



ENERGY
WITH
INTELLIGENCE

**SUSTAINABILITY
MANAGEMENT APPROACH
2015**

The challenge has been to demonstrate the contribution of EDP Group to sustainable development as well as extending the themes to be referred to according to the expectations of the stakeholders. During the past 15 years, EDP evolved from an environmental to a sustainability report culminating with the integration of sustainability contents into the annual report. Nowadays, EDP is proud of this route abroad recognized, which also had a very positive impact within the company.

The question has been how to report more and better. Many international organizations helped by publishing guides, but also created an increasingly complex and still non consensual atmosphere.

The publication in May 2013 of the new Global Reporting Initiative (GRI) guidelines, designated by **G4**, has introduced new demands and has led the company to reflect on the usual forms of reporting.

This document collects each of the G4's themes according to the GRI guidance on management approach and explains why some of them are not applicable or material to its activities. This document intends to frame the performance periodically published by EDP Group.

The terms indicated in **bold type** are links to web pages.

CONTACTOS

HEAD OFFICE

Avenida 24 de Julho, 12

1249-300 Lisbon

Portugal

Tel: +351 21 001 25 00

Fax: +351 21 001 14 03

ONLINE

E-mail: sustentabilidade@edp.pt.

www.edp.pt



ENERGY WITH INTELLIGENCE

RELATÓRIO
E CONTAS
2015

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01.EDP

1.1.INTRODUCTION

EDP – Energias de Portugal, S.A. is a listed company (“sociedade aberta”), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organized under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Avenida 24 de Julho, nr. 12, 1249-300 Lisboa, Portugal.

EDP was initially incorporated as a public enterprise (“empresa pública”) in 1976 pursuant to Decree-Law no. 502/76, of 30 June, as a result of the nationalisation and merger of the main Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company (“sociedade anónima”) pursuant to Decree-Law no. 7/91, of 8 January, and Decree-Law no. 78-A/97, of 7 April.

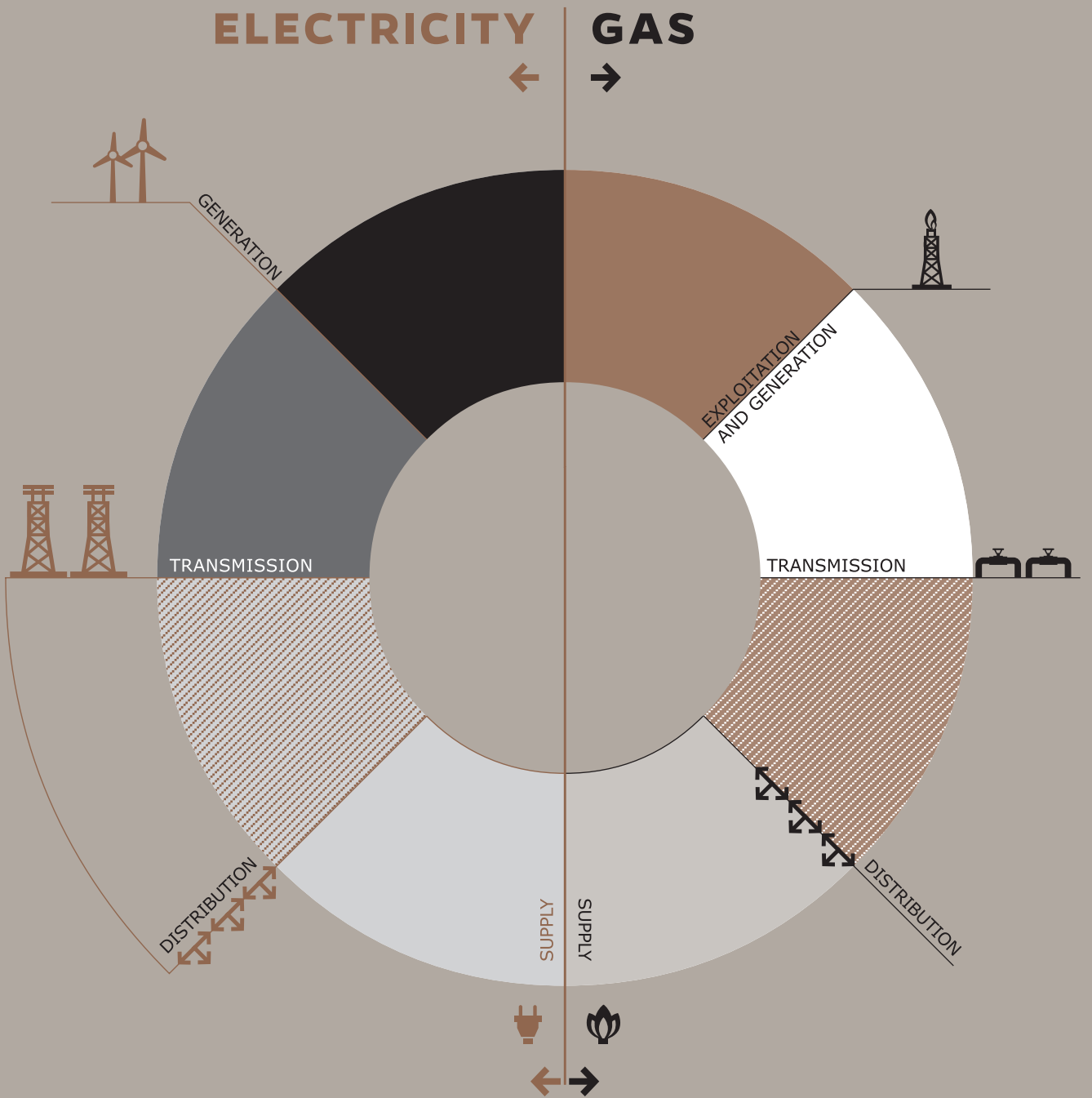
EDP is a vertically integrated utility company. It is the largest generator, distributor and supplier of electricity in Portugal, the third largest electricity generation company in the Iberian Peninsula and one of the largest gas distributors in the Iberian Peninsula.

EDP is one of the largest wind power operator worldwide with windfarms for energy generation in the Iberian Peninsula, the United States, Canada, Brazil, France, Belgium, Italy, Poland and Romania, has capacity under construction in Mexico and is developing wind projects in the United Kingdom. Additionally, EDP generates solar photovoltaic energy in Portugal, Romania and the United States. In Brazil, EDP is the fifth largest private operator in electricity generation, has 2 electricity distribution concessions and is the fourth largest private supplier in the liberalised market.

EDP has a relevant presence in the world energy landscape, being present in 14 countries, with 9.7 million electricity customers, 1.4 million gas customers and more than 12 thousand employees around the world. On 31 December 2015, EDP had an installed capacity of 24 GW and generated 64TWh, of which 58% from renewable sources.

edp

value chain



edp

vision

A global energy providing company, leader in creating value, innovation and sustainability.

values

INITIATIVE

Demonstrated through the behaviour and attitude of our people.

TRUST

Of shareholders, customers, suppliers and other stakeholders.

EXCELLENCE

In the way we perform.

SUSTAINABILITY

Aimed at improving the quality of life for present and future generations.

INNOVATION

With the objective of creating value within the various areas in which we operate.

commitments

SUSTAINABILITY

- . We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.
- . We avoid specific greenhouse gas emissions with the energy we produce.
- . We ensure the participatory, competent and honest governance of our business.

PEOPLE

- . We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.
- . We promote the development of skills and merit.
- . We believe that the balance between private and professional life is fundamental in order to be successful.

RESULTS

- . We fulfil the commitments that we embraced in the presence of our shareholders.
- . We are leaders due to our capacity of anticipating and implementing.
- . We demand excellence in everything that we do.

CLIENTS

- . We place ourselves in our clients' shoes whenever a decision has to be made.
- . We listen to our clients and answer in a simple and clear manner.
- . We surprise our clients by anticipating their needs.

SUSTAINABLE DEVELOPMENT PRINCIPLES

01. ECONOMIC AND SOCIAL VALUE

- ∴ Constantly create value for our shareholders;
- ∴ Increase efficiency in resource use and reduce risk exposure;
- ∴ Contribute to improving competitiveness, by providing services of excellence and anticipating customers needs and expectations;
- ∴ Include environmental and social aspects in the planning and decision-making processes;
- ∴ Contribute to improving the quality of life of people.

02. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION

- ∴ Encourage the use of renewable energy sources and cleaner and more efficient energy technology;
- ∴ Encourage the improvement of energy efficiency at the consumption end;
- ∴ Manage the impact of activities, seeking a positive environmental balance;
- ∴ Actively contribute to the protection of the environment and biodiversity;
- ∴ Encourage the improvement of environmental management practices in the value chain.

03. INNOVATION

- ∴ Encourage innovation and creativity, in the search for new market opportunities and the improvement of processes;
- ∴ Promote collaborative practices in all phases of design, production and delivery of services;
- ∴ Promote technological research and development and knowledge management in the energy field.

04. INTEGRITY AND GOOD GOVERNANCE

- ∴ Comply with legislation and established ethical and moral standards;
- ∴ Respect and foster the respect for human rights, within our sphere of influence;
- ∴ Ensure the participatory, competent and honest governance of our business.

05. TRANSPARENCY AND DIALOGUE

- ∴ Ensure an open and trusting relationship with all stakeholders;
- ∴ Promote consultation and communication channels with stakeholders and take their contributions and expectations into consideration;
- ∴ Report economic, environmental and social performance in a transparent and objective manner.

06. HUMAN CAPITAL AND DIVERSITY

- ∴ Encourage integrity, rigour, individual responsibility and teamwork, fostering diversity;
- ∴ Encourage the development of employees capacities and reward excellence and merit;
- ∴ Improve health and safety conditions and the well-being of employees;
- ∴ Reject abusive and discriminatory practices, guaranteeing equal opportunities;
- ∴ Promote employee satisfaction and motivation.

07. ACCESS TO ENERGY

- ∴ Promote access to energy, in a reliable and safe manner and with quality;
- ∴ Adapt commercial policies to the specific social nature of the market;
- ∴ Ensure equity in the access to energy and energy systems.

08. SOCIAL DEVELOPMENT AND CITIZENSHIP

- ∴ Promote social innovation, maximizing the positive social impact of the business;
- ∴ Support social and cultural initiatives, based on transparent criteria for assessing the social return of the invested resources;
- ∴ Cooperate in the sustainable development of societies.

