

# Second-Party Opinion

## EDP Green Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the EDP Green Finance Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.



**PROJECT EVALUATION / SELECTION** Energias de Portugal's Sustainable Finance Working Group oversees selecting and evaluating eligible assets. Financed projects are subject to ESG standards defined within EDP's Environmental and Social Policies. EDP's environmental and social policies and risk assessment processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Energias de Portugal's processes for management of proceeds are overseen by its Treasury team. Proceeds will be managed on a portfolio basis. EDP expects to reach full allocation 24 months after issuance. Pending full allocation, unallocated proceeds will be held in EDP's treasury liquidity portfolio including cash or cash equivalents or invested in reimbursement/purchase of existing debt. This is in line with market practice.



**REPORTING** Energias de Portugal intends to report annually on allocation of proceeds on its website, until full allocation or in case of any material changes. Allocation reporting will include information such as an overview of the portfolio by asset type and total amount of assets. In addition, EDP is committed to reporting on relevant impact metrics, such as installed renewable energy capacity (MW) and annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>). Sustainalytics views EDP's allocation and impact reporting as aligned with market practice.

### Alignment with the EU Taxonomy

Sustainalytics has assessed Energias de Portugal's Green Finance Framework for alignment with the EU Taxonomy, and is of the opinion that, of the Framework's two eligibility criteria (which map to two EU activities), both align with the applicable Technical Screening Criteria ("TSC") in the EU Taxonomy and partially align with the Do No Significant Harm ("DNSH") Criteria. No categories were determined to be not aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

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Evaluation Date March 3, 2022

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Issuer Location Lisbon, Portugal

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## Introduction

Energias de Portugal (“EDP”, the “Issuer” or the “Company”) is a multinational utility company operating in 28 markets across Europe, the Americas, Africa and Asia. The Company is vertically integrated throughout the whole value chain of electricity. EDP employs over 12,000 people and is headquartered in Lisbon, Portugal. The Company owns the majority of EDP Renováveis (EDPR) which develops and operates renewable energy generation and is the fourth largest wind energy producer in the world.

EDP has developed the EDP Green Finance Framework (the “Framework”) under which it intends to issue green bonds and originate green loans and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to increase renewable electricity generation within the regions that EDP operates in. The Framework defines eligibility criteria in one area:

1. Renewable Energy

EDP engaged Sustainalytics to review the EDP Green Finance Framework, dated March 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>1</sup> and the Green Loan Principles 2021 (GLP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The Use of Proceeds criteria alignment with the EU Taxonomy June 2021 Delegated Act; and
- The alignment of the Issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of EDP’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. EDP representatives have confirmed (1) they understand it is the sole responsibility of EDP to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and EDP.

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

<sup>2</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>3</sup> The EDP Green Finance Framework is available on Energias de Portugal’s website at: <https://www.edp.com/en/investors/fixed-income/green-funding>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that EDP has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the EDP Green Finance Framework

Sustainalytics is of the opinion that the EDP Green Finance Framework is credible and impactful, and aligns to the four core components of the GBP and GLP. Sustainalytics highlights the following elements of EDP's Green Finance Framework:

- Use of Proceeds:
  - The eligible category, Renewable Energy, is aligned with those recognized by the GBP and GLP. Sustainalytics expects the projects to create meaningful environmental benefits through contributing to the renewable energy transition.
  - Under the Framework, eligible expenditures may include the acquisition of companies limited and pro-rated to the share of business dedicated to activities considered eligible under this Framework. Sustainalytics recognizes that the GBP favour project-based lending and financing, and that there is less transparency in general with non-project-based lending. Nevertheless, Sustainalytics notes that such financing through green bonds is commonly accepted as an approach which can generate positive impact. Regarding acquisition investments, eligible expenditures may include acquisition of physical assets or pure-play companies involved in the activities eligible under this Framework. In case a company is partially involved in eligible activities, the Issuer intends to use a pro-rata allocation of green proceeds based on the percentage of the book value of eligible green assets within the acquired company's balance sheet, which Sustainalytics considers to be in line with market practice.
  - Within the Renewable Energy category, EDP intends to finance and/or refinance new and/or existing renewable electricity generation facilities including: (i) onshore and offshore wind, (ii) concentrated solar power (CSP), and (iii) photovoltaic solar (PV).
    - For CSP projects, EDP has confirmed that there is no intention to incorporate fossil fuel backup systems.
  - Sustainalytics notes that EDP excludes the financing of projects related to fossil fuels and hydro energy production, transmission, distribution and supply. Sustainalytics views this exclusion as further strengthening the Framework.
- Project Evaluation and Selection:
  - EDP has put a Sustainable Finance Working Group (the Working Group) in place which is comprised of representatives from EDP's finance and sustainability teams as well as EDPR. The Working Group is in charge of selecting and evaluating eligible assets.
  - To manage and mitigate environmental and social risks EDP complies with applicable standards and regulations. Financed projects are subject to ESG standards defined within EDP's Environmental and Social Policies.

