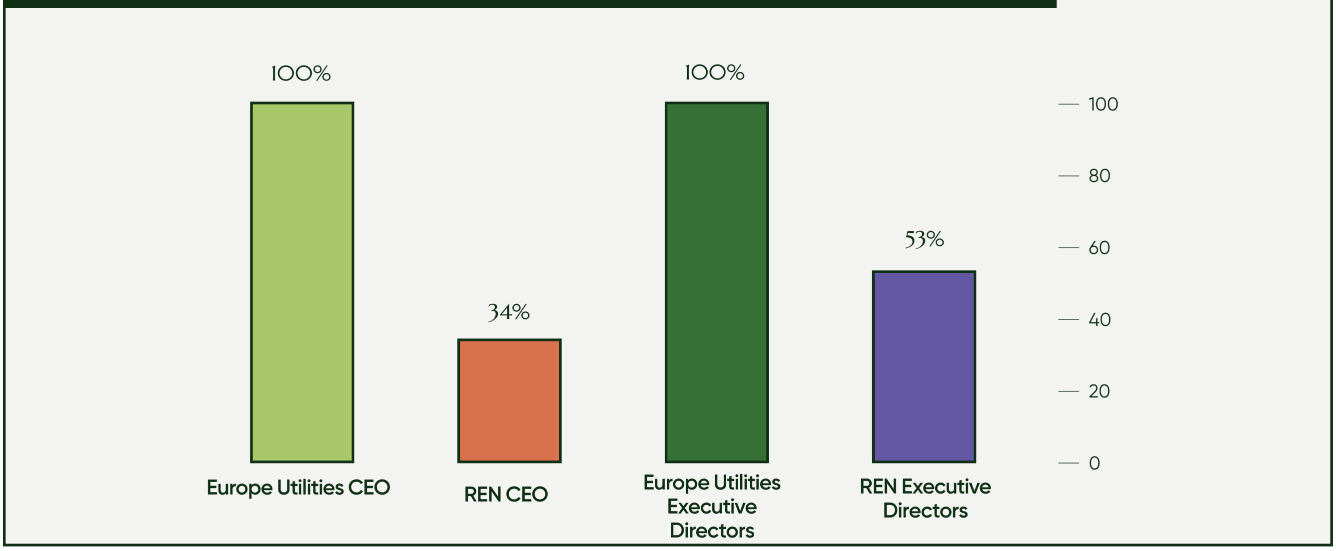
Remuneration comparison of REN's CEO and Directors with their peers in Portugal and Europe
(100 = median remuneration for executive peers in Europe)



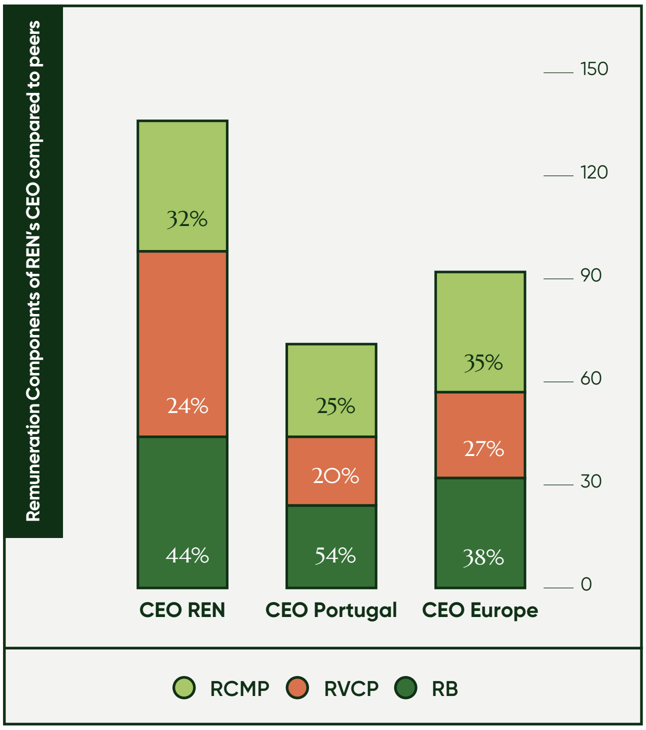
At the end of 2020, another salary analysis was also carried out with 11 European utilities comparable to REN, and the results reinforced the conclusions of the previous study regarding the moderate salary profile practiced by the Company, compared to the average of its peers.

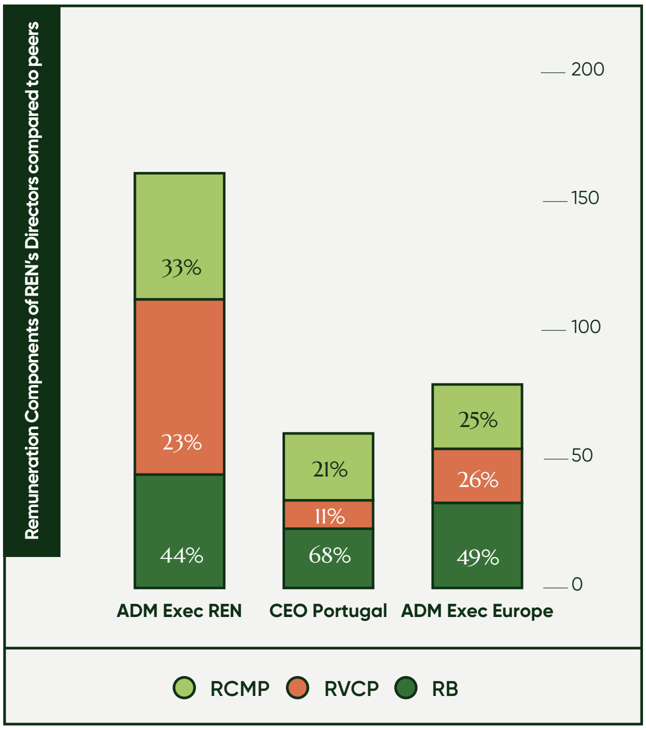
LIST OF EUROPEAN UTILITIES SUBJECT TO BENCHMARK			
EON (GERMANY)	RWE (GERMANY)	ELIA GROUP (BELGIUM)	ENAGAS (SPAIN)
REE (SPAIN)	EDF (FRANCE)	SNAM (ITALY)	TERNA (ITALY)
EDP (PORTUGAL)	NATIONAL GRID (UNITED KINGDOM)	SWISSGRID (SWITZERLAND)	

Remuneration comparison of REN's CEO and Directors with peers from 11 comparable European utilities
(100 = average remuneration of peers)



Within the scope of the components that make up the remuneration policies, the study carried out shows that the remuneration principles in force at REN, namely the remuneration mix between fixed and short- and medium/long-term variable, whose details will be included in the respective chapter, are in line with good market practices.

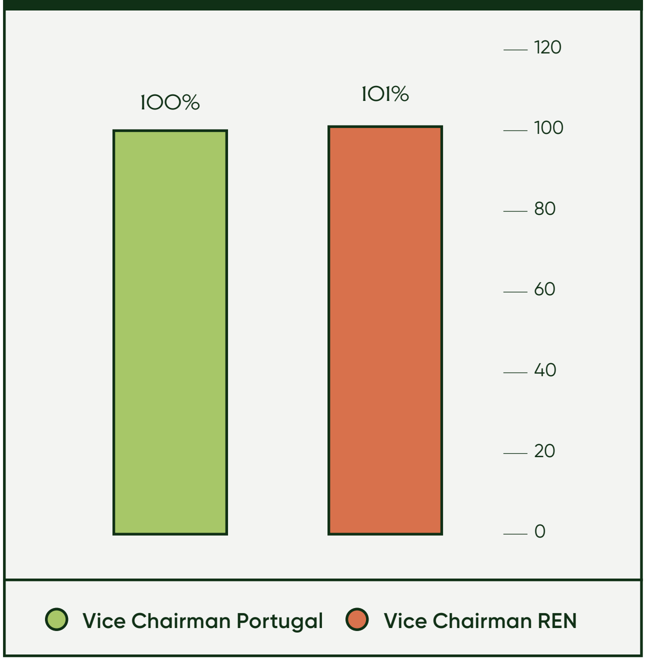




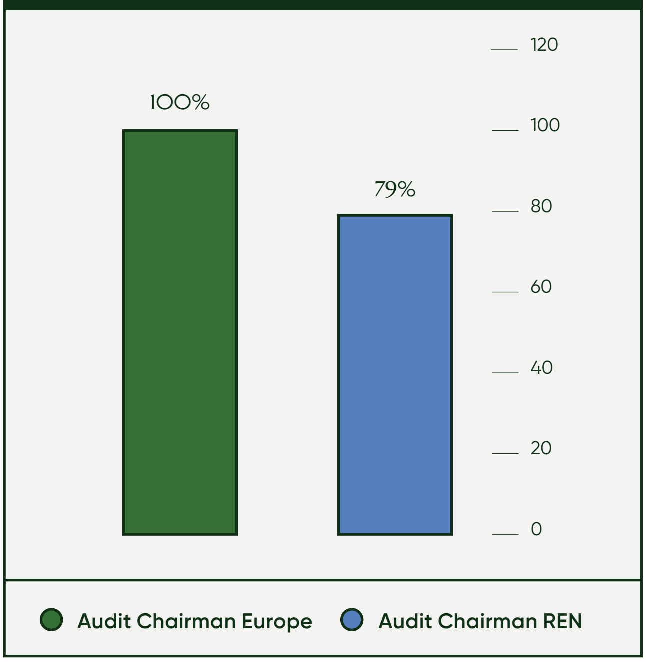
NON-EXECUTIVE MEMBERS

This salary study also analysed the value of the remuneration of non-executive members of REN's Board of Directors, compared to their peers in Portuguese and European companies that were part of the aforementioned samples..

