



ANNUAL REPORT OF THE GENERAL
AND SUPERVISORY BOARD





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MESSAGE FROM THE CHAIRMAN

To the Shareholders

1. In 2009, a new term of office begins for EDP's corporate bodies.

Regarding the performance of the economy and world finances, as well as the expectations arising from it, the term of office that just finished, after thirty months of activity, can be divided into two contrasting phases. A first phase, of lively growth and upward trends in the capital markets. A second, marked by a crisis starting in the USA's banking system which quickly spread to the international banking system and the world economy, creating the biggest crisis since 1929, marked by an alarming deterioration in unemployment rates.

It was in these adverse conditions that EDP conducted business in 2008, confronting and overcoming these challenges in a noteworthy way, making 2008 the most lucrative year in its short history.

Renewable energies and especially wind energy, linked to efficient cost control, are still EDP's growth driver. 2008 will be remembered for EBD's balanced management, but was even more notable for the success of the EDP Renováveis IPO.

In fact, the oil price reached astonishing levels and gave wind energy a strong competitive potential. But it is also true that after the oil price returned to levels more compatible with global demand, EDP knew how to maintain its investment rhythm in the area selected as its growth driver: renewable energies.

2. As in the previous two financial years, the Institutional Report goes into great detail on the various aspects of the worldwide activities of EDP's subsidiaries. In any case, I must highlight the following:
 - Dam-building in Portugal – special mention should go to the Government's success in launching this large dam-building programme, allowing the economic development of this national natural resource. EDP has the most investment projects in hydroelectric energy of any company in Europe, including Baixo Sabor, Foz Tua, Fridão and Alvito.
 - International expansion in renewable energies– through a successful IPO of EDP Renováveis, as well as strengthening EDP's presence in wind energy in France and acquiring a wind energy developer in Romania.
 - Strategic partnerships – given the principles set out for EDP's strategic partnerships during 2008, the following deserve special mention:
 - * The partnership with IPIC, targeting, in particular, the international expansion of renewable energies.
 - * The partnership with PDVSA, with a focus on investment projects in the natural gas area.
 - * The broadening of Sonatrach's partnership to include natural gas investments in South America.
 - The asset exchange operation between EDP Brasil and Grupo Rede – an operation oriented towards the implementation of EDP's strategic aim of strengthening its hydroelectric energy generation capacity in Brazil.

3. The environment in which EDP had to develop its activities deserved particular attention from the EBD and the GSB.

The macro-economic context, at national as well as at international level, was particularly unfavourable. Negative economic growth in most of Portugal's commercial counterparts, notably Spain, connected to a dramatic acceleration in unemployment, and strong fall in inflation, raise the possibility of deflation, which usually takes plenty of time to overcome. Despite its resistance over some time, Portugal was engulfed by the downturn and was forced to make several revisions to its key macro-economic forecasts. As stated at the beginning of this introduction, the strong fall in oil prices made renewable energies' profitability that much more difficult, due to the increase in costs.

The European Union continues to debate the problem of its considerable energy dependence, once again thrown into sharp relief by the effects of the disputes between the Russian Federation and Ukraine over natural gas that, given the role of Ukraine as a major gas supply route, threaten the regular supply to the European Union.

The USA had to face the impact of the financial and economic crisis in a context marked by the presidential election and its consequences on decision-making timings, which was only resolved on 20 January 2009, when the new US President, Barack Obama, took office. Given the President's interest in the energy sector, especially his ideas on reducing the US's energy dependence on oil and countering the greenhouse effect, everything points to renewable energies receiving a powerful boost.



MESSAGE FROM THE CHAIRMAN

Portugal has continued to place particular importance on the energy sector and the Government has launched several initiatives that are transforming this period into a golden age for the sector. Renewable energies, as a way of limiting Portugal's energy dependence, received a strong boost with the launch of the new dam programme. In fact, in 2008 several public tenders were held for hydroelectric power station construction projects, of which 3 were won by EDP, 4 by Iberdrola and 1 by Endesa, with the remainder unadjudicated.

The EBD's decisions, with GSB's support, show the focus that the current corporate bodies place on the long-term view, creating the conditions best suited to the Group's sustainability.

Special reference should also be made to electricity tariffs, which, over a reasonably short time, will allow the high tariff deficit accumulated during 2008 to be eliminated.

4. The GSB was extremely active, both through Plenary meetings and its specialised committees, divided between several subjects which required the GSB's previous opinion and other subjects warranting advisory guidance, as attested by the frequency with which the EBD consulted with the GSB. The dynamic context of the last two years and the events which dangerously challenged the market economy's indisputable virtues justify unequivocally the important role played by the supervisory bodies, which must be completely independent of those invested with executive power.
5. I would like my acknowledgements not to be taken as 'business as usual' for closing this kind of annual report introduction. I have to thank António Mexia in particular, not only for the way in which he has steered EDP's activities, improving the Group's profitability, efficiency and image, but also for the way in which he understood the supervisory role, creating the conditions for me to carry out effectively the functions of Chairman of EDP's Supervisory Board with indispensable autonomy and quality.

I want to thank my Board colleagues and, in particular, the shareholders' representatives for the great support which they have given me in performing my duties.

I reach the end of this term with the very rewarding confidence that I have contributed to the prestige of the great and solid company that is EDP.

António de Almeida

The Chairman of the General and Supervisory Board

Lisbon, 5 March 2009





EDP'S CORPORATE GOVERNANCE MODEL

2. EDP'S CORPORATE GOVERNANCE MODEL

This report will start, as last year's did, by recalling the key conclusions regarding the corporate governance model adopted by EDP's shareholders. As the report deals with the end of a term, it is particularly important to perform a deeper analysis of the governance model.

With reference to the "CMVM's Recommendations on Corporate Governance" (2005), on 2 December 2008, CMVM published its "Corporate Governance Annual Report – 2008", in which EDP appears with the second highest rating, only two recommendations were classified as unfulfilled by EDP:

- **Recommendation no. 4** – "Measures adopted to prevent the success of takeover bids should respect the interests of the company and its shareholders. Measures considered contrary to these interests include defensive clauses intended to cause an automatic erosion of company assets in the event of the transfer of control, or of changes to the composition of the Board which prove detrimental to the free transferability of shares and the free assessment by shareholders of the performance of members of the Board". CMVM's assessment seems not to have taken into consideration two elements that would allow the recommendation to be considered fulfilled: (i) The rules in question safeguard the interests of the company and its shareholders; (ii) Those rules have a legal origin, arising from EDP's privatisation process.
- **Recommendation no. 8-A** – "A declaration on the policy for remunerating members of a company's corporate bodies should be submitted to the attention of shareholders at the annual general meeting". CMVM believes EDP does not fulfil this recommendation because the declaration submitted at the General Meeting only included the remuneration of the EBD. However, considering that the members of the corporate bodies, other than the EBD, have fixed remunerations, the evaluation of this recommendation should take into account that EDP publishes the remunerations of the members of the Board of the GM, the Statutory Auditor (SA) and the GSB, and as for the EBD, specifies the GSB Chairman's remuneration.

However, and aside from the recommendations deemed unfulfilled, the GSB is satisfied with this recognition of EDP's efforts and quality of its governance practices. In particular among these is the recognition and positive valuation of the two-tier corporate governance model adopted (the 'German model'), which showed, in this first term, that it was solid, credible and suitable for promoting the company's interests, despite some aspects that will require improvement in the future.

This has been the first year in which CMVM's recommendations on "Corporate Governance Code", published in 2007, will apply. The report on Corporate Governance structures and practices is presented in the Institutional Report, as well as the corresponding declaration of fulfilment of the Code's recommendations.

Considering the recommendations II.1.1.1. and II.5.1. of the "Corporate Governance Code", the GSB would like to underline certain aspects deemed relevant to the assessment of the corporate governance model used by EDP:

- It allows a healthy segregation of duties among the different corporate bodies: management, supervision and audit.
- It presents a suitable level of flexibility, allowing for the optimisation of synergies resulting from the referred division.

The institutional relations between the GSB and the EBD deserve particular attention. Due to its nature and proximity to the key shareholders, the GSB is the governing body that supervises, monitors and advises the EBD, which, in turn, is responsible for the independent day-to-day management of the company. The cooperation between the two bodies is a corollary of the division between supervision and management duties.

It is not possible through simple theoretical analysis to judge the superiority of any particular corporate governance model. However, in companies of EDP's size and shareholder structure, the value of flexibility and ability to optimise synergies arising from a two-tier governance structure emerge as a critical aspect for the success of the company. This is mainly because it ensures management autonomy of the executive bodies, with the resulting accountability to an independent supervisory body, whose legitimacy, in relation to the Executive Board of Directors, is reinforced by a composition that includes not only representatives of its most important shareholders but also includes independent members who have the extremely important duty of representing the interests of the anonymous shareholders.

In this framework, a fundamental factor if a supervisory body is to effectively carry out its functions is the existence of appropriate mechanisms for timely access to relevant information on the operations and activities of the company. However, just as important as access is the quality and processing of the information provided to the supervisory body, such as when, as happens at EDP, the GSB is called upon to issue a previous opinion on the most important matters regarding the company's functioning and activities.

