

# MANAGEMENT APPROACH

## WATER MANAGEMENT

Water is an essential resource for life on earth, and of the utmost environmental, social and economic importance.

EDP recognizes access to drinking water and sanitation as a universal right and is working towards achieving the UN Sustainable Development Goals (SDG), in particular SDG 15, by contributing to the sustainable use of freshwater ecosystem services, seeking to ensure the supply of clean and affordable energy for all, according to SDG 7.

## COMMITMENTS

Under its Environmental Policy, EDP is committed to environmental protection, mitigating its impacts, managing risks, stimulating R&D + Innovation and promoting the continuous improvement of processes, practices and performance through a collaborative approach with its stakeholders for an efficient use and sustainable management of water.

## DEPENDENCIES AND IMPACTS

Water is a critical resource in EDP for electricity production, especially in hydroelectric power plants, an important part of the organization's renewable electricity portfolio, playing a critical role in EDP's strategy for reducing CO<sub>2</sub> emissions and mitigating climate change.

Hydroelectric power plants are strongly dependent on the hydrological regime over the short and long-term, and by the constraints imposed on its operation namely the needs for regulating flows, public water supplies and the maintenance of water levels for tourism and agriculture uses.

Thermal power plants also depend on the quantity and quality of water availability, both for cooling and process needs.

EDP's activities can impact, both negatively and positively, on water resources and ecosystems:

- The use of water by thermal power plants results in the emission of wastewater and may increase the temperature of water bodies receiving cooling water discharges
- The existence of dams transforms lotic into lentic systems with very different hydraulic characteristics
- Hydropower plants reservoirs increase access to water for other uses, such as agriculture, water consumption and recreation, serving as strategic water reserves and helping to regulate floods downstream.

Within a proper management of water resources, EDP monitors potential shortages, controls water quality and sediments, as well as the impact of the management of this resource on biodiversity, for which it undertakes mitigation activities such as the release of environmental flows, the transfer and transport of fish, and support for scientific research on these topics.

EDP supports the assessment of its water risk exposure at the river basin level on the World Resources Institute (WRI) tool - Aqueduct. A local analysis is then carried out considering quantitative information from national institutions and the experience of internal operational teams regarding, for example, resource availability and competitive uses. The thermoelectric power plant of Pecém in Brazil is located in an area of water stress.

The main use of water in EDP's supply chain is associated with coal extraction. Given the progressive reduction of coal in the company's generation portfolio, and the vast range of alternative suppliers in different geographies, of which the majority is located in low water stress areas, water-related supply chain risks are not considered material.

## PERFORMANCE

EDP publicly reports Water related indicators in its Sustainability Report, according to the Global Reporting Initiative (GRI) and in the CDP Water Security questionnaire. For water related definitions, EDP uses the CEO Water Mandate guidelines and the ISO 14046:2014 (Environmental Management – Water footprint: Principles, requirements and guidelines).

At an operational level, the company follows national performance standards for water-related indicators (withdrawals, consumption, discharges' quality). In Europe, these standards are supported by the application of the Best Available Techniques (BAT) for thermal power plants, and by the Water Framework Directive for hydropower plants management.

EDP responds to the CDP Water Security Questionnaire, where it details its water-related strategy, commitments, management approach, risks, opportunities and performance.