1.2.SUSTAINABILITY

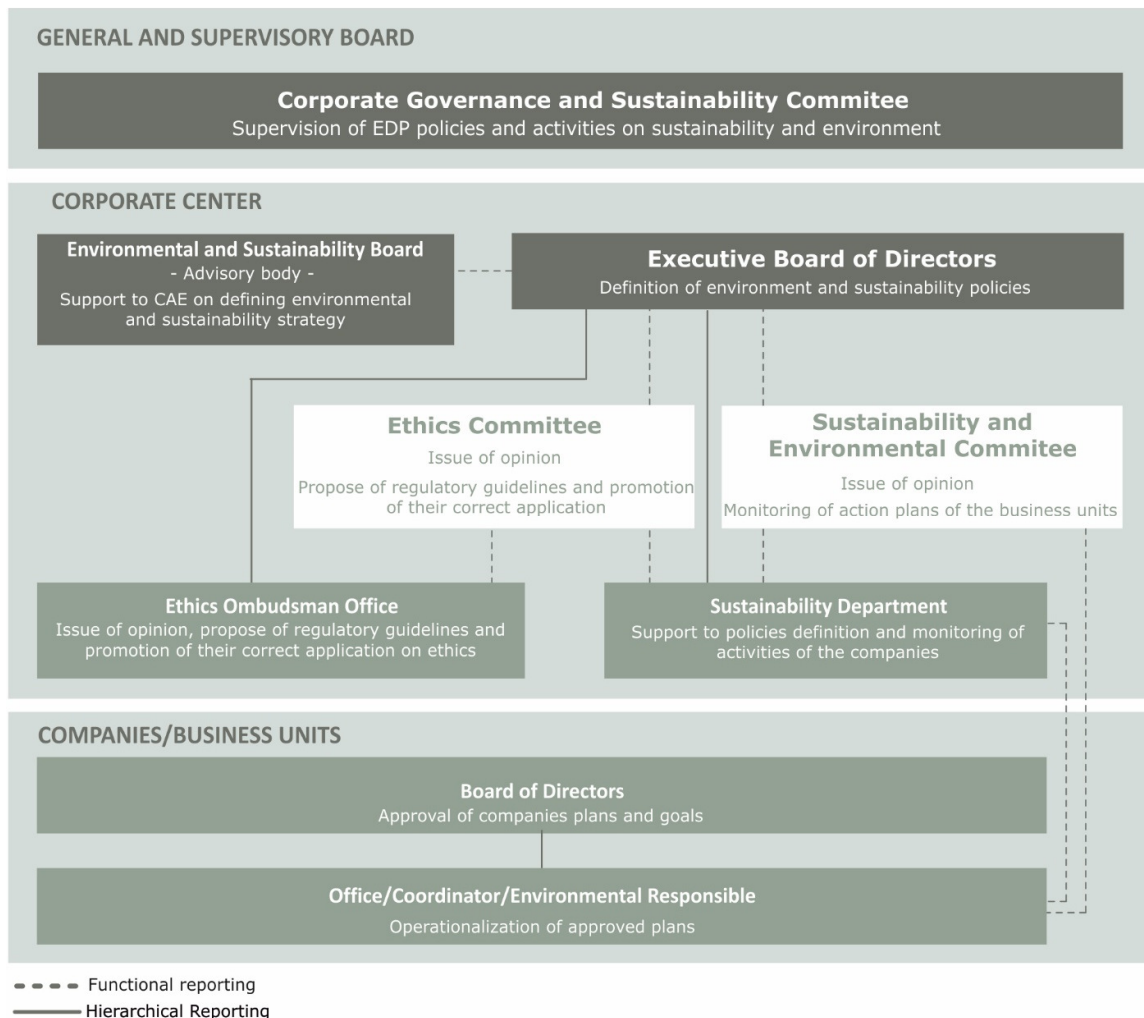
EDP recognises the importance of sustainability in its operations and value chain, and integrates the economic, environmental and social opportunities and risks into its business strategy.

EDP's sustainability strategy is built upon its **Principles of Sustainable Development** and its commitment to support and comply with the 10 **Global Compact** Principles in the fields of Human Rights, Labour, Environment and Anti-corruption.

Sustainability is organised in order to establish close communications between the corporate and operational structures, enhancing the flow of information and the implementation of EDP Group's sustainability strategy.

EDP has outlined its commitments and medium-term goals in accordance with the outcome of the materiality benchmarking processes (see page 9).

The strategy is implemented through an annual Sustainability and Environment Operational Plan (POSA). This plan frames the above-mentioned principles and sets guidelines to business units' initiatives. Sustainability management is therefore implemented at different management levels, from the most strategic aspect to the operation of different business units.



Across this strategy, EDP enhances a continuous consolidation of employees' ethical values and excellence on its sustainability performance, maintain the five goals:

Improving the attraction and retention of talent and ensuring staff motivation at a time of high staff turnover;

- Strengthening mechanisms for managing the safety and well-being of staff and service providers;
- Improving stakeholders contacts to be conscious of their expectations and consider them on the strategy of the company;
- Extend to all stakeholders instruments for collecting expectations, optimizing their assessment on the performance of the company;
- Promoting adequate management to the coming long-term challenges, investing in Research and Development (R&D) and Innovation.

EDP's strategy on sustainability is under revision regarding the 2020 horizon.

MANAGING STAKEHOLDERS' EXPECTATIONS

As part of the **Principles of Sustainable Development** of the company, EDP characterises and identifies its main stakeholders. It periodically reviews their expectations and incorporates them into the corporate and operational management strategy.

Its Stakeholder Relationship Policy is based on four guiding principles that intend to assure an effective and genuine involvement of different stakeholders, thus contributing for the creation of value:

- Understanding;
- Communicating;
- Trusting;
- Cooperating.

The Institutional and Stakeholder Relations Office, at a corporate level, supports the implementation of this policy in articulation with the different business units and other corporate offices, improving the effectiveness of strategic relations with the different company stakeholders.



Stakeholders are organized into four segments:

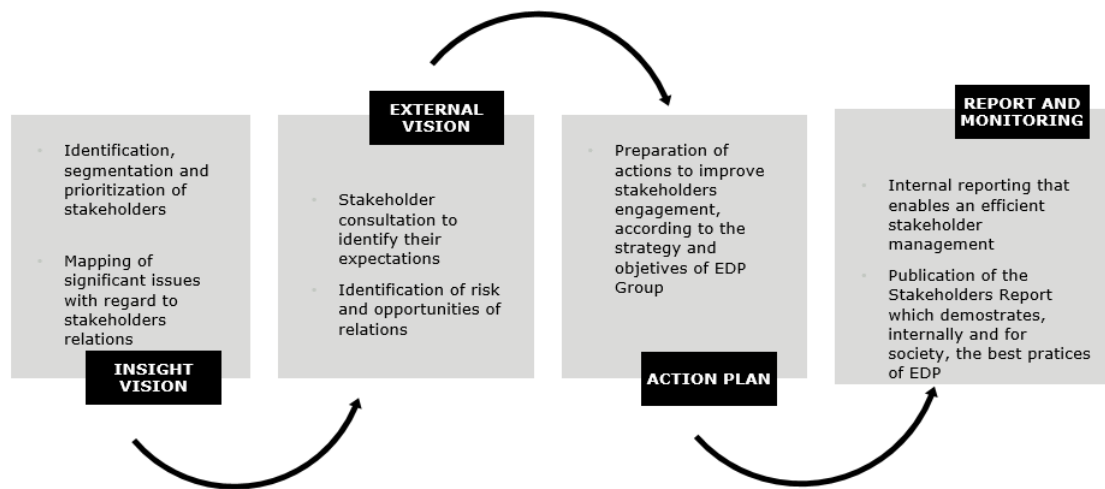
- Value chain;
- Market;
- Democracy;
- Social and Territorial Organization.

The criteria for drawing up the chart of stakeholders were: their nature (public, private and social/non-governmental), reach (local, regional, national or supranational) and segmentation (in the value chain, markets, public policies and regulation). The criteria also considered the Stakeholders' forms of organization as well as their decision-making influence.

The aim of the stakeholders management strategy is:

- To strengthen the relationship of trust, transparency and proximity that EDP Group establishes and wishes to maintain with all its stakeholders;
- To align the complexity of stakeholder management with EDP Group's strategy;
- To identify, explore and develop new opportunities for value creation via dialogue with the different EDP Group departments and business units and by undertaking joint projects with stakeholders;
- To improve the perception of society concerning EDP Group;
- To deepen the knowledge of the context where the Group operates and ensure minimization and greater control of the different business risks.

In order to achieve these goals, stakeholders' engagement methodology is organized into five action stages:



See more information about **Stakeholders Management**.

MATERIALITY

In the context of sustainability management, the term "Materiality" has a broader meaning - it also includes non-financial information, namely economic, social and environmental, which can influence or be influenced by different EDP Group stakeholders in the short, long and medium terms. The concept also includes the needs of future generations and the challenges that the industry will face.

Materiality analysis involves evaluating and prioritising the relevance of an issue for EDP and its stakeholders in support of the organisation's decision-making and strategic development.

The materiality process is developed annually based on comparison of society's perception of issues of relevance to the industry and the company and the importance that the business assigns to them.

The conclusions of this analysis are reflected in a **materiality matrix** which provides an immediate visual overview of the relevant issues, prioritised so that those most sensitive and significant for value creation can be identified.

IMPORTANCE FOR SOCIETY

Relevance for Society is determined by the importance/impact of a particular issue from a non-company perspective, designated Society's perspective.

Conceptually, Society's vision is obtained through the vision of the various stakeholder groups influenced by or influencing EDP Group's activity. This vision is gathered through sources that guarantee independence from the company, mainly based on external information. Simultaneously, the construction of society's vision is also based on specific international/national documents, analyses and studies that are used to capture a broad vision of emerging trends in the area of Sustainability.

The themes identified by society are sorted based on their frequency of appearance in the different categories analysed.

IMPORTANCE FOR THE BUSINESS

The Business vision is obtained through the importance/impact of a particular theme from internal perspective of the organisation. This vision is the result of analysis of the strategic business objectives, as these represent the position and current concerns of the EDP Group and reflect the future vision of the business.

1.3. INTEGRITY AND ETHICS IN GOVERNANCE

The main principles and values guiding actions are set out in voluntary public commitments, in policies and procedures and, in general, in the **EDP Code of Ethics**. This code applies to all Company employees, and to all those who are in any way authorised to act on behalf of EDP, namely some of its suppliers and service providers.

The Code establishes five Policy Principles, relating to:

- Compliance with the law (particularly with regard to Competition and Regulation);
- Integrity (in particular with regard to Financial Matters, Corruption and Bribery, Conflicts of Interest and Use of Information and Assets);
- Respect for Human and Labour Rights;
- Transparency;
- Corporate Social Responsibility.

The Code also establishes the Commitments to Ethics that both EDP and its employees undertake towards the various stakeholders: the employees themselves, the shareholders, the clients, the suppliers and the community.

It is on these Principles and Commitments that we evaluate the ethical dimension of the actions taken in any of the areas of activity and geographical areas in which the EDP Group is present.

EDP has been gradually consolidating its ethical performance management system, defining as objectives in this domain:

- Ensuring a high degree of awareness and ethical demand at the individual level;
- Minimising the risk of unethical practices;
- Maintaining a consistent corporate culture based on the values adopted, generating transparency, trust in relationships and responsibility for the consequences of decisions and acts performed.

EDP considers that line managers are particularly responsible for achieving these objectives by setting an example.

The **Code of Ethics Regulations** adopted by the General and Supervisory Board (GSB) and the Executive Board of Directors (EBD) aim at the "implementation, within the Group, of the **EDP Code of Ethics**, namely with regard to the receipt, holding and handling of information and complaints received by the companies and entities that comprise the EDP Group, reporting alleged infringements of the provisions set forth in the Code."

There are three main entities involved in the management of EDP Group Ethics Process:

ETHICS OMBUDSMAN	ETHIC COMMITTEE	CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE (CGSS)
<p>Is responsible for the management of complaints</p> <p>Involves the CGSS and the CAE in the definition and implementation of the EDP's ethics management strategy</p> <p>Has partners to represent him in the different countries</p>	<p>Analyses and reports on complaint processes received from the Ethics Ombudsman, and evaluates the decisions of EDP Energias do Brasil and EDP Renováveis Ethics Committees</p> <p>Is responsible for the annual assessment of the Group's performance on Ethics and for the continued appropriateness of the Code of Ethics and related instruments</p>	<p>Supervises the EDP ethics management system;</p> <p>Nominates the Ethics Ombudsman</p> <p>Acknowledges all complaints to the Ethics Committee and their opinions, taking the appropriate actions;</p> <p>Approves ethics code and related instruments revisions</p>

In addition to a sound Financial Reporting Internal Control System (SCIRF) and Compliance Management, EDP regularly monitors and evaluates its ethical performance.

In this context, the Ethicis Index (EDP's Corporate Ethical Performance Index) was developed, calculated every year since 2013. EDP is also subject annually to external evaluation and benchmarking by the Ethisphere Institute.

According to the principle of transparency, the main initiatives, the results achieved and future prospects are published in the Ethics Ombudsman's Annual Report.

02.ECONOMIC DIMENSION

2.1.ECONOMIC PERFORMANCE

The sector in which EDP Group operates is vital for the economic development of society.

The new EDP Business Plan for the period 2014-2017 is based on five commitments that will ensure the continued good economic performance of the company.

Goals

Balancing growth & financial deleverage.
Maintaining controlled risk & attractive returns.

Strategic agenda

Continue
to grow

Financial
deleveraging

Low risk
profile

Improve
efficiency

Attractive
returns

Targets

EBITDA & Net profit	Net Debt ⁽¹⁾ / EBITDA	Regulated & Long Term contracted activities	OPEX Savings	Dividend per Share
CAGR 14E-17E	2017E	2017E	2017E	FLOOR
~5%	~3.0x	>70%	€180M	€0.185

⁽¹⁾ Adjusted for regulatory receivables

EDP is aligned with the evolution of the energy market towards a low carbon economy, significantly reducing the environmental impact per MWh produced.