Remuneration analysis of REN's Vice-Chairman and Audit Committee compared to peers in Portugal and Europe
(100 = median remuneration for non-executive peers in Portugal and/or in Europe)



Remuneration analysis of REN's Vice-Chairman and Audit Committee compared to peers in Portugal and Europe
(100 = median remuneration for non-executive peers in Portugal and/or in Europe)

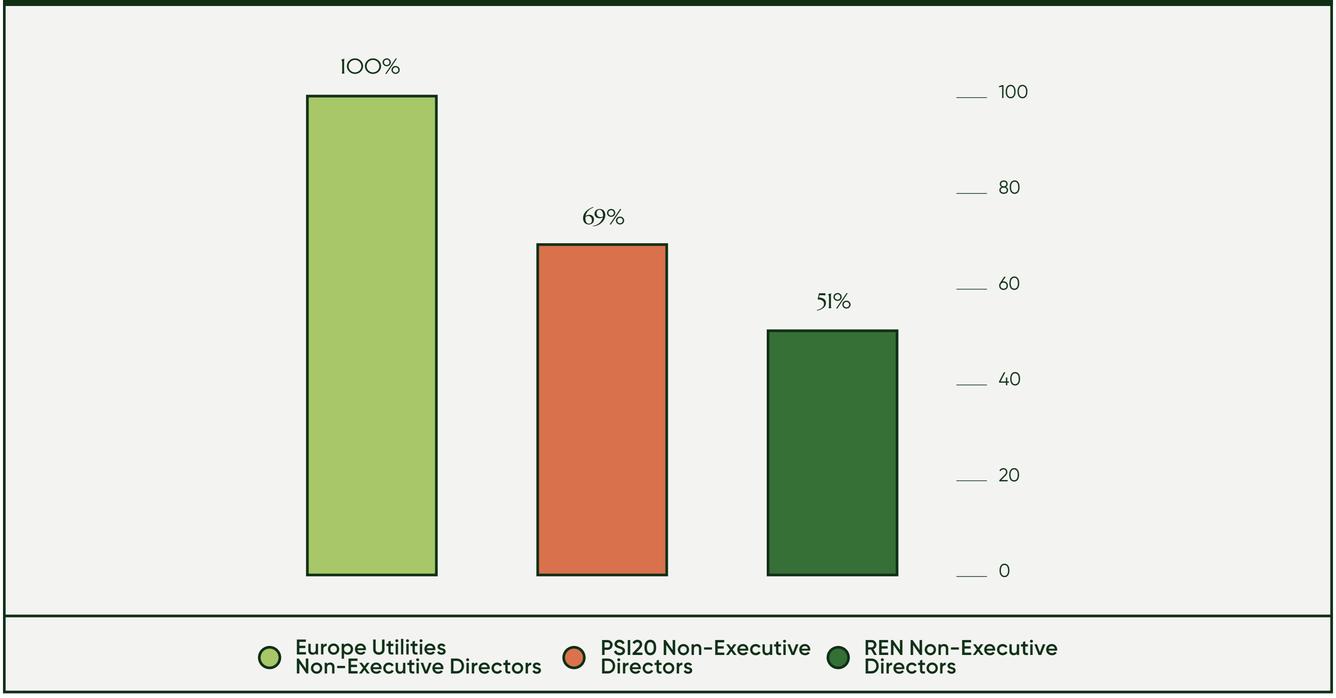


The remuneration of REN's non-executive members acting as non-executive Vice-Chairman and member of the Audit Committee is more in line with their peers in Portugal and in Europe that with respect to the remaining non-executive members of the Board of Directors.

Taking this assumption into account, the 2021 General Meeting approved an update for these last non-executive members of the Board.

Also within the scope of this work, other significant groups of companies were analysed, namely those of the PSI 20 and those of 11 European utilities, also subject to the benchmark study of executive members.

Weight of weighted average remuneration of REN's non-executive Directorscompared to the average of their PSI20 peers and 11 European utilities (100 = average remuneration for non-executive peers in Europe)



Reading the chart above corroborates the conclusions already inferred regarding a space for greater alignment of the remuneration of REN's non-executive members with the average values of the various companies that were part of this study, despite the reduction of the respective gap, as a result of the update approved in 2021, as already mentioned.

6. REMUNERATION POLICY

In the interest of transparency and legitimacy of the remuneration policy and in compliance with legal provisions and recommendations, the Remuneration Committee submitted a statement on the remuneration policy for corporate bodies for the 2020 financial year to the annual General Meeting held on 24 April 2021 for approval, as well as its respective continuity in 2021.

In accordance with recommendation V.2.3 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance, according to the wording in force at that time, the aforementioned statement must contain, where applicable, the following reference, which actually occurred:

(i) the total remuneration broken down into the different components, the relative proportion of fixed remuneration and variable remuneration, an explanation of how total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied;

(ii) remuneration from companies belonging to the same group, where applicable;

(iii) the number of shares and stock options granted or offered, and the main conditions for exercising the respective rights, including the price and date of such exercise and any change in those conditions, if applicable;

(iv) information on the possibility or impossibility of requesting the return of variable remuneration;

(v) (information on any deviation from the procedure for the implementation of the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation, if any;

(vi) information on the enforceability or unenforceability of payments for the termination of the directors' service.

Following the amendment to the Portuguese Securities Code, in particular with the addition of Article 245-C, as well as with the amendment to the Corporate Governance Code of the Portuguese Institute of Corporate Governance, the statement on the remuneration policy has been repealed, and a remuneration report must be submitted, which shall include:

a) The total remuneration broken down by the different components, including the relative proportion of the fixed remuneration and variable remuneration;

b) An explanation of how the total remuneration complies with the adopted remuneration policy, including how it contributes to the Company's long-term performance and information on how the performance criteria have been applied;

c) The annual variation of the remuneration, the performance of the Company and of the average remuneration of the Company's employees in full-time equivalent terms, excluding the members of the management and supervisory bodies, in the last five years, presented together in order to allow their comparison;

d) Remuneration from companies belonging to the same group, in the meaning of Article 2(1)(g) of Decree-Law No. 158/2009, of 13 July;

e) The number of shares and stock options granted or offered, and the main conditions for the exercise of rights, including the price and date of such exercise and any changes to these conditions;

f) The possibility of requesting the refund of a variable remuneration;

g) Information on any deviation from the procedure for applying the remuneration policy and on the derogations applied, including an explanation of the nature of the exceptional circumstances and an indication of the specific elements subject to derogation.

The remuneration policy of REN follows the guidelines set out below:

a) To be simple, clear, transparent and in line with REN interest and culture;

b) To be suitable and adjusted to the size, economic conditions, nature, scope and specificity of REN's business;

c) To ensure total remuneration which is competitive and equitable and in line with the best practices in Portugal and in Europa, particularly regarding REN's peers and that, while attracting qualified professionals, induces the alignment of interests with those of shareholders, constituting a factor for the development of a culture of professionalisation and to promote merit and transparency at REN;

d) To be evolutionary, but not disruptive; and

e) To incorporate a fixed remuneration component adjusted to functions, availability, competence and responsibilities of the Members of the Board of Directors.

In the procedure for applying the remuneration policy, there was no deviation from the policy, nor were any derogations applied.

The remuneration of the executive members of the Board of Directors is also based on the following principles:

i) Competitiveness, taking into consideration the practice of the Portuguese market;

ii) Based on objective, uniform, consistent, fair and balance criteria that reward performance;

iii) Performance assessment in accordance with the duties and level of responsibility, as well as the effective performance, assumption of suitable levels of risk and compliance with rules applicable to REN's activity, taking into account the compliance with REN's strategic plan and budget, risk management, the internal functioning of the Board of Directors and the contribution of each member for this purpose, as well as the relationship between the Company's bodies and committees;

iv) Incorporating a variable remuneration component which is reasonable overall in relation to the fixed remuneration component, without encouraging excessive risk taking;

v) Alignment of the interests of the executive members of the Board and those of the Company, its sustainability and creation of long-term value, including by indexing medium/long-term remuneration to the evolution of REN's share price; and

vi) Variable remuneration indexed to the effective performance of REN, measured against specific, objective and measurable goals which are in line with the interests of REN stakeholders.

The remuneration of the executive directors includes a fixed component and a variable component, being the latter a non-fixed amount dependent on the performance appraisal.

The members of the Board of Directors cannot enter into contracts with REN or with third parties which have the purpose or effect of directly mitigating the risk inherent to the variability of their remuneration established by REN.

Non-executive directors (including the members of the Audit Committee) earn a fixed remuneration, monthly paid and defined in line with the best practices of large companies in the Portuguese market. The remuneration policy for these members of the Board of Directors is guided by the core objective of compensating dedication and responsibility required for the performance of their functions.

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed amount.

7. ALIGNMENT OF THE REMUNERATION POLICY WITH THE CREATION OF SUSTAINABLE VALUE

As mentioned above, the remuneration of non-executive directors (including the members of the Audit Committee) is composed exclusively of a fixed component, thus not depending on REN's performance or value, thus meeting the recommendations applicable to this matter.

The remuneration structure for executive directors consists of a fixed component and a variable component, and there is adequate proportionality between both components, as detailed below.

In accordance with the remuneration policy applicable to remuneration awarded in 2021 and described in accordance with the annex to the Remuneration Committee's statement approved by the annual General Meeting in 2021, the variable component of remuneration for 2021 may include a short-term parcel (STVR) and a medium/long-term parcel (MLTVR). Both parcels are based on performance assessment, reflecting a weighting of key individual performance indicators of the director and the performance of the Company itself. Such indicators, as described below, aim to bring the interests of executive directors closer to the long-term interest of REN and its shareholders.

In particular, MLTVR has a set of characteristics that contribute to the alignment of the interests of executive directors with those of REN and its shareholders:

- A MLTVR shall be awarded in Remuneration Units (RU), and the number of RU is calculated by dividing the value attributed to MLTVR by the unit value of the RU.

