



General and Supervisory Board

## **INTERNAL REGULATION**

### **FINANCIAL MATTERS COMMITTEE / AUDIT COMMITTEE**

**Approved on 17 December 2020**

*This is an unofficial translation of the Financial Matters/Audit Committee Internal Regulation prepared for information purposes only. In the case of any discrepancy between this translation and the Portuguese version of the Internal Regulation, the Portuguese version will prevail.*



## FINANCIAL MATTERS/AUDIT COMMITTEE INTERNAL REGULATION

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### **Article 1 – AUDC institution**

The purpose of this Internal Regulation is to establish the rules relating to the organisation, functioning, powers and duties of the Audit Committee (AUDC) of EDP – Energias de Portugal, S.A. (Company or EDP), appointed by resolution of the General and Supervisory Board (GSB), as set forth in number 2 of article 444 of the Commercial Company Code (CCC) and number 2 of article 23 of the Company's Articles of Association.

### **Article 2 - Mission and Principles**

1. Within the scope of its powers, the AUDC is responsible for carrying out the functions described in Article 12 of this Regulation and its mission is to monitor and supervise on a permanent basis:
  - a. Financial matters and accounting practices.
  - b. Internal audit practices and procedures.
  - c. The internal mechanisms and procedures of the Internal Control System for Financial reporting (ICSFR).
  - d. Matters relating to risk management and control system.
  - e. The activities and mechanisms of the compliance management system.
  - f. The activity and independence of the Statutory Auditor (SA) / Order of the Official Chartered Accountants (OROC) of the company.
2. The AUDC should also support the other GSB Committees in the financial quantification of regulatory, strategic and market risks that may be analysed by these Committees.
3. The activity to be pursued by the AUDC, in the sphere of its functions, also focuses on the companies in a dominant or group relationship with the Company pursuant to the Securities Code (Subsidiary or Group Companies) and may concern elements of relevant information from other companies directly or indirectly owned by the Company or by Subsidiary Companies or the Group.
4. The AUDC and its members shall guide their actions in strict compliance with the Law, the Articles of Association, the resolutions of the General Assembly (GA) and these Regulations and shall consider the recommendations relating to the best corporate governance practices.



### **Article 3 - Composition**

1. The AUDC is composed of at least three independent members, in the sense defined by the GSB Internal Regulations, with adequate professional qualifications for the sector in which the Company operates and an adequate diversity of skills, knowledge and professional experience, including necessarily a member who has a higher education degree appropriate to the performance of his/her duties and knowledge in auditing or accounting.
2. The Financial Matters/Audit Committee shall be chaired by the GSB Chairman, in the case he is an independent member, as defined in the GSB Internal Regulation.
3. The following may not be elected members of the AUDC:
  - a) Persons who perform functions in a rival company and who represent or act on behalf of such a company or who are in any other way bound to the interests of the rival company.
  - b) The spouses, relatives or relations by marriage up to the 3<sup>rd</sup> degree, including, in indirect line, of persons barred under the provision in the previous paragraph.
4. AUDC members are elected for a term of office of the same duration in relation to the GSB mandate that elects them.

### **Article 4 - Functioning**

1. The AUDC meets when convened by its Chairman or two of its members, either on their own initiative or at the request of any GSB member, the Executive Board of Directors (EBD) Chairman or the statutory auditor (SA) of the Company.
2. The AUDC shall meet with an appropriate frequency to the performance of its duties and shall at least meet quarterly.
3. Notice of the convening and agenda of each meeting shall be sent to all AUDC members at least five working days in advance of the date of the meeting.
4. The agenda should also be sent to the GSB Chairman and the EBD Chairman.
5. The AUDC may decide on the participation of external elements in its meetings, and may, in particular, regarding the Company and its Subsidiaries/group companies, together or separately, interview and request the presence of:
  - a) Members of the Board of Directors.



- b) Members of the supervisory bodies.
  - c) The SA (Statutory Auditor).
  - d) Senior managers or other employees.
  - e) Shareholders.
  - f) External experts.
6. The AUDC meetings with the SA will be held without the presence of any EBD member, except when the presence of the EBD is indispensable for the pursuit of the purpose of the meeting and during the period strictly necessary for that purpose.
  7. The AUDC meets and decides with the necessary presence of the majority of its members, and its decisions are taken by a majority of votes, with the respective Chairman having the casting vote in the event of a tie in the vote.
  8. The minutes of each AUDC meeting shall be drawn up and signed by all Committee members participating in that meeting.
  9. To develop its activity, the AUDC may request the GSB Chairman for technical support from the GSB Support Office.