2.2.MARKET PRESENCE

EDP promotes the implementation of best business practices in the different markets in which it operates, always framed by national legislation. Stakeholders' interaction respects local culture and follows the **EDP Code of Ethics**.

EDP influences positively local economies, promoting the growth of local businesses. In every country in which EDP operates, the contracts are mainly local and the salary policies seek to attract and retain the best employees. EDP's lowest wages are at least 40% higher than local minimum wages.

2.3.INDIRECT ECONOMIC IMPACTS

In the construction of new power plants, EDP suggests and agrees with the authorities the initiatives to minimise and compensate social and environmental impacts identified by the Environmental Impact Assessment. These include environmental and social measures with a direct economic impact in the region. Depending on the infrastructure to be constructed and on the local situation, these measures could include, for example, the establishment of environmental interpretation centres to support local tourism and the improvement of recreation zones and local accessibility. EDP also actively promotes development support programmes that respond to local needs, taking advantage of and enhancing endogenous resources of the regions, focusing on entrepreneurship and the development of businesses that create local employment.

In 2015, EDP conducted a study that allows knowing the direct and indirect impacts generated by its activities, in the economic, environmental and social dimensions. This analysis covers all geographies in which EDP operates and more details can be found in the 2015 Annual Report, page 112.

2.4. PROCUREMENT PRACTICES

The sustainability of the supply chain is a key factor in EDP's management to ensure the continuous creation of value and the success of the company in the open and global markets where it operates, both in operational and cost efficiency, and in the context of risk management, corporate reputation and corporate responsibility.

EDP develops a partnership policy with its suppliers, looking for common benefits, based on permanent dialogue and supported by a series of instruments that regulate its procurement activities, including the technical and economic aspects as well as the environmental, social and ethical dimensions:

- ▣ Principles and policy:
 - ▣ Principles of Sustainable Development;
 - ▣ United Nations Global Compact;
 - ▣ Regulations of the International Labour Organization;
 - ▣ EDP Code of Ethics;
 - ▣ Stakeholder Relationship Policy;
 - ▣ Commitment to Fair Competition Practices;
 - ▣ Regulations on conflict of interest and transactions between related parties of EDP;
 - ▣ EDP Group General Conditions of Purchase;
 - ▣ Corporate Procurement Manual;
 - ▣ Procurement Function Management Model;
 - ▣ Supplier Code of Conduct;
 - ▣ Sustainable Supply Chain Policy.

- ▣ Structures and systems:
 - ▣ Global Procurement Unit supported by Local Procurement Structures;
 - ▣ EDP Group Supplier Registration Systems;
 - ▣ EDP Group Supplier Qualification Systems;
 - ▣ EDP Group Supplier Assessment Systems;
 - ▣ Risk Matrix;
 - ▣ Procurement categories;
 - ▣ Sinergie (electronic corporate purchase tool).

- ▣ Practices and initiatives:
 - ▣ EDP requires their suppliers (including subcontractors) to sign good practices commitments ensure legal compliance in the technical, economic, environmental, social and ethical fields;
 - ▣ Requirement of certification in quality, environment and safety depending on the type of provision;
 - ▣ Screenings and audits during the supplier selection phase;
 - ▣ Inspections and audits of the supplier performance assessments;
 - ▣ Training of suppliers;
 - ▣ Monitoring of impacts through dialogue channels (e.g. supplier satisfaction surveys), news analysis (e.g. RepRisk);
 - ▣ Provision of supplier Contact Centres and independent complaint lines (e.g. **Ethics Ombudsman**);
 - ▣ Provision of especially dedicated supplier access to the EDP's web page;
 - ▣ Participation in the **Bettercoal** initiative as a way to promote sustainability in the coal supply chain;
 - ▣ **Edpartners**, including EDP Partners Awards and EDP Partners Roadshows, which distinguish and reward suppliers' best sustainability practices and excellence and enables their international roll-out to those countries in which EDP Group is present;
 - ▣ Annual themed conferences.

During negotiations with suppliers, EDP strives to establish and guarantee a high degree of commitment and transparency, supported by such procedures as:

- ▣ Promotion of multi-annual procurement contracts that ensure stability and continuous improvement;
- ▣ Definition of supply rules, technical specifications and time-scales through contract specifications put out to tender;
- ▣ Supplier qualification;
- ▣ Supply predictability and stability of relations;
- ▣ Strict compliance with payment deadlines;
- ▣ Automation, via the Internet, of routine requests (purchase validation processes and payment authorization);
- ▣ Negotiation of the qualitative factors of supplier proposals that could account for up to 50% of the price;

- ≡ A number of qualified suppliers must always be included in the negotiation process, so that the final phase of negotiations will involve at least two suppliers with valid proposals.

Within the raw materials, coal and gas are those that are most important in EDP's supply chain. EDP is aware, from the extraction phase, of the intermediary companies that form this chain and has identified the coal supply chain as the activity with greatest exposure to risks against labour, Human Rights and the environment. In order to identify potential negative impacts and to guarantee their mitigation and resolution, EDP has come together with other energy companies in the **Bettercoal** initiative, which seeks to develop and promote a code of good practices among the producers.

Excluding the acquisition of electricity and energy sources, purchases are made from local suppliers. This practice occurs mainly due to the weight the supply of services has among procurement and to the existence of national branch offices of multinational technology firms.

EDP does not discriminate in any way against suppliers and products with regard to national or regional origin. EDP also does not promote positive discrimination on socio-economic characteristics of suppliers.

2.5.AVAILABILITY AND RELIABILITY

The success of the EDP Group's generation and distribution operations is highly dependent on the availability and efficiency of asset management and compliance with service quality regulations and legal requirements imposed by the relevant authorities and bodies. Security of energy supply makes this a business critical issue - interruption of supply may have severe external and internal consequences and may affect a huge range of people and infrastructures.

The EDP Group is constantly aligning its practices with benchmark international standards and initiatives to guide its asset management work, including the following:

- BSI PAS 55 (British Standards Institution's Publicly Available Specification),
- ISO 55000 series (International Standardization Organization),
- RAMS methodology (Reliability, Availability, Maintainability and Safety).

The construction rules and maintenance procedures were defined based on these standards and on a preventive and predictive maintenance strategy.

Performance in this area is monitored regularly through benchmark performance indicators for systems and teams in the energy generation and distribution sectors. The results are reported to and monitored by the relevant authorities and bodies.

2.6.DEMAND-SIDE MANAGEMENT

In recent years, Energy Policies worldwide, with Europe upfront, have reinforced the need to promote energy efficiency setting ambitious goals and introducing new challenges/opportunities for the business sector. In Brazil, despite not having specific targets for energy efficiency, regulators impose to the distribution companies the application of 0.5% of its profits in energy efficiency projects, according to criteria established by the National Electric Energy Agency (ANEEL).

These requirements, combined with market opportunities, have led to the development of demand-side management initiatives in three main areas: improving energy efficiency, fuel switching and load optimization.

In this context, EDP Group has strengthened its leading position and benchmark in the global energy market, by creating innovative offers to its customers, communication campaigns and partnerships with other operators in the industry.

EDP has sought to anticipate trends, in particular:

- Developing, testing and continuously expanding new business lines related to energy efficiency, distributed generation, electric mobility and technical services;
- Increasing power generation from renewable sources;
- Promoting access to energy;
- Developing energy efficiency initiatives on the demand side for both B2B (Business to Business) and B2C (Business to Consumer), as well as for the public sector;
- Improving communication strategies to induce behavioural changes of consumers;
- Improving relations with stakeholders: equipment manufacturers, banks, regulators, industrial, commercial and residential consumers' associations and local agents for the implementation of energy services.

EDP has assumed as business strategy the business development of an active management of energy demand, mostly in the Iberian market where the offer of energy solutions has been designed in a segmented and differentiated way.

It is also noteworthy EDP's participation, since 2007, in the Plan for Promoting Efficiency in Electricity Consumption (PPEC) endorsed by the Portuguese Energy Services Regulatory Authority (ERSE). EDP has been the company with a larger number of initiatives and budgets being approved. The initiatives developed under this

Plan are intended to promote the reduction of electricity consumption in the different consumer segments, through tangible measures (e.g. electronic variable speed drives, high efficiency motors, CFL and LED lamps, etc.) and intangible ones (e.g., awareness of good practice in energy use, education projects in schools, etc.).

In addition, EDP has invested in research and development initiatives related to energy efficiency topics, electric mobility, renewable energy and distributed generation, distribution technologies and smart grids, aiming at improving the offer of energy management solutions for its customers, as well as playing an active role in the optimization of demand-side management.

2.7. RESEARCH AND DEVELOPMENT

It is an EDP's commitment to contribute towards a low carbon economy by developing solutions that respond effectively to the market's needs. In 2013, it set up four strategic areas that represent the company's most important R&D areas:

- Clean and flexible generation - clean renewable energy generation technologies allowing new ways of harnessing energy and higher returns and/or favouring distributed generation;
- Smart grids - development of networks and systems to support and manage big data generated by these networks, which will foster generation versus consumption models and support decision-making measures;
- Customer-oriented solutions - changing EDP into an agile organization offering customers smart prices, energy efficiency products and services and an increase in electrification;
- Innovative Information Technologies (TIC) and data management - solutions designed to facilitate customer management and improve processes and operations in EDP Group.

This strategy is handled by the different Group companies, especially EDP Inovação, which was set up to foster innovation within the Group in order to create new business opportunities.

R&D management model is an open one. This means there is a strong focus on the development of partnerships and on the use of ideas and new technologies developed by third parties. In this context, EDP Inovação has been developing a range of instruments for supporting entrepreneurship in the energy sector, such as:

EDP STARTER	CO-CREATION PLATFORM	OBSERVATORY OF EMERGING GENERATION AND NUCLEAR TECHNOLOGIES	R&D NEW ENERGY WORLD (NEW)
<p>It was designed to bring companies, customers and investors together in developing products and services normally generated in start-ups. It is an innovative concept of company incubation in the energy sector and is intended to act as an accelerator for big ideas from small companies. EDP has a venture capital fund for investment in cleantech (EDP Ventures) to fund this programme</p>	<p>It encourages customers, suppliers, academics and others to take part in the open innovation process and contribute towards collective creation of relevance to the sector. Co-creation operates as a social network</p>	<p>It was set up in 2013 to promote knowledge, internal debate on technology deemed to be on the threshold of the market and also on nuclear power. The work is done by a team of employees from different EDP units and a group of lecturers and researchers from INESC TEC. Energy storage was the first subject in focus</p>	<p>N.E.W R&D Centre was founded in 2014 and is a joint EDP and CTG initiative focusing on R&D in energy storage and management, smart grids, flexible hydroelectric and thermoelectric assets and offshore windfarms. It aims to create sustainable value for both companies</p>

2.8. PLANT DECOMMISSIONING

EDP currently has five thermal power plants undergoing deactivation, four in Portugal - Carregado Plant (fuel oil and natural gas), Setúbal Plant (fuel oil), Tunes Plant (diesel), Energin (natural gas cogeneration) and one in Spain where deactivation started at the Soto Ribera Plant (group 2) in January 2016.

Thermal power plants are deactivated in three stages:

- Decommissioning - basically consisting of the development of procedures for putting the plant out of service and ensuring that equipment and facilities are safe - including, for example, cleaning tanks used to hold hazardous substances, draining equipment (oils and other fluids) and removing any waste still in the facilities or produced by putting the equipment out of use, because they can no longer be reused, and transportation of waste to final destination;
- Dismantling and Demolition - comprising, among other things, activities related to the dismantling and recovery of equipment, demolition, sorting of materials and demolition waste and transportation of waste to final destination;
- Environmental Remediation - this stage involves decontamination operations and landscape recovery, if needed.

The management of environmental and safety aspects at all stages of corporate processes, including deactivation, is included within the scope of the EDP Group's Environment and Safety Policy (2009 and 2012 respectively).

EDP guarantees strict compliance with the applicable legal framework by developing and implementing deactivation plans approved by the relevant authority, in accordance with the provisions of the Integrated Pollution Prevention and Control (IPPC) scheme. Deactivation plans cover measures for the management of the key environmental aspects associated with the different deactivation stages. At the end of each stage, EDP submits a report demonstrating the compliance of the work performed to the relevant authority, in accordance with the provisions of the respective plans.

The deactivation processes involve different stakeholders such as central and local government, municipalities and certain local community associations, based on their specific areas of interest.