- Each RU has an initial value corresponding to the average closing price of REN's shares on Euronext Lisbon in the 30 days prior to the date of the General Meeting approving the annual accounts for the relevant financial year. This value will be adjusted subsequently over time in an amount equal to the Total Shareholder Return (TSR) of REN's shares. The number of value of RUs attributed may be adjusted considering the facts/corporate actions that affect, in particular, the number and nominal value of REN's shares or equity.

The main objective of the proportionality between the fixed and variable component and the limits to the variable remuneration (that is, between a minimum of 0% and a maximum of 120% of the annual fixed remuneration, gradually, without prejudice to the evolution in RU) is to discourage excessive risk taking, while encouraging the pursuit of an adequate risk management strategy.

The awarding of STVR and MLTVR is subject to the following common requirements:

- Annual appraisal of the Executive Directors' performance for the purpose of granting the variable component of remuneration is carried out by the Remuneration Committee, based on the opinion of the Company's main shareholders, as well as of non-executive directors, considering a report to be prepared by the Nominations and Appraisals Committee by March of each year, based on the achievement of predefined objectives [Key Performance Indicators (KPIs)] indexed to metrics of REN's strategic plan.

- By the end of March each year, the Audit Committee shall validate the figures that serve as reference for the assessment of compliance with REN's KPIs.

- Annual final performance appraisal and the setting of variable remuneration by the Remuneration Committee must be concluded before the General Meeting that approves the accounts for the financial year in question, in accordance with the level of compliance with the KPIs defined and is subject to the approval of the annual accounts by the General Shareholders' Meeting in their exact terms.

- Individual performance appraisal in relation to an Executive Director shall only be taken into account when negative, in which case the variable remuneration shall not be awarded to that Executive Director.

- The degree of achievement of the defined goals is measured through an annual performance appraisal, based on a predefined model. Therefore, if compliance with targets is below 80% (minimum performance level), no variable remuneration shall be awarded. On the other hand, if compliance with targets lies between 80% and 120% or above, the corresponding total variable remuneration will gradually be set between 20% and 120% of the fixed remuneration. If compliance is between 100% and 119% of objectives achieved, the percentage of fixed remuneration to be awarded, as global variable remuneration, is fully proportional to the level of compliance (instead of being indexed by tiers).

The table below summarises the philosophy underlying the degree of achievement of objectives.

% of objectives achieved	% of Fixed Remuneration to be awarded as global Variable Remuneration
≤ 79.99%	0
80% - 89.99%	20%
90% - 94.99%	40%
95% - 99.99%	80%
100% - 119.99%	100% a 119.99% proportionately to the level of compliance
≥ 120%	120%

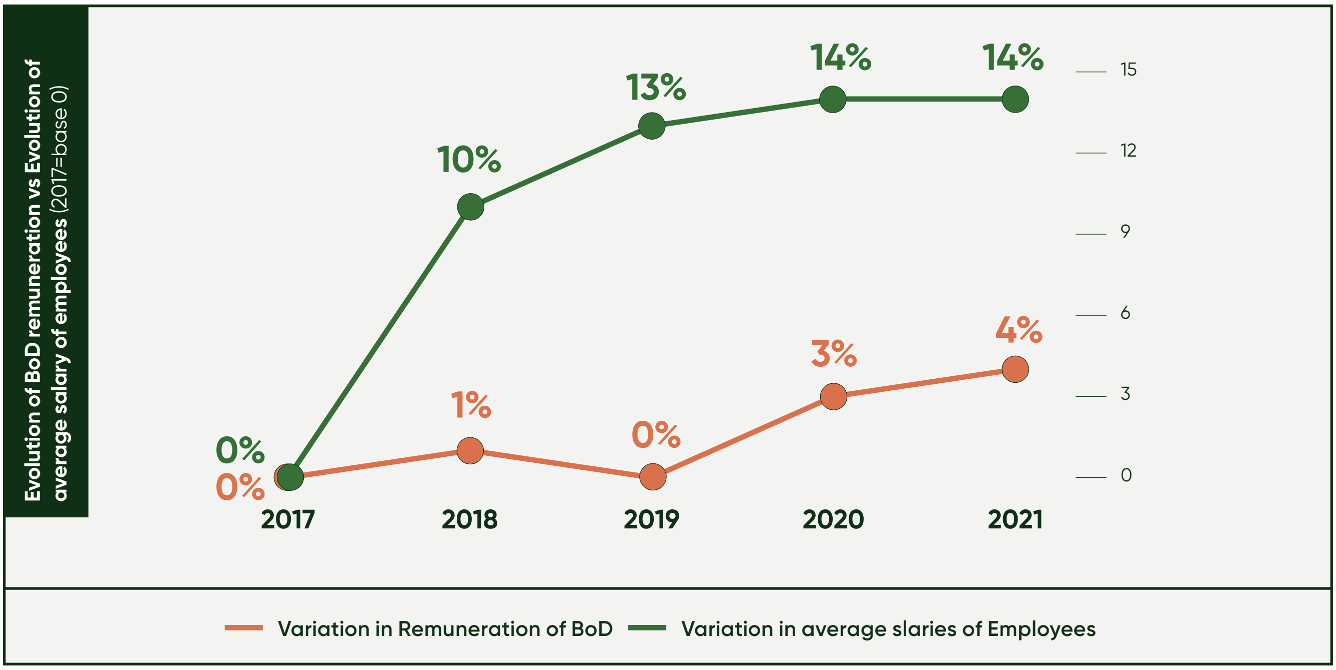
KPIS (KEY PERFORMANCE INDICATORS)

The objectives related to REN's KPIs, defined on a consolidated basis, are the following:

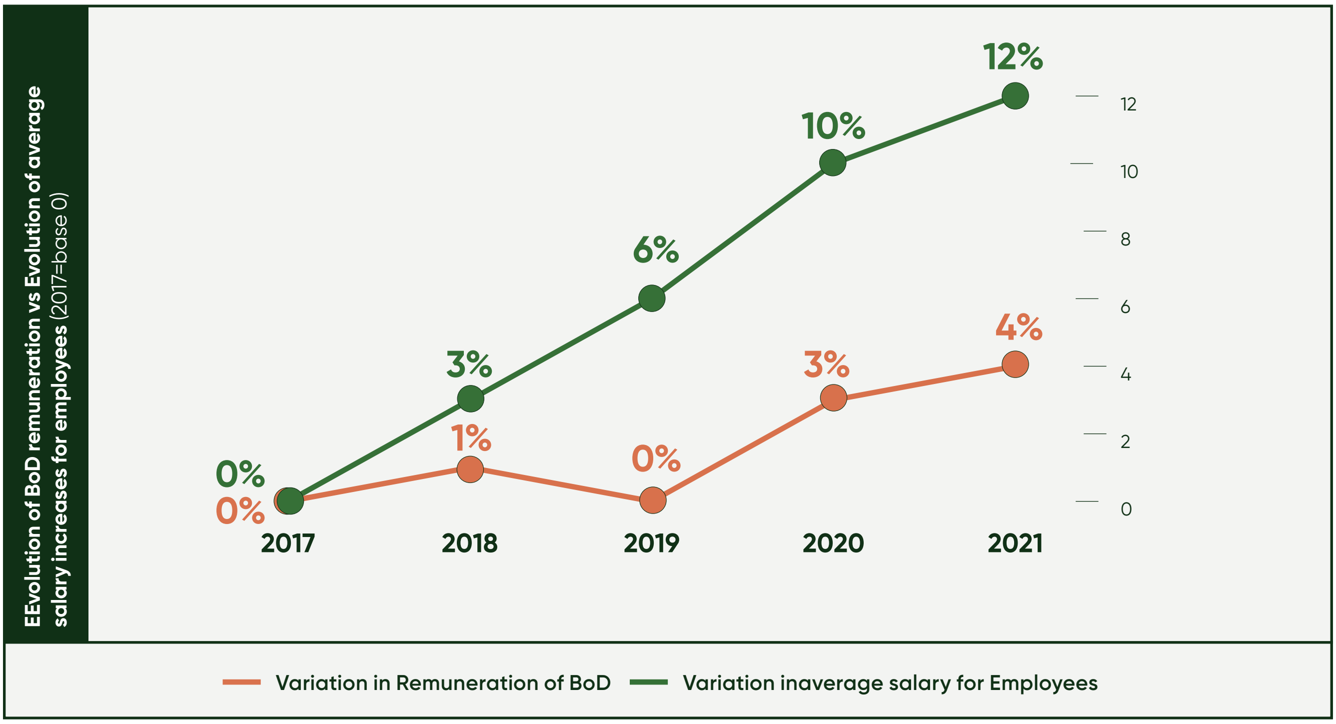
REN's KPIs	*KPIs weighting*
Cost of Debt	25%
ROIC (Return on Invested Capital)	15%
EBITDA in investments abroad	12.5%
EBITDA in investments in Portugal	12.5%
Earning per Share	15%
Health & Safety	10%
Service Quality	10%

8. SUSTAINABILITY OF THE REMUNERATION POLICY

Within the scope of the Company's sustainability, it must be noted how the remuneration policy has contributed to the development and balance between the Company's Corporate Bodies and employees, taking into account the variations in the salary mass of the BoD and the average salary of employees over the last 5 years.