- Based on the selection and evaluation process as well as the social and environmental risk management that EDP has in place, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The management of proceeds will be overseen by EDP's Treasury team and validated by the Working Group. Proceeds will be managed on a portfolio basis and tracked via the Company's internal system.
  - EDP aims to fully allocate proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be held in EDP's treasury liquidity portfolio including cash or cash equivalents, or invested in reimbursement/purchase of existing debt. EDP has confirmed that only existing debt financing assets eligible under this Framework will be reimbursed/repurchased.
  - Based on the management of proceeds, Sustainalytics considers this to be in line with market practice.
- Reporting:
  - EDP will report on its allocation and impact of proceeds on the Company's website until full allocation on an annual basis or in case of material changes.
  - Allocation reporting will include an overview of the portfolio by asset type, total amount of assets, amount and share of financing versus refinancing, the balance of unallocated proceeds, geographic distribution of assets by country as well as the proportion of the eligible asset portfolio that is UN SDG and EU Taxonomy aligned. Information on the allocation of proceeds will also be available within the Company's Sustainability Report. EDP further plans to obtain post-issuance verification on its allocation reporting on annual basis until full allocation.
  - Impact reporting is intended to be aligned with the Handbook - Harmonized Framework for Impact Reporting and may include indicators such as installed renewable energy capacity (MW), annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>) and annual production of renewable energy (MWh).
  - Based on EDP's reporting practices, Sustainalytics considers this process to be in line with market practice.

#### Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the EDP Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

#### Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria ("TSC")
  - The two eligible green criteria<sup>5</sup> outlined in the Framework were assessed and are aligned with the applicable TSC of the EU Taxonomy.
2. Do No Significant Harm ("DNSH") Criteria
  - The two activities assessed have a total of seven individual DNSH criteria (across all environmental objectives) applicable to them and are aligned with five, partially aligned with two, and not aligned with none of those individual DNSH criteria.
3. Minimum Safeguards
  - Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.
  - For Sustainalytics' assessment of alignment with the Minimum Safeguard see Section 2 below.

<sup>5</sup> Sustainalytics notes that for one Framework criterion (Solar CSP) alignment with the EU Taxonomy has not been assessed due to the absence of such projects on the balance sheet of EDP.

Table 1 provides an overview of the alignment of the Framework with the TSC and DNSH criteria for the corresponding NACE activities in the EU Taxonomy.

**Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy**

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Electricity generation from wind power	■	□	■	□	■	■	-	■
Electricity generation using solar photovoltaic technology	■	□	■	□	-	■	-	■
Electricity generation using concentrated solar power (CSP) technology	Not assessed at this time <sup>6</sup>							

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	-
Grey shading indicates the primary EU Environmental Objective	

\* The EU Taxonomy has not yet defined TSC for EU Environmental Objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different Objective, Sustainalytics has assessed alignment against the DNSH criteria for all six Objectives.

## Section 2: Sustainability Strategy of EDP

### Contribution of framework to Energias de Portugal's sustainability strategy

EDP demonstrates a commitment to sustainability through its focus on contributing to decarbonizing the power sector. EDP's 'ESG 2030' plan outlines the Company's ambitions for 2030 and defines twelve goals to drive sustainability within the business.<sup>7</sup> Sustainalytics highlights the following goals as most relevant to the projects that may be financed under the Framework: (i) clean energy generation, (ii) sustainable energy consumption, and (iii) circular economy.