The experience collected during the first term of EDP's two-tier governance model offers the following conclusions:

- The model adopted by its shareholders is appropriate to the corporate organisation of EDP's activity, mainly because it guarantees an appropriate balance between the necessary flexibility of the management powers and the effectiveness of the company's supervision in general and in specific highly sensitive areas.
- The institutional and functional relationship between the two governing bodies was highly positive and effective.
- The continued monitoring of EDP Group activities by the GSB, the very close scrutiny of EDP Group's decision-making processes and the active participation in them in some instances, significantly strengthen the standards and the functional responsibility within EDP and better safeguard the interests of all shareholders and other stakeholders.
- The commitment and articulation between the GSB and the EBD promote high quality governance practices, making it possible to optimise the model in terms of:
 - * The mechanisms allowing the GSB access to information.
 - * The widening of the scope of functions the GSB performs with regard to subsidiaries.
 - * The allocation of human and technical resources appropriate to the role and functions of the GSB.

Considering the composition and geographical distribution of the Group, and since EDP's by-laws stipulate that GSB is responsible for the supervision of EDP's subsidiaries also, there is a need to develop methodologies that allow the same level of supervisory efficiency for those companies as is achieved with EDP.



GENERAL AND SUPERVISORY BOARD

3. GENERAL AND SUPERVISORY BOARD

3.1. Membership

Under EDP's by-laws, the GSB must have no fewer than nine members and shall always exceed the number of EBD's members. It must also consist of a majority of independent members. The Chairman of the GM Board is inherently a member of the GSB.

The GSB term, which ended on 31 December 2008, started on 30 June 2006, following the ruling made at the General Meeting of 30 March 2006, at which 17 members were elected, 10 of which were independent. After some changes in the meantime, the GSB currently has 16 members, eight of whom are independent. They are as follows:

- António de Almeida – Chairman
- Alberto João Coraceiro de Castro – Vice-Chairman – Independent
- António Francisco Barroso de Sousa Gomes – Independent
- Carlos Jorge Ramalho dos Santos Ferreira
- Diogo Campos Barradas de Lacerda Machado – Independent
- Eduardo de Almeida Catroga – Independent
- Fernando Manuel Barbosa Faria de Oliveira
- José Maria Brandão de Brito
- José Maria Espírito Santo Silva Ricciardi
- Khalifa Adbulla Kamis Al Romaithi
- Manuel Fernando de Macedo Alves Monteiro – Independent
- Mohamed Meziane
- Rui Pena (Chairman of the GM Board) – Independent
- Vasco Maria Guimarães José de Mello
- Vital Martins Moreira – Independent
- Vítor Fernando da Conceição Gonçalves – Independent

A summary of the curriculum vitae of each of the members of the GSB is available in the Institutional Report ('EDP Governing Bodies').

3.1.1. Rules on Incompatibilities and Independence

The members of the GSB are subject to a vast number of rules on incompatibilities with their position laid down by Law and EDP's by-laws. On the other hand, there are rules concerning the independence of the GSB's members with that status.

In accordance with Article 6.2 of the GSB's Internal Regulation, besides the GSB's duty in the matter, each member is responsible for the assessment of any eventual circumstance that might generate an incompatibility with his or her functions or the loss of independent status, and, if there is one, he or she must resign immediately.

After accepting their election, the members of the GSB signed a declaration attesting to the fact that there were no incompatibilities concerning the exercise of their functions. Also, at the 13 July 2006 meeting, the GSB registered its conclusions on the absence of incompatibilities.

Under Article 7 of the GSB's Internal Regulation, the same procedure was followed for independent members. They signed a statement declaring that they were independent and assumed the duty of reporting immediately any circumstance that might interfere with this status. The independence of its members was considered and discussed at the first meeting of the GSB's term.

On 5 March 2009, the GSB analysed its members' situation in light of the above mentioned incompatibilities and independence rules, as part of the assessment of their activity in the last period.

Thus, according to the internal procedures defined for the purpose, and with reference to CMVM Regulation no. 01/2007, the GSB declares that no situation was found which:

- Revealed incompatibilities regarding its members.
- Was liable to affect the independence of the members identified in point 3.1 as such.

The process will be repeated, in an improved version, at the beginning of next term.

3.1.2. Relevant Events Affecting Membership

In 2008, certain events resulted in changes in the membership of the GSB versus 31 December 2007:

- On 29 February, Manuel Menendez Menendez resigned as a GSB member, with Cajastur Inversiones, S.A. substituting for him at the Annual GM.

- The following members were elected to the GSB, at the Annual GM of 10 April:
 - * Cajastur Inversiones (Manuel Menendez Menendez was appointed as its representative).
 - * Carlos Jorge Ramalho dos Santos Ferreira.
 - * Fernando Manuel Barbosa Faria de Oliveira.
 - * Khalifa Adbulla Kamis Al Romaithi.
- On 12 May, Cajastur Inversiones announced that Manuel Menendez Menendez had resigned from his post and on 2 June nominated José Maria Brandão de Brito as its GSB representative.
- On 4 March 2009, Vítor Franco resigned from his post.

3.2. Duties

The GSB's main mission is to advise, monitor and supervise continuously the management of EDP and cooperate with the EBD and other corporate bodies in pursuing the company's interests as required by Law and the company's by-laws, in particular Article 22.

There is a full description of the GSB's duties in the Institutional Report (point 2.3.2. of the Corporate Governance Report). The following elements of these duties should be highlighted due to their particular importance:

- The role of monitoring the EBD's activities must be seen as a very far-reaching remit, something that the shareholders have demanded that the GSB should undertake permanently, aiming to find the right protection for all EDP's shareholders and stakeholders. In a world shaken by events that escaped internal and external supervision the shareholders demand EDP to assume a best practice model.
- The monitoring of directors' activity is not limited to EDP, but also covers all of its subsidiaries. Given the large number and varied size of these companies, the GSB has decided to pay special attention to the following:
 - * EDP Renováveis, S.A. (including NEO and Horizon)
 - * EDP – Gestão da Produção de Energia, S.A.
 - * EDP Distribuição – Energia, S.A. (including EDP SU)
 - * EDP Comercial – Comercialização de Energia, S.A.
 - * EDP Gás, SGPS, S.A.
 - * EDP Energias do Brasil, S. A.

- * Hidroeléctrica del Cantábrico, S.A.
- * Naturgás Energia Grupo, S. A.

- The issues surrounding corporate governance, codes of conduct and ethics and their respective fulfilment are some of the most important areas for the GSB's role in times like these.
- The most relevant business operations are systematically scrutinised by the GSB, namely by means of the previous opinion process, whether they are acquisitions, financing, investments or operations of particular strategic significance.
- The clarification of issues that by their very nature may have implications for EDP's image.

3.3. Organisation and Functioning

The GSB is organised as required by Law and EDP's by-laws. Recommendations on best governance practices for listed companies have also been taken into consideration.

The GSB operates in Plenary meetings and through specialised committees.

Under EDP's by-laws, ordinary Plenary meetings must be held at least once every quarter. In a business group like EDP, with the dynamics that the EBD has placed on its activities and the rigour adopted by the GSB, it would be unreasonable to think that the GSB would be able to carry out its duties in a responsible way and give the executive body the appropriate advice in only four meetings a year. As has occurred whenever the nature, importance or urgency of a matter so demands, the GSB holds extraordinary meetings, always with great commitment from its members.

According to the Law and EDP's by-laws, the GSB's Chairman is responsible for organising and coordinating the GSB's activities. He is responsible for representing the Board and must also ensure that its decisions are correctly implemented. The GSB's Chairman is also the institutional representative of this governing body in its relations with the EBD, which is represented by its Chairman. The two Chairmen stay in direct and permanent contact for reciprocal information on the main events relating to the day-to-day management of the company and relating to supervision.

Aside from the Plenary meetings and the Committees, the CGSB chooses the issues requiring clarification from the CEED, informing GSB members afterwards.



GENERAL AND SUPERVISORY BOARD

The by-laws also allow the CEBD to attend GSB meetings without any voting rights and entitle the CGSB to attend EBD meetings, also without voting rights.

3.4. Specialised Committees

Given the nature and roles that were allocated to it, the GSB created specialised committees on topics of particular interest, composed by members of this body with suitable qualifications and experience. The committees referred to above have a key remit of monitoring the subjects that are entrusted to them specifically and permanently, in order to facilitate the ruling processes for the GSB and its information.

The Audit Committee (AC) and Remunerations Committee (RC) were set up as was required by Law and the by-laws. On the initiative of the GSB, two further committees were created: the Selection Committee (CS) and the Corporate Governance and Sustainability Committee (CGSC). However, on 8 November 2007, the GSB decided to transfer the functions of the CS to the CGSC, dissolving the former.

The GSB, through its Chairman, permanently oversees the work of its committees, which have to report to the GSB regularly on their activities.

A full description of the membership and duties assigned by the GSB to each of the specialised committees is available in the Institutional Report (point 2.3.9 of the Corporate Governance Report). In order to prevent repetition, the following points will include a brief summary of each of the committees' mission.

3.4.1. Audit Committee

The AC is a specialised committee responsible for supervising the company's financial information and permanently overseeing the work of the external auditor, internal auditor and internal control systems.