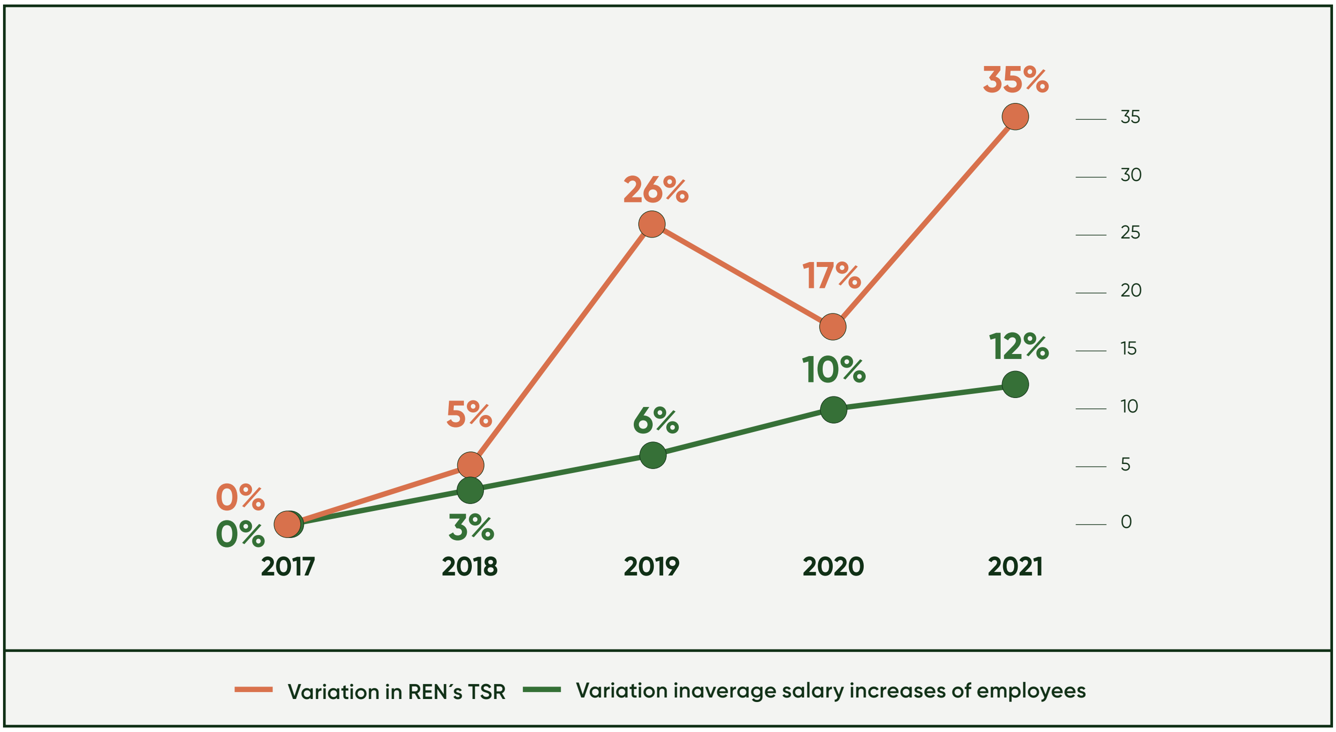


Explanatory note: The remuneration of the BoD considered herein refers to the amount approved annually by the Remuneration Committee, after the appraisal, in the fixed-, short-term variable and long-term variable components

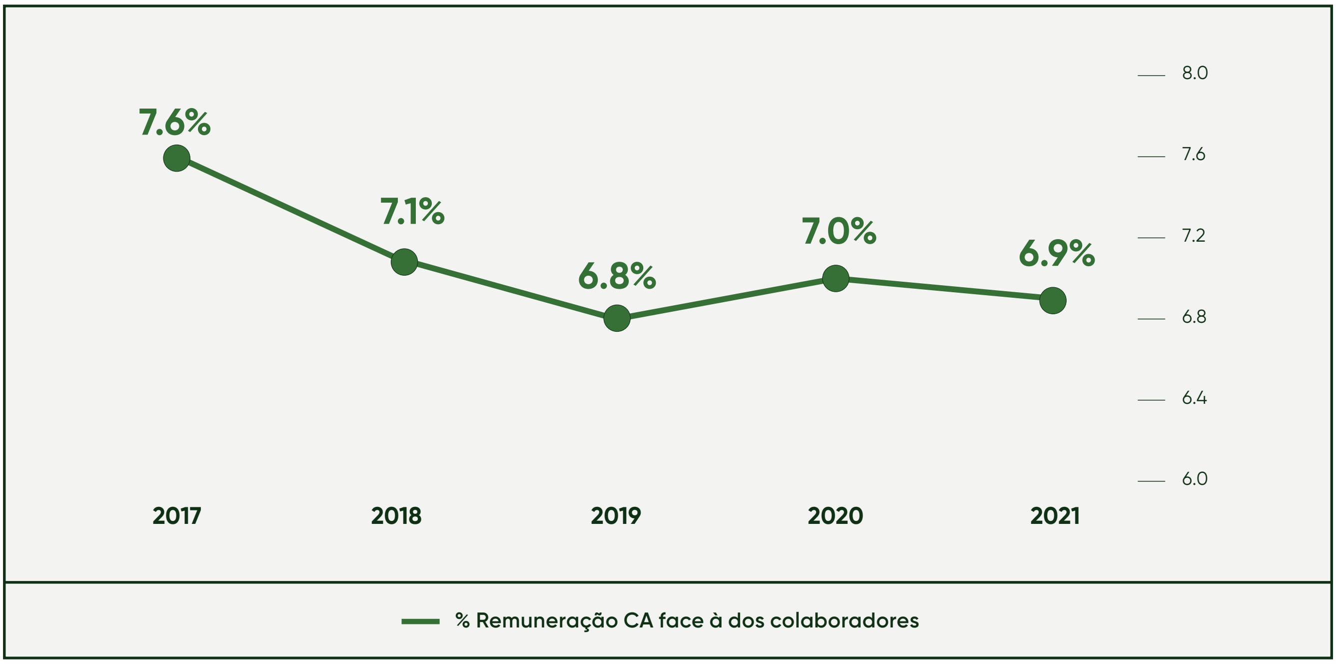


Explanatory note: The remuneration of the BoD considered herein refers to the amount approved annually by the Remuneration Committee, after the appraisal, in the fixed-, short-term variable and long-term variable components

When we compare the evolution of the average salary increases of employees with the evolution of the TSR (total shareholder return), there is a correlation over the last 5 years.



Finally, we must bear in mind that the weight of the remuneration paid to the Board compared to the remuneration of other employees has been decreasing, except in 2020.



It can be deducted from what has been explained that the remuneration policy has been actively contributing to the Company's business strategy, its long-term interests and its sustainability, as summarised below.

WHAT WE DO TO ENSURE SUSTAINABILITY
VARIABLE REMUNERATION DEPENDENT ON OBJECTIVES.
OBJECTIVES LINKED TO THE STRATEGIC PLAN.
OBJECTIVES INCLUDE SUSTAINABILITY KPIS.
50% OF VARIABLE REMUNERATION IS DEFERRED OVER TIME.
MALUS CLAUSE IN THE LONG-TERM VARIABLE REMUNERATION.
LONG-TERM VARIABLE REMUNERATION IN LINE WITH THE CREATION OF SHAREHOLDER VALUE.
VARIABLE REMUNERATION LIMITED TO 120% OF FIXED REMUNERATION.
REMUNERATION POLICY FOLLOWING THE BEST MARKET PRACTICES.
BALANCE IN THE EVOLUTION OF THE SALARY MASS OF THE BOD COMPARED TO THAT OF EMPLOYEES.
MODERATION IN THE WEIGHT OF THE SALARY MASS OF THE BOD VIS-À-VIS THAT OF EMPLOYEES.
REGULAR BENCHMARK ON REMUNERATION POLICIES.

WHAT WE DO NOT TO ENSURE SUSTAIN-ABILITY
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.

9. ESG (ENVIRONMENT, SUSTAINABILITY, GOVERNANCE)

It is worth mentioning that ESG dimension is not new for REN. As mentioned above in the section on Objectives, 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. In the midst of the climate crisis, aggravated by the COVID-19 pandemic, its contribution will be fundamental to achieving a green recovery that promotes sustainable economic growth, accelerating a 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.

ENVIRONMENTAL

Environmental criteria analyse the contribution and performance of a business in relation to environmental challenges, such as greenhouse gas emissions, protection of biodiversity, water resources and deforestation. Therefore, it uses metrics to assess the environmental impact of companies and their efforts to reduce them.

SOCIAL

Social criteria assess the relationship of companies with their social environment — employees, local communities and citizens in general — considering aspects such as employment, health, safety, diversity, etc. It reflects, to a large extent, the Company's corporate values and strengthens the bonds established with communities.

GOVERNANCE

Corporate governance criteria are related to shareholder rights and the responsibilities of senior management in implementing the necessary controls and conducting ethical policies. They analyse the decision-making procedures of companies, their organisational structure, control mechanisms and compliance systems, among others.

Thinking about ESG in a systematic and integrated way increases the potential for creation of value through:

1. Operational efficiency compared to the benchmark

ESG practices can help reduce operational costs by improving the resource efficiency and, consequently, financial performance.

2. Constructive relationships with Regulators and Grantors

Sound ESG practices help reduce the risk of adverse policies by national authorities.

3. Increase in productivity

Appropriate ESG proposals help attract talent retention, in addition to improving employee motivation through a sense of purpose. Since the positive correlation between employee satisfaction and shareholder return is pacific, it can be concluded that ESG has a positive impact on productivity.

4. Asset and investment optimization

A strong ESG proposal can improve the return on investment by allocating capital to more promising and sustainable opportunities, particularly in regulated industries.

A summary of some of the main measures that have been taken within the scope of the three ESG cluster are listed below.

ENVIRONMENTAL

- **Reduction of emissions**
  Commitment to carbon neutrality by 2040, 50% reduction in CO_2 emissions in 2030 versus 2019, and the objective of the H2 network representing 5% in 2026 and at least 10% in 2030.