The EDP Group establishes deactivation processes in accordance with the current accounting standards. In order to calculate provisions, the present value of the respective future liabilities are estimated, in particular the restoration of premises and land where the power plants are located.

2.9.SYSTEM EFFICIENCY

The implementation of technological and management solutions aimed at better efficiency in energy generation and distribution systems that meet the challenges of the sector is one of EDP Group's priorities. It is one of the strategic features of its 2014-2017 business plan (page. 11).

This strategy requires a balance between costs, risk and performance throughout the life cycle of the organization assets. As mentioned in page 13, EDP follows the BSI PAS 55 and the ISO 55000 standards.

In order to respond to the new challenges in the electricity sector, such as the inclusion of new forms of generation of energy, new availability and reliability requirements for energy supply and growing competition in the markets, EDP has invested in R&D activities related to the improvement of system efficiency. EDP has invested in building smart grids. It has also introduced smart meters, which will diversify, turn more flexible and easy the management of the grid and the interaction with customers.

The first **InovGrid** project began in Évora, Portugal in 2010. The idea was to promote sustainability by improving energy efficiency and increasing the use of renewable energies and electric vehicles. The project involved building the entire support infrastructure - InovCity, providing the local residents with special access to technological innovations. It includes automatic collection of meter readings, monitoring and automation of transformer stations, inclusion of consumer information in central systems and sharing information with customers.

The pilot project was extended to 7 places in Portugal and is also under way in Spain (Pola de Siero) and Brazil (cities: Aparecida, Domingos Martins e Marechal Floriano).

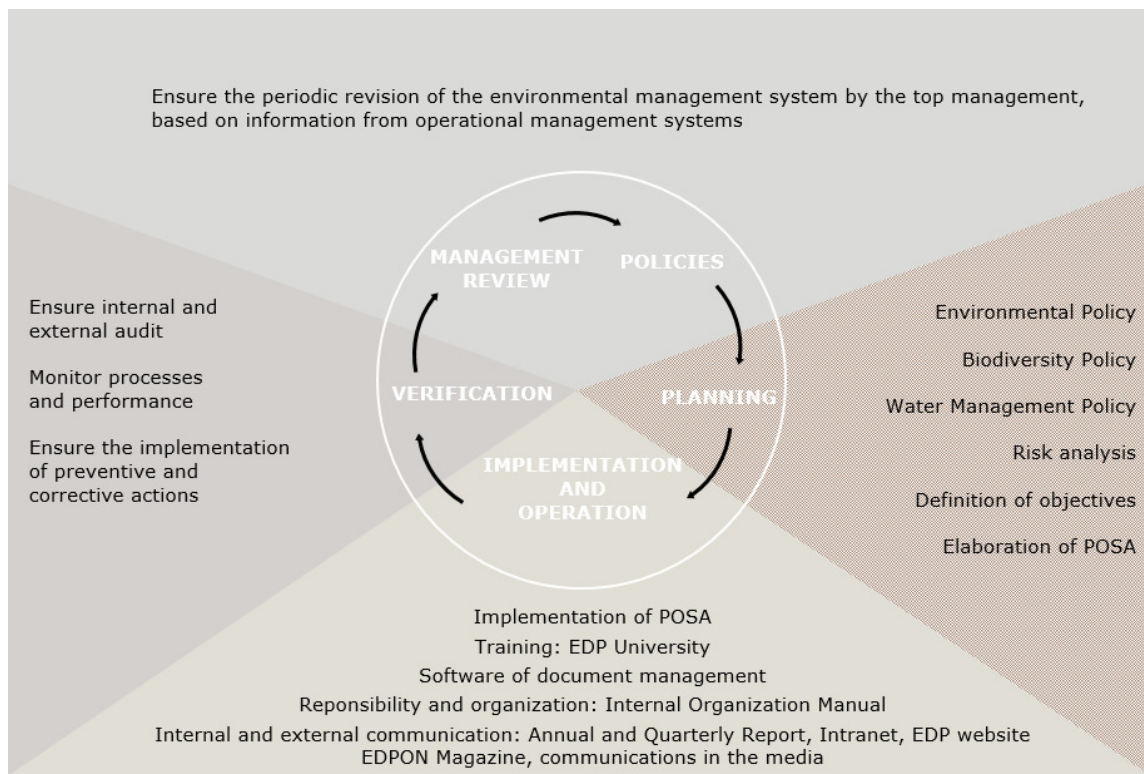
03. ENVIRONMENTAL DIMENSION

3.1. GLOBAL MANAGEMENT

EDP develops its activities taking into account the explicit commitments in **Environmental Policy** since 1994 and revised in 2009.

EDP's corporate environmental management has the ISO 14001:2004 certification, seeking the harmonization and ongoing improvement of its environmental management practices. EDP's **Corporate Environmental Management System** (SIGAC) handles "corporate management of environmental policies and strategic environment plans, environmental information and performance of EDP Group organizations". This includes planning, construction, operation and deactivation of facilities as well as its acquisition.

The main activities within this system follow a continuous improvement process illustrated below:



The environmental certification is obtained for the Group facilities and activities in operation. The project, construction and deactivation phases are managed in accordance with their different nature. The planning of electricity distribution in Portugal is an exception to this rule, and has already been certified.

Operational goals and targets for the environmental management system are set annually and incorporated in the Sustainability and Environment Operational Plan. The operational goals and targets for all generation plants with EMAS registration are available in their **environmental statements**.

The significance of environmental aspects are determined for each activity. In thermoelectric power plants the main aspects are the management of water use, waste production and atmospheric emissions. Biodiversity management is an important environmental aspect for all EDP activities. Waste production is also related to energy distribution especially in the construction and maintenance of grids.

The deactivation plans (page 14) are prepared and implemented in accordance with the IPPC Plan and were approved by environmental official entity. These plans cover environmental management measures in the different phases of deactivation: decommissioning, dismantling, demolition and environmental requalification.

Most deactivation processes have involved outsourcing to implement the measures established in the plans. They are subject to EDP's approval and supervision. The specifications for these outsourcing teams set out the obligation to submit certain documents, such as their environmental management plan, which includes systematic and programmed actions guaranteeing full compliance with legislation on environmental protection and prevention.

At the end of the deactivation or at the end of each phase, EDP submits a report to environmental official entity demonstrating the conformity in the execution of works.

The consolidation and control of environmental management are carried out through an information system transversal to the Group. The methods used to calculate indicators comply with environmental licences, current legislation and internationally recognised protocols. These indicators are published on a quarterly and annual basis.

Environmental costs and investments are environmental performance indicators consolidated in accordance with Financial Reporting Standard on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies". The environmental categories disclosed in the company's annual financial statements arise from a predefined description of this standard, as follows:

- Protection of the air and climate;
- Wastewater management;
- Waste management;
- Protection of soil, groundwater and surface water;
- Reduction of noise and vibrations;
- Protection of biodiversity;
- Protection of landscapes;
- Energy efficiency;
- Environmental R&D;
- Other environmental protection and management activities.

3.2. MATERIALS

The main natural resources used in EDP activities are coal and water, mainly in the thermoelectric generation. The coal-burned power plants also use significant amounts of limestone and ammonia in the desulphurization and denitrification of atmospheric emissions processes. In electricity distribution it can be highlighted the use of oils, concrete and metals within the equipments.

The management of products and waste is framed by the environmental management systems described in page 16.

The management of polychlorinated biphenyls (PCBs) and equipment containing them is regulated in the countries in which EDP operates, given their risk to public health and the environment. The aim is their total destruction. Rules have been set for destroying PCBs, decontaminating or destroying equipment containing them and destroying used PCBs.

According to the law, equipment contaminated with PCB at concentrations of less than 500 ppm can remain in operation until the end of its useful life. EDP Group has been pro-actively eliminating this equipment and has made it a priority in the replacement plans.

EDP does not have active programmes intending the incorporation of recycled materials in its activities.

3.3. ENERGY

The strategic options for growing through renewable sources and the promotion of energetic efficiency within its customers, have been improving the eco efficiency of EDP, reducing environmental impacts resulting from energy demand and supply.

Upstream of electricity generation and distribution, the options about acquisition of primary energy sources, especially fossil fuels (coal and natural gas), are largely determined by the market: the price of fossil fuels and the competitiveness of businesses in the energy market.

During recent years, because of the loss of competitiveness of natural gas compared to coal, electricity generation from fossil fuels has favoured the coal-fired power plants in the Iberian Peninsula, with only a residual contribution from the combined cycle natural gas-fired power plants, despite their greater efficiency.

Nevertheless, primary energy consumption from fossil fuels has been decreasing about 5% per annum in the past six years with the proportion of renewable energies in the installed capacity of the energy mix increasing to approximately 70% nowadays.

From an environmental point of view, energy recovery of waste gases (steel, from the blast furnaces and coke), industrial by-products mainly from the coal-fired (Aboño in Spain) and co-generation power plants (Sidergás in Spain) should be emphasised.

In the distribution of electricity and gas business, the focus is on the reduction of losses, both technological and fraudulent. Electricity losses involve revenue losses and reduce of efficiency of the supply chain. For this reason, EDP has developed programmes to minimise losses, considering infrastructural systems (remote metering at distribution transformers and the roll-out of smart grids) and the development of anti-fraud tools.

Downstream of generation and distribution activities, supply strategy focuses on the customer. It includes the supply of energy and offers value-added energy services as a means of retaining a significant number of customers in the countries in which EDP operates and ensuring customer loyalty.

3.4.WATER

In 2012 EDP published its **Water Management Policy and Strategy**, assuming the commitment of identification and assessment of risks associated with its use, the monitoring of its performance, the definition of goals and the implementation of best international practices. The management of water risks is included in the integrated system of risk management.

Additionally, EDP uses Aqueduct Water Risk, developed by World Institute Resources, to do a macro analysis of our assets exposed to overall water risks. On a local/operational approach, EDP manages its facilities based on information gathered from National Governmental Agencies. In 2015, EDP has one installation in areas subject to water stress - Pécem thermal powerplant.

Water is an essential resource for the electricity generation operations of EDP, being used in the generation of steam and cooling systems within thermoelectric power plants, and turbinated in hydroelectric power plants. It is also used for other purposes not associated with the generation of energy, such as irrigation, human consumption and fire prevention systems.

The conception of thermoelectric power plants with cooling towers has led to a substantial reduction in the amount of water used, significantly reducing the impacts of its capture and discharge.

Most water is captured for use in the cooling processes at thermal power plants. In open circuits, almost all the water is returned to the water source, while in closed circuits, the water is necessary essentially to compensate water that evaporates in the cooling towers. EDP Group currently has two thermoelectric power plants with open circuits- Sines and Aboño – and semi-open in Pécem thermal powerplant.

Water management is extremely important in the generation of hydroelectricity, both in terms of the quality and quantity of resources. The presence of dams leads to the transformation of lotic into lentic systems with very different eco-hydraulic characteristics.

Within the management of water resources, EDP has been monitoring, minimising and compensating this change through actions such as:

- Monitoring for potential scarcity;
- Controlling water quality and sedimentation;
- Transposing of fish species;
- Controlling of eco-hydraulic variables;
- Ensuring ecological flows.

Management of water use for generation of energy is influenced by the hydrological regime over the short and long-term and takes into account the constraints imposed on the operation of hydroelectric power plants, such as the needs for regulating flows, public water supplies and the maintenance of water levels for tourism and agriculture uses.

Monitoring of the use and discharge of water, as well as its report to the competent authorities is conducted in accordance with the parameters and periodicity defined by law and environmental licences.

In addition to the Annual Report, EDP Group also responds to the Water Disclosure Project (WDP) questionnaire, which is issued annually by the Carbon Disclosure Project (CDP), from November.

3.5.BIODIVERSITY

The scientific community believes that the loss of biodiversity, along with climate change, is an area requiring urgent action. The development of increasingly stringent regulations on the conservation and protection of biodiversity, along with potential reputation problems, has given great importance to the management of this issue.

In 2007 EDP Group made a commitment, through its **Biodiversity Policy**, to mitigate the negative impact on biodiversity (and when these could not be mitigated, to adopt compensatory measures) and to enhance the positive ones in order to achieve an overall positive balance.