#### **Article 5 – Powers of the AUDC Chairman**

The AUDC Chairman is especially responsible for:

- a) Representing the Audit Committee in and out of court;
- b) Coordinate the AUDC activity, in conjunction with the GSB Chairman, as well as convene and chair the respective meetings;
- c) Exercise the casting vote;
- d) Ensure the correct execution of the AUDC resolutions.
- e) To ensure the circulation of information, by the AUDC members, on the matters treated and other information considered essential to the performance of their duties.

#### **Article 6 - Incompatibilities**

1. In addition to other specifically applicable, the AUDC members are subject to the incompatibility rules set forth in paragraphs a), b), c), d), e), f), g) e h) of n. 1 of article 414-A (ex vi article 434, n. 4) and article 437, n. 1, of the Companies Code, as well as Article 10 of EDP's Articles of Association.



2. Without prejudice to the power of the AUDC to decide on the incompatibility of its members, each member shall be responsible for the permanent monitoring of the absence of any circumstances that may lead to his/her situation becoming incompatible with the performance of his/her duties.
3. Any member who has doubts regarding a situation of incompatibility, in relation to him or herself or any other member, shall raise the case to the AUDC Chairman, who shall initiate an assessment process with the GSB or an Eventual Committee created for this purpose, to issue a reasoned opinion on the incompatibility.

#### **Article 7 - Independence**

1. An AUDC member who complies with the independence requirements defined in the GSB Internal Regulations shall be considered independent.
2. Without prejudice to the AUDC power to assess the independence status of its elected members as such, each one shall be responsible for the permanent monitoring of the absence of any circumstance that might affect this status during the performance of his/her duties.
3. If an AUDC member has doubts as to whether the assumptions of independence in relation to him/her or any other member, he/she shall present the case to the AUDC Chairman, who shall initiate an assessment process with the GSB or Eventual Committee set up for the purpose, to issue a reasoned opinion on the independence status.

#### **Article 8 - Competition**

1. Pursuant to Article 10 of the Articles of Association, in the absence of authorization from the General Shareholders Meeting, the AUDC members may not perform, directly or indirectly, activities in competition with the Company, nor hold positions in a competing company or be appointed on behalf of or on behalf of this company.
2. An AUDC member, elected under Article 10(4) of EDP's Articles of Association, may not attend meetings or parts of meetings in which matters with competitive risk or sensitivity are discussed, in particular matters with an impact on markets where there is competition with the Company, nor access to the respective information and documentation.



### **Article 9 - Conflicts of Interest**

1. When an AUDC member is in a situation of effective or apparent conflict of interest in a decision to be taken by that body, the member shall inform the AUDC Chairman on the facts that may constitute or give cause to a conflict between his/her interests and social interest.
2. The AUDC Chairman shall inform the GSB Chairman of this fact, who shall start a verification process with the GSB or an Eventual Committee composed by GSB members for that purpose, in order to be issued a reasoned resolution on the matter.

In the situation referred to in paragraph 1 of this Article, the AUDC member shall refrain from participating and voting at the meeting at which the matter is discussed and voted on, without prejudice to the obligation to provide information and clarifications when requested by the Committee or by its respective members.

### **Article 10 - Rights and Duties**

1. Without affecting their other rights as set forth in law and the EDP's Articles of Association, AUDC members have the right to:
  - a) Obtain information considered essential for the performance of their duties, through the AUDC Chairman.
  - b) Attend EBD meetings in which accounts are reviewed.
  - c) Propose to the AUDC Chairman hiring the services of experts and advisors deemed necessary for them to perform their duties, within the agreed budget for such services.
2. Without prejudice of other rights set forth in Law and in EDP's Articles of Association, the AUDC Chairman is entitled to request to the GSB Chairman all the information deemed convenient to perform his duties.
3. Without affecting their other duties as set forth in the Law and the EDP's Articles of Association, AUDC members have the duty to:
  - a) Always act according to high standards of professionalism, impartiality, care and loyalty in the pursuit of the Company's interests.
  - b) Participate in the AUDC meetings and justify as soon as possible any inability to attend.
  - c) Stay informed to ensure the proper performance of his/her duties.



- d) Maintain confidentiality of events and information acquired during their duties, except in cases where its communication is permitted by Law.