- **Biodiversity**
  Notwithstanding the fact that a little more than half of REN's infrastructure is located in a forested area, only a very small percentage represents sensitive areas of the territory, that is, the Natura Network or other special protection zones. This is due to the fact that the respective infrastructures were built before the reclassification of these areas. Without prejudice, REN, whenever appropriate, seeks to minimise these impacts. Aware of the importance of promoting scientific research oriented towards decision-making, REN, with the Foundation for Science and Technology, created the Chair in Biodiversity at the University of Porto, which has been a way of producing knowledge about:

- Behaviour of some species;

- Effective infrastructure planning;

- Awareness raising of the civil society regarding biodiversity issues.

- **Energy efficiency**
  Priority investment in the transmission network to connect around 9 GW of renewable energy.

  Electrification of the fleet. Electric motors have an efficiency of over 90% compared to traditional heat engines, which range from 30 to 35%.

  In this context, REN has a fleet electrification strategy underway, and by the end of 2021, 26% of the fleet had been electrified, and there is the objective of exceeding 50% by 2024.

  It should also be noted that the REN Award, with a global value of € 50,000, is awarded annually to the master's theses that best contribute to the development of the energy sector.

- **Reforestation**
  In the last decade, REN was responsible for planning more than one million indigenous trees on more than three thousand hectares, committing to significantly reinforce this intervention by 2025.

  REN has assumed an active policy of clearing the forest around the areas of its infrastructure, also supporting landowners in adjacent areas.

  Related to reforestation is the support provided by REN to Firefighters, by having allocated eleven vehicles in the last year.

- **Waste management**
  With regard to Waste Management, REN follows best practices which generally consist of:

  i) Certify with documents the disposal of the collected waste, through copies of the Waste Monitoring Slips

  ii) Delimit, at the construction site, a space for temporarily storing waste;

iii) Place the appropriate containers (type and number) on the construction site to temporarily store waste until there are collected by a licensed operator;

iv) Provide containers specifically intended for the selective disposal of the waste produced

v) Ensure the selective disposal of waste produced in containers specifically intended for this purpose

vi) Mark the containerisation means with identification sheets

vii) Ensure the collection of MSW by the municipal collection services or ensure its disposal in recycle bins/ecocentres;

viii) Collection of industrial waste at the construction site by a licensed operator

The selective separation of waste is also carried out in buildings, being then routed to appropriate locations.

SOCIAL:

- **Gender equality and diversity**
  Commitment to ensure that 1/3 of management positions will be occupied by woman by 2030.

- **Support to vulnerable social groups and social assistance**
  Through the AGIR award, REN encourages and supports initiatives that respond to social issues. This award has been established since 2014 and since then it has supported various projects on job creation, active ageing, combating poverty and social exclusion, insertion into working life of people with disabilities or the fight against school dropout. This award is exclusively aimed at supporting non-profit associations and it has an annual global value of 50 thousand euros.

- **Health and safety**
  The best health practices are guaranteed for the fulfilment of the respective functions. In addition to in-house occupational medicine services, REN continued to provide its employees with examinations and clinical analyses, curative medicine appointments, psychology and social support, both face-to-face and remotely. As part of the management of the pandemic, the strategy of individualised monitoring of health issues was maintained. An additional note for initiatives to promote well-being, such as yoga classes, functional training and nutrition consultations.

- **Contributions to the community**
  Aiming to grow with the communities, communication plans have been developed, adapted to the local reality, as well as other initiatives in the areas of education and environmental awareness, including a project involving 4900 schools to raise awareness of the youngsters about the protection of biodiversity, preservation of the forest and conservation of threatened animal and plant species.

- **Capacity building**
  REN Campus includes programmes in partnership with higher education institutions, including the Institute for Science and Innovation in Mechanical Engineering and Industrial Engineering (INEGI), the Institute for Systems and Computer Engineering, Technology and Science (INESC TEC), the International Institute for Management Development (IMD), 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 the acquisition of know-how and skills in the areas of management, behaviour and techniques, and are essential for the development of the employees.

  In 2020 and 2021, despite the context, approximately 25 thousand hours of training were provided each year.

- **Human Rights**
  REN's Code of Conduct, which defines the line of action in professional relationships, is also mandatory for all those who intend to become REN's suppliers.

GOVERNANCE

- **Corporate governance system**
  Seven of the 12 non-executive members of the Board of Directors (BoD) are independent. Additionally, the BoD is supported by a Remuneration Committee with all members being external, and it is organised into specific Committees for Ethics and Corporate Governance, Appointments and Appraisals; Sustainability and Audit.

- **Remuneration**
  The remuneration policy explained in detail in this document is characterised by sustainability and alignment with the creation of value.

- **Cybersecurity**
  With the 2020/23 cybersecurity plan being implemented, which mitigates the key risks, three critical initiatives are in preparation: ISDO 27001 Certification, Security by design and Operations Security Centre

- **Compliance system**
  In order to strengthen the entire compliance ecosystem, all regulations relating to the integrity and money laundering policy were reviewed and improved.

  Insiders information disclosure monitoring procedures are operational.

  The procedures for the proper functioning of Whistleblowing are in place.

10. OPERATIONALISATION OF THE REMUNERATION POLICY

In 2021, the achievement of the objectives established, and previously explained, has determined a realization degree of 107.4%.

SHORT-TERM VARIABLE REMUNERATION

STVR is paid in cash, depending on the annual performance assessment. The sum being paid varies

in accordance with the degree of achievement of the targets relating to certain Key Performance Indicators.

Therefore, if the annual performance assessment falls below 80% (minimum performance level), no payment of STVR takes place. However, if the annual performance assessment lies between 80% and 120% or above, the corresponding STVR will be set between 10% and 60% of fixed remuneration.

The awarding of STVR shall correspond to an amount of up to 50% of total variable remuneration awarded with regard to each financial year in question.

MEDIUM/LONG-TERM VARIABLE REMUNERATION

MLTVR aims to strengthen the alignment of the interests of REN's executive directors with those of the Company and its shareholders. This payment will vary depending on the annual performance assessment (already specified above) and according to the same model of STVR.

For payment purposes, the variable remuneration shall be divided into two components, each corresponding to 50% of the total variable remuneration granted for the relevant annual period.

STVR is allocated and paid in cash within 30 days following the annual shareholders' meeting that approves the annual accounts.

In turn, MLTVR is structured to ensure the deferral of its payment in cash for a period of three years from the date of the award, one third being paid per year, starting one year after the award and within 30 days from the date of the General Meeting of shareholders approving the accounts for each financial year.

The right of each Executive Director to receive MLTVR is conditioned upon:

1. REN's positive performance during the period in question, which means that the consolidated net position in years t+1, t+2 and t+3, excluding any extraordinary movements that occurred after the end of year t, and deducted, for each financial year, an amount corresponding to a pay-out of 40% on the net income calculated in the consolidated accounts of each deferral period (regardless of the actual pay-out), must be higher than that calculated at the end of year t.

   For these purposes, extraordinary movements shall mean, for the period between year t and t+3, namely, capital increases, sale or purchase of own shares, extraordinary distribution of profits, annual pay-out other than 40% of the consolidated result for the respective financial year or other movements that, affecting the net position, do not result from the Company's operating results.

   The net position of years t+1, t+2 and t+3 must be determined based on the accounting rules applicable to year t, in order to ensure comparability.

2. The non-violation, by the Executive Director, of any mandatory rules applicable to REN, whether they are legal, regulatory or internal;

3. The non-occurrence of any termination event that leads the Executive Director to terminate his mandate or terminate his professional relationship with REN, taking into account what is mentioned below.

TERMINATION EVENTS

a) In case any Executive Director ceases his/her term of office before the end of the term and during an assessment period, the pro-rata Variable Remuneration relating to such assessment period when he/she served shall be due, except if such termination is caused by or attributable to that Executive Director.

b) In case any Executive Director ceases his/her term of office after the end of the assessment period, but before the date of award, the Variable Remuneration shall be due, except if such termination results from a Termination Event.

c) In case any Executive Director terminates his/her professional relationship with REN due to other facts not qualified as a Termination Event, this shall not trigger the loss of the MLTVR already awarded but not yet paid. In this case, REN may agree with the Executive Director that the MLTVR shall be paid on termination of the professional relationship with REN, in which case the condition of REN's positive performance above shall be based on REN's performance until that date.

d) The following shall be considered "Termination Events" for the purpose of this Policy: (i) termination of the professional relationship due to dismissal with cause of the Executive Director; and (ii) material default or breach by the Executive Director.

Without prejudice to the foregoing in this report and and the provisions of the legislation applicable to this matter, no situations are foreseen in which it is possible to claim the refund of the variable remuneration already paid.

OTHER BENEFITS

In 2021, executive directors were entitled to use a vehicle for the performance of their duties, as well as to a health insurance, life insurance and personal accident insurance, for the performance of their duties. It is estimated that the value of these benefits is around 25 thousand euros per director.

11. INDIVIDUAL REMUNERATION OF THE CORPORATE BODIES

The remuneration of the members of the Board of Directors includes, as detailed above, a fixed component and, in the case of Executive Directors, a variable component, broken down into short-term and medium/long-term.

FIXED COMPONENT

The fixed component of the remuneration is exclusively composed of the base remuneration, as there is no other remuneration or payment of any costs or allowances (e.g., travel expenses or meal allowance), without prejudice to "Other monetary and non-monetary benefits" described above, with a total annual cost of around EUR 25,000 per director).

This component is paid monthly, in cash.

The fixed remuneration of the Company's executive directors corresponded in 2021 to an annual gross amount of EUR 388,888.08 (three hundred and eighty-eight thousand eight hundred eighty-eight euros and eight cents) for the Chief Executive Director, and of EUR 308,080.20 (three hundred and eight thousand and eighty euros and twenty cents) for the remaining executive directors. No other fixed remuneration shall be added to this amount, without prejudice to "Other monetary and non-monetary benefits" described above.