EDP has set short- and medium-term targets for the reduction of its direct and indirect emissions. The Company aims to achieve carbon neutrality in scope 1 and 2 emissions by 2030, with an intermediate target of reducing emissions by 70% by 2025 compared to 2015 levels.<sup>8</sup> In addition, EDP aims to reduce its scope 3 emissions by 30% by 2025 and 50% by 2030 relative to 2015 levels.<sup>9</sup> To support EDP's emissions reduction targets, the Company aims to become coal free by 2025 and to reach 100% renewable energy generation by 2030.<sup>10</sup> To achieve this, EDP needs to secure an additional 50 GW of renewable energy as the Company aims for at least 70 GW of total renewable energy capacity by 2030. This will require EDP to at least double its renewable energy capacity growth rate to an average of 4 GW per year. Currently, renewable energy resources make up 80% of renewable capacity and 75% of actual renewable generation.<sup>11</sup> In addition to increasing the

<sup>6</sup> The Framework includes eligibility criteria for electricity generation using concentrated solar power (CSP) technology. Sustainalytics notes that EDP does not yet have projects in this area and has not provided sufficient evidence in its framework criteria to enable Sustainalytics to assess this against the EU Taxonomy Climate Delegated Act.

<sup>7</sup> EDP, "Ambitions 2030, Targets 2025", at: <https://www.edp.com/en/ambition-2030-targets-2025>

<sup>8</sup> EDP, "Strategic Update 2021-2025", at: <https://www.edp.com/en/edp/strategic-update-2021-2025>

<sup>9</sup> EDP, "Strategic Update 2021-2025", at: <https://www.edp.com/en/edp/strategic-update-2021-2025>

<sup>10</sup> EDP, "Strategic Update 2021-2025", at: <https://www.edp.com/en/edp/strategic-update-2021-2025>

<sup>11</sup> EDP, "Strategic Update 2021-2025", at: <https://www.edp.com/en/edp/strategic-update-2021-2025>

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renewable energy supply EDP aims secure an additional 2.3 GW of storage capacity and increase battery storage capacity by 400MW by 2025 relative to 2020.<sup>12</sup>

In addition, EDP has identified circular economy as an area of focus. The reuse of materials from solar and wind assets due to the constant improvement of renewable energy technology has also been identified by EDP as a crucial circular economy pillar. For example, due to the repowering of a wind farm in Spain in 2019, 22 of the 80 wind turbines were resold and the remaining were recovered for reuse.<sup>13</sup> In line with this trend, EDP aims to recover at least 85% of materials from its operations and the dismantlement of solar and wind farms by 2025.<sup>14</sup>

Sustainalytics is of the opinion that the EDP Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

### Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds and loans issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, emissions, effluents, and waste generated during construction, as well as land-use and biodiversity issues.

Sustainalytics is of the opinion that EDP is able to manage and/or mitigate potential risks through implementation of the following:

- EDP has the Health and Safety Work Policy in place to ensure a safe working environment, aiming to achieve "zero accidents" at all times.<sup>15</sup> The policy promotes the importance of training to raise employee awareness and compliance with safety standards and procedures. In addition to this policy, EDP published the 2020 Occupational Health and Safety Report.<sup>16</sup> This report outlined preventative measures taken which included tailored training packages for each functional role and the implementation of a prevention and safety committee. In 2021, 82% of EDP's employees and 100% of installed power in production activities were covered by the Occupational health and safety management certification system (ISO 45001) globally.<sup>17,18</sup>
- Regarding the management of emissions, effluents and waste, EDP has an Environment Policy in place.<sup>19</sup> This policy is a part of EDP's corporate management system which is certified in accordance with ISO 14001 for Environmental management systems.<sup>20</sup>
- As for biodiversity, the Environment Policy outlines a set of commitments which aim to ensure the implementation of appropriate land-use management systems. Regarding biodiversity, EDP aims for zero net biodiversity loss and has committed to build no new production facilities in areas that are part of the UNESCO World Heritage List of Natural Sites. Furthermore, EDP promotes the use of the biodiversity mitigation hierarchy to reduce biodiversity loss as outlined in the Company's Biodiversity Report.<sup>21</sup>
- Under EDP's Sustainable Procurement Policy and Supplier Code of Conduct, the Company requires its suppliers to comply with local laws and regulations and adopt a responsible environmental policy that mitigates the adverse impact of business activities on the environment.<sup>22,23</sup>
- As a signatory to the United Nations Global Compact, EDP conforms to its 10 principles, including on human rights, labor, environment, anticorruption, and transparently discloses its performance regarding these principles to the UN Global Compact.<sup>24</sup> In line with the principles, the Company commits to avoiding any violation of human rights, forced or child labor, environmental degradation, and corruption.

