

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Financing Framework

Redes Energéticas Nacionais
18 January 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Financing Instruments

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles (GLP), as administered by the Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA) (as of February 2023)

Scope of verification

- EU Taxonomy Climate Delegated Act (as of June 2023)
- REN's Green Financing Framework (as of January 18, 2024)
- REN Selection Criteria (as of January 18, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as REN's Green Financing Framework remains unchanged.

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SCOPE OF WORK

Redes Energéticas Nacionais (“the Issuer”, “the Company”, or “REN”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Financing Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. REN’s Green Financing Framework (as of January 18, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA)’s Green Loan Principles (GLP).
2. The Selection Criteria – whether the project category contributes positively to the United Nations Sustainable Development Goals (UN SDGs) and how it performs against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The eligibility of the project category with the EU Taxonomy on a best-efforts basis¹ – whether the nominated project category satisfies the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation.
4. Linking the transactions to REN’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) category.

REN BUSINESS OVERVIEW

Redes Energeticas Nacionais SGPS SA is a holding company, which engages in the management of the main transport infrastructure of electricity and natural gas. It operates through the following business segments: Electricity, Gas, Telecommunications, and Others. The Electricity segment deals with the transmission of electricity and overall management of the public electricity supply system. The Gas segment includes the transportation of gas, management of the national natural gas system, and underground storage of natural gas. The Telecommunications segment operates telecommunications network. The other segment includes the operations of REN SGPS, REN Serviços, and REN Finance, BV. The company was founded on August 18, 1994 and is headquartered in Lisbon, Portugal. It is classified in the Gas and Electricity Network Operators industry, as per ISS ESG’s sector classification.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION
Part 1: Alignment with GBP/GLP	The Issuer has defined a formal concept for its Green Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles and Green Loan Principles.	Aligned
Part 2: Sustainability quality of the Selection Criteria	<p>The Green Financing Instruments will (re)finance the eligible asset category:</p> <p>The “Renewable Energy” category contributes to the following SDG:</p>  <p>The environmental and social risks associated with those use of proceeds category is managed.</p>	Positive
Part 3: Eligibility against the EU Taxonomy	<p>REN’s project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023) Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation on a best-efforts basis³.</p> <p>The Do No Significant Harm Criteria and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the Issuer is yet to develop systematic due diligence process that are externally communicated.</p>	Eligible for assessing alignment at a later date

² The evaluation is based on REN’s Green Financing Framework (January 2024 version), on the analysed Selection Criteria as received on January 18, 2024, and on the ISS ESG Corporate Rating updated on the September 29, 2023 and applicable at the SPO delivery date.

³ Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

<p>Part 4: Linking the transaction(s) to REN's ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. The "Renewable Energy" category is considered to be in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>
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SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of the REN’s Green Financing Framework (as of January 18, 2024) with the ICMA’s Green Bond Principles (GBP) and LMA/LSTA/APLMA’s Green Loan Principles (GLP).

GBP AND GLP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by REN’s Green Financing Framework is aligned with the GBP and GLP.</p> <p>The Issuer’s green category is aligned with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described. The Issuer defines exclusion criteria for harmful projects categories.</p> <p>The Issuer defines a look-back period of 3 years, in line with best market practice.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by REN’s Green Financing Framework is aligned with the GBP and GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project category are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process and identifies alignment of their Green Financing Framework and their green projects with EU taxonomy, in line with best market practice.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by REN's Green Financing Framework is aligned with the GBP and GLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Financing Instruments (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds. The Loan Instruments will take the form of one tranche or several tranches with each tranche being clearly labelled.</p> <p>The Issuer has defined an expected allocation period of 24 months. The Issuer discloses the nature of temporary investments, in line with best market practice.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by REN's Green Financing Framework is aligned with the GBP and GLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. REN explains that the level of expected reporting will be at portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting and the information reported in the impact report. Additionally, the Issuer defines the frequency and scope of the impact reporting, in line with best market practice. Furthermore, the Issuer commits to get the allocation report audited by an external party, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE UN SDGs⁴

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):