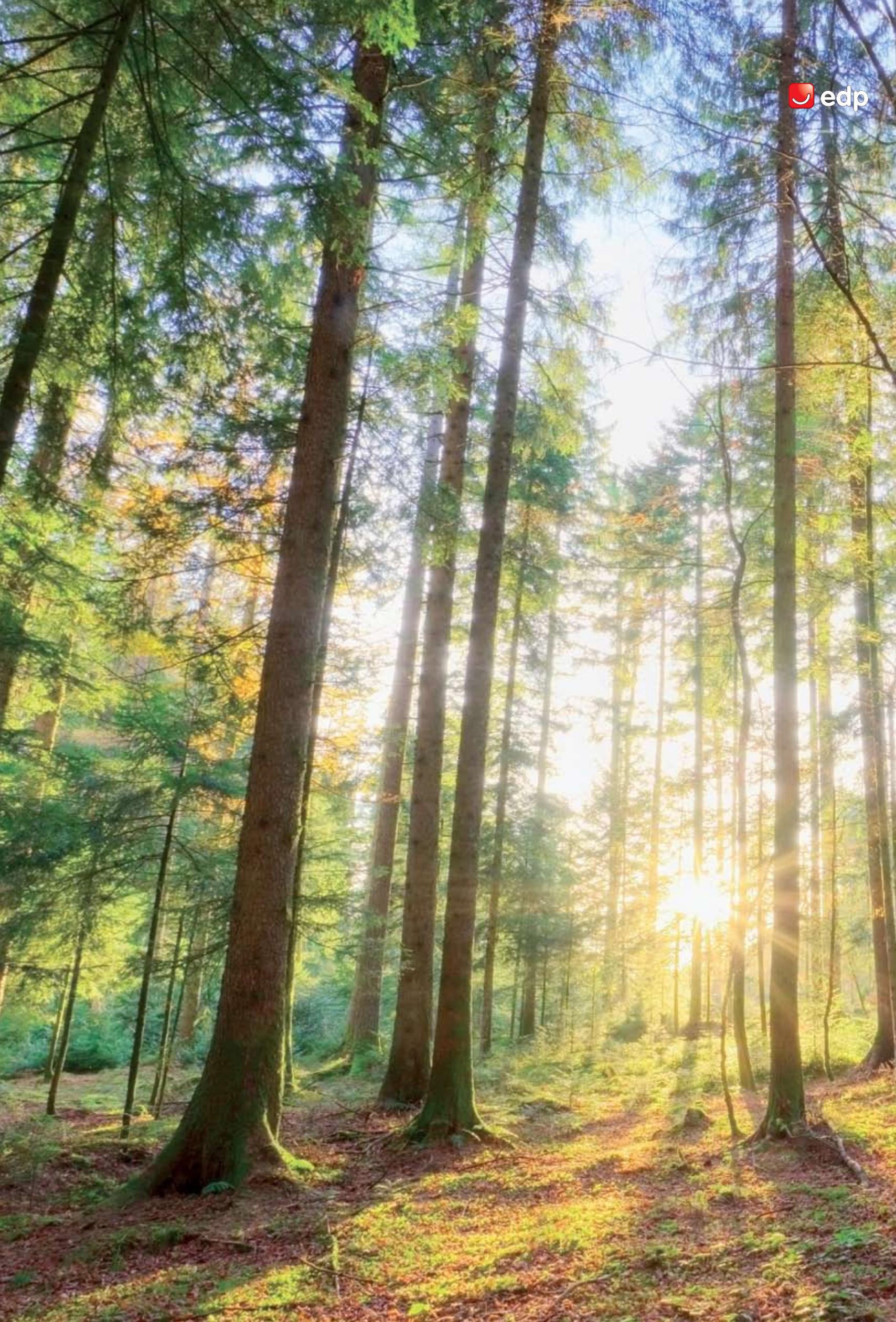
3.4.2. Remunerations Committee

The RC is a specialised committee with responsibility for setting the compensation policy for the Chairman and other members of the EBD. It must be distinguished from the GM Remunerations Committee, which sets the pay policy for the other corporate bodies.

3.4.3. Corporate Governance and Sustainability Committee

The CGSC is a specialised committee with responsibility for the following areas:

- Corporate governance.
- Strategic sustainability, including management control.
- Internal codes of ethics and conduct.
- Systems for evaluating and resolving conflicts of interest, namely concerning the relations between EDP and its shareholders.
- The definition of appropriate criteria and responsibilities to be observed in EDP's structures and bodies and their impact on their membership.
- The drafting of plans of succession





GENERAL AND SUPERVISORY BOARD'S ACTIVITY

4. GENERAL AND SUPERVISORY BOARD'S ACTIVITY

In 2008, the GSB's activities were based on an annual activity plan and its budget, which were approved at the meeting of 8 November 2007.

The most visible part of the GSB's work is its Plenary and specialised committee meetings. However, permanent and complex activities are necessary in order to organise and prepare these meetings. These permanent activities are also related to the Chairman's representation of the company, not only at an internal level, particularly in coordination with the EBD's work, but also at an external level in relations with shareholders and the public authorities.

The purpose of the plan was not only to organise and structure the GSB's work, including the specialised committees, but also to set goals and priorities.

Offering continuity to the work done over the full term, in 2008, the GSB selected, once again, the topic of 'conflicts of interest' as one of the most relevant aspects. Given that the term was ending, and given the nature and importance of the subjects to the company, the GSB's work on 'codes of conduct and ethics' and 'human resources and succession plans' also became autonomous.

By making these three subjects autonomous, apart from the objective of highlighting the launch of these key initiatives, and given their pioneering nature in the Portuguese corporate governance context, the GSB hopes that these disclosures might stimulate other companies to launch similar initiatives in these areas and, in this way, namely by considering both the problems and the solutions, start a dynamic movement in Portuguese business, tasked with adopting best governance practices, given the specific aspects of each company.

The report on GSB's activity is divided as follows:

4.1 – Permanent activity

4.2 – Plenary meetings

4.3 – Previous opinions

4.4 – Specialised committees' activities

4.5 – Highlights of GSB's activity

4.5.1 – Conflicts of interest

4.5.2 – Codes of conduct and ethics

4.5.3 – Human resources and succession plans

4.1. Permanent Activity

As part of its remit under EDP's by-laws, the Chairman is responsible for the permanent activity of the GSB, assisted in these full-time duties by the GSBO.

The Chairman is responsible for overall coordination of the Board, preparing, calling and presiding over meetings and implementing its decisions. A substantial part of GSB's permanent activity therefore involves preparing and holding Plenary meetings of the GSB and its specialised committees, not to mention the work done by their Chairmen.

The Chairman also represents the GSB, namely in its relations with the EBD and generally monitors its activity through the following steps:

- Monitoring of the EBD's weekly meetings, through the introduction of a system of making the meeting agenda and supporting documents available in advance, and the minutes afterwards, which has proved most fruitful.
- Permanent contact between the GSB and EBD Chairmen and between the former and the other EBD's members, holding meetings to coordinate the work of the two governing bodies.
- Obtaining and handling information on management policy, the businesses' performance, the undertaking of economic operations which are materially relevant for EDP and its subsidiaries.
- Active participation in important internal and external events in EDP's corporate life, such as those involving shareholders or public authorities.

Within the GSB, the Chairman coordinates its activities by:

- Attending meetings of committees of which he is not a member and participation in matters that are later decided by the GSB.
- Processing information from the EBD and other sources and circulating it to the GSB's members.
- Managing processes waiving the need for previous opinions, as described in point 4.3.

Within the scope of institutional relations with the EBD and, in particular the CEBD, mention must be made of the importance of information flow for EDP's activity. Thus, the EBD has had a permanent obligation to supply the GSB all the relevant information relating to the business and events in EDP Group's area. That information allows a dynamic dialogue with the GSB, although certain improvements must be introduced to the way in which

the documentation provided is analysed, and the way complementary information deemed suitable is obtained, which is undertaken under the guidance and coordination of the CGSB.

Thus, during 2008, besides information made available at GSB and its committees' meetings, the following was recorded:

- 89 additional requests for information or clarification made by the CGSB to the CEBD, which warranted suitable reply.
- 18 memoranda of support presented by the CGSB in its remit of preparing GSB's Plenary meetings, through which he sought to assist the members on more complex topics and to promote their active participation in discussions on topics approached in the meetings mentioned.

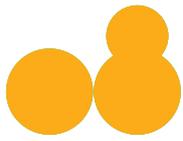
Also as part of his permanent activity, in articulation with the EBD, the Chairman followed a programme of contacts to keep the GSB in touch with the reality of EDP's business activity:

- He made the following trips on matters of EDP's corporate organisation:
 - * To CEM, where he participated in the "17th Conference of the Electric Power Supply Industry"
 - * To Guarda, as part of the ceremonies marking 25 years of EDP's service
 - * To 'Encontros EDP', held at the Europarque and the Pavilhão Atlântico.
- The following activities involved entities outside EDP Group:
 - * A trip to Venezuela, during the Portuguese Prime Minister's visit, in support of business contacts for EDP's strategic partnership with PDVSA.
 - * A trip to Algeria, during the Portuguese Prime Minister's visit, in support of business contacts for EDP's strategic partnership with Sonatrach.
 - * Participation in the "11th International Energy Forum", Rome.
 - * The visit to Expo in Zaragoza.
 - * Participation in the "XVIII Economic Forum – Krynica".