Furthermore, biodiversity management is viewed as an opportunity. In fact proactive and effective management enables the attainment of better results from mitigation measures as well as the optimization of operating costs.

Within the SIGAC framework, the biodiversity strategy was reviewed for the period 2014-2017, leading to four performance vectors:

- Promotion of knowledge;
- Ecosystem approach and adaptive management of impacts mitigation;
- Long-term vision;
- Transparency in reporting.

Across the world, EDP operates in three hotspots – regions with high levels of biodiversity and where conservation activity is more urgent – in the Mediterranean basin, which includes Portugal and Spain, the Atlantic Rainforest and the Cerrados, both in Brazil.

EDP Group also operates in two countries – Brazil and the United States – which have been designated as mega-diverse countries, that belong to the group of countries that combined contain 70% of the world’s biodiversity.

For EDP, biodiversity impacts are intimately related to the activities of generating and distributing of electricity.

In the countries in which it is present, electricity generation is subject to specific impact assessment legislation, which commits the company to carry out studies to characterize and monitor significant impacts. The risk of significant impacts on biodiversity occurs essentially during the planning and construction phase, with the operating phase representing a risk of less than 5%, calculated on the basis of location, current and/or future regulatory pressure and existing environmental management systems.

Electricity distribution follows good practices within the sector. In Portugal it can be highlighted the use of a Manual of Sustainable Management of Protection of Electricity Distribution Network Buffers (supported by the Electricity Services Regulatory Entity) and in Brazil the establishment of covenants with the local authorities to promote urban biodiversity.

MAIN IMPACTS AND MEASURES FOR EACH ACTIVITY

ACTIVITY	IMPACTS	EXAMPLES OF PRACTICES
HYDROELECTRIC GENERATION <ul style="list-style-type: none"> - Construction of new plants - Flooding of different type uses lands - Changing of ecological flows 	<ul style="list-style-type: none"> - Changing of ecological flows. - Irreversible elimination of riparian galleries - Effect on fish migration 	<ul style="list-style-type: none"> - Devices for ecological flows - Fish ladders and lifts
THERMOELECTRIC GENERATION <ul style="list-style-type: none"> - Burning of fossil fuels - Use of water in cooling circuits - Extracting raw materials - value chain activities 	<ul style="list-style-type: none"> - Acidic gas emissions - acid rain - Environmental discharge of warm water - Degradation of habitats in extraction zones 	<ul style="list-style-type: none"> - Strict compliance with emission limits set out in environmental licences. - Control of supply chain impacts
WIND GENERATION <ul style="list-style-type: none"> - Installation on land of wind turbines, land occupation and the opening of access routes to remote wind farms 	<ul style="list-style-type: none"> - Bird and bat collisions with wind turbine blades - Ecosystem disruption 	<ul style="list-style-type: none"> - Monitoring of birds, bats and other fauna identified in environmental impact studies as being potentially affected
DISTRIBUTION <ul style="list-style-type: none"> - Expansion of the electricity distribution grid in protected zones - Maintenance of electricity security buffers on routes involving the removal of vegetation 	<ul style="list-style-type: none"> - Bird collisions and electrocutions - Damage on soil and habitats quality 	<ul style="list-style-type: none"> - Route changes. - Use of insulated cables - Placing of line signalling devices - More sustainable management of routes

The strategy for biodiversity is under revision. EDP publishes detailed information about its performance on this theme on annual report and, once every two years, on a Biodiversity Report.

3.6.EMISSIONS

The thermoelectric generation impacts are mainly caused by atmospheric emissions associated with the burning of fossil fuels. EDP’s business strategy includes a commitment to continuously reduce carbon dioxide (CO₂) emissions, diversifying energy sources, investing in clean renewable technologies (wind, hydro and solar), discontinuing fuel oil power plants and improving energy efficiency on the demand side. EDP Group has also invested in minimising SO₂ and NO_x emissions through the environmental upgrade of its coal-fired power plants with the introduction of desulphurization and denitrification processes.

The main atmospheric emissions are monitored continuously (SO₂ and NO_x) or timely (heavy metals and volatile organic compounds) in accordance with the frequency defined in each power plant environmental licence, that establishes the Emission Limit Values (VLE) and report conditions to the competent authority.

Emissions from thermoelectric power plants covered by the European Emissions Trading Scheme (EETS) are monitored in accordance with Directive 2003/87/EC and Commission Regulation (EU) No 601/2012, and verified by an accredited national entity at least annually. The allocation of emission licenses for the period 2013-2020 started to be done partially in auction under the terms of Directive No 2009/29/EC, which regulates the EETS third phase.

The management of CO₂ allowances portfolio of EDP Group maintains a hedging strategy in which, together with the use of emission allowances, the Group uses carbon credits acquired in secondary markets and OTC (Over-The-Counter) operations to minimize its exposure to market risk.

In the case of Greenhouse Gas (GHG) emissions and of CO₂ in particular, EDP follows the accounting and reporting methodology defined in the Greenhouse Gas Protocol, which considers three distinct areas:

- Scope 1: all direct emissions from company sources;
- Scope 2: indirect GHG emissions from consumption of electricity, heat or steam;
- Scope 3: other indirect emissions resulting from the impact of company activities upstream and downstream of value chain.

The categories included in each scope are the following:

SCOPE 1	SCOPE 2	SCOPE 3
<ul style="list-style-type: none"> • Stationary combustion (thermoelectric power stations) • SF6 emissions • Fleet emissions • Natural gas consumption and losses 	<ul style="list-style-type: none"> • Electricity consumption in EDP offices • Electricity distribution grid losses • Self-consumption in renewable power plants 	<ul style="list-style-type: none"> • Acquisition of goods and services (e.g. acquisition of chemicals) • Building and power plants construction (capital assets) • Fuel and energy consumed in the fuel extraction subsequently consumed by EDP • Transport and distribution of fuel, materials and energy (not produced by EDP) • Business travels • Marketing of natural gas

To identify the important categories considered in Scope 3, a life cycle assessment (LCA) of EDP Group value chain was carried out, using SimaPro v.7.3.3 software and the database available in this system, as well as the international scientific literature upon impossibility to measure specific emission factors in the Group's value chain.

EDP publishes annually the CDP, which identifies the risks and opportunities associated with climate change. This document is available annually in November in www.cdp.pt and can be consulted in EDP website.

3.7.EFFLUENTS AND WASTE

WASTE

Thermoelectric generation is EDP Group activity that produces most waste and by-products due to the large quantities of fly ash, slag and gypsum that result from the combustion and gas treatment processes.

The waste management continuously seeks to reduce its production at source, to reduce its hazardous and to increase the quantity sent for recycling and other forms of recovery.

The generated waste is collected, separated and stored in compliance with local law. Storage parks used are prepared to operate in order to avoid potential soil and/or water contamination. The delivery of waste to its final destination is carried out by operators duly licensed to, focusing on reuse options. According to the law, EDP registers, consolidates and reports all waste movements to the competent authorities.

Directive 2008/98/EC of the European Parliament and European Council introduced several changes to waste management, focusing the concept of by-product and the conditions underlying this classification. In generation of energy activities coal ash, coal slag (in Spain) and gypsum resulting from desulphurization were recognised as by-products. EDP registers waste and by-products separately.

EDP has landfills regarding placement of non-hazardous wastes resulting from burning of coal, namely non-recoverable coal ashes and coal slags.

EFFLUENTS

EDP's thermoelectric power plants have separate drainage and treatment systems for different types of effluents in order to guarantee the quality of the wastewater discharged into the environment.

The use of water resources for discharge of wastewater is subject to environmental licenses and legislation that defines the discharge points and the monitoring parameters, its frequency of analysis, VLE and reports to the competent authorities applicable.

3.8.PRODUCTS AND SERVICES

The main environmental impacts during the life cycle of EDP's Products and Services occur during the raw material extraction and electricity generation phases.

In the generation phase, which is the one where EDP is directly involved, the associated environmental impacts are already addressed in the other Environmental Dimension Aspects.

On the customer side, the impacts of Products and Services use are limited to paper invoices, which are reduced due to periodic incentives to the replacement by electronic invoices. Although this aspect is not considered as material to EDP activities, each year EDP publishes the evolution of customers with electronic invoices.

Moreover, EDP promotes the efficient use of energy on the demand side, contributing to the reduction of energy consumption and/or the use of renewable energy, through products and services, as well as customer-oriented initiatives and programs. This aspect is addressed in the Demand-side Management section.

3.9.COMPLIANCE

The development of international and European environmental legislation is tracked at the corporate level, under SIGAC, and national legislation, namely licensing processes, is followed at the company level. EDP's companies register their legal level of compliance, on a minimum annual base, and report it to the Corporate Centre. Evaluation of legal compliance is also externally verified within environmental management systems audits.

3.10.TRANSPORT

As summarized in page 19, transport is important in the business activity chain, with regard to the scope 3 CO2 emissions, that includes the transportation of fossil fuel and business travels. This theme is not material for direct EDP activities.

3.11.SUPPLIER ENVIRONMENTAL ASSESSMENT

Page 13 describes the management of procurement practices and identifies the set of procedures where environmental management is ensured.

3.12.ENVIRONMENTAL COMPLAINTS MECHANISMS

Environmental complaints are received through channels provided by EDP Group to its stakeholders: the Ethics Ombudsman channel, the telephonic contact centres, the online institutional channels or the direct contact with employees. Formal register and handling of complaints follow the guidelines set out in procedures of environmental management systems. Complaints are followed up directly by the business units that report to the Corporate Centre.

04.SOCIAL DIMENSION

4.1.LABOUR PRACTICES

The governance model is largely based on the following Corporate policies:

- ⌘ **Occupational Health and Safety Policy;**
- ⌘ **Training Policy;**
- ⌘ **Code of Ethics;**
- ⌘ **Diversity Policy.**

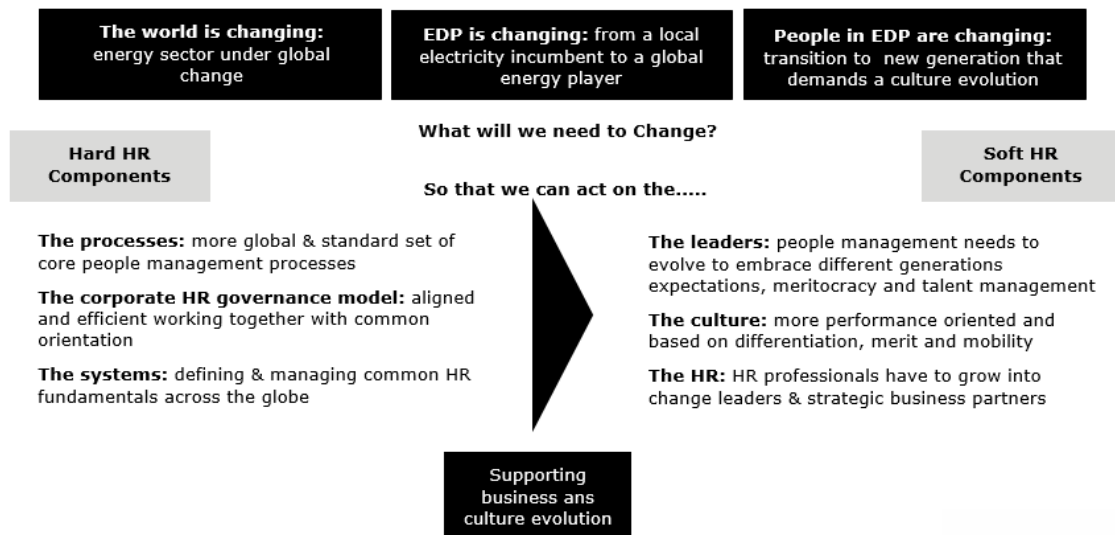
The management responsibilities are distributed through a set of structures that, in a coordinated and harmonised manner, manage social themes within the organization.



EMPLOYMENT

EDP operates in a challenging and changing sector, which requires recruiting the best employees and investing in their potential. Aligned with its business plan, EDP established the Corporate People Plan 2014-2017, that defined the priorities of the company on human resources.

WHY HUMAN RESOURCES IN EDP NEEDS TO EVOLVE?