The Fixed Remuneration of the executive directors shall be updated according to the Consumer Price Index (CPI) whenever there has been no nominal change in relation to the Fixed Remuneration paid at the end of the previous term of office. The update according to the CPI shall be carried out provided that it has not presented negative values and is applied from the first year of the term of office in which there was no nominal change in the remuneration. That is, if in the first year of the term of office started in year t there was no change in the nominal value of the fixed remuneration compared to the fixed remuneration paid at the end of the term of office of the previous year, then the update shall follow the equation below, which will be maintained year after year until new nominal update of the fixed remuneration:

$$\textit{Fixed Remuneration}_{t}+1 = \textit{Fixed Remuneration}_{t} * CPI_{t}$$

Where:

CPI_t = *Consumer Price Index of year t.*

VARIABLE COMPONENT

The variable component of the remuneration is composed of a short-term and a medium-/long-term component, each component corresponding to 50% of the Variable Remuneration, as described below.

For payment purposes, the Variable Remuneration is divided into two components, each of them corresponding to 50% of the total Variable Remuneration, granted with reference to the relevant annual period, as follows:

A short-term variable remuneration (STVR), which is awarded and paid in cash within 30 days following the annual shareholders' meeting which approves the relevant annual accounts; and

A medium-/long-term variable remuneration (MLTVR), which is awarded and paid under the terms and conditions established hereunder.

Common requirements applicable to both components:

The allocation of the variable component of the remuneration only occurs after the approval of the accounts of each financial year, and the performance appraisal concerning the year to which the payment relates, and only occurs if there is compliance with the predefined objectives, measured using individual and corporate performance indicators, indexed to metrics of REN's strategic plan. The appraisal of the performance of executive directors shall be carried out by the Remuneration Committee, based on the opinion of the main shareholders of the Company, as well as the non-executive directors, considering a report to be prepared by the Nominations and Appraisals Committee by March of each year. The Audit Committee shall validate the figures that will serve as reference to such appraisal process by the end of March.

Considering the requirements and criteria applicable to the variable component of the remuneration and the value of the fixed remuneration, the maximum potential amount (annual gross value) of the variable remuneration may correspond to EUR 466,666 (four hundred and sixty-six thousand six hundred and sixty-six euros), for the Chief Executive Officer, and EUR 369,696 (three hundred and sixty-nine thousand six hundred and ninety-six euros), for the remaining executive directors, without prejudice to the evolution of the value of allocated remuneration units, as described below. This amount corresponds to a maximum potential amount, defined according to maximum performance goals which essentially envisage to motivate the management team. As mentioned above, these figures depend on the degree of achievement of the goals for a three-year term of office and on the performance appraisal to be carried out annually and are also subject to imponderable aspects related to the sector's and the country's context or the specificities of the business and of the Company.

NON-EXECUTIVE DIRECTORS

Non-executive directors (including the members of the Audit Committee) receive a fixed remuneration paid monthly and defined in line with the best practices of large companies in the Portuguese market, which is described as follows:

- An annual gross amount of EUR 80,807.88 (eighty thousand eight hundred and seven euros and eighty-eight cents) for the Vice-Chairman of the Board of Directors;
- An annual gross amount of EUR 75,757.44 (seventy-five thousand seven hundred and fifty-seven euros and forty-four cents) for the Chairman of the Audit Committee;
- An annual gross amount of EUR 60,606.00 (sixty thousand six hundred and six euros) for the remaining members of the Audit Committee;
- An annual gross amount of € 45,000.00 (forty-five thousand euros) for the remaining non-executive directors.
- The members of the Corporate Governance Committee and the Nominations and Appraisals Committee received the following additional remuneration (except for the Chairman of the Board of Directors and/or the Chief Executive Officer, who does not receive any additional remuneration for the exercise of this functions):

ix) Chairman: € 7,000.00 (seven thousand euros);

x) Other members: € 4,500.00 (four thousand and five hundred euros).

The Remuneration of the Non-Executive Directors shall be updated according to the CPI whenever there has been no nominal change in relation to the Fixed Remuneration paid at the end of an earlier term of office and follows the same rules applicable to the executive directors and already expressed above.

The remuneration of the non-executive members of the Board of Directors does not include the payment of any bonuses linked to REN's performance, or the payment of any costs, allowances or benefits.

The individualised and aggregated remuneration of members of the Board of Directors is explained in the table below:

Name	Position	Fixed Remuneration	Variable Short-Term Remuneration	Rem. Variável curto prazo	Variable Medium-Term Remuneration for Financial Years 2017, 2018 and 2019, paid in 2021	Total
Rodrigo Costa	Chairman of the Board of Directors and the Executive Committee	388,888.08€		208,832.90€	234,619.41€	832,340.39€
João Faria Conceição	Executive Committee	308,080.20€		165,439.07€	185,866.20€	659,385.47€
Gonçalo Morais Soares	Executive Committee	308,080.20€		165,439.07€	185,866.20€	659,385.47€
Guangchao Zhu	Vice-Chairman of the Board of Directors	80,807.88€				80,807.88€
Mengrong Cheng	Board of Directors	42,313.12€				42,313.12€
Omar Al-Wahaibi	Board of Directors	20,659.89€	1,000.00€			21,659.89€
Lequan Li	Board of Directors	42,313.12€	5,750.00€			48,063.12€
Maria Estela Barbot	Board of Directors	49,855.20€	1,875.00€			51,730.20€
Jorge Magalhães Correia	Board of Directors	42,313.12€	1,000.00€			43,313.12€
José Luís Arnaut	Board of Directors	42,313.12€	4,583.33€			46,896.45€
Ana Barros	Board of Directors	31,000.00€				31,000.00€
Ana Pinho	Board of Directors	42,313.12€				42,313.12€
Manuel Sebastião	Chairman of the Audit Committee	75,757.44€	4,583.33€			80,340.77€
Gonçalo Gil Mata	Audit Committee	60,606.00€				60,606.00€
Rosa Freitas	Audit Committee	41,750.80€	1,875.00€			43,625.80€
Total		**1,577.051.29€**	**20,666.66€**	**539,711.04€**	**606,351.81€**	**2,743.780.80€**

STVR paid in 2021 refers to the 2020 financial year.

Members of the Executive Committee were also awarded (but not paid) an additional remuneration parcel, as MLTVR referring to the financial year of 2020, set in RU. Taking into account that the REN share price on the date the MLVTR was set was EUR 2.410, the number or RU awarded to each member of the Executive Committee was as follows:

i) Rodrigo Costa – 86,652.66 RU

ii) João Faria Conceição – 68,646.92 RU and

iii) Gonçalo Morais Soares – 68,646.92 RU

OTHER SUMS PAID FOR ANY REASON

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

REMUNERATION PAID IN THE FORM OF PROFIT SHARING

There were no, nor are expected any, payments in the form of profit sharing and/or payment of bonuses, beyond the variable component of remuneration described above.

COMPENSATION PAID OR DUE TO FORMER EXECUTIVE DIRECTORS

In 2021, there were no amounts due or paid in the form of compensation to former executive directors for the termination of their duties during such financial year.

REMUNERATION OF THE MEMBERS OF THE BOARD OF THE GENERAL MEETING

The remuneration of the members of the Board of the General Meeting corresponds to an annual fixed amount which has the following values since 2016:

- For the Chairman, an amount of EUR 15,000.00 (fifteen thousand euros);
- For the Vice-Chairman, an amount of EUR 5,000.00 (five thousand euros);
- For the Secretary, an amount of EUR 3,000.00 (three thousand euros).

REMUNERATION OF THE STATUTORY AUDITOR

The remuneration of the Statutory Auditor, proposed by the Audit Committee, is defined taking into account the criteria and remuneration practices for this type of service under normal market conditions and is not related to REN's performance.

AGREEMENTS WITH REMUNERATION IMPLICATIONS

In the event of unfair dismissal or resignation by agreement of an Executive Director, no compensation, other than that legally owed, shall be due in the event of inadequate performance of that Executive Director.

The legally owed compensation, in the event of unfair dismissal, corresponds to the compensation for damages suffered, which must not exceed the amount of compensation that the director would otherwise have received up to the end of the period for which he/she was elected.

There are no agreements between REN and the members of the management body or officers (in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014) that would award compensation in the event of resignation, unfair dismissal or termination of the employment relationship, following a change in control over the Company.

PLANS TO ALLOCATE SHARES OR STOCK OPTIONS

There are no variable remuneration programmes or plans that consist of the awarding of shares, options to acquire shares or other incentive scheme based on a variation of the price of shares, notwithstanding the method for calculating the medium/long-term variable remuneration (MLTVR)) for members of the management or supervisory bodies or officers, in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

RETIREMENT BENEFITS OR EQUIVALENT

There is no retirement benefit system for the members of the management or supervisory bodies (or officers, in the meaning of Article 3(1)(23) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014).

Furthermore, bearing in mind the objectives sought through the remuneration model stipulated herein, members of the management body of the Company have not entered into agreements either with the Company or with third parties, designed to mitigate the risk inherent to the variability of their remuneration.

CONTROL MECHANISMS AVAILABLE IN A POSSIBLE SCHEME FOR EMPLOYEE PARTICIPATION IN THE SHARE CAPITAL

There are no schemes for employee participation in the Company's share capital.

12. ALIGNMENT OF THE GENERAL MEETING WITH THE REMUNERATION POLICY

At the annual General Meeting held on 24 April 2021, a 98.36% majority approved the Remuneration Committee's statement on the remuneration policy for members of the Corporate Bodies, in relation to 2020, which was expected to be adopted in 2021.

The level of approval obtained over the years proves that the remuneration policy designed and presented by the Remuneration Committee has earned the consensus of its shareholders, taking into account the percentage of approval obtained and expressed in the table below, which is adequate in a perspective of creating sustained value for stakeholders.