4.2. Plenary Meetings

In 2008, the GSB held 10 Plenary meetings, at which the high participation of members deserves special mention, with absences only being recorded occasionally.

- **First Meeting: Lisbon, 24 January** – Called in order to analyse the EDP 2008 Budget, the GSB monitored and analysed specific strategic topics, with special focus on the regulatory issues liable to have an influence on undertaking EDP's activities.
 - * Participation rate: 93%
 - * No. of items on the agenda: 5
 - * No. of items addressed: 5
- **Second Meeting: Lisbon, 7 February** – The meeting's key objective was to discuss the EDP 2008 Budget. The activity plan and budget of the EDP Foundation for 2008 was also discussed.
 - * Participation rate: 79%
 - * No. of items on the agenda: 10
 - * No. of items addressed: 10
- **Third Meeting: Lisbon, 6 March** – After the presentation and clarifications provided by the EBD, as well as the AC's opinion, the GSB decided in favour of the EDP Annual Report 2007. Among the other topics on the agenda was the assessment of various issues concerning the overall development of EBD's performance and activity.
 - * Participation rate: 93%
 - * No. of items on the agenda: 15
 - * No. of items addressed: 15
- **Fourth Meeting: Lisbon, 2 April** – This extraordinary Plenary meeting was to discuss the new EDP Renováveis Business Plan, as well as the preparation of the eventual IPO of part of its share stock. The GSB gave favourable previous opinion on several matters related with the IPO operation, which was subject to the existence of favourable capital markets conditions.
 - * Participation rate: 86%
 - * No. of items on the agenda: 7
 - * No. of items addressed: 7



GENERAL AND SUPERVISORY BOARD'S ACTIVITY

- **Fifth Meeting: Lisbon, 8 May** – The key purpose was the discussion of EDP Group's Results from the 1st quarter of 2008. The meeting was special as it was the first since the GM of 10 April, where new members were elected, namely the IPIC representative, Mr. Khalifa Al Romaithi, who, besides being a qualified shareholder, signed a Memorandum of Understanding for a strategic partnership with EDP. Another important issue was the analysis of developments on the preparation of EDP Renováveis's eventual IPO operation.
 - * Participation rate: 82%
 - * No. of items on the agenda: 15
 - * No. of items addressed: 17
- **Sixth Meeting: Lisbon, 17 June** – The meeting was called specifically to monitor and debate particular strategic subjects, whose urgent nature justified an extraordinary meeting. Hence, the GSB showed its approval of the investment projects presented by the EBD, by disclosing a favourable previous opinion, according to the specific evaluation parameters defined.
 - * Participation rate: 59%
 - * No. of items on the agenda: 3
 - * No. of items addressed: 3
- **Seventh Meeting, Lisbon, 30 July** – The main purpose of the meeting was to discuss the EDP Group Results for the 1st Half. The other items on the agenda related to the overall performance of activities and EDP Group's management, with a special focus on discussing the sector's regulatory issues for the electricity and natural gas markets in Portugal, versus the decisions from ERSE and AdC.
 - * Participation rate: 88%
 - * No. of items on the agenda: 14
 - * No. of items addressed: 14
- **Eighth Meeting, Lisbon, 16 October** – At the meeting, the preliminary draft of the new EDP Business Plan for 2009-2012 was analysed and discussed, with a view to issuing previous opinion at the following meeting. Thus, the GSB made certain suggestions to be considered by the EBD for the final version.
 - * Participation rate: 65%
 - * No. of items on the agenda: 11
 - * No. of items addressed: 11
- **Ninth Meeting, Lisbon, 5 November** – Following the presentation of the project's preliminary draft on 16 October, the GSB decided to give favourable previous opinion to the EDP Business Plan for 2009-2012, having restated its confidence in the EBD ability to reach the ambitious objectives proposed. Also the EDP Results for the 3rd Quarter of 2008 were discussed, along with topics relating to the general performance of activities and EDP Group's management.
 - * Participation rate: 65%
 - * No. of items on the agenda: 11
 - * No. of items addressed: 10
- **Tenth Meeting, Lisbon, 18th December** – At the final meeting of 2008, the EBD made a preliminary presentation of EDP's Budget for 2009. Among the other topics broached were the EBD's annual presentation on EDP Group's human resources, discussion of the electricity tariffs for 2009 and introduction of the topic 'Nuclear Energy in Portugal'.
 - * Participation rate: 82%
 - * No. of items on the agenda: 14
 - * No. of items addressed: 14

4.3. Previous Opinions

Article 17.2 of EDP's by-laws establishes a number of matters requiring the GSB's previous opinion. It also has the powers to fix the parameters of the monetary or strategic value of operations that must be submitted to it for an opinion.

At the meeting of 20 December 2007, the GSB approved a revised version of the previous decision on the matter, pointing out that:

- The parameters fixed for a mandatory previous opinion from the GSB were appropriate to the goal of guaranteeing flexible management by the EBD and the effective exercise by the GSB of the powers invested in it by the by-laws, and so the scheme underlying the decision should be maintained.
- The mechanism for waiving a previous opinion had been used in sporadic, justified situations and contributed considerably to the flexibility of the EBD's activities.
- The changes made were justified by the need to make slight adjustments in the wording in order to delete references to contingencies from the time it

was approved and adapt it to relevant events that had occurred in EDP's activities in the meantime.

In 2008, the GSB was asked to issue previous opinions 24 times and all the requests were approved:

- Launch of the preparatory research for EDP Renováveis' IPO.
- EDP 2008 Budget.
- Budget and activities plan for the EDP Foundation.
- Changes to the EDP Renováveis by-laws.
- Acquisition of EOLE76 (France).
- Presentation of a proposal for the construction of the Foz Tua hydroelectric power station.
- Divestment of the stake in Electra (ratification).
- EDP Renováveis Business Plan.
- EDP Renováveis IPO Process.
- Divestment of stakes in Turbogás and Portugalen.
- Entering into a strategic partnership (Memorandum of Understanding) with IPIC.
- Exchange of assets between EDP Brasil and Grupo Rede.
- Adjudication of Soto 5, a CCGT in Spain.
- Participation in the tenders for the National Dam Plan.
- New concession contract with Portugal (ratification).
- Framework Agreement with Acciona for wind turbine supply.
- Acquisition of Renovatio (Romania).
- EDP Brasil's participation in the A-5 energy auction.
- Issuance of debt securities.
- Presentation of Tangará and Jurueña business proposal (ratification).
- EDP's Business Plan 2009-2012.
- Alteration of EDP Brasil Articles (ratification).

- Entering into a strategic partnership (Memorandum of Understanding) with Petrobras (ratification).

- Entering into a credit line contract with the National Development Bank of Brazil (ratification).

In 2008, the EBD asked for a previous opinion exemption on 5 occasions and, after fulfilling the established procedures, the GSB Chairman did not oppose any of them:

- Ceasing of credit from EDP SU to the BCP/CGD consortium, arising from the tariff deficit from 2006 and 2007.
- Entering into a bank loan contract of the Revolving Credit Facility (RCF) kind.
- Demerger of part of EDP Production's assets to constitute a new company ('Hidroeléctrica do Guadiana').
- Merger of O93X by incorporating its single shareholder OPTEP.
- Demerger of Portugal by merging two parts of its assets into EDP Gás Serviço Universal and EDP Gás GPL.

4.4. Specialised Committees' Activities

4.4.1. Audit Committee

During 2008, the AC held 18 meetings. The main aim of these meetings was to obtain the relevant information and to analyse the various subjects needed to perform its role as designated by the GSB, with particular emphasis on the following topics:

- EDP Group's individual and consolidated quarterly, six-monthly and annual financial statements, and opinions on its accounts.
- Monthly ScoreCards, with the main EDP Group companies' financial and business information, for various geographies.
- Risks identified in the Risk Portal (business, operating, financial and reporting, among others).
- Activities and performance of the Internal Auditors.
- Activities and independence of the External and Statutory Auditors.
- The External Auditor and the EDP Group Statutory Auditor's 'non audit' services.



GENERAL AND SUPERVISORY BOARD'S ACTIVITY

- Profitability and value performance of EDP's Pension Fund assets.
- Supervision of the system for communicating financial and accounting irregularities.

The following are some of the various activities undertaken by the AC:

- Participation in the EBD's meetings, at which the 2007 annual accounts, and 2008 quarterly (1st and 3rd quarters) and six-monthly accounts were discussed.
- Holding of the 1st Meeting of EDP Group's Audit Committees (EDP SA, HC, ENBR and EDPR).
- Discussion of the interventions made through the whistle blower system, having concluded that none of them had any impact on accounting.
- Discussion of the independence of the External and Statutory Auditors, concluding that there were no conflicts of interest or situations that affected their independence in providing their professional services to EDP.