The development of attractiveness initiatives allows the introduction of new employees and contributes to its rejuvenation and diversity. There are five main lines of activity:

- Promotion: disclosure of initiatives and opportunities within EDP Group in order to attract potential candidates (e.g. LinkedIn);
- Networking: promote the sharing of experiences and knowledge among the academic community;
- Competition: encourage the technical and university professionals to apply their knowledge to the development of projects based on critical aspects of the sector, aimed at the development of students' skills and the identification of potential candidates;
- Partnerships: Establish strategic partnerships with education institutions and other entities, which are privileged relationship channels;
- Development: Approach candidates to the labour market through internships and the development of a specific programme for young talents.

This recruitment is local and the majority of employees belongs to the country where they work.

The strategy of employees' retention is supported by a set of structured programs such as the potential and performance appraisal, remuneration and benefits described below.

Furthermore, the talent retention is enhanced through training, mobility and knowledge management as described in page 25.

To support the definition of specific retention strategies, the systematic assessment of employees' satisfaction is an essential tool for supporting decisions. Every two years, EDP conducts an employees' satisfaction survey throughout the Group, complemented with annual sample surveys that enable employees' annual evolution and evaluate their interest and motivation.

There are also periodic EDP meetings that enable networking and alignment of employees with the strategic objectives.

POTENTIAL AND PERFORMANCE APPRAISAL

Potential and performance appraisals seek to recognise performance, identify and reward merit, and project the opportunities for career development of each employee, with greater assurance.

The Potential and Performance Appraisal (APD) occurs in two phases: The first analyses potential, i.e., employees' skills and the second focuses on performance, i.e., achievement of goals (KPI).

In 2015, EDP implemented "Amplify" – a new model of competences aimed at aligning the development of employees with the strategic challenges of the Group, in order to contribute to creating a global culture and enabling the Company with the competences that will allow it to obtain results in a great competitive global environment.

This process enables employees to have a clear and precise idea about what is expected from them, knowing their performance level and how they can improve it.

There are three assessment models within EDP, led by different actors depending on the responsibilities, decision levels and autonomy, requirements and scope of work of each employee:

- 180° Assessment: the weighted average of the employee's self-assessment and of his supervisor;
- 270° Assessment: involves the employee, the supervisor and two of the employee's colleagues;
- 360° Assessment: the weighted average of four assessments: the employee, two colleagues, a supervisor and, in the case of supervisors, two subordinates.

REMUNERATION

All employees are positioned in a salary band, and everyone is familiar with the rules of career progression and promotion set out in the Collective Labour Agreement, when applicable.

The compensations practice at EDP essentially seeks to recognise the employees' strategic value to the company. Recognition of initiative, merit and the achievement of objectives is obtained through:

- Monetary compensation – Fixed permanent remuneration, subsidies and regular bonuses, based on work done each month (e.g. attendance subsidies), remuneration for special work schemes (e.g. flexible work schedules), remuneration for duties on secondment.
- Variable remuneration includes profit sharing and extraordinary or occasional bonuses for individual or group performance.

BENEFITS

All EDP Group employees have guaranteed health care and complementary protection systems in addition to and independent of public health service in each country.

The company has increasingly flexible benefits, with options to choose according to their own and household needs. EDP currently offers pension plans and personal accident, life and health insurance, among other benefits.

EDP also attaches great importance to the personal work-life balance, believing this balance makes people happier, more motivated and more productive. Since 2008 in Europe and Brazil the Conciliar Programme has been implemented, consisting of a set of measures and benefits which fall into four pillars:

- Health and well-being;
- Family support;
- Work-life balance;
- Citizenship.

Worth noting is the parenting support under the Conciliar Programme which provides the following assistance:

- Offers parents-to-be 15 days' paid leave immediately prior to the expected delivery date;
- A gift is offered to every biological or adopted child of an employee.

Since 2013 EDP has implemented a management model certified as a Family-Responsible Company (EFR) which covers Portugal, Spain and Brazil. EFR is an international movement that seeks to present solutions to help balance family and working life with the support of equal opportunities and the inclusion of the less well-off.

EDP Outplacement Programme assists people at the end of their career helping those leaving the company in situations of early retirement or retirement. In association with external partners, EDP aims to help these people remain active and to reinvent their everyday lives in a new business or activity.

LABOUR RELATIONS

EDP respects the right of its employees to defend their rights via the policies and commitments assumed by the group as described in page 27.

To ensure the good management of Labour relations, EDP is in regular contact with official bodies, employees' representatives – Workers' Commissions and Unions – in order to establish better procedures in harmony with the regulations of each country and according to business aims. This relation is operationally implemented in each country by local teams that guarantee contact with the different entities.

The collective legal instruments of the countries where EDP operates do not include a specific clause to set the deadline for communicating operational changes to employees that may impact on them; therefore EDP conducts its communications in accordance with the period defined in national laws. However, in Portugal and Brazil these communications go beyond the stipulated in the national Labour laws.

In Portugal, changes to organizations with impact on staff are communicated to the unions, workers commissions and staff in advance but not less than 30 days. In Brazil, communication is initially made by the unions and then addressed by EDP which explains each step of negotiations with a defined deadline for the clarification of doubts.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are essential elements in EDP Group's sustainable development. The importance EDP places on this issue goes beyond compliance with legal requirements and is explained in its Occupational Health and Safety Policy, which is geared towards the strategic objective of 'Zero accidents, no personal injuries'.

Working in a safe and healthy environment is a decisive factor in employees' satisfaction and an asset in the success of results. As a response to it, the occupational health and safety management holds a continuous improvement perspective where responsibilities for preventing and controlling occupational risks lies with the senior management of the business units and is integrated into the hierarchical chain. It is also objective of the EDP Group to encourage and consolidate a positive safety culture, with the participation and involvement of all employees, service providers and suppliers, and promote it among the communities and all who may be affected by the normal development of activities.

In order to best manage this strategic goal, EDP adopted in Portugal an Occupational Health and Safety Management System based on the recommendations of the International Labour Office - Geneva - Guidelines on Occupational Safety and Health Management Systems (ILO-OSH) 2001, and on the Convention no. 155 of Safety, Health and occupational environment, and on the **Occupational Health & Safety** Assessment Series 18001 (OHSAS 18001), by which it is certified. The facilities also implement health and safety systems that are in close harmony with those above and are progressively extending the scope of their certification.

WORKER REPRESENTATION IN THE HEALTH AND SAFETY COMMITTEES

EDP Group companies induct their employees into their safety management system, based on each country's legislation.

EDP's Occupational Health and Safety Regulation stipulates the formation of occupational health and safety committees and subcommittees within companies and larger business units. These safety committees and subcommittees are joint and include duly elected workers and company's representatives who meet with defined periodicity.

The workers consultation and participation in health and safety matters at work are usually made by health and safety representatives and committees and subcommittees.

HEALTH AND SAFETY ISSUES COVERED IN COLLECTIVE LABOUR AGREEMENTS

The scope of present issues in the Collective Labour Agreements depends on the legislation in each country. In the countries where EDP has Collective Labour Agreements, these cover all employees in respect of the occupational health and safety standards.

EDP in Portugal has agreements with trade unions on occupational health and safety that cover 100% of the employees and apply to the following areas:

- Employees' and companies' obligations;
- Representation of employees for occupational health and safety;
- Accident prevention and safety services;
- Safety standards and equipment;
- Industrial hygiene;
- Training, information and awareness on occupational health and safety.

TRAINING

Employees' development is an integrated cycle that begins on the first day of work at the company and is promoted over time, shaped by a transparent assessment model. The commitment to develop and update employees' knowledge is presented in its Training Policy. Professional development is done through an approach focused on the retention of business critical knowledge and the creation of a culture of dialogue and individual development based on the diversity of shared experiences.

WELCOMING AND INTEGRATION	EDUCATION AND TRAINING	MOBILITY	KNOWLEDGE MANAGEMENT AND SUCCESSION
Support the integration of new employees, assuring their alignment with the Values, Commitments and Culture of EDP	Invest in a culture of individual and collective longlife learning, and invest in training and personal and professional development of employees	Incorporate and highlight mobility as one of the pillars for the development of employees	Ensure the management and retention of critical sector knowledge and manage advance planning and execution of succession

WELCOME AND INTEGRATION

EDP has devoted special attention to the arrival of new staff fixed-term employees, expatriates and trainees, ensuring the best conditions so that the welcome and integration phases of each employee have a positive impact on their professional life in EDP. Each year many activities included in the Welcome and Integration

Programme take place and seek the transmission of knowledge about the business, the assimilation of its values and culture, and the promotion of networking. The corporate activities are complemented by specific initiatives in each business area where the employee is working.

EDUCATION AND TRAINING

EDP University was created to develop employees' skills, facilitate the sharing of knowledge generated within the Group and ensure the necessary skills for the sustainability of its business. It consists of seven schools, two of which with a corporate scope and the remaining five focusing on each business area (generation, distribution, gas, renewables and supply). Finally it also includes an area dedicated to providing training to meet individual needs.

EDP University defines and monitors EDP Group's Training Plan and Budget and coordinates initiatives for professional development, skills enhancement, and the acquisition and retention of knowledge by Group employees. This process is still being scaled up to Brazil.

The Training Plan is prepared annually and begins with an analysis of the needs of the Group and of its employees, in line with defined strategic challenges. This analysis is carried out by staff in conjunction with their supervisors, who seek solutions with EDP university, including advanced training programmes, horizontal programmes, specific business initiatives and courses suitable to employee's needs.

In order to provide more flexible access to training, with greater autonomy and a programme suitable to individual availability, EDP offers the Online Campus platform with distance e-learning modules.

MOBILITY

Promoting internal mobility allows culture and knowledge to be strengthened while promoting interaction between employees with different backgrounds and experiences, valuing the employee by enhancing their skills and preparing for new challenges and responsibilities.

Since 2014, EDP has an Internal Mobility Corporate Programme – Switch - at a global scale with the following aims:

- Strengthening of culture and knowledge sharing, by promoting the interaction between employees with different backgrounds and professional experiences;
- Enhancing satisfaction and productivity of employees;
- Valuing the employees and strengthening their expertise, in order to prepare them to new challenges and responsibilities;
- Optimizing costs with external recruitment.

KNOWLEDGE MANAGEMENT

EDP Group is also concerned with ensuring the organization and management of the knowledge accumulated within the company over the years.

In addition to the work carried out by EDP University, and because the Group is experiencing a period of generational renewal, the knowledge and experience of most experienced employees has been valued through enhancing transmission mechanisms of critical knowledge. The Valuing Experience Programme, underway since 2010, focuses on employees with more than 30 years' service, and aims to:

- Highlighting the knowledge and experience in EDP Group and associate sharing with individual motivation;
- Enable the transfer of knowledge and experience for the benefit of EDP's business;
- Recognizing employees' through the importance they have in the acquired knowledge management;
- Placing everyone's knowledge and experience at the service of others.

DIVERSITY AND EQUAL OPPORTUNITY

The **EDP Code of Ethics** will ensure that its labour policies and procedures prevent unjustified discrimination and differentiated treatment on the basis of ethnic or social origin, gender, sexual orientation, age, creed, marital status, disability, political orientation, opinion, birthplace or trade union membership.

Reinforcing this position, in 2013 EDP approved the **Diversity Policy** that applies to Portugal and sets guidelines for the other geographies.

In 2015 it was created the Diversity Area and Inclusion within the team of Corporate Human Resources, in order to ensure the promotion and incorporation of a culture of diversity and inclusion based on respect for the human being, which is present in the identity of the EDP Group and in the management of its employees and serve as a reference for the internal and external activities of the organization.

In this year, it was also approved a plan for the period 2015-2017 that includes 15 initiatives Diversity and Inclusion to implement the next three years, focusing on four policy dimensions - Gender, Disability, Generations and Nationalities.

EDP also established an action plan for the period 2015-2016 that prioritises the promotion of gender equality, the integration of people with special needs and from other vulnerable sectors.

There is within EDP Group an imbalance in terms of gender justified by the nature of the company's business activity. In this context, EDP is currently engaged in a process to increase the number of women in management positions. Since 2013, EDP is a member of the Business Forum for Equality. This initiative, promoted by the Commission for Equality in Work and Employment, is encouraging women within the organization to join the Women's Prosperity Network (WPN).