GENERAL MEETING VOTE REGARDING THE REMUNERATION COMMITTEE STATEMENT ON THE REMUNERATION POLICY FOR CORPORATE BODIES		
DATE OF GENERAL MEETING	IN FAVOUR	AGAINST
24 de abril de 2021	98.36%	1.64%
7 de maio de 2020	99.61%	0.39%
3 de maio de 2019	99.80%	0.20%
3 de maio de 2018	99.88%	0.12%
11 de maio de 2017	99.25%	0.75%
13 de abril de 2016	99.73%	0.27%

13. CONCLUSION

Remuneration issues usually represent a considerable set of challenges, often expressed at General Meetings and even in the media. The value of the respective remuneration, clarity in the relationship between compensation and performance, among other issues, are topics discussed outside the stricter scope of the Remuneration Committees.

The vectors of REN's remuneration policy, explained in detail in this report, are based on clear principles that ensure both transparency and intelligibility of the model.

The prior clarification of the role of each member of the Board of Directors is an important element in the definition of this policy. In addition, there is an awareness that compensation, although truly relevant, is only one of the elements that influence the behaviour of executive members, through variable remuneration, and that other aspects, such as career and individual satisfaction of success, should not be overlooked.

The weight of the Board of Directors' remuneration vis-à-vis that of employees has a reduced percentage.

The model of REN, providing for a relationship between performance and compensation, seeks to ensure that the achievement of KPIs depends, as much as possible, on the direct action of the respective executive members.

There is concern about an alignment between executive remuneration and the creation of value for shareholders, without prejudice to the understanding that this analysis must be relative since the evolution of the share price depends on several other forces exogenous to the Company.

The Company's compensation model is aware that there is a specific market for executives and that their attraction/retention presupposes an alignment with that same market.

The remuneration of executive members has incorporated the risk associated with compliance with KPIs, which may fluctuate positively or negatively over the years.

The Remuneration Committee, in addition to being composed of independent members, has full power to propose to shareholders the respective remuneration policy for members of the Corporate Bodies and any revisions thereto. However, as independent members, they must ensure the monitoring of the business, regularly meeting throughout the year with members of the Board of Directors, and they may be supported, whenever they deem appropriate, by external consultants.

The Remuneration Committee, as responsible for the design of the remuneration plan, has managed to ensure, over time, total alignment with the shareholders, which is reflected in the almost unanimous vote of the General Meeting regarding the approval of this policy.

In summary, REN's compensation model, as shown above, complies with all the good practices instituted by Corporate Governance bodies in the vectors of:

- Transparency of the compensation amounts and respective business context;
- Independency of the body responsible for defining the compensation policy;
- Alignment with shareholders;
- Objectives adjusted to the strategic plan, ensuring medium- and long-term sustainability;

Accountability of executives in the medium and long term, namely through the malus clause.

ANNEXES

REN

1 MANAGEMENT REPORT

1.1. LEGISLATION ON ENERGY PUBLISHED IN 2021

1.1.1. Electricity

ERSE Regulation 2/2021 of 16 January

Establishes the exceptional measures applicable to the conditions for the provision of energy supply services as essential public services, during the state of emergency in place since 1 January 2021.

Ministerial Order no. 45-B/2021 of 2 March

First amendment to Ministerial Order 178-B/2016 of 1 July, which establishes the procedures, form and other conditions necessary for the application of the social tariff for the supply of electricity to economically vulnerable customers.

ERSE Regulation 180/2021 of 2 March

Approves the regulation that establishes exceptional measures in the National Electricity System and the National Natural Gas System (obligation of companies to send a prior notice of disconnection at least 20 days in advance).

Ministerial Order 55/2021 of 11 March

Establishes rules on the evaluation criteria and procedures to be observed in the selection and ranking of applications for tenders under the Plan for Promoting Efficiency in Energy Consumption (PPEC), and repeals Ministerial Order 26/2013 of 24 January.

Ministerial Order 79/2021 of 7 April

Sets out the criteria to be applied for the distribution among municipalities of the share in the VAT revenue VAT collected in the accommodation, catering, communications, electricity, water and gas sectors.

ERSE Regulation 373/2021 of 5 May

Approves the regulation on self-consumption of electricity and repeals Regulation 266/2020 of 20 March.

ERSE Regulation 406/2021 of 12 May

Approves the Quality of Service Regulation for the electricity and gas sectors.

Law 29/2021 of 20 May

Exceptional and temporary suspension of contracts for the supply of essential services in the context of the COVID-19 pandemic.

ERSE Instruction 5/2021 of 26 May

Instruction to suppliers in relation to the form to request the exceptional and temporary suspension of contracts for the supply of essential services in the context of the COVID-19 pandemic.

Order 6304/2021 of 25 June from the Secretary of State for Energy

Adjusts the compensation paid between 2013 and 2020 and the remuneration due to the wind power generating plants covered by Decree-Law 35/2013 of 28 February.

Order 6398-A/2021 of 29 June from the Secretary of State for Energy

Adjusts the value of the parameter that represents the impact of off-market measures and events registered within the European Union on the setting of average electricity prices in Portugal.

Ministerial Order 138/2021 of 30 June

Defines the methodology to calculating the remuneration rate to be applied to the inter-temporal transfer of allowed revenues regarding the extra costs of acquiring electricity from special regime producers.

DGEG Order 6560-B/2021 of 5 July

Establishes the rules for the trading of guarantees of origin of electricity production from renewable sources, under article 9(8) of Decree-Law 60/2020 of 17 August.

Order 6546/2021 of 5 July from the Secretary of State for Energy

Approves the evaluation criteria relating to energy policy objectives and instruments and repeals Order 3739/2016, published in the Official Gazette, 2nd Series, no. 51, of 14 March 2016.

Decree-Law 56-B/2021 of 7 July

Amends the exceptional arrangements for situations of late payment of rent and establishes the guarantee of supply of essential services in the context of the COVID-19 pandemic.

ERSE Regulation 9/2021 of 1 July

Exceptional measures in the context of the SEN (National Electricity System) and the SNG (National Gas System). Reinstates the exceptional measures contained in Regulation 255-A/2020 of 18 March, Regulation 356-A/2020 of 8 April and Regulation 180/2021 of 2 March, all applicable to the conditions for the provision of energy supply services as essential public services, following the COVID-19 pandemic.

ERSE Regulation 785/2021 of 23 August

Approves the Tariff Regulation for the electricity sector.

ERSE Regulation 836/2021 of 7 July

Approves the exceptional measures for the National Electricity System and the National Natural Gas System.

Order 9241-C/2021 of 17 September from the Secretary of State for Energy

Provides for the opening of a competitive procedure for the allocation of capacity reservation for injection into the Public Service Electricity Network of electricity produced exclusively from renewable energy source(s) in an electricity generating plant with or without integrated storage.

Order 9241-B/2021 of 17 September from the Secretary of State for Energy

Establishes REN - Rede Eléctrica Nacional, S. A. as the overall manager of the National Electricity System (SEN), implements a pilot model for the dynamic management of the national electricity transmission grid (RNT) at the injection point currently occupied by the Pego coal-fired thermoelectric power station.

Ministerial Order 203/2021 of 28 September

Establishes an indirect cost aid measure for plants covered by the European Emissions Trading Scheme (EETS), under Decree-Law 12/2020 of 6 April.

ERSE Regulation 11/2021

Extraordinary measures in the context of the SEN (National Electricity System) and the SNG (National Gas System).

Order 9977/2021 of 14 October from the Secretary of State for Energy

Establishes the social tariff for the supply of electricity, applicable from 1 January 2022.

Order 9975/2021 of 14 October from the Secretary of State for Energy

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 October and 31 December 2021.

Order 9974/2021 of 14 October from the Secretary of State for Energy

Sets the final compensation to be applied for the year 2020 per unit of energy injected into the public electricity grid.

Order 10376/2021 of 22 October from the Secretary of State for Energy

Extends the deadline established in no. 1 of Order no. 6453/2020 of 19 June on the conditions for exemption from charges corresponding to costs of general economic interest levied on network access tariffs determined by the Energy Services Regulatory Authority.

ERSE Regulation 951/2021 of 2 November 2021

Approves the exceptional measures for the National Electricity System and the National Gas System.

Decree-Law 98/2021 of 16 November

Unifies the procedures for generating electricity from the conversion of solar energy by floating photovoltaic generating plants to be installed on reservoirs.

Order 11740-C/2021 of 27 November from the Ministry of the Environment and Climate Action

Amends the incentive allocation regulation of the 2nd phase of the More Sustainable Buildings Support Programme, approved by Order 6070-A/2021, published in the Diário da República, 2nd series, no. 118, supplement, of 21 June 2021, in its current wording.

Order 11740-B/2021 of 27 November from the Ministry of the Environment and Climate Action

Opening of a competitive procedure for the allocation of injection capacity reservation at connection points to the Public Service Electricity Grid for electricity from solar energy conversion by floating photovoltaic electro-production plants to be installed on reservoirs.

1.1.2. Gas

Ministerial Order 13/2021 of 12 January

Sets the amounts of the fees due under the administrative procedures relating to the activities of production of gases of renewable origin, low carbon gases and gas trading. It also repeals Ordinance 83/2013 of 26 February.

ERSE Regulation 180/2021 of 2 March

Approves the regulation that establishes exceptional measures in the National Electricity System and the National Natural Gas System (obligation of companies to send a prior notice of disconnection at least 20 days in advance).

Order 3163/2021 of 24 March from the Secretary of State for Energy

Sets the social tariff for natural gas supply in 2021-2022.

ERSE Directive 5/2021 of 30 March

Establishes rules on the return of stocks and acquisition of RNTG filling gas

Ministerial Order 79/2021 of 7 April

Sets out the criteria to be applied for the distribution among municipalities of the share in the VAT revenue VAT collected in the accommodation, catering, communications, electricity, water and gas sectors.