<sup>12</sup> EDP, "Sustainability Report 2020", at: [https://www.edp.com/sites/default/files/2021-04/Sustainability%20Report%20EDP%202020\\_1.pdf](https://www.edp.com/sites/default/files/2021-04/Sustainability%20Report%20EDP%202020_1.pdf)

<sup>13</sup> EDP, "Circular Economy: the role of EDP", at: <https://www.edp.com/en/sustainability/circular-economy-role-of-edp>

<sup>14</sup> EDP, "Ambitions 2030, Targets 2025", at: <https://www.edp.com/en/ambition-2030-targets-2025>

<sup>15</sup> EDP, "Health and Safety at Work", at: <https://www.edp.com/en/health-and-safety-work-policy>

<sup>16</sup> EDP, "Occupational Health and Safety Report 2020", at: <https://www.edp.com/en/sustainability/transparency-and-reporting#reports>

<sup>17</sup> ISO, "ISO 45001:2018", at: <https://www.iso.org/standard/63787.html>

<sup>18</sup> According to information provided by EDP on a discretionary basis.

<sup>19</sup> EDP, "Environment Policy", at: <https://www.edp.com/en/sustainability/environmental-policy>

<sup>20</sup> ISO, "ISO 14001:2015", at: <https://www.iso.org/standard/60857.html>

<sup>21</sup> EDP, "Biodiversity Report 2015-2019", at: <https://www.edp.com/sites/default/files/2020-07/AF%20Relat%C3%B3rio%20Biodiversidade%20EN8.pdf#page=21>

<sup>22</sup> EDP, "Sustainable Procurement Policy", at: <https://www.edp.com/en/sustainable-procurement-policy>

<sup>23</sup> EDP, "Supplier Code of Conduct", at: <https://www.edp.com/en/edp-supplier-code-conduct>

<sup>24</sup> United Nations Global Compact, "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

Sustainalytics notes that EDP has been involved in several controversies related to business ethics and quality and safety. Firstly, EDP has been subject to a long-running bribery and corruption investigation, dating back to 2004 – 2011. EDP is alleged to have benefitted by receiving ‘compensation payments’ during the liberalization of the power sector in Portugal and the long-term energy purchase contracts established at the time. The investigation is ongoing, but the severity of the allegations has continued to escalate in recent years, also implicating members of the (former) senior management. In 2021, the company faced allegations of tax evasion during the sale of its hydropower projects and investigations into the case are ongoing.

Sustainalytics notes that the Company has significantly improved its management of business ethics and has achieved certification under the ISO Anti-bribery Management Systems (ISO 37001). Further, Sustainalytics acknowledges that the controversies will not directly impact eligible projects that may be financed under this Framework. However, Sustainalytics encourages the Issuer to further strengthen its policies related to business ethics and quality and safety to mitigate potential negative impacts in the future.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that EDP has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible category.

#### **Alignment with the EU Taxonomy's Minimum Safeguards**

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organisation’s (ILO) declaration on Fundamental Rights and Principles at Work.

#### **Human and Labour Rights**

EDP has established a “Human and Labor Rights Policy” which applies to all EDP entities and employees, business relationship and activities, in all the locations the Company operates in.<sup>25</sup> EDP’s “Human Labor Rights Policy” outlines a commitment to several international standards, guidelines, treaties and conventions, namely:

- OECD Guidelines for Multinational Enterprises
- OECD Guidelines on Responsible Business Conduct
- UN Guiding Principles on Business and Human Rights
- International Labour Organisation’s (ILO) declaration on Fundamental Rights and Principles at Work including its eight core conventions
- International Bill of Human Rights

The EDP Supplier Code of Conduct<sup>26</sup> lays out the Company’s requirements towards its suppliers with regards to human and labour rights and workplace health and safety. For instance, EDP requires suppliers to commit to ensuring and promoting respect for the protection of human rights and free labour, as well as fair remuneration to workers and preventing child labour. Regarding workplace health and safety, EDP suppliers are expected to comply with national legislation and international standards in force, and record all risks associated with the conduct of their activity.

EDP’s Code of Ethics<sup>27</sup> provides guidance on how to ensure that the Company follows the highest ethical standards on all levels, such as safeguarding of human life, physical and mental integrity, and health and safety at work. It also addresses equality and non-discrimination, fair wages, the prohibition of child, youth and forced labour and relationships with communities amongst other things.