EQUAL REMUNERATION FOR WOMEN AND MEN

In EDP, remuneration of work rewards knowledge, skills, performance and energy of the company's employees. Accordingly, the compensation and benefits system reflects the values and culture of EDP, respecting the agreements established at all levels of the relations with employees and/or those representing them. There is no gender-based pay discrimination in any job position within the company. The gender pay inequalities between gender ratios in certain functions are being considered under the **Diversity Policy**.

SUPPLIER ASSESSMENT FOR LABOUR PRACTICES

Page 13 describes the management of procurement practices and identifies the set of procedures where social management is ensured.

LABOUR PRACTICES GRIEVANCE MECHANISMS

EDP makes available to employees different mechanisms for complaints of any nature, namely of bad labour practices. The hierarchical channel is privileged ensuring feedback meetings between the employee and his hierarchical superior within the performance and skills assessment. The following mechanisms are also defined:

- ❑ Ethics Ombudsman, who ensures a grievance channel, in which bad labour practices are one of the main categories analysed;
- ❑ "Contact the Chief Executive Officer (CEO)" line, available to the entire EDP Group through the Intranet.

4.2.HUMAN RIGHTS

EDP Group decisions about human rights are based on the **Principles of Sustainable Development** and on the **Code of Ethics**, which establishes safeguard of human rights and good labour practices.

INVESTMENT

As part of the company's investment processes, these are covered by current business policies, with special emphasis on the EDP's Ethics Process.

Like all of the business's activities, new investments are framed by the EDP Ethics Process (page 9) and covered by the assessment practices in place (page 28).

NON-DISCRIMINATION

As article 2.3 of the EDP Code of Ethics makes clear, EDP ensures that its labour policies and procedures prevent unjustified discrimination and different treatment on the basis of ethnic or social origin, gender, sexual orientation, age, creed, marital status, disability, political orientation, opinion, birthplace or trade union membership. The theme is also addressed through the EDP Ethics Process (page 9) and protected by the assessment practices developed by the company (page 28).

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

As article 2.3 of the EDP Code of Ethics states, EDP will respect freedom of trade union association and recognise the right to collective bargaining.

The Labour Relations Coordination Office within the Corporate Centre is responsible for the management of labour relations and for the coordination of studies of Labour regulations in Portugal, with the aim of achieving negotiated solutions in line with business objectives and ensuring that internal rules are in harmony with Labour law.

In Portugal, Spain and Brazil, most employees are covered by a Collective Labour Agreement that sets out the rights and duties common to all of employees subject to those agreements. There are no Collective Labour Agreements within EDP Renováveis, one of EDP Group's newest companies.

CHILD AND FORCED LABOUR

Article 2.3 of the EDP Code of Ethics states that EDP do not employ child or forced labour or to condone such practices by third parties providing it with products or services. The theme is also addressed through the EDP

Ethics Process (page 9), one of the tools that regulates the social dimension of procurement (page 9) and is protected through the assessment practices developed by the company (page 28).

SECURITY PRACTICES

Respect for human rights by EDP employees and service providers is enshrined within the EDP Code of Ethics, regardless of the area of business. This procedure applies to employees and suppliers who provide security services and who are subject to corporate programmes.

There are no specific corporate training programmes associated with the management of security contracts. As service providers, contracted security companies are subject to current programmes defined in page 13 and in page 28.

INDIGENOUS RIGHTS

EDP commits itself to recognise the rights of ethnic minorities and of indigenous people as outlined in its Code of Ethics.

According to the Local Communities management approach, page 28, EDP provides permanent involvement mechanisms with greater emphasis on the design and construction phases of new power plants.

Projects that could involve indigenous communities are always identified during the Environmental and Social Impact Assessment phase. In Brazil, where this is a material issue, this phase is the responsibility of the environmental agency - Brazilian Institute of Environment and Natural Resources (IBAMA). The implementation of the mitigation and offsetting measures defined during this phase are then set in motion and implemented by the company in association with FUNAI (National Indian Foundation) in order to ensure the most suitable response to local reality and respecting the particular lifestyles of these communities.

ASSESSMENT

In the context of the review of the **Code of Ethics**, EDP is preparing a programme to monitor Human Rights, framed by the "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework" - the Ruggie Framework. This programme seeks to monitor risks from a prevention and remedy perspective, in conjunction with EDP Group's compliance area. This programme also seeks to identify and adopt best practices on developed activities and on the markets in which the EDP operates, extending this to its supply chain.

The company has also begun a project to identify and assess ethical risks, which involves the Ethics Ombudsman Office and areas considered important to the company (audit, risk management, sustainability and legal support). This project aims to create a risk matrix of ethical practices, its assessment, disclosure, recording and validation, covering human and Labour rights.

SUPPLIER HUMAN RIGHTS ASSESSMENT

Page 13 describes the management of procurement practices and identifies the set of procedures where the management of human rights is ensured.

HUMAN RIGHTS GRIEVANCE MECHANISM

EDP's Ethics Ombudsman is the main channel used for complains, reports and queries related to human rights. The same channel is extended for human rights issues related to the supply chain.

4.3.SOCIETY

LOCAL COMMUNITIES

Within the framework of its Stakeholders Relationship Policy and implementation strategy, EDP seeks to identify and clarify the problems of communities affected by projects, as explained in page 7.

Aligned with this policy, and depending on the business area, the country involved and the nature of the project, close relations are established through three levels of engagement, which include various operational tools, for example:

1. INFORMATION

- Project presentation sessions;
- Interviews about important issues in the media;
- Leaflets with information about the projects or on specific matters;
- Warnings and notices in appropriate locations;
- Placards and information panels.

2. CONSULTATION

- Surveys and social habits studies developed by specialized institutions.
- Email addresses and contact numbers for public awareness;
- Personalized information Kiosks.

3. PARTNERSHIP

- Public sessions (generally in association with the local authorities);
- Negotiations and consensus meetings with community groups.

Under the recent hydroelectric projects built in Portugal, EDP developed the ComPro local community engagement methodology, in partnership with - Instituto Superior das Ciências do Trabalho e da Empresa - Instituto Universitário de Lisboa (ISCTE – IUL). This methodology was included in its training program, which covers and reinforces the importance of the challenges associated with the involvement and communication with local stakeholders, increasing the component of public participation in the stages of a project in order to promote the incorporation of expectations in the decision-making process.

For facilities in operation, a relationship with local communities is maintained for awareness. As an example, schools and other entities visit power plants to learn about their activities and EDP staff visits them providing training actions.

Facilities with environmental management systems follow international regulations and guidelines ensuring the public information about environmental performance with rigor and seriousness.

ANTI-CORRUPTION AND BRIBERY

To guarantee compliance with the law and ethics related to the prevention of internal bribery and corruption (employees and supervisors) and in the supplier chain, EDP has several mechanisms, such as the Code of Ethics, the SCIRF (the information and financial reporting control system) and the identification of ethical risks by the Ethics Ombudsman.

EDP also participates in initiatives for the study, identification and prevention of corruption risks and to improve transparency. For example, the Project Gestão Transparente.Org provides a consistent collection of national and international legislation, good practices available to companies, individuals and organizations as well as an organization diagnostic and risk assessment tool.

Specifically, EDP maintains standards of transparency and prevention of corruption that are communicated to employees in relevant roles. EDP also conducts periodic assessments of the risks of bad practices, including bribery and corruption as well as periodic assessments and comparative analyses of procedures and initiatives for preventing corruption. EDP Group forbids bribery as a policy rule, as set out in the Code of Ethics.

Training is provided to employees in high-risk areas on identifying red flags and taking appropriate action, including financial matters, accounting, procurement and sales, as well as to employees whose work involves relationship with authorities and regulatory entities.

Particularly with regard to EDP's supply chain, agents, brokers and distributors, EDP includes in its contracts explicit provisions on ethical conduct standards, as well as compliance standards with laws on anti-corruption and bribery.

In accordance with the Code of Ethics, EDP's complaint channels (phone, email and postal address of the Ethics Ombudsman and of the Customer Ombudsman and the SCIRF whistleblowing line) and other complaint and reporting mechanisms are available for suppliers, agents, brokers and their employees.

- **Whistleblowing channel;**
- Email: audit@edp.pt
- Address: Avenida 24 de Julho, 12, 1249-300 Lisboa
Telf: 21 001 25 00 Fax: 21 002 14 03
- Ethics Ombudsman.

PUBLIC POLICY

Infrastructure activities, such as the construction and operation of electricity and natural gas supply and distribution facilities, given its geographical dispersal, impacts on communities and importance for supply security, ensure an active participation in public discussions held prior to the adoption of new spatial planning instruments

This participation aims to ensure the expansion of energy distribution networks and equipments in accordance with the public political interests defined at national or regional level or, in the case of Portugal, Spain and other European countries, at community level.

Thus, EDP maintains a dialogue at national or European level. The company provides opinions about new legal or regulatory proposals for public discussion both through the Portuguese Association of Electric Power Utilities (ELECOPOR), the Asociación Española de la Industria Eléctrica (UNESA), the Portuguese Renewable Energy Association (APREN) and the Union of the Electricity Industry (EURELECTRIC) or via WBCSD with a more horizontal character. This dialogue is maintained in various areas such as infrastructure development and energy security, environment, among others.

Furthermore, under the legal requirements of the energy sector, EDP participates as a consultant in the definition and revision of electricity and natural gas regulatory system mechanisms. The company is constructively involved with different sectorial and global regulatory entities, particularly ERSE in Portugal, ANEEL in Brazil and entities such as the Competition Authorities of each country and the Directorate-General for Competition (D-G Competition), at community level.

Its involvement on several commissions and in sectorial and professional associations is also a way of follow, cooperate and actively participate in different issues of public policy, particularly in the energy, environment, industry and sustainable development areas, including different themes as green taxes, electrical mobility and gender equality.

ANTI-COMPETITIVE BEHAVIOR

The **EDP Code of Ethics** states the company's commitment on competition best practices, namely the ban on restrictive practices, the rules applicable to concentration between undertakings and the strict compliance with competition law. This extends to its employees and hierarchies, while respecting competitors.

These same proposals are included in the **Sustainable Development Principles** that supports integrity, good governance and ethical standards in the conduct of business and a subsequent reduction of risk exposure to bad practices.

As a corollary, the EDP publicly assumed a **Commitment to the Practice of Healthy Competition**, declaring the adoption of practices of corporate responsibility and integrity in compliance with competition law, namely in accordance with the prohibition of restrictive practices and with the rules applicable to concentration between undertakings.

This is followed-up by the Regulation Committee, which shares good practices and the highest principles of healthy competition of national and European Union law.

The complaint channels publicly available are also important tools for implementing the Commitment to the Practice of Healthy Competition, enabling any person or entity to access the company.

As part of the recent compliance programme, which promotes a holistic approach to all competitive issues, a revision and updating of existing instruments is underway, including training (and updating), internal procedures and whistleblowing channels.

COMPLIANCE

Within its organizational and decision support model, EDP has a Compliance Management Committee, which follows the normative standards changes in regulatory, juridical and financial scopes, and monitor respective compliance.

EDP created a Compliance Program to verify the compliance of its practices against EDP's commitments and obligations on transparency and exemptions issues of activities subject to juridical and economical regulation.

The Compliance Management Committee also ensures the coordination and interaction with the Compliance Officer, who produces an annual report, on which results the Committee issues its opinion.

SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

Page 13 describes the management of procurement practices and identifies the set of procedures where social management is ensured.

GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

The several grievance mechanisms within the Group are described in points: environmental grievance mechanisms (page 21), Labour practices (page 22), and human rights (page 27)

DISASTER/EMERGENCY PLANNING AND RESPONSE

EDP Group has an **Occupational Health and Safety Policy** outlining its commitment to protect facilities and equipment in order to ensure good safety conditions. It also has a **Corporate Business Risk Management Policy** that contains commitments to promote and ensure adequate levels of risk prevention and control, designing, constructing, operating and maintaining its facilities, processes, systems and equipment in the best condition for the safety of people, goods and the environment.

EDP has implemented SIGAC and SGSC (page 19 and page 25), which has ISO 14001 and OHSAS 18001 certification, respectively. These systems complement those existing within the business units, which are almost all certified. The harmonization with these references implies compliance with the planning requirements and in the response to emergency situations.