4.4.2. Remunerations Committee

During 2008, the RC held 3 meetings. The main aim of these meetings was to obtain the relevant information and to analyse the various subjects needed to perform their role as designated by the GSB, with particular emphasis on the following topics, relating to the remuneration of the Chairman and members of the EBD:

- Definition of the policy and criteria for setting the fixed and variable remuneration components.
- Evaluation of the performance of the EBD Chairman and members for the purposes of determining their remuneration.
- Setting final amounts.

In the RC meetings, an independent consultant also took part, who was contracted especially to support the Committee in its activities.

Among the RC's activities were:

- Evaluation of CEBD's performance and EBD's members during the 2007 financial year.
- Setting the annual and multi-annual variable remuneration for the EBD's Chairman and members, arising from the evaluation mentioned in the point before.

4.4.3. Corporate Governance and Sustainability Committee

During 2008, the CGSC held 7 meetings. The main aim of these meetings was to obtain the relevant information and to analyse the various subjects needed to perform its role as designated by the GSB, with particular emphasis on the following topics:

- Economic, financial and social sustainability.
- Corporate governance.
- Codes of ethics and conduct.
- Conflicts of interest.
- Selection criteria and succession plans.
- Environment and Sustainability Board.

The following are some of the various activities undertaken by the CGSC:

- Analysis of the 2007 annual accounts and the 2008 quarterly (1st and 3rd quarters) and six-monthly accounts.
- Monitoring of the EBD's decisions regarding specific investments, namely:
 - * EDPR IPO.
 - * EDP's stake in BCP's capital increase.
 - * Strategic agreements between EDP and PDVSA.
 - * Financing of the tariff deficit.
 - * Portgás concession contract.
- Approval of the regulation for EDP's Code of Ethics, of the membership of the Ethics Committee, of the internal regulation of the Ethics Committee and of the appointment of Ethics Ombudsman in Portugal.
- Drafting of a set of rules for handling relevant corporate conflicts of interest, approved by the GSB.
- Discussion of the pertinent potential conflicts of interest.
- Drafting of a methodological proposal for the handling of subjects relating to human resources management and succession plans, approved by the GSB.

4.5. Highlights of GSB Activity

4.5.1. Conflicts of Interest

a. Framework for handling conflicts of interest in EDP

Under the terms of section i), no. 1 of Article 22 of EDP's by-laws, the GSB must 'Monitor and assess matters relating to corporate governance, sustainability, internal codes of conduct and ethics, and compliance with these codes, systems for appraising and solving conflicts of interest, including those associated with the company's relations with its shareholders, and giving opinions on these matters'.

During the term of office, the duty mentioned above was delegated to the CGSC, which, as has been recorded in previous GSB annual reports, dedicated a large part of its activity to these subjects.

Aside from the "ad hoc" analysis of specific cases in which potential conflicts of interest were identified, the CGSC decided that it would be good practice to draw up a set of objective and transparent rules for the identification, prevention and resolution of relevant corporate conflicts of interest.

Thus, at the 16 October meeting, the GSB approved the 'Framework for handling conflicts of interest' proposed by the CGSC and recommended its adoption by the EBD.

Set out below are the key aspects of this mechanism:

- The EBD must report to the Committee pertinent conflicts of interest, defined as situations which are liable to damage EDP's business interests, arising in legal negotiations between EDP (including subsidiaries) and, directly or through intermediary parties, any member of that company governing body, members of other of EDP's company governing bodies and shareholders and members of its subsidiaries.
- Within 30 days of the end of each operating quarter, the EBD must report any significant legal undertaking, according to the minimum amount to be defined by the GSB (in 2008, the value defined was €5m), agreed between EDP (including subsidiaries) and:
 - * Shareholders owning a minimum stake of 2% of EDP or its subsidiaries and companies under the control of those shareholders or in their groups.
 - * Third parties with whom EDP or the subsidiaries have pertinent common commercial interests, specifically co-operation or business partnership agreements, including companies under the control of those third parties or within their groups.

- The information to be supplied must include:
 - * Summary description of the operations and the responsibilities taken up by the parties.
 - * Explanation of the processes used for selecting the deal partner.
 - * Measures taken to prevent or resolve potential conflicts of interest.
- Should the Committee find that a conflict of interest exists which requires resolution, the EBD must take the steps deemed suitable by the Committee to resolve it or manage it in a way aligned with EDP's business interest.
- If the conflict of interest is deemed serious by the Committee, the situation must immediately be communicated to the GSB.

At the 18th December 2008 meeting, the GSB decided to maintain the selection criteria for relevant operations (individual or aggregated annual value above €5m) and recommended to the EBD that:

- The information provided under the conflicts of interest identification mechanism should include specific information about the selection procedures for third parties and measures taken to prevent or resolve potential conflicts of interest (with suitable detail to form an objective opinion about the operation), as well as the documentation that served as the basis for the EBD's decision.
- It consider the formalisation of guiding principles regarding the contracting of services which offer advance warning of potential conflicts of interest.

At the 5 March 2009 meeting, the CGSC informed the GSB that, as regards the 2008 period and upon consideration of the cases studied and the information provided by the EBD, no evidence was found that potential conflicts of interest regarding operations had been settled in a way that went against company interests.

Lastly, the GSB acknowledged that the activity carried out by the CGSC with regard to relevant corporate conflicts of interest, based on an appropriate cooperation between the GSB and the EBD, was positive for EDP's image and prestige.

b. Prevention of conflicts of interest at GSB meetings

Due to its nature and type of membership, the GSB has resolved and prevented potential conflicts of interest arising from its activity when called on to give an opinion



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on issues involving qualified EDP's shareholders and GSB representatives.

In all situations of potential conflicts of interest, the members involved took the initiative to mention the situation and abstain from the discussion and the voting process.

C. Prevention of conflicts of interest in transactions within the Company and members of the GSB and the EBD

EDP has no tradition of doing business with members of its corporate bodies or with companies to which they are connected requiring prior permission. Unsurprisingly therefore, in 2008, no requests were made to the GSB for permission to carry out transactions between the company and GSB or EBD members.

4.5.2. Codes of Conduct and Ethics

Under the terms of section i), no. 1 of Article 22 of EDP's by-laws, the GSB must monitor and discuss subjects relating to the internal codes of ethics and conduct and their respective fulfilment. During the term of office, the power mentioned above was delegated to the CGSC.

Within the regulatory framework for its activities, namely regarding activities designated as 'regulated' or 'concessionary', EDP has adopted a pro-active policy towards defining and applying high standards of ethics in carrying out its activities, affecting not just the internal organisation, but also its relations with the community.

EDP's Code of Ethics deserves special mention (available at www.edp.pt), which applies to 'all EDP Group staff, including the EDP Foundation and all the companies under EDP's control, without prejudice to other legal or regulatory articles that apply, or to those who are under obligation, due to the nature of their roles, as well as – with the necessary amendments – to permanent or occasional staff, representatives, external auditors and other individuals that provide permanent or occasional service'.

Thus, CGSC's steps aimed above all to contemplate and recommend the adoption of suitable solutions and procedures for strengthening the good practice already adopted by EDP in this area. It is the Committee's and the GSB's strong belief that the company's adoption of standards and behaviours which follow a declared, shared and enacted ethic values framework will reap its rewards, as it is a way of becoming credible and worthy of trust in the eyes of all those who are its stakeholders, not just with regard to its day-to-day working, but also in relation to its long-term commitments and, as a consequence, to the sustainability of the project that it is pursuing.

Under the CGSC initiative and in coordination with the GSB and the EBD, the following steps were taken:

- Approval of EDP's Code of Ethics Regulations, without prejudice to its possible review in the future, taking into account the different standards that currently exist across the various countries in which EDP Group operates.
- Approval of the Ethics Committee membership.
- Identification of the main issues regarding the adoption of good ethics and conduct practices.
- Approval of the Ethics Committee's internal regulation and appointment of the Ethics Ombudsman for Portugal.
- Presentation of a set of recommendations to be adopted by the EBD at the next term of office.

4.5.3. Human Resources and Succession Plans

The GSB's duty in the management of the company's human resources management and succession plans results from several legal and statutory articles, in particular sections f) and g), of no. 1 of Art. 22 of the by-laws, which state among other things:

- The definition of criteria and powers needed in the company's or group's internal structures and corporate bodies.
- The effects of those criteria on the respective composition of the company's or group's internal corporate bodies mentioned.
- The drafting of plans of succession.
- The substitution of EBD's members in case of definitive absence or temporary hindrance.

Given the nature and importance of these powers, the GSB decided at the start of its term to delegate them to a specialised committee (the Selection Committee), which, due to cyclical events beyond the control of its members, came to its end in November 2007, and its functions have been absorbed into the CGSC.

Thus, as a priority during 2008, that Committee had to define a methodological structure capable of guaranteeing GSB's effective and appropriate fulfilment of its duties. Thus, it developed various steps with regard to the EBD and the Human Resources Department.