ERSE Regulation 341/2021 of 14 April

Approves the Infrastructure Operation Regulations.

ERSE Regulation 368/2021 of 28 April

Approves the Tariff Regulation for the gas sector.

ERSE Regulation 406/2021 of 12 May

Approves the Quality of Service Regulation for the electricity and gas sectors.

ERSE Directive 9/2021 of 12 May

Approves the Procedures Manual for Overall Technical Management of the National Gas System.

Law 29/2021 of 20 May

Exceptional and temporary suspension of contracts for the supply of essential services in the context of the COVID-19 pandemic.

ERSE Instruction 5/2021 of 26 May

Instruction to suppliers in relation to the form to request the exceptional and temporary suspension of contracts for the supply of essential services in the context of the COVID-19 pandemic.

Decree-Law 56-B/2021 of 7 July

Amends the exceptional arrangements for situations of late payment of rent and establishes the guarantee of supply of essential services in the context of the COVID-19.

ERSE Directive 12/2021 of 29 July

Approves the gas tariffs and prices for the 2021-2022 gas year.

ERSE Regulation 836/2021 of 7 July

Approves the exceptional measures for the National Electricity System and the National Natural Gas System.

Ministerial Order 203/2021 of 28 September

Establishes an indirect cost aid measure for plants covered by the European Emissions Trading Scheme (EETS), under Decree-Law 12/2020 of 6 April.

ERSE Instruction 16/2021 of 9 November

Instruction on the publication of supplementary financial and operational reporting standards for the gas sector. Approves the exceptional measures for the National Electricity System and the National Gas System.

Law 98/2021 of 31 December

Framework Law on the Climate.

GLOSSARY

REN

FINANCIAL GLOSSARY

ACRONYMS

CAPEX
Capital Expenditure on acquisitions andupgrades of tangible fixed assets

DEBT TO EQUITY RATIO
Net Debt/Equity

DIVIDEND PER SHARE
Ordinary dividend/total number of shares outstanding

EBIT
Earnings Before Interest and Taxes

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation (operating profit, excluding amortisation and depreciation)

FTR
Financial Transaction Rights

NET DEBT
Short and long-term financial debt – cash balances and excluding derivative financial instruments

OPEX
Operational Expenditure

PAYOUT RATIO
Ordinary dividend/net profit

RAB
Regulated Asset Base (Assets value net of depreciations and subsidies also nte of depreciations)

RCCP
Current ROE

RETURN ON ASSETS (ROA)
EBIT/total assets

RETURN ON EQUITY (ROE)
Net profit/Equity

RoR
Rate of Return of regulated assets

TURNOVER
Sales plus services provided

VAT
Value Added Tax

TECHNICAL GLOSSARY

ACRONYMS

AA1000AP - 2018
AA1OOOAP Accountability Principles - 2O18AGC Natural Gas Consumption Management Agreement

APA
Portuguese Environment Agency

APREN
The Portuguese Rnewable Energy Association

APCER
Portuguese Association of Certification

BCSD
Business Council for Sustainable Development

BEV
Battery Electric Vehicle

BV
Block Valve Station

CCILC
Luso-Chinese Chamber of Commerce and Industry

CDP
Carbon Disclosure Project

CELE
European Union Emission Trading Scheme

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CIBIO
Research Center in Biodiversity and Genetic Resources

CIGRÉ
International Council on Large Electric Systems

CIT
Corporate Income Tax

CMVM
Portuguese Securities Market Regulator

CO
Certificates of Origin

CODEMO
Portuguese Code for Market Research and Opinion Studies

COO
Chief Operating Officer

COP26
United Nations Climate Change Conference of the Parties 26

CTS
Custody Transfer Station

DGEG
Department of Energy and Geology

EC
European Commission

EDP
Energias de Portugal, S.A.

EEGO
Issuing Entity for Guarantees of Origin

EF
Emission Factor

EGIG
European Gas Pipeline Incident Data Group

EHV
Extra-High Voltage

EIA
Environmental Impact Assessment

EIB
European Investment Bank

EIS
Environmental Impact Statement

EIT
Equivalent Interruption Time

EMTN
Euro Medium Term Notes

ENTOS-E
European Network of Transmission System Operators for Electricity

ENTSO-G
European Network of Transmission System Operators for Gas

EPIS
Entrepreneurs for Social Inclusion

EPO
European Patent Office

ESP
Service Providers and Contractors

ERSE
Energy Services Regulatory Authority

ESG
Environment, Social and Governance

EU
European Union

EUA
European Unit Allowances

GDP
Gross Domestic Product

GEI
Gender Equality Index

GHG
Greenhouse Gases

GNL
Liquefied Natural Gas

GO
Guarantees of Origin

GRI
Global Reporting Initiative

GRMS
Gas Regulating and Metering Station

GSE
Gas Storage Europe

GTG
Global Technical Management

GTM
Global Technical Management

GVA
Gross Value Added

HV
High Voltage

Icae
PPA's management optimization incentive

ICE
Intercontinental Exchange

ICJCT
Interconnection Junction Station

ICT
Information and Communication Technlogy

IEEE
Technical-professional organization dedicated to advanced technology for the benefit of humanity

IFRS
International Financial Reporting Standards

INE
Portuguese Institute of Statistics

INEGI
Institute of Science and Innovation in Mechanical and Industrial Engineering

INESC-TEC
Institute of Systems and Computer Engineering, Technology and Science

ISAE3000
International Standard on Assurance Engagements 3000

ISEL
Instituto Superior de Engenharia de Lisboa (Lisbon Higher Institut of Enginnering)

ISO
International Organization for Standardization

ISS
Institutional Shareholder Service

IST
Instituto Superior Técnico (Higher Technical Institut)

IUCN
International Union for Conservation of Nature

JCT
Junction Station

KPI
Key Performance Indicator

LABELEC
Research, Development and Laboratory Activities

LNEG
National Laboratory for Energy and Geology

LNG
Liquefied natural gas

LV
Low-Voltage

MBA
Master of Business Administration

MIBEL
Iberian Electricity Market

MIBGAS
Iberian Gas Market

MLTVR
Medium/long-term variable remuneration

NATO
North Atlantic Treaty Organization

NG
Natural Gas

NGO
Non-Governmental Organizations

OECD
Organisation for Economic Co-operation and Development

OGMP
Oil & Gas Methane Partnership

OMEL
Operador del Mercado Ibérico de Energía – Polo Español, S.A. [Spanish Cluster]

OMIE
Energy Iberian Market Operator

OMICLEAR
Sociedade de Compensação de Mercados de Energia, S.A.

OMIP
Operador do Mercado Ibérico de Energia Energia (Pólo Português), S.A. [Portuguese Cluster]

PDIRT
Development and Investment Plan of the Electricity Transmission Network

PDIRG
RNTIAT Decennial indicative Development and Investment Plan

PDIRGN
Development and Investment Plan of the RNTIAT

PEEP
Pandemic Emergency Purchase Programme

PEGASE
Pan European Grid Advanced Simulation and State Estimation

PHEV
Plug-in Hybrid Vehicle

PPA
Power Purchase Agreement

PPEC
Plan for Promoting Efficient Energy Consumption in the Electricity and Gas Sectors

PREN
Plan for the Rationalization of Energy Consumption

PWC
PricewaterhouseCoopers

PIG
pipeline intervention gadget

QUERCUS
National Association for Nature Conservation

RES
Renewable Energy Sources

RQS
Quality of Service Regulation

R&D
Research & Development

RDI
Research, Development & Innovation

RGI
Renewables Grid Initiative

RECAPE
Environmental Compliance Report on the Execution Project

REN Telecom
RENTELECOM – Comunicações, S.A.

RES
Renewable Energy Sources

RND
National Distribution Network

RNDGN
National Gas Distribution Network

RNT
National Electricity Transmission Network

RNTG
National Gas Transmission Network

RNTIAT
National Gas Transmission Network, Storage Infrastructure and LNG Terminals

RRF
Recovery and Resilience Facility

RRP
Recovery ad Resilience Plan

SAP
Systems of applications and products for data processing

SCADA
Supervisory control and data acquisition

SDG
Sustainable Development Goals

SEN
National Electricity System

SEP
Public Electricity Supply System

SGCIE
Intensive Energy Consumption Management System

SGNL
Sociedade Portuguesa de Gás Natural Liquefeito, S.A.

SGPS
Holding Company

SIFIDE
System of Tax Incentives for Research and Developmen

SNG
National Gas Supply System

STVR
Short term variable remuneration

TEP
Transmission of Electrical Power

ToR
Terms of Reference

TSO
Transmission System Operator

UAG
Autonomous Gas Units

UGS
Global Use of the System Tariff

UNEP
United Nations Environment Programme

UNGC
United Nations Global Compact

URT
Use of the Transmission Network Tariff

US
United States

VHV
Very High Voltage

VHT
Very High Tension

UNITS

bcm	1x109 cubic metres
cent	Euro cents
CO_2	carbon dioxide
EUR	Euro
€	Euros
GHz	gigahertz
GJ	gigajoule
GW	gigawatt
GWh	gigawatt hour
k€	thousand of Euro
km	kilometre
kV	kilovolt
kWh	kilowatt hour
m^3	cubic metre
m^3(n)	normal cubic metre (volume of gas measured at 0° Celsius and at the pressure of 1 atmosphere)
M€	million Euros
mEuros	thousand of Euro
MVA	megavolt-ampere
Mvar	megavolt-ampere reactive
MW	megawatt
MWh	megawatt hour
p.p.	percentage points
s	second
t	tonne
tcm	$1x10^{12}$ cubic metres
tCO_2eq	Tonne of CO_2 equivalent
TWh	terawatt hour

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