To prevent and minimise the consequences of accidents and other emergency situations, locations in which there is a high risk of their occurring have an organised structure to prevent, combat and control any such events. Within this structure there are instruments designed to prevent and respond to emergencies, which include the identification and characterization of risk scenarios, as well as the specific procedures for operating and intervening in each scenario. All employees and service providers are made aware of these practices and are regularly trained in them. Emergency response tools are regularly tested through simulacrum that include the involvement of external bodies (e.g. the fire service, civil defence), with the aim of testing the efficacy of the plans for the defined scenarios.

Europe recently approved legislation covering sectors of critical importance to society. These sectors include the generation and distribution of energy, which are obliged to develop Operator Security Plans and define a management responsible. EDP identified the strategic structures that, in the event of an emergency, would be essential to keep operational in order to guarantee minimum levels of supply for the authorities and the population. A large number of EDP facilities fall into this category.

4.4.PRODUCT RESPONSIBILITY

CUSTOMER HEALTH AND SAFETY

Information on the safe use of energy is made available on the websites of all EDP's companies and in small leaflets and customer guides. Anyone can report online or by telephone any situation that poses a risk or an imminent threat of accidents, such as fallen power lines, visibly damaged power boxes, etc.

In festive seasons, EDP reinforces awareness and information campaigns on risks and conscious use of electricity.

There are in-house procedures for collecting and monitoring accidents involving people from outside the company. EDP complies with recommendations to reduce the risk of accidents caused by direct or indirect contact with energy infrastructures associated with power distribution in every country.

For ongoing projects, training is conducted among employees and external information sessions are addressed to stakeholders, such as local authorities. Documents are also provided on the EDP Distribuição website with answers to FAQs on high voltage lines and public health.

At the same time, EDP has supported studies on the potential effect of electric and magnetic fields on health, which has been an important issue for local communities.

PRODUCT AND SERVICE LABELING

Product and service labelling is promoted through the invoices sent to customers, the websites of the supply companies, as well as labelling-specific leaflets. In the three countries where EDP has supply activities, companies follow the recommendations of the regulatory bodies on product and service labelling.

In Iberia, the weight of each source of energy in the total annual electricity generation, the associated carbon dioxide emissions, and the customer historical consumption are indicators available to customers. The provision of this information lead customers to make more informed decisions, being held liable for their consumption habits.

In Portugal, the energy invoices has also the carbon dioxide emissions regarding customer consumption, for both electricity and gas.

All customers who choose electricity 100% from renewable sources receive an annual certificate proving that their annual energy consumption comes from renewable sources. In Spain this certificate is delivered to business customers upon its request.

In Brazil, the invoice includes information such as the quality of electricity supply (duration and frequency of interruptions), the historical consumption regarding the last 12 months, and indicators concerning the tariff flag system where the extra cost paid by customers due to a highest contribution of thermal sources of energy in the total electricity generation is disclosed.

COMMUNICATIONS AND MARKETING

Marketing communications are one of the ways that the company relates to its customers and it is very important for EDP due to its impact in attracting customers and the influence it has on the company's reputation in the market.

In the **Code of Ethics** (2013) and **Group Communication Policy**, EDP undertakes to make honest and transparent commercial proposals, tailored to the needs of customers and to ensure that all information is disseminated in a non-discriminatory manner to the different market stakeholders, with clear content and objectives, to promote and strengthen the trust of customers.

At Group level, the definition and development of EDP's Marketing Communication strategy, is the responsibility of the Brand and Marketing Communication Operating Unit, which is part of the Brand Directorate, which, in turn, operates from within the Directorate of Global Coordination of Brand, Marketing and Communication in the Corporate Centre (DGMC). These duties include the coordination of cross-cutting Marketing Communication projects involving all Group Business Units (BUs), as well as the development of Business Unit Marketing campaigns.

In turn, the Corporate Centre's Customer and Marketing Directorate must analyse, propose and control the commercial business marketing strategy in the Iberian Peninsula and develop qualitative and quantitative market research to support the definition of the Marketing Strategy of the EDP Group and of the Business Units.

CUSTOMER PRIVACY

Any instance of actual or perceived violation of the customer's legal protected privacy may impact on their loyalty and trust in the company and on the image and reputation of the Group.

Information produced in the EDP Group is managed so as to ensure our credibility with customers and other stakeholders, not only through compliance with regulatory and legal requirements, but also well with our commitment to confidentiality, integrity, availability and non-repudiation.

These commitments are set forth in the **EDP Code of Ethics** and in the Codes of Conduct of the Group companies, and in the **Information Security Policy**.

Given the growing complexity of the business of the EDP Group, in terms of the increasing number of companies trading in different business areas (Electricity, Gas and Services), allied to increasingly demanding regulation and legislation, with the requirement to separate the different activities throughout the value chain (networks, regulated and free marketing) and the personal data confidentiality, protection and legality obligation, EDP Soluções Comerciais operates based on principles and policies that guide the EDP business information management functions - **Principles and Policies of Business Data Governance** of the EDP Group.

The area of Information and Communication Technology Security and Risk Management of the Corporate Centre's Information Systems Directorate is the area tasked with the protection of IT assets through risk mitigation and resolution of incidents, as well as implementation of the Group's Information Security Strategy to protect and prevent its assets against risks and threats.

An EDP Group Information Security Master Plan was developed for 2015-17. Its purpose was to establish guidelines for company action in the areas of Information Security, including Risk Management and Continuity of IT resources and services.

As part of its prevention and response to information security incidents, in Portugal EDP is a member of the National CSIRT Network (Information Security Response Services), a network for cooperation in the area of information security and safe internet use, whose objectives include the creation of incident prevention and response instruments.

Note also that contracts and internal procedures (the main ones are available publicly on the internet) establish the guarantee to safeguard and protect customer information and data.

When the customer is contacted or makes contact with EDP by telephone, authorization is requested to record and use their personal data and for its disclosure to third parties.

COMPLIANCE

On this subject please refer to page 30.

ACCESS

This subject is covered in the EDP Group's **Sustainable Development Principles**, dated 2011, where the company undertakes to promote reliable, safe and high quality access to energy, to adapt commercial policies to the specific social nature of the market and to guarantee equal access to energy and energy systems.

EDP allocates part of its investment to maintenance of a universal contribution to access to energy and modernisation of grid infrastructure and the incorporation of technologies to enable higher quality supply and better customer service.

In both Portugal and Spain, electrification of the areas where EDP operates is complete, so business can now focus on ensuring a quality service for all consumers, with a special focus on the most vulnerable demographics.

In Portugal, there are three different, but cumulative, benefits: social tariffs for natural gas and electricity and Special Social Support for Energy Consumers (ASECE). Customers who believe they may be entitled to these benefits submit their application to the relevant providers for verification of eligibility with the social security agencies. Customers who receive these subsidies can continue to be supplied by Last Resort Providers.

EDP provides mechanisms for the communication and availability of information as described in the chapter "Provision of Information".

In Spain, the Last Resort Tariff (TUR), which is regulated by the Ministry of Industry, has been in force since 2009 and covers socio-economically vulnerable Customers with installed capacity below 3 kVA (pensioners, the unemployed and large families).

In Brazil, EDP has developed projects in partnership with local authorities to improve or maintain access to electricity and customer support services, particularly for economically vulnerable customers.

In Brazil, the electricity social tariff covers low-income families and provides discounts that vary based on the standard tariff established by each company. The company also enables agreements with flexible payment arrangements for these customers, allowing them to settle their debts in up to 50 instalments.

PROVISION OF INFORMATION

The promotion of customer consultation and communication channels, taking account of their contributions and expectations, are aspects that are reflected in the EDP Group **Sustainable Development Principles**.

All EDP customers benefit from a wide network of communication channels: the corporate website, newsletters, energy bills, account managers, telephone lines, postal and email addresses, open web pages and reserved web pages with access by mobile phone through smartphone and tablet applications.

EDP also uses call centres and customer service shops where customers can put questions, request clarifications or submit complaints about a range of matters. In the Group Code of Ethics (2013) and Communication Policy, EDP undertakes to provide information in accessible language, tailored to the needs of customers, responding to requests, questions and complaints within a reasonable time, also ensuring that information is disseminated without discrimination.

To overcome linguistic, cultural, physical barriers, among others, EDP provides information about its products and services in accordance with the following table:

PORTUGAL	SPAIN	BRAZIL
<ul style="list-style-type: none"> • Invoices, client guides and guides for energy efficiency in Braille • Telephone line for access to services from abroad • E-mail address and a dedicated telephone line to information and support on tariffs and ASECE • Websites in accordance with Web Accessibility Initiative - level AA (WAI-AA) standards • Mobile platform of webpage: www.energia.edp.pt 	<ul style="list-style-type: none"> • Use of languages other than Castilian in major communications, including Basque and Catalan • Multilingual Sites (Castilian, Basque and English) • Websites in accordance with Web Accessibility Initiative - level AA (WAI-AA) standards 	<ul style="list-style-type: none"> • Virtual Agency (online service) providing the query of debts, the issue of 2nd copy of invoice, readings, the query of turnover, among others (www.edpbandeirante.com.br and www.edpescelsa.com.br) • Service dedicated to customers with hearing disabilities • Mobile platform of webpage: www.edp.com.br

05.ACRONYMS

- APD - Potential and Performance Appraisal
- ANEEL - National Electric Energy Agency
- APREN - Portuguese Renewable Energy Association
- ASECE - Extraordinary Social Support for Energy Consumers
- B2B - Business to Business
- B2C - Business to Consumer
- BSI PAS - British Standards Institution's Publicly Available Specification
- CDP - Carbon Disclosure Project
- CEO - Chief Executive Officer
- CFL - Compact Fluorescent Light
- CO₂ - Carbon dioxide
- ComPro - Communication of Projects
- D-G Competition - Directorate-General for Competition
- EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
- EETS - European Emissions Trading Scheme
- ELECPOR - Portuguese Association of Electric Power Utilities
- EBD - Executive Board of Directors
- EMAS - Eco-Management Audit Scheme
- EFR - Family-Responsible Company
- ERSE - Energy Services Regulatory Authority
- EURELECTRIC - Union of the Electricity Industry
- FUNAI - National Indian Foundation
- GHG - Greenhouse Gas
- GSB - General and Supervisory Board
- GRI - Global Reporting Initiative
- IBAMA - Brazilian Institute of Environment and Natural Resources
- ILO - OSH - International Labour Office - Geneva - Guidelines on Occupational Safety and Health Management Systems
- IPPC - Integrated Pollution Prevention and Control
- ISO - International Organization for Standardization
- ISCTE - IUL - Instituto Superior das Ciências do Trabalho e da Empresa - Instituto Universitário de Lisboa
- KPI - Key Performance Indicators
- LCA - Life Cycle Analysis
- LED - Light Emitting Diode
- NYSE - New York Stock Exchange Euronext Lisbon
- NO_x - Nitrogen oxides
- OHSAS - Occupational Health & Safety Advisory Services
- OTC - Over-the-Counter
- PCBs - Polychlorinated biphenyls
- POSA - Sustainability and Environment Operational Plan
- PPEC - Plan for Promoting Efficiency in Electricity Consumption
- RAMS - Reliability, Availability, Maintainability and Safety
- R&D - Research and Development
- SCIRF - Information and Financial Reporting Control System
- SIGAC - Corporate Environmental Management System
- SO₂ - Sulphur dioxide
- TIC - Innovative Information Technologies
- TUR - Last Resort Tariff
- UNESA - Asociación Española de la Industria Eléctrica
- VLE - Emission Limit Values
- WAI - AA - Web Accessibility Initiative
- WBCSD - World Business Council for Sustainable Development
- WDP - Water Disclosure Project

COMPLEMENTARY PUBLICATIONS

EDP periodically publishes a set of documents about its performance, which contains annual information and enables checking compliance with the G4 sustainability standards:

- The Annual Report, which complies with the standards of CMVM Regulation no. 4/2013, of the Portuguese Company Code, and of the Regulation on Duties of Disclosure (no. 5/2008). It also reports the performance of the company in the different sustainability areas.
- Communication of quarterly results to the market, including the evolution of non-financial information;
- Reports by area, namely:
 - Social Report;

- ≡ Biodiversity Report;
 - ≡ **Ethics Ombudsman** Report;
 - ≡ Stakeholders Report;
 - ≡ Safety Summary.
- ⊞ Annual and sustainability reports are published by EDP Espanha, EDP Brasil and EDP Renováveis, that provide more detailed information on their sustainability performance.

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