The result of all the work in this area came at the 18th December 2008 meeting, in which the GSB approved the proposed methodology presented by the CGSC, which agrees the following:

- Biannually, the EBD must present to the GSB on the criteria and powers that are deemed necessary to fill all the posts in the company's or group's structures and internal corporate bodies, as well as the steps that are being taken for this.
- In the year following the presentation mentioned in the previous point, the EBD will present its assessment on the suitability of those hired to those posts against defined criteria, as well as the substitution activity or professional training, under way or to be performed, in order to improve the suitability mentioned above.
- Every year, the EBD will inform the GSB about the policies it has defined for recruitment, management and retention of talent, proving the suitability of these policies for the challenges that the Group faces and expects to face in the future and for the ambition of a culture of excellence in knowledge retention.
- The appointment or dismissal of any member of the corporate bodies within the Group or EDP staff, independent of his or her category, is exclusively the EBD's power:
 - * With regard to independent members of the management and supervisory bodies of the relevant subsidiaries, the CEBD must present the CGSC with a proposal which will be subject to its non-binding opinion.
 - * With regard to other members of relevant subsidiaries' corporate bodies, just as with EDP directors, the CEBD gives prior notification to the CGSB of the respective amendments.

The next term will see the continuation and implementation of the methodological proposal mentioned above.



BUDGET EXECUTION

5. BUDGET EXECUTION

For rigour and transparency, in keeping with the spirit of the governance model adopted by EDP in 2006, the GSB records in its report the following key conclusions concerning its Budget execution approved on 8 November 2007:

- The total volume of costs budgeted for 2008 was EUR 3.1 million, of which 70% relate to remuneration of GSB's members, set by the GM's Remunerations Committee on 28 December 2006, and to the GSBO staff costs.
- The remaining 30%, relating to the functioning of the GSB and its Office, included an allowance of EUR 0.5 million for usage of consultants.
- Careful management of the resources allocated in the budget allowed costs incurred to be contained at about EUR 2.3 million.
- A brief analysis of the GSB's budget usage shows that:
 - * The aggregated remuneration of the Board and Office was about 12% below forecast, essentially because some Board members only took up their posts after the 2008 GM and because the list of posts in the Office was lower than the initial forecast.
 - * Third party supplies and services costs came to EUR 370,000, about 38% of budget.

With regard to remuneration, two points should be made, although they have been already made in previous years:

- Total costs of GSB members' remuneration, given that they are not entitled to profit-sharing, are lower than the costs borne in the governance model of before 2006.
- Almost all the GSBO personnel were already on the company payroll and their transfer to the GSB meant no new admissions.

With regard to supplies and services, the variance of about -62% was due to the judicious management of funds allocated to the Board mentioned above, specifically by choosing not to hold Plenary meetings outside Lisbon, but also because:

- The budget was drafted based on an ambitious activity plan that was not fully realised in practice.
- Less intensive use was made of consultancy, training, transports and travel budgets, versus forecasts.

Finally, with regard to the conversion and decoration of the GSB building, including the Plenary meeting room and simultaneous translation system, internal solutions were given priority, such as use of works of art from the EDP Foundation portfolio, which meant that the real investment was only EUR 220,000 against a budget of EUR 350,000.





ASSESSMENT OF THE GSB AND ITS COMMITTEES' ACTIVITIES AND PERFORMANCE

6. ASSESSMENT OF THE GSB AND ITS COMMITTEES' ACTIVITIES AND PERFORMANCE

The GSB's activity plan for 2008 was drafted with a special emphasis on the operational exercising of its powers, based on the following main guiding principles:

- Improving the monitoring and advising of the EBD.
- The implementation of mechanisms and procedures appropriate for its powers in the area of human resources and succession plans.
- Qualification of the human resources which support the GSB's activities.

With regard to the broadening of the EBD's monitoring and advisory roles, a significant development is noticeable in the GSB's ability to intervene in EDP's key activities, having been directly involved in the decision process behind them. This was possible due to the EBD's intense cooperation, which planned its activities in a way that allowed the GSB's intervention. The following stand out among these advisory processes:

- **EDP Renováveis IPO Process** – Since the start of the research into the possibility of undertaking this operation, the GSB monitored and gave advice to the EBD on several operational decisions made, specifically the structuring and assembly of the operation, which resulted in EDP Renováveis's admission to Euronext Lisbon.
- **EDP 2008 and 2009 Budgets** – Both processes were launched with the intention of allowing the fullest participation possible by the GSB's members. Namely, the projects were presented about a month in advance of the meeting for disclosure of the GSB's previous opinion.
- **EDP 2009-2012 Business Plans** – Like the EDP Renováveis IPO, the EDP 2009-2012 Business Plans approval process had a very intense participation from the GSB, involving a monitoring project which started even before its preliminary presentation, and which carried on until the meeting on 5 November for disclosure of the previous opinion.
- **National Dam Plan** – In one of the country's most ambitious projects, the GSB monitored, with great interest, EDP's process of participating in the bids for tender for constructing new hydroelectric power stations.
- **EDP's financing** – Throughout the whole term, the GSB dedicated special attention to the evolving situation of EDP's debt and its ability to obtain the funds needed

for its ambitious investment plan. For obvious reasons, during 2008, this subject took on increased importance. Thus, at regular intervals, the EBD appraised itself of the performance of EDP's situation, in terms of the planning and execution of the financing options taken, as well as other opportunities.

- **Strategic partnerships** – By its nature, this topic always had high GSB involvement. During 2008, there were the following:
 - * The partnership with IPIC, in which Mr. Khalifa Al Romaihi was nominated as a GSB member.
 - * The partnership with PDVSA, which played an important role in the commercial and diplomatic relations between Portugal and Venezuela.
 - * Broadening of the partnership with Sonatrach eventually to include investments in South America.
- **An assets exchange operation between EDP Brazil and Grupo Rede** – the GSB gave a favourable previous opinion to the assets exchange process as part of its role of monitoring subsidiaries' activities, which successfully fulfilled the EDP strategy of strengthening its generation business in that country.
- **International expansion in the renewable energies sector** – During 2008, the GSB supported the EDP strategy in the area of its international expansion, which was achieved by strengthening its presence in the wind energy sector in France and by acquiring a wind promoter in Romania.

With regard to resources available, the GSB building floor was partially remodelled, specifically the Plenary meeting room, in order to prepare it for the specific demands of its activities:

- Installation of translation cubicles.
- Optimisation of its sound and teleconferencing systems.

Also as part of the steps taken by the GSB are the following:

- Monitoring of the main regulatory dossiers with significant impact on EDP's activity, such as the tariff deficit in Portugal and Spain, the extension of the Production Tax Credits (PTC) in the USA, and the extension of the public domain concessions (related with dams) in Portugal.
- Launch of the tender to select a Statutory Auditor.
- Review of the 'non-audit services' regulation, strengthening the mechanism guaranteeing

independence and transparency of the Audit and Statutory Auditor.

However, the GSB recognises that in the case of certain planned steps, it was impossible to reach the proposed objectives at the intended satisfaction levels. In particular:

- Broadening of the GSB's institutional relationship with the more relevant subsidiaries.
- Promoting the GSB's activities to EDP shareholders and remaining stakeholders.
- Performing training and discussion sessions for GSB's members on EDP's activities, as well as on business areas and countries in which it operates.
- Suitability of the human resources allocated to the GSBO for the types of GSB's duties.

Without damage to those areas mentioned where less was achieved than the 2008 activities plan set out, the GSB has shown itself to be satisfied with its performance across the planned activities. Furthermore, given the nature of the term of office as a whole, it is notable that a new governance model, without precedent in Portugal, was successfully put into operation with high satisfaction levels, deserving public recognition for its quality and balance, as set out in the CMVM's 'Report on Corporate Governance'. The GSB's accumulated experience and the lifting of the bureaucratic tasks, will enable the GSB to improve its interventions in qualitative deliberations on governance practices.

As the term of office is at an end and new members will be elected during 2009, the GSB had the task of taking various steps to ensure the continuity and improvement of processes within the GSB's activity. Thus, in drawing up the GSB's activity plan for 2009, it aimed to address and resolve aspects identified as underperforming, and to establish objectives, with cautious ambition, which guide and ensure the effective exercising of the duties and roles attributed to the GSB by Law and EDP's by-laws.



CHALLENGES FACING THE GENERAL AND SUPERVISORY BOARD IN 2009

7. CHALLENGES FACING THE GENERAL AND SUPERVISORY BOARD IN 2009

In 2009, a new term in office for the GSB will start, in which the first challenge presented to members elected at the next GM will be the continuation of the work developed during the last three years. However, that continuity must not go hand-in-hand with routine, bureaucracy nor inability to identify new supervisory intervention areas. On the contrary, it should reflect a permanent responsibility to improve the GSB's performance.

It is important to bear in mind recent events, both nationally and internationally, which have shown the critical nature of effective supervision to provide solid corporate governance practices, indispensable not only towards the objective of sustainable value creation, as the bedrock for protecting the social interest for any company, but also towards regulating the good functioning of the economy and the markets. A more effective and independent internal supervision could have anticipated certain events and avoided the dramatic situation the world finds itself in.

The macro-economic situation for the next term presents various uncertainties and difficulties which must be overcome by policy-makers, economic operators and other parties within our society. So given the scale and nature of the challenges that EDP will be confronted with, sure steps to promote value creation for shareholders will be required, without forgetting the effect of this on EDP Group's political, economic and social context, which presents additional responsibilities. Effective contributions from the GSB should be demanded in monitoring and advising the EBD, to reach the best results, without forgetting the effectiveness, objectivity and rigour demanded in the performance of its supervisory duties.