Obstruction	No Net Impact	Contribution
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The Green Financing Instrument's Use of Proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <p><i>Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation.</i></p> <p><i>Electricity grid assets⁵, in which:</i></p> <ul style="list-style-type: none"> ▪ <i>the grid system is the interconnected European system or;</i> ▪ <i>more than 67% of newly enabled generation capacity in the system</i> 	Contribution	

⁴ The impact of the UoP category on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁵ As per the EU Taxonomy, installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant in context of this eligibility criterion.

is below 100 g CO_{2e}/kWh over a rolling five-year average, (measured on a life-cycle basis), or;

- *the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO_{2e}/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;*

Construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO_{2e}/kWh measured on a life cycle basis to a substation or network.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below evaluates the Selection Criteria against issuance-specific KPIs. All of the assets are/will be located in Portugal.

ASSESSMENT AGAINST KPIs

Renewable Energy

Labor, Health, and Safety



REN’s assets are located in Portugal, where high labor, health and safety standards are in place (e.g., ILO core conventions). REN has a Quality, Environment and Safety policy⁶, and Occupational Health and Safety Management System certified under standard ISO 45001:2018 to ensure the projects financed under this framework provide for high labor and health and safety standards for own employees and volunteers.

On-site Safety



REN has a Quality, Environment and Safety policy⁷ and an Occupational Health and Safety Management System certified under standard ISO 45001:2018 that ensures the projects financed under this framework provide for high operational safety standards. REN implements a Prevention, Warning and Action plan during their identified fire season, which applies to all REN operations and locations. This plan is based on the level of preparedness of the National Emergency and Civil Protection Authority (ANEPC) resources defined every year in the Special Program for Combating Rural Fires. Furthermore, the Risk Management Committee then assesses severity and probability of occurrence of potential risks and classifies them in order of importance and by categories and subcategories and potential impact for business continuity. This process determines REN’s risk profile and the risks that will be monitored and followed up.

Environmental aspects of construction (or production) and operation



REN has limited information that systematically ensures that low-impact methods are applied during cable-laying (e.g., horizontal drilling, consideration of breeding periods, and affected fauna and flora). However, the Issuer states that during network operation and maintenance, monitoring and supervision actions are carried out to ensure compliance with the attenuation, mitigation, and monitoring measures provided for in the Environmental Impact

⁶ Quality, Environment and Safety policy, <https://www.ren.pt/media/4h0esgrz/quality-environment-and-safety-policy-statement.pdf>
⁷ Quality, Environment and Safety policy, <https://www.ren.pt/media/4h0esgrz/quality-environment-and-safety-policy-statement.pdf>

Statement (EIS) and in the Execution Project Environmental Compliance Report (RECAPE)⁸.

However, REN has developed a research and knowledge transfer program called the "REN Chair in Biodiversity". With respect to the "REN Chair in Biodiversity" (2015-2020) initiative, REN will implement a new protocol for the 2024-2026 period. The protocol aims to guarantee lines of action to ensure an increase in knowledge, disclosure, and applied research into the environment and with regards to the biodiversity associated with electricity transmission structures, and to mitigate their impacts on such biodiversity. REN has monitored and controlled the nesting patterns of the white stork population in existing infrastructure, creating favorable conditions for the birds' habitats and installing devices that minimize the risk of electrical accidents⁹.

REN has measures in place which systematically ensure that the existing asset financed under this framework meets high environmental standards and requirements during the construction phase (e.g., noise mitigation, and minimization of environmental impact during construction work). The measures include 1) soil storage is shielded with impermeable covers whenever feasible, to prevent displacement by rain or wind, 2) regular cleaning, maintenance, and moistening with water are done in areas of construction sites, traffic paths, and access roads, particularly at Substations, to reduce dust and mitigate discomfort for local communities and workers, 3) concrete mixers are ideally cleaned at the concrete plant. In situations where distance precludes this, only the residue from concreting channels should be cleaned on-site. The waste is placed near the excavation site for future use in foundation filling during line construction etc.



Additionally, there are measures to minimize noise disturbance such as 1) equipment known for noise emissions must comply with Conformité Européenne (CE) standards, displaying the CE mark and its sound emission level. A CE certificate of conformity should be readily available at the work site, 2) activities at operational installations should ideally occur during regular operating hours, except in cases where an exception is justified and 3) in the proximity of sensitive areas such as residential areas, schools, hospitals, or leisure spaces, noisy operations should be restricted to weekdays between 8:00 am and 8:00 pm, etc.