Sustainalytics notes that EDP was involved in a controversy related to a wildfire that occurred near Pedrógão Grande, Portugal in 2017. Independent studies suggest that inadequate vegetation clearance from the Company’s transmission lines was the leading cause of the wildfire. Although EDP denies these allegations, it has significantly stepped-up aerial inspections and ground inspections, vegetation clearance and improved procedures to increase efficient communications with emergency response officials. Sustainalytics has assessed the measures taken by EDP to strengthen its risk management systems and policies and is of the opinion that these measures provide an adequate safeguard in this area for future operations. Additionally,

<sup>25</sup> EDP, “Human and Labor Rights Policy”, at: <https://www.edp.com/en/human-rights>

<sup>26</sup> EDP, “Suppliers Code of Conduct”, at: [https://www.edp.com/sites/default/files/codigo\\_de\\_conduta\\_dos\\_fornecedores\\_eng.pdf](https://www.edp.com/sites/default/files/codigo_de_conduta_dos_fornecedores_eng.pdf)

<sup>27</sup> EDP, “Code of Ethics”, at: [https://www.edp.com/sites/default/files/2021-11/EDP\\_codicodeetica\\_EN\\_2021\\_v1.2.pdf](https://www.edp.com/sites/default/files/2021-11/EDP_codicodeetica_EN_2021_v1.2.pdf)

Sustainalytics notes that the projects to be financed under this framework are not directly related to this controversy.

#### **Anti-bribery and anti-corruption**

EDP has established an Integrity Policy<sup>28</sup> (or the “Policy”) as part of its Global Compliance Program. The EDP Group Integrity Policy applies to the Company, subsidiaries, service providers and any other group entities employees that act on behalf of EDP. The Policy outlines the Company’s compliance with applicable national and international regulatory rules and encourages employees to conduct business fairly and avoid improper or unlawful practices. EDP has established procedures to prevent and mitigate criminal practices, such as corruption, money laundering, terrorism financing, or insider trading. EDP has also established a specific control mechanism to ensure EDP’s Integrity Policy and procedures about anti-bribery and corruption are applied throughout the business. In addition, EDP has developed specific ethics and integrity training plans.

EDP has several whistleblowing channels that enable their employees to report issues anonymously related to money laundering and terrorism financing. These channels are complemented by an investigation procedure that defines rules regarding the management of complaints received.

Sustainalytics notes that EDP has been exposed to a long-running bribery and corruption investigation, dating back to 2004 – 2011. EDP is alleged to have benefitted by receiving ‘compensation payments’ during the liberalization of the power sector in Portugal and the long-term energy purchase contracts established at the time. The investigation is ongoing, but the severity of the allegations has continued to escalate in recent years, also implicating members of the (former) senior management. Additionally, recent investigations also indicate that the initial award of a contract to EDP to build the Baixo Sabor hydropower dam in 2008 may have involved corruption. While EDP denies these allegations, in past years, the company has significantly strengthened its management related to bribery and corruption, business ethics and whistle-blowing. Most recently, the issuer has attained certification for UNE 19061 for criminal compliance management systems, ISO 37001 for anti-bribery management systems, and ISO 37301 for compliance management systems. Sustainalytics assesses the measures taken by EDP to strengthen its internal systems and policies and recognizes that these will aid in mitigating future business ethics incidents. However, Sustainalytics notes that the ongoing allegations may continue to expose EDP to risks, also due to the negative impacts caused to the Portuguese economy.

Based on these above considerations, Sustainalytics is of the opinion that EDP’s policies, guidelines and commitments demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards.

### **Section 3: Impact of Use of Proceeds**

The use of proceeds category defined by EDP in the Framework is aligned with those recognized by the GBP and GLP. Sustainalytics explains below how the projects are impactful in the local context.

#### **Decarbonizing the global power generation supply**

At a global scale, coal remains the dominant fuel for power generation (35.1%), however its share slightly decreased by 1.3 % in 2020 compared to 2019.<sup>29</sup> At the same time renewable power generation increased from 10.3% in 2019 to 11.7% in 2020 on a global level, representing an increase of 358 TWh. This growth was driven by both wind (173 TWh) and solar (148 TWh) power. The share of solar in the power generation mix has steadily increased over the last 10 years, representing 27% of renewable energy generation as of 2020.<sup>30</sup> Despite the growth of renewable energy in power generation, electricity and heat generation amounts to over 40% of global CO<sub>2</sub> emissions from fuel combustion, with coal plants emitting almost 70% of the associated emissions.<sup>31</sup> As such, it is important to increase the share of renewable energy added capacity to mitigate the contribution of heat & electricity generation to climate change.