As the current GSB ends its term, alongside its experience gathered, it was deemed opportune to approve an activity plan for 2009, to be delivered to the members elected at the next GM, as an appropriate tool to provide continuity to the work started.

Thus, in drawing up the GSB's activity plan for 2009, particular attention was given to identify not only the steps that must be taken (namely those of a routine nature), but also to identify and suggest the adoption of procedures and practices that might lead to an enriching of the overall activity of the GSB and its Committees.

The referred document points out the following action areas:

- Enhancement of the procedures for:
 - * Discussion of the quarterly and half-yearly results, and the annual report.
 - * Previous opinion.
 - * Monitoring of the execution of the Business Plan and Budget.
- Improving the supervision and monitoring of EDP's activity, specifically with regard to:
 - * Relevant subsidiaries
 - * Operating results
 - * Strategic partnerships
- Broadening of the awareness of EDP Group's corporate structure and the key themes in its activity.
- Improvement of the GSB's internal activity, namely with regard to coordination of the activity of the Committees between them and with the GSB.

With regard to the challenges on the horizon, the GSB intends to show its total confidence in the ability of its shareholders to continue to endorse EDP's corporate bodies, and, in particular, to GSB members, all the support and collaboration, which is indispensable for success in exercising its duties.





ACKNOWLEDGEMENTS

8. ACKNOWLEDGEMENTS

The GSB has decided unanimously to express their thanks to:

- The Shareholders, for the trust that they have placed in this supervisory body and for the constant support that they have given to its efficient working.
- The Government for the effective, unconditional, and transparent way it resolved issues surrounding the energy sector, and in particular, the emphasis that it always placed on the analysis and solution of EDP's issues.
- The Chairman of the EBD for his diligence and collaboration with regard to the relationship with the GSB, without which the functioning of this corporate body would have been made more difficult.
- The members of the EBD for their excellent work and results achieved.
- All EDP Group staff, for their contributions to its growth and image.
- The staff of the GSBO, which, despite its small number, manages to support the GSB, its Committees and Chairman, to very high levels.

The GSB would like to offer special thanks and appreciation to Manuel Menéndez Menéndez and to Vítor Franco for their exceptional collaboration and participation in this corporate body and for contributing greatly to the analysis of the more complex dossiers.





OPINION OF THE GENERAL AND SUPERVISORY BOARD ON EDP'S 2008 ANNUAL REPORT AND ACCOUNTS

1. In 2008, similarly to what happened in the two previous years, the General Supervisory Board fulfilled its legal and statutory duties to monitor, advise and supervise the company's administration, through ordinary and extraordinary meetings of the plenary and of its specialized committees and direct contacts with the executive directors, in particular the Chairman of the Executive Board of Directors, and the boards of directors and other corporate bodies of certain subsidiaries.

2. The GSB Annual Report presents a full account of the meetings held by, both the plenary and the specialized committees. Hence, in this opinion, we limit ourselves to highlighting those most closely related to the monitoring and advising on matters linked to the executive planning and control and the annual accounts.

- i. During 2008 the GSB held ten plenary meetings to acknowledge and appraise the following:
- a. EBD's Plan of Activities and Budget proposals for the company.
 - b. Quarterly accounts and budget execution of EDP and its major subsidiaries.
 - c. Transactions of over EUR 75 million, including the EDP Renováveis' IPO.
 - d. Significant financing and refinancing operations.
 - e. Strategic partnership initiatives, whether they were establishing, ceasing or changing any significant relation.
 - f. Mergers, acquisitions, splitting or any other operation causing a major transformation in the corporate structure

Following these meetings, the GSB issued a total of 28 favorable prior opinions and granted 5 exemptions on operations as those described above.

- ii. The Audit Committee met to acknowledge and appraise:
- a. Quarterly and annual financial statements of EDP – Energias de Portugal S.A.
 - b. The risk management and the internal control system for financial reporting systems and the activity of the internal and external auditors.
 - c. The nature and scope of the services provided to EDP and its subsidiaries by the External Auditor

and the Statutory Auditor, as well as the terms of their contractual relationship.

Quarterly, the Audit Committee gave the plenary of GSB a positive opinion regarding its examination of the accounts presented by the Executive Board of Directors and that it was not aware of any situations that might compromise the autonomy and independence of the external and statutory auditors.

- iii. The Corporate Governance and Sustainability Committee met seven times to acknowledge, appraise and monitor the implementation status of management plans and the corresponding budget execution, as well as the quarter, half year and annual accounts, focusing on the company's economic performance.
 - iv. Through direct contact with the executive directors, and especially the Chairman of the Executive Board of Directors, the Chairman of the General Supervisory Board monitored continuously the activity and the decisions of the Executive Board of Directors by analyzing the agendas and support documentation provided in advance of its weekly meetings.
 - v. The General Supervisory Board was informed regularly and on a timely basis of all matters related to the strategic guidelines; energy policy and regulatory situation on the company's different geographical areas of operation; most important transactions and projects; and initiatives carried out to improve the company's operational efficiency, namely the matching of the human resources to its needs and company's profitability and return on invested capitals.
 - vi. The Chairman of the General Supervisory Board was kept constantly updated on developments regarding significant transactions, studies or projects that were likely to require its examination and appraisal.
 - vii. The General Supervisory Board, either directly or through its specialized committees, was involved in all materially important decisions for the EDP Group, in particular those requiring a prior opinion, and its work was supported by oral and written reports from the Executive Board of Directors.
3. At its meeting on 5 March 2008, the GSB:
- i. Heard a detailed presentation by the Executive Board of Directors on EDP's 2008 Annual Report and Accounts.
 - ii. Appraised the individual and consolidated financial statements of 2008, which were prepared in

accordance with the International Financial Reporting Standards (IFRS) and was informed that:

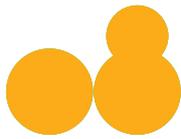
- a. The External Auditor (KPMG) and the Statutory Auditor (KPMG), did not report any situations that were likely to bias the fairness and accuracy of the financial information reported, and that their opinion was free of any qualification.
 - b. The Audit Committee had analyzed:
 - * The financial statements,
 - * The audit reports and opinions of the External and Statutory auditors with regard to the individual and consolidated accounts, including the consolidation of the most significant intercompany transactions and the compliance with the accepted accounting principles and standards.
- To their knowledge, there were no facts that could cause reason to doubt the opinions issued by the External and Statutory auditors on EDP's individual and consolidated financial statements.
- iii. Analyzed EDP's 2008 Annual Report and Accounts, including the proposal for appropriation of profits and the conclusions of the Audit Committee on the financial statements, which had been made available to all GSB Members.
 - iv. Considered that EDP's 2008 Annual Report and Accounts properly reflect:
 - a. The consistency of the company's activities with its approved strategy.
 - b. The fairness of EDP's expansion into new geographical areas.
 - c. The Group's organization and the model of governance adopted.
 - d. The success of EDP's efforts to rationalize costs and investments.
 - e. The year's activities and results achieved.
 - f. The company's financial and economic position.
 - v. Underlined that the Executive Board of Directors addresses the issue of corporate governance in a dedicated chapter within the Institutional and Sustainability chapter of the Annual Report, under the terms of the Regulation no. 1/2007 of CMVM (Portuguese Equity Market Regulator).

- vi. Declared, complying with the requirements of the article 8º, nº.1 a) of CMVM's Regulation no. 5/2008, that the information to which that article refers was prepared in accordance with generally accepted accounting principles, provided a fair and accurate picture of the assets, liabilities financial position and results of EDP – Energias de Portugal, S.A., and of its subsidiaries within the consolidation perimeter, and that the annual management report fairly expresses business evolution, as well as the performance and financial position of EDP – Energias de Portugal S.A. and of its subsidiaries within the consolidation perimeter and contains a description of the main risks and uncertainties facing the Group.
- vii. Decided to inform the General Shareholders Meeting of next 15th of April that in its opinion EDP's 2008 Annual Report and Individual and Consolidated Accounts, presented by the Executive Board of Directors, as well as the appropriation of profits proposal, should be approved by the mentioned assembly.
- viii. Praised the Executive Board of Directors on the dynamics they brought to EDP, on the results achieved, due to their hard work, in spite of the adverse conditions it had to face, and the quality of the information they provided.



António de Almeida
The Chairman of the General and Supervisory Board

Lisbon, 5 March 2009



GENERAL AND SUPERVISORY BOARD – DECLARATION



General and Supervisory Board

DECLARATION

To the best knowledge of each of the signatories, the information referred in article 8º, n.º.1 a) of CMVM regulation n.º 5/2008, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP – Energias de Portugal, S.A., and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon, March 5, 2009

António de Almeida – Chairman

Rui Pena – Chairman of the Board of the General Meeting

Carlos Jorge Ramalho dos Santos Ferreira

Eduardo de Almeida Calroga

José Maria Brandão de Brito

Khalifa Abdulla Khamis Al-Romaihi

Mohamed Meziane

Vital Martins Moreira

Alberto João Coraceiro de Castro – Vice-Chairman

António Francisco Barroso de Sousa Gomes

Diogo Campos Barradas de Lacerda Machado

Fernando Manuel Barbosa Faria de Oliveira

José Maria Espírito Santo Silva Ricciardi

Manuel Fernando de Macedo Alves Monteiro

Vasco Maria Guimarães José de Mello

Vítor Fernando de Concelção Gonçalves

OPINION OF THE AUDIT COMMITTEE ON EDP'S 2008 ACCOUNTS

OPINION OF THE AUDIT COMMITTEE ON EDP'S 2008 ACCOUNTS

1. As part of its duties, under the Articles of Association and its regulations, the Audit Committee wrought its opinion supported on the information it obtained about the business, the financial situation and inherent risks in the EDP Group's activities. Moreover the documents mentioned below were thoroughly analyzed and discussed with the company's departments, at different levels of responsibility, the external auditors (KPMG) and the Statutory Auditor.