REN does not systematically ensure that all assets financed under the framework are taken back and recycled at end-of-life. Additionally, REN confirms that they are not yet ready to publish their circular economy strategy. However, REN mentioned the strategy and action plan that covers initiatives



⁸ REN's Integrated Report 2022, <https://www.ren.pt/media/eq0mti5i/annual-report-2022-non-esef-version.pdf>

⁹ p. 209 ibid.

along the entire life cycle of assets such as 1) promoting circular economy processes, 2) encouraging sustainable procurement and 3) aiming to ensure that waste is prevented, and the resources used are kept in the REN perimeter as long as possible. REN is working closely with suppliers to obtain the Environmental Declaration Product (EPD) of the most relevant equipment.

Conservation and Biodiversity management



Based on the current Legal Regime for Environmental Impact Assessment (RJAIA) in Portugal as defined by Decree-Law no. 151-B/2013, of October 31, which transposes Directive 2011/92/EU, transmission lines are subject to an Environmental Impact Assessment (EIA) when the voltage is equal to or greater than 220 kV and the length of the transmission lines is of more than 15 km. REN, hence, ensures that all assets financed under the framework underwent an EIA¹⁰. REN states that in accordance with the current legislation, REN prepares and delivers new proposals for the Development and Investment Plan for the National Transmission Network, Storage Infrastructures, and Gas Terminals (PDIRG) and the Development and Investment Plan for the Electricity Transmission Network (PDIRT) to the Directorate-General for Energy and Geology (DGEG) and the Energy Services Regulatory Authority (ERSE). The development of these plans necessitates the completion of Environmental Assessments for each. The Environmental Assessment and Control Reports summarize the follow-up and monitoring of the PDIRT and PDIRG. These reports are intended to address legal requirements, and to provide information for each new planning cycle, and provide measures that may be required to identify unforeseen negative effects in a timely manner and redirect action so as to fully implement defined strategies. Additionally, REN complies with the company's Environmental Policy, based on commitments to protect the environment and mitigate the impacts of its activities.

Community Dialogue



REN ensures that the assets financed under the framework have community dialogue as an integral part of the planning process. The relationships established with official entities are an integral part of REN's daily activity. REN therefore has an area providing support for Local Communities, exclusively dedicated to official entities, whose main mission is to represent REN institutionally in local communities, particularly with respect to municipal authorities. REN is committed to clear and transparent communication and furthermore, holds meetings and clarification sessions with local authorities and other stakeholders, in order to have close coordination with the company's operational areas. Additionally, REN's projects also require

¹⁰ REN's Integrated Report, p. 205, <https://www.ren.pt/media/eq0mti5i/annual-report-2022-non-esef-version.pdf>

extensive engagement and alignment with the community-academic and scientific institutions; business associations; NGOs; the media; access corridor landowners; neighbors of the facilities, and the public.

REN has a Stakeholder Relationship Policy¹¹ in place which covers consulting on a regular basis with stakeholders regarding relevant sustainability issues (ESG – Environmental, Social, and Governance), as one of the mechanisms to improve our performance in the fundamental pillars of the sustainability strategy”. Furthermore, in 2022, a new mechanism for contacts, opinions, and complaints was implemented, and is available to all stakeholders on the REN website¹².

¹¹ Stakeholder Relationship Policy, <https://www.ren.pt/media/i53fv30f/stakeholder-relationship-policy.pdf>

¹² REN's website: <https://www.ren.pt/en-GB/contacts/>

PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of REN's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project category has been assessed against the relevant Climate Change Mitigation Technical Screening Criteria of the EU Taxonomy Climate Delegated Act¹³ (June 2023), based on information provided by REN. Where REN's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

The Do No Significant Harm Criteria and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the Issuer is yet to develop systematic due diligence process that are externally communicated.