Sustainalytics is of the opinion that EDP’s financing of renewable power generation assets is expected to bring positive environmental impacts and participate to the decarbonization of the global power mix.

<sup>28</sup> EDP, “Integrity Policy”, at: [https://www.edp.com/sites/default/files/2021-03/integrity\\_policy\\_edp\\_en.pdf](https://www.edp.com/sites/default/files/2021-03/integrity_policy_edp_en.pdf)

<sup>29</sup> BP, (2021) “Statistical Review of World Energy”, at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

<sup>30</sup> BP, (2021) “Statistical Review of World Energy”, at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the EDP Green Finance Framework advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, substantially increase the share of renewable energy in the global energy mix.

### Conclusion

EDP has developed the EDP Green Finance Framework under which it may issue green bonds and loans and use the proceeds to finance wind and solar power projects within the countries that the EDPR operates in. Sustainalytics considers that the projects funded by the green bond and loan proceeds are expected increase the share of renewable power generation in the respective countries.

The EDP Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the EDP Green Finance Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that EDP has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds despite the controversies that Sustainalytics identified that EDP is/was involved in.

Sustainalytics has assessed EDP Green Finance Framework for alignment with the EU Taxonomy, and is of the opinion that, of the Framework's two use of proceeds criteria<sup>32</sup> which map to two EU activities, two align with the applicable Technical Screening Criteria ("TSC") partially align with the applicable Do No Significant Harm Criteria. No categories were determined to be not aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that Energias de Portugal is well-positioned to issue green bonds and originate loans and that the EDP Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021.

<sup>32</sup> Sustainalytics notes that for one Framework criterion (Solar CSP) alignment with the EU Taxonomy has not been assessed due to the absence of such projects on the balance sheet of EDP.

# Appendices

## Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE<sup>33</sup> activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

### 1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for Energias de Portugal Framework is shown in Table 2 below.

### 2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Renewable Energy	Wind energy generation (onshore and offshore)	Electricity generation from wind power	D35.11 and F42.22	Mitigation	3
	Solar energy generation (PV)	Electricity generation using solar photovoltaic technology	D35.11 and F42.22	Mitigation	4

<sup>33</sup> The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

## Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Issuer's Framework criteria with the EU Taxonomy's TSC and DNSH criteria for the relevant NACE activity.

Table 3

<b>Framework Activity assessed</b>	Wind energy generation (onshore and offshore)		
<b>EU Activity</b>	Electricity generation from wind power		
<b>NACE Code</b>	D35.11 and F42.22		
	<b>EU Technical Screening Criteria</b>	<b>Alignment with Technical Screening Criteria</b>	
Climate change mitigation	The activity generates electricity from wind power.	Eligible by default.	Aligned
	<b>DNSH Criteria</b>	<b>Alignment with DNSH Criteria</b>	
Climate change adaptation	Refer to the assessment set out in Appendix 3, Table 5.	Partially Aligned	
Sustainable use and protection of water and marine resources	<p>In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC of the European Parliament and of the Council, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848(159) in relation to the relevant criteria and methodological standards for that descriptor.</p>	<p>EDP specified that offshore winds assets are located within the EU, in Belgium and Portugal, as well as in the United Kingdom, where a significant proportion of environmental legislation originates from EU law. EDP abides by all national regulatory requirements applicable in the abovementioned countries. Including the Directive 2008/56/E ("Marine Strategy Framework Directive") implemented in the United Kingdom (UK) by The Marine Strategy Regulations 2010. The Directive is wide-ranging and sets out 11 descriptors, including introduction of energy, including underwater noise, is at levels that do not adversely affect the marine environment ('descriptor 11' or 'd11').</p> <p>Suppliers of offshore technology must comply with Directive 2005/88/EC relating to the noise emission in the environment by equipment for use outdoors. Furthermore, all offshore wind projects are subject to appropriate environmental permitting which requires environmental assessments. Offshore windfarms which have undergone an EIA also comply with the assessment under Article 6(3) of the Habitats Directive. The guidance covers descriptors relevant to offshore wind energy such as maintaining</p>	Aligned