2. The Audit Committee held the following meetings, among others:

a. With Sikander Sattar, Inês Filipe and José Portugal, on behalf of the external auditors (KPMG), and Jean-Eric Gaign, EDP's Statutory Auditor, to examine the preliminary and final conclusions resulting from the audit of the EDP Group's consolidated financial statements as at 31 December 2008.

b. With Azucena Viñuela, head of the Internal Audit Department (DAI), where the DAI's activities, which grew significantly over the last couple of years, were described and discussed, as well as the implementation status of the internal audit recommendations on audited areas, and its follow-up and monitoring by the DAI.

c. With Nuno Chung and Miguel Ribeiro Ferreira, heads of the Planning and Management Control Department (DCG) and Consolidation, Accounting Control and Tax Department (DCF), where the 2008 accounts, management information and EDP Group's profits, related to its consolidation perimeter, were submitted and discussed in detail; accounting policies and criteria, uncommon or relevant transactions, IFRS consolidated information and other situations considered relevant for the Audit Committee were also subject of debate and analysis.

3. The Audit Committee of EDP received from Hidrocarbónico Group, EDP Renováveis and Energias do Brasil's Audit Committees their favorable opinion on the approval of their respective 2008 Financial Statements.

4. The Audit Committee, following the analysis performed on the provided documents, and their subsequent discussion with heads of the EDP Group at different levels, namely:

a. Executive Board of Directors,

b. Directors of the Internal Audit (DAI), Planning and Management Control (DCG) and Consolidation, Accounting Control and Taxation (DCF) departments,

c. External auditors and Statutory Auditor,

considers to have gathered all necessary information and that the questions raised, regarding the contents of the Annual Report and Consolidated Accounts for the period ended on 31 December 2008, were adequately explained.

5. Furthermore, considering that:

a. It directly monitored the main aspects of the EDP Group's activities through meetings with its Directors, which was complemented with information on the main operations and future prospects for the Group's business, provided by the Executive Board of Directors,

b. The opinions of the external auditor and of the Statutory Auditor have no reservations or remarks on the EDP Group's consolidated accounts,

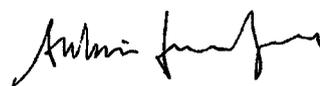
c. To the best of its knowledge there are not any circumstances that compromise the compliance of procedures adopted with current accounting policies and best practices or that may affect the good judgment and independence of the external auditors or the Statutory Auditor work,

the Audit Committee declares that the 2008 IFRS financial statements were prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter as of 31 December 2008.

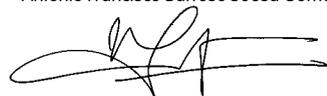
Grupo EDP's Audit Committee



Manuel Fernando de Macedo Alves Monteiro



António Francisco Barroso Sousa Gomes



Vítor Fernando da Conceição Gonçalves

Lisbon, 5 March 2008



ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations are used in this report for ease of expression, though the full names that they represent may also be used occasionally:

AC – Audit Committee

BCP – Banco Comercial Português, S.A.

BES – Banco Espírito Santo, S.A.

Cajastur – Caja de Ahorros de Asturias

CC – Company Code

CEBD – Chairman of the Executive Board of Directors

CEM – Companhia de Electricidade de Macau

CGD – Caixa Geral de Depósitos, S.A.

CGSB – Chairman of General Supervisory Board

CGSC – Corporate Governance and Sustainability

CMVM – Portuguese Securities Market Commission

EBD – Executive Board of Directors

EDP (or the Company) – EDP Energias de Portugal, SA

EDP Brasil – EDP Energias do Brasil, S.A.

EDP R – EDP Renováveis, S.A.

EDP SU – EDP Serviço Universal, S.A.

Energul – Empresa Energética de Mato Grosso do Sul, S.A.

GM – General Meeting

GSB – General and Supervisory Board Committee

GSBO – General Supervisory Board Office

HC – Hidroeléctrica del Cantábrico, S.A.

Horizon – Horizon Wind Energy, LP

IPIC – International Petroleum Investment Company

Martifer – Martifer, S.A.

Naturgás – Naturgás Energia, S.A.

NEO – Nuevas Energias de Occidente, S.L.

NEO-DESA – NEO DESA, S.L.

PDVSA – Petróleos de Venezuela S.A.

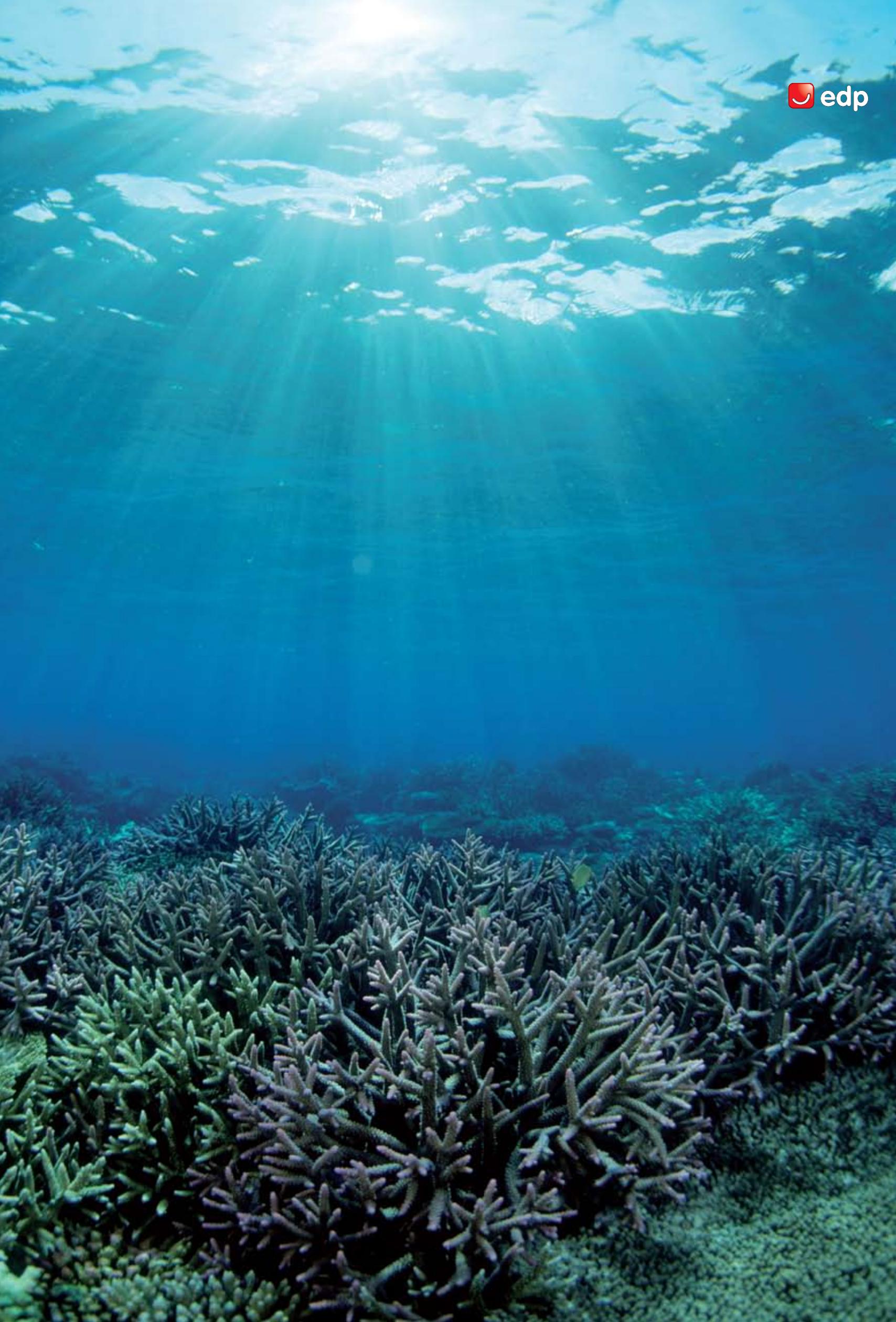
RC – Remuneration Committee (for GSB)

SC – Securities Code

Subsidiaries – Companies in a control or group relationship with EDP, as defined in Article 21 of the Securities Code

Sonatrach – Société Nationale pour la Recherche, la Production, le Transport, La Transformation et la Commercialisation des Hydrocarbures

N.B. References to corporate bodies with no other mention should be regarded as referring to EDP's corporate bodies.





ANNUAL REPORT OF THE GENERAL
AND SUPERVISORY BOARD