REN's project selection criteria overlap with the following economic activity in the EU Taxonomy:

4.9 Transmission and distribution of electricity

All projects financed under the Green Financing Framework are and will be located in Portugal.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

¹³Commission Delegated Regulation (EU) 2020/852, URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

a) Assessment of the project category against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation

GREEN FINANCE FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁴	ASSESSMENT AGAINST THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA
Renewable Energy	4.9 Transmission and distribution of electricity	REN’s electricity system is located in Portugal and therefore part of the Interconnected European System. REN commits to new infrastructure to have an average system grid emission factor that is below the threshold value of 100 gCO2e/kwh measured on a life cycle basis. Smart metering systems are not applicable to REN’s electricity transmission activity.	✓

b) Do No Significant Harm Criteria

Regarding the policies and procedures to ensure that the project category aligns with the relevant Do No Significant Harm Criteria, REN will secure the relevant information on whether the assets align with the criteria, including using compliance with national legislation and regulations as indicators. Considering the Issuer is yet to develop systematic risk control arrangements that are externally communicated, there is limited information as to whether the project category fulfils the Do No Significant Harm Criteria of the EU Taxonomy.

c) Minimum Safeguards

Regarding the policies and procedures to ensure that the project category aligns with the Minimum Safeguards requirements, REN will secure the relevant information on whether the assets align with the criteria, continuing its compliance with national legislation and regulations as indicators. Considering the Issuer is yet to develop a human rights due diligence process that is externally communicated, there is limited information as to whether the project category fulfils the Minimum Safeguards of the EU Taxonomy.

¹⁴ This column is based on input provided by the Issuer.

PART IV: LINKING THE TRANSACTION(S) TO REN'S ESG PROFILE

A. CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH REN'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

As part of the sustainability strategy, REN has defined the following strategic priorities such as Promoting well-being, Stakeholder engagement, Environmental protection and Governance and ethics. Additionally, REN's Sustainability Strategy helps in carrying out the Strategic Plan's Environmental, Social, and Governance (ESG) commitments, which are as follows:

- Environmental:
 - Reduce Scope 1 and 2 absolute emissions by 50% by 2030 (vs. 2019).
 - Reduce Scope 3 absolute emissions¹⁵ by 25% by 2030 (vs. 2021).
 - Carbon neutrality by 2040.
- Social:
 - By 2030, women will account for more than one-third of first-line management positions.
- Governance:
 - Ensure that 100% of the new bonds issued will be green bonds.

REN tracks its ESG targets annually on the website as well as in the Annual Report¹⁶. To meet targets, REN implemented programs to reduce CH₄ emissions in Rede Nacional de Transporte de Gás (National Gas Transmission Network) (RNTG), Underground Storage (US), and Liquefied Natural Gas Terminal (LNGT) operations, developed in accordance with the Oil and Gas Methane Partnership standard. Additionally, the involvement of the supply chain in the decarbonization of operations will help REN to achieve the goal of carbon neutrality by 2040. This progress will require the ongoing monitoring of suppliers and the implementation of initiatives (e.g., promoting the Science Based Target and defining targets for 2025 and 2030) leading to the reduction of emissions. The reduction of scope 3 will be achieved by the decarbonization of energy systems, mechanical equipment, and fleet. However, there is no information available on some strategic priorities such as "Promoting well-being" are not covered by quantified ESG targets. At the end of 2022, REN's target proposal was submitted for official (SBTi) validation and is now in phase 2: "Lead reviewer desk review".

REN is a signatory to the United Nations "Business Ambition for 1.5°C" and joined the Manifesto¹⁷ "Take advantage of the crisis to launch a new sustainable development paradigm", promoted by BCSD Portugal in 2020. Furthermore, REN's average annual Capex (domestic and international) in the 2021-2024 period, amounted to more than 900 million euros. This total amount will be invested in the connection to the Renewable Energy Sources (RES) project

¹⁵ In 2022, REN took steps to calculate all relevant Scope 3 emission, considering all applicable categories – eight of the 15 categories, thus reflecting the perimeter of all REN operations.

¹⁶ Annual Report 2022, <https://www.ren.pt/media/eq0mti5i/annual-report-2022-non-esef-version.pdf>

¹⁷ Business Council for Sustainable Development (BCSD) Portugal, <https://bcspdportugal.org/manifesto/>

network, with the aim of improving the current electricity network and making the gas network compatible with the injection of gases from renewable sources.

