

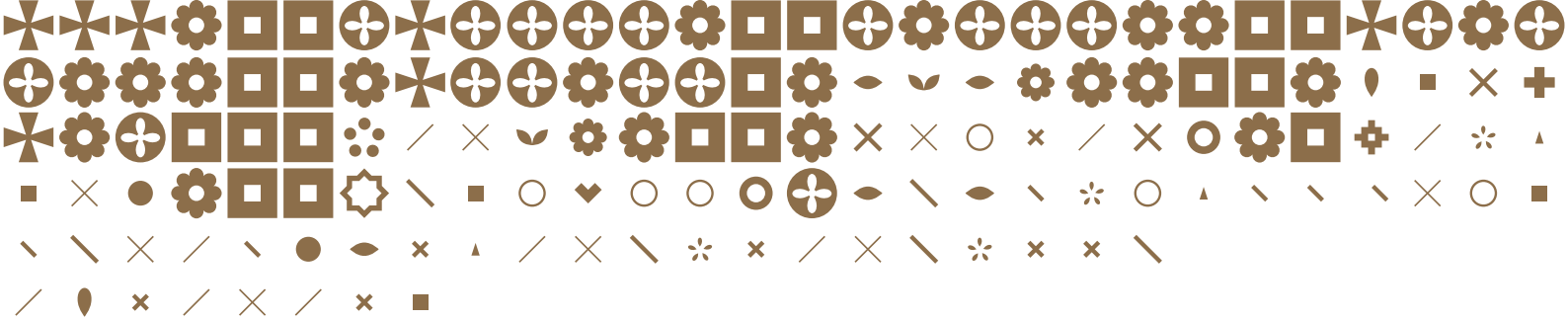
*edp*  
ENERGY

THAT MAKES  
A DIFFERENCE

ANNUAL REPORT OF THE GENERAL  
AND SUPERVISORY BOARD 2014