		biodiversity and sea floor integrity. The EIA must address issues of introduction of energy and underwater noise not affecting the local ecosystem. Additionally, standards are required when seeking approval for permits including monitoring underwater noise and effectiveness of control systems.	
Transition to a circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	<p>As part of its supplier management EDP defines minimum and specific sustainability requirements for each contract with a supplier. Further, EDP has a procurement strategy in place that specifically covers requirements for the quality of goods procured, which includes products and materials sustainability considerations. EDP also promotes the reduction of waste generated with its suppliers. The Supplier Code of Conduct provides general conditions for the procurement of goods and services and contract terms are at the core of executing these considerations.</p> <p>The management of waste within the wind energy space is an area of particular focus for EDP. The Company supports projects that develop viable alternatives for fiberglass recycling from wind turbine blades. In addition, EDP engages with suppliers to follow industry developments in wind turbine blade designs, which have greater recyclability potential.</p>	Aligned
Protection and restoration of biodiversity and ecosystems	<p>Refer to the assessment set out in Appendix 3, Table 6.</p> <p>In case of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors.</p>	<p>The assets comply with the Marine Strategy Framework Directive and the Water Framework Directive 2000/60/EC which also translate into applicable national law and regulations. The MSFD Program for Marine protection aims at ensuring that projects are planned to achieve environmental targets, such as seas not polluted by contaminants, marine species and habitats unaffected by human activities, sustainable and environmental sound use of resources and seas not impacted by litter, anthropogenic energy and eutrophication.</p>	Aligned

Table 4

<b>Framework Activity assessed</b>	Solar energy generation (PV)		
<b>EU Activity</b>	Electricity generation using solar photovoltaic technology		
<b>NACE Code</b>	D35.11 and F42.22		
	<b>EU Technical Screening Criteria</b>		<b>Alignment with Technical Screening Criteria</b>
Climate change mitigation	The activity generates electricity using solar PV technology.	Eligible by default.	Aligned
	<b>DNSH Criteria</b>		<b>Alignment with DNSH Criteria</b>
Climate change adaptation	Refer to the assessment set out in Appendix 3, Table 5.		Partially Aligned
Transition to a circular economy	<p>The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.</p>	<p>As part of its supplier management EDP defines minimum and specific sustainability requirements for each contract with a supplier. Further, EDP has a procurement strategy in place that specifically covers requirements for the quality of goods procured, which includes products and materials sustainability considerations. EDP also promotes the reduction of waste generated with its suppliers. The Supplier Code of Conduct provides general conditions for the procurement of goods and services and contract terms are at the core of executing these considerations.</p> <p>For assets located in the EU, the Directive 2012/19/EU on Waste Electrical and Electronic Equipment Directive (WEEE) regulates the treatment of electrical and electronic waste at the end of their life cycle. WEEE set the fundamental legalities and obligations for collecting and recycling photovoltaic panels in the EU, including setting minimum collection and recovery targets. Moreover, as a part of the WEEE Directive 2012/19/EU, the original producers of electronic and electric equipment are responsible for the recovery and recycling of these goods at no additional cost to the end consumer within all countries of the European Union. This is founded in line with the OECD's Extended Producer Responsibility policy approach which aims to promote more efficient product design and greater recycling rates. In line with this, EDP follows industry developments of new components which have greater recyclability potential.</p>	Aligned

		All photovoltaic modules available in the EU can be disposed of, notwithstanding the type of technology used. Most parts of a solar module can be recycled, including glass, semiconductor materials, ferrous and non-ferrous metals.	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 6.		Aligned

## Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 5

Criteria for DNSH to Climate Change Adaptation		
DNSH Criteria	Alignment with DNSH Criteria	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.<sup>34</sup> The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> <li>for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections;</li> <li>for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments.</li> </ul> <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> <li>For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> <li>For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other</li> </ul>	<p>EDP has risk management procedures in place that incorporate climate change adaptation risks. EDP identifies climate adaptation risks through a phased approach. During the first phase, the Company identifies an exhaustive list of adaptation risks in each business and region, according to TCFD's recommendations. During the second phase, the Company undertakes three physical scenarios (RCP 2.6, RCP 4.5 and RCP 8.5<sup>35</sup>) to identify additional physical risks. The relevant team monitors and reports the risks to the Board on an annual basis. During the last phase, EDP quantifies physical climate risks to create an aggregated value at risk. Sustainalytics notes that EDP analyzes the scale and lifetime of its renewable power generation assets as part of its operational risks assessment.</p> <p>However, whilst the Issuer has adaptation plans in place, the plans are not implemented across the whole scope of the business at this stage. EDP is aiming to do so by the end of 2025. Furthermore, there is no clear indication that the selected adaption solutions do not adversely affect external parties' exposure to physical climate risks and that solutions will be implemented within five years of the start of the activity.</p>	Partially Aligned