#### **Article 11 - Evaluation of the AUDC Activity**

1. The AUDC shall assess any difficulties and obstacles detected by its members regarding the performance of their duties and make every effort to ensure that appropriate measures are taken to remove difficulties and obstacles to the performance of their duties.
2. The AUDC shall monitor compliance with rules applicable to the work of its members, those set out in this Regulation.
3. Every year, the AUDC shall evaluate:
  - a) The activity developed by the Committee and the contribution made by the members.
  - b) The compliance with this Regulation, followed by a revision, if necessary.

#### **Article 12 - Duties**

1. The AUDC is responsible, in addition to other duties that are expressly assigned to it by the GSB to:
  - a) Verify, when deemed convenient, the books, accounting records and supporting documents, as well as the status of any assets or values owned by the company in any respect.
  - b) Verify whether the accounting policies and procedures and the valuation criteria adopted by the company are consistent with the generally accepted accounting principles and adequate to a correct presentation of its assets, responsibilities and results.
  - c) To issue opinions on the annual report and Company accounts.
  - d) To supervise the effectiveness of internal audit systems, internal control over financial reporting (ICSFR), risk management and compliance management.
  - e) Define and implement procedures relating to the reception, treatment and resolution by the Committee of claims on accounting, internal accounting controls and audit matters, as well as claims or any other irregularities (fight against corruption, financial and banking crime) from shareholders, employees, SA or other stakeholders.
  - f) To assess the adequacy of the financial information preparation and disclosure process and draft a report for the GSB, which should include the analysis of the AUDC of this



process, including the adequacy of accounting policies, estimates, considerations, relevant disclosures and their consistent application between financial years.

- g) To promote an adequate coordination between the internal audit works and the legal review.
- h) Define the criteria and coordinate the selection procedure of the Statutory Auditor under Annex I of this Internal Regulation.
- i) Issue a reasoned report under the terms of the applicable law on the renovation and renewal of the Statutory Auditor mandate in the end of each mandate to be presented to the GSB.
- j) To propose the hiring and dismissal of the statutory auditor as well as its remuneration.
- k) To supervise and monitor the company's financial statements, on an individual or consolidated basis, in particular taking into account any possible recommendations made by the Portuguese Securities Market Committee (CMVM) and to clarify the content of the annual reports of conclusions, accounts and auditing and the additional report to the supervisory body, with the SA, and the AUDC being the first recipient of those, in particular with regard to any reservations submitted, for the purpose of submitting recommendations to the GSB and the EBD, and still be the recipient of the reports made by the internal control services, including risk management, compliance and internal audit functions, at least where matters related to the provision of accounts, the identification or resolution of conflicts of interest and the identification or resolution of conflicts of interest and the detection of potential irregularities. Ensuring the activity and independence of the SA, in accordance with Annex II of these Internal Regulations and the applicable legislation and regulations, in order to assess its independence and compliance with legal, regulatory and contractual provisions and the principles and good practices that govern the action of audit firms and their representatives with the auditees.
- l) Approve the provision of audit and non-audit services by the SA to the Company or to the Subsidiaries, ensuring an adequate prior evaluation of the threats to independence of the SA that the provision of such services may lead to and the safeguards applied or to be applied to mitigate them.
- m) Ensure that all communications and documents of the SA, with emphasis on the issue of the Audit Report, delivered to EDP must necessarily be addressed to the GSB Chairman



and to the AUDC Chairman, with knowledge to the EBD, or when, by the nature of the matter, the addressee is another, a copy of that communication or document should always be sent to the GSB/AUDC Chairmen.

- n) To assess, with the SA, the scope and breadth of the revision of the accounts and the audit.
- o) Pursuant to the Dutch Royal Decree, to exercise the duties of supervision and monitoring in relation to EDP Finance BV.

2. In carrying out its work, the AUDC will pay special attention to supervision of the following:

- a) Any changes in accounting policies and practices and the procedures for their approval.
- b) The reporting of any unusual transactions in the accounts of the Company and its subsidiaries or group companies.
- c) Any significant manual adjustments in the accounts of the Company and its subsidiaries/group companies prompted by the Board or on the intervention of the SA.
- d) Any changes in relevant financial indicators and any alterations in the formal or informal rating of the Company or its subsidiaries or group companies.
- e) Any significant exposure to financial risks, such as foreign currency, price, interest rate, derivatives or contingent liability risks.
- f) The development of good governance practices for the Company in terms of the internal control system for financial procedures.
- g) The internal audit matters, having the possibility to request to the Compliance and Internal Audit Department any information deemed relevant, including the internal audit procedures and internal control on the financial report.
- h) The internal control matters, being able to request from the Compliance Department the information considered relevant, including the internal control procedures on the financial report.
- i) The identification, evaluation, risk management and control and evaluations of the internal level of compliance as well as the continuous monitoring of performance and risk management system efficiency of the Company, jointly with the EBD, following namely the risk control policies, the key risk indicators (KRI) identification and the integrated risk evaluation methodologies, having the possibility to request to the Risk Management Department and to the Corporate Risk Department the information deemed convenient.



- j) The activity and the contractual relations with the Statutory Auditor, without interfering with the performance of their functions, having the possibility to formulate recommendations or request for clarifications within the GSB, EBD and SA relation, regarding financial information as well as monitor and assess in accordance with the applicable law the objectivity and independence of the SA, namely with reference to other audit services.
  - k) The accounting legal review results and the way how they contributed to the integrity of the preparation and disclosure of the financial information as well as the role of the Financial Matters/Audit Committee performance on this procedure, reporting this information to the GSB and the EBD.
  - l) The Internal control report content of the Financial Reporting (ICFRS) with the support of the Compliance Department and the SA.
  - m) The verification carried out by the SA of the information required by the applicable legislation to appear in the Remuneration Report.
3. Among its functions, the AUDC is also authorized to:
- a) Propose to the GSB and the EBD measures addressed to guarantee the integrity of financial information and to the improvement of the financial information internal control systems, risk management system and internal audit and compliance.
  - b) Propose to the GSB the contracting of specialist services and independent consultants in accordance with the appropriate budgets.
  - c) Carry out other inquires in departments of the Company and its subsidiaries/group companies, when necessary in order to enable it to fulfil its duties.
  - d) Obtain all the information it requires in order to carry out its duties, either directly or indirectly through the GSB Chairman.
  - e) Attend EBD meetings; attendance at meetings at which the annual accounts are to be considered is mandatory.
  - f) Assess, annually, the activity and performance of the Internal Audit Department, as well as the work conditions adequacy namely the human resources and technical means.
  - g) Assess, annually, the activity and performance of the Compliance Department, as well as the work conditions adequacy namely the human resources and technical means.
  - h) Review, annually, coordination with the EBD, the Internal Audit Basic Standard.



- i) Review, annually, in coordination with the EBD, the Compliance Management System Standard.
  - j) Monitor on a permanent basis the communication of the Company to the Statutory Auditors Association the conclusion of contracts, on behalf of the SA, the nature and duration of the service to be provided for.
4. The AUDC will establish all the necessary mechanisms to enable it to work in conjunction with the supervisory bodies in the subsidiaries or group companies, with the aim of holding regular joint meetings and defining procedures for monitoring their work.

#### **Article 13 - Report to the GSB**

1. At the beginning of each year, the AUDC must submit its yearly Plan of Activities to the GSB Plenary Meeting for approval.
2. The Financial Matters/Audit Committee will inform the GSB of its conclusions and minutes and must submit written reports or statements on the most important matters.
3. The informative elements referred on the previous number should also be made available on the internal information sharing platform.
4. At the first semester GSB ordinary meeting, the AUDC Chairman shall present to the GSB updated information on the most important matters with which the Committee has dealt.
5. The AUDC must produce an annual report of its work and its assessment of this work, which will be submitted to the GSB for consideration and will be included in its annual report.

#### **Article 14 - Internal Regulation**

1. The AUDC will annually review the implementation of this Regulation and will submit to the GSB Chairman the amendments necessary to improve the Committee's work, for approval in GSB Plenary Meeting.
2. The GSB Internal Regulation applies to all areas not covered by this Regulation.

#### **Article 15 - Disclosure**

The Internal Regulation of the AUDC is published on the institutional website of the Company.



## **ANNEX I**

### **PROCEDURE ON CRITERIA AND THE SELECTION PROCESS OF STATUTORY AUDITOR (SA) OF THE COMPANY**

#### **Article 1 - Object**

Define the criteria and coordinate the selection process of the Company's Statutory Auditor (SA).

#### **Article 2 - Competence**

1. The Audit Committee (AUDC) is responsible to define the criteria and coordinate the selection process of the Statutory Auditor of the Company.
2. AUDC may request to the GSB Chairman for technical support of the GSB Support Office.

#### **Article 3 - Criteria and SA selection process of the company**

1. The selection of the Statutory Auditor of the Company will be made taking into account the following criteria:
  - i. Professional technical experience of the candidate;
  - ii. Academic curriculum and professional experience of team members dedicated by the candidate to the work among companies of EDP Group;
  - iii. Specific know how of the competitor among companies of EDP Group;
  - iv. Technical quality of the proposal;
  - v. Work methodology
  - vi. Guarantees of honesty, independence, absence of conflicts of interest;
  - vii. Number of hours foreseen to develop the work;
  - viii. Price, detailing the value of the proposed fees and average fees per hour, per professional category and financial conditions;
  - ix. Guarantees of operational and financial capacity of the competitor.
2. On the choice of proposal(s) it deems most advantageous, AUDC, will consider the criteria identified in the preceding paragraph by the order it deems most appropriate, taking into account the specific circumstances.



3. Except in cases of mandate reappointment, the SA selection is made through a selection procedure coordinated by the AUDC with the following phases:
  - i. Drawn-up of the procedure documents addressed to statutory auditors or statutory auditors' companies inviting them to present accounting legal reviews service provision proposals. The documents should point out:
    - a. the activity scope of EDP.
    - b. the service to be provided for.
    - c. the selection criteria set forth in number 1 of this article and the priority order of such under the terms deemed more adequate, taking into consideration the procedure specific circumstances.
  - ii. Opening of procurement procedure, under the terms and modality deemed adequate for the Company, that could include to the proposal request of specific statutory auditors or statutory auditors' companies and direct negotiation with the interested applicants.
  - iii. Evaluation of the proposal(s) and selection of the more convenient proposal according to the criteria as defined in the procedure documents in order to propose to the Shareholders' Meeting the appointment of the Statutory Auditor for their consideration.
  - iv. Preparations of the report on the conclusion of the selection procedure under the terms of the following article.

#### **Article 4 - Proposals Assessment Report and Selection Proposal of the Financial Matters/Audit Committee**

1. After reviewing the proposals, taking into account the referred to in Article 3, AUDC prepares a report on the evaluation process of proposals to the GSB, with a view to select the Statutory Auditor of the Company.
2. The AUDC report must include a critical review of the conclusions of the process and properly support the proposal for a statutory auditor selection of the Company.
3. The report should include a recommendation on the selection of the SA with a minimum of two options to be proposed to the Shareholders' Meeting of the Company, expressing the justifications for their preference.



4. The AUDC states in the report that the recommendation is exempt from third party influences and that no clause that aims to limit the SA choice by the Shareholders' Meeting of the Company has been imposed.
5. This article is applicable to the reappointment of the SA mandate, being the AUDC in this case exempt from presenting other option according to number 3.
6. The report referred to in the preceding paragraphs must be submitted to the GSB.

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## **ANNEX II**

### **STATUTORY AUDITOR ANNUAL ASSESSMENT PROCEDURE**

#### **Article 1 - Object**

Define the rules for the annual evaluation of the Company's Statutory Auditor (SA).

#### **Article 2 - Competence**

1. The Committee on Financial Matters / Audit Committee (AUDC) is responsible for the annual review of the SA and the EA of the Company, including as to their independence.
2. The AUDC may request the General and Supervisory Board (GSB) Chairman for technical support from the GSB Support Office.

#### **Article 3 - SA Report on its Activity and Independence**

Until the 31<sup>st</sup> of January of each year, the SA of the Company submit to AUDC a report with the following elements:

- a) SA governance structure;
- b) SA Internal quality control system;
- c) Declaration on independence practices of the SA which also confirms the completion of an internal review of independence compliance of such practices;
- d) The mechanisms used to assess whether any service provided to EDP is a threat to their independence;
- e) Description of services provided by the SA to EDP, by geography, in the previous year and amount of remuneration received;
- f) Annual revenues from audit services rendered;
- g) Annual revenues from other than provided audit services;
- h) Indication of whether some potentially conflicting services with independence are provided.
- i) Confirm the independence of the SA or the threats to its independence and the measures for the respective mitigation.



#### **Article 4 - AUDC Assessment**

1. Upon reception of the document referred to in Article 3, AUDC prepares a report on the performance of the SA and on their independence.
2. The AUDC report shall include a critical review of the information received in relation to each of the paragraphs and subparagraphs contained in Article 3 and shall also express a conclusion as to the degree of independence of the SA according to the following classification: acceptable; acceptable with lower risks; not acceptable.
3. The report referred to in the preceding paragraphs must be submitted to the GSB.

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