In addition, REN is committed to government projects as part of the National Energy and Climate Plan 2030 (“NECP”) and is in progress towards contributing to the goals of achieving carbon neutrality by 2050. REN is collaborating with official organizations in planning the reinforcement of renewable energy generation throughout the country, particularly in relation to an increase in photovoltaic power in the coming years. In accordance with current legislation, REN prepared and delivered to the Directorate-General for Energy and Geology (DGEG) and the Energy Services Regulatory Authority (ERSE) the proposals for the development and Investment Plan for the National Transmission Network, Storage Infrastructures and Gas Terminals (PDIRG) and for the Development and Investment Plan for the Electricity Transmission Network (PDIRT). To support this plan, REN invests in the grid network to increase the share of sustainable sources of energy.

REN has adopted the NP EN ISO 31000 standard for the implementation of the risk management system as a support process for the integrated management system, a system that applies to all Group companies. The risks are first characterized by the heads of the different areas of business and are communicated to REN’s Corporate Risk Management Committee. The Risk Management Committee assesses the risks and classifies them by importance, categories, and subcategories. This process determines REN’s risk profile and the risks that will be monitored and followed up on, especially those associated with ESG. Additionally, the Risk Management Committee seeks to apply preventive control, and mitigation measures, by drawing up an action plan with priorities established in accordance with the degree of risk. In 2021, the Board of Directors created the Sustainability Committee, which oversees the integration of sustainability principles into the decision-making and management processes of the REN Group.

REN follows the Global Reporting Initiative (GRI) reporting standard, the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-related Disclosures (TCFD) recommendations, and the European Union Taxonomy for its Sustainability Report¹⁸. Moreover, in April 2021, REN issued its first Green Bond, for an amount of €300 million, with a coupon of 0.50% per annum and a maturity of eight years.¹⁹

Rationale for issuance

REN established the Green Financing Framework to demonstrate its commitment to its mission, sustainability strategy, and objectives. Furthermore, REN sees the commitment to decarbonization of the economy and energy transition as a sustainability priority. To achieve this priority, REN invests in the grid network to increase the share of sustainable sources of energy in the Portuguese energy system and therefore contribute to its National Energy and Climate Plan 2030 (NECP). Through its Green Financing Instruments, it will finance and/or

¹⁸ Sustainability Report 2022, https://www.ren.pt/media/ax5kijmk/sustainability_brochure_22_ren.pdf

¹⁹ Green Bond Report 2022, page 3, <https://www.ren.pt/media/wuep2uf0/debt-and-rating-green-finance-green-bond-report-2022.pdf>

refinance projects related to Renewable Energy which has climate benefits and contribute to the achievement of the Sustainable Development Goals (SDGs). Moreover, REN aims to contribute to the development of the Green Bond/ Loan market and to the growth of Socially Responsible Investing.

Opinion: *The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

B. REN'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Gas and Electricity Network Operators, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY

Environmentally safe operation of plants and infrastructure

Promotion of a sustainable energy system

Accessibility and reliability of energy supply

Worker safety and accident prevention

Protection of human rights and community outreach

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of REN's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process. ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Gas and Electricity Network Operators industry are as follows: Anti-competitive behavior, Failure to mitigate climate change impacts, and Strike action.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

DISCLAIMER

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The parent company of Institutional Shareholder Services ("ISS"), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG ("DB") with the remainder owned by Genstar Capital ("Genstar") and ISS management. In April 2023, DB announced its intention

to combine ISS with Qontigo, another entity controlled by DB, with General Atlantic to become the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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ANNEX 1: Methodology

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project Selection Criteria included in the Green Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if REN's project category is indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by REN (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality Management Processes

SCOPE

REN commissioned ICS to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the GBP, GLP and the EU Taxonomy and to assess the sustainability credentials of its Green Financing Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA's GBP
- LMA's GLP
- EU Taxonomy Delegated Act

ISSUER'S RESPONSIBILITY

REN's responsibility was to provide information and documentation on:

- Green Financing Framework
- Selection Criteria
- Documentation of ESG risks management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Financing Instruments to be issued by REN has been conducted based on a proprietary methodology and in line with the ICMA GBP and GLP.

The engagement with REN took place in from September 2023 to January 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care,

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Green Financing Framework

ISS-CORPORATE 

professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

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