<sup>34</sup> The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU's draft delegated regulation (Annex 1), at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

<sup>35</sup> Representative Concentration Pathway: greenhouse gas concentration trajectory adopted by the IPCC.

economic activities and are consistent with local, sectoral, regional or national adaptation efforts.

Table 6

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
<b>DNSH Criteria</b>	<b>Alignment with DNSH Criteria</b>	
<ul style="list-style-type: none"> <li>• An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards.</li> <li>• Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</li> <li>• For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</li> </ul>	<p>EDP carries out EIAs for all generation activities<sup>36</sup> funded under the Framework. In the EU, EIAs follow the Directive 2011/92/EU. EDP is committed to following equivalent national provisions and international standards outside the EU.</p> <p>Via the internal project development units, EDP is accountable for the implementation and follow-up of all the conditions the EIA imposes on the project.</p> <p>EDP has a 'No Net Loss' target for all new projects to ensure that the projects' impacts on biodiversity are properly avoided and minimized and to restore affected areas and offset residual externalities via a mitigation hierarchy approach. This hierarchy involves avoiding impacts during the planning and design phase and minimizing the impact once the local biodiversity has been surveyed.</p> <p>EDP has further confirmed that an appropriate assessment is in place for sites located in or near biodiversity-sensitive areas.</p>	Aligned

<sup>36</sup> Activities financed under this Framework are solely generation activities.

## Appendix 4: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Energias de Portugal
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	EDP Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 3, 2022
Publication date of review publication: <i>Original publication date [please fill this out for updates]:</i>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.

### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Energias de Portugal's Sustainable Finance Working Group is in charge of selecting and evaluating eligible assets. Financed projects are subject to ESG standards defined within EDP's Environmental and Social Policies. EDP's environmental and social policies and risk assessment processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification       In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Energias de Portugal's processes for management of proceeds are overseen by its Treasury team. Proceeds will be managed on a portfolio basis. EDP expects to reach full allocation 24 months after issuance. Pending full allocation, unallocated proceeds will be held in EDP's treasury liquidity portfolio including cash or cash equivalents or invested in reimbursement/purchase of existing debt. This is in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

### 4. REPORTING

Overall comment on section (*if applicable*):

Energias de Portugal intends to report annually on allocation of proceeds on its website, until full allocation or in case of any material changes. Allocation reporting will include information such as an overview of the portfolio by asset type and total amount of assets. In addition, EDP is committed to reporting on relevant impact metrics, such as installed renewable energy capacity (MW) and annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>). Sustainalytics views EDP's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported:**

- Allocated amounts       Green Bond financed share of total investment

 Other (*please specify*):

Total amount of Eligible Assets by category

Amount and percentage of new and existing assets (financing and refinancing)

Balance of unallocated proceeds

Geographic distribution of the assets, split by country

Balance of unallocated proceeds  
Proportion of the Eligible Asset Portfolio that is UN SDG and EU Taxonomy aligned

**Frequency:**

- Annual       Semi-annual
- Other (*please specify*):

**Impact reporting:**

- Project-by-project       On a project portfolio basis
- Linkage to individual bond(s)       Other (*please specify*):

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Other ESG indicators ( <i>please specify</i> ):<br>Installed capacity (MW)<br>Annual production of renewable energy (MWh) |

**Frequency**

- Annual       Semi-annual
- Other (*please specify*):

**Means of Disclosure**

- |  |  |
|--|--|
| <input type="checkbox"/> Information published in financial report   | <input checked="" type="checkbox"/> Information published in sustainability report   |
| <input type="checkbox"/> Information published in ad hoc documents   | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Separate report with allocation and impact reporting. |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Allocation of funds will be third party verified. |  |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.edp.com/en/investors/fixed-income/green-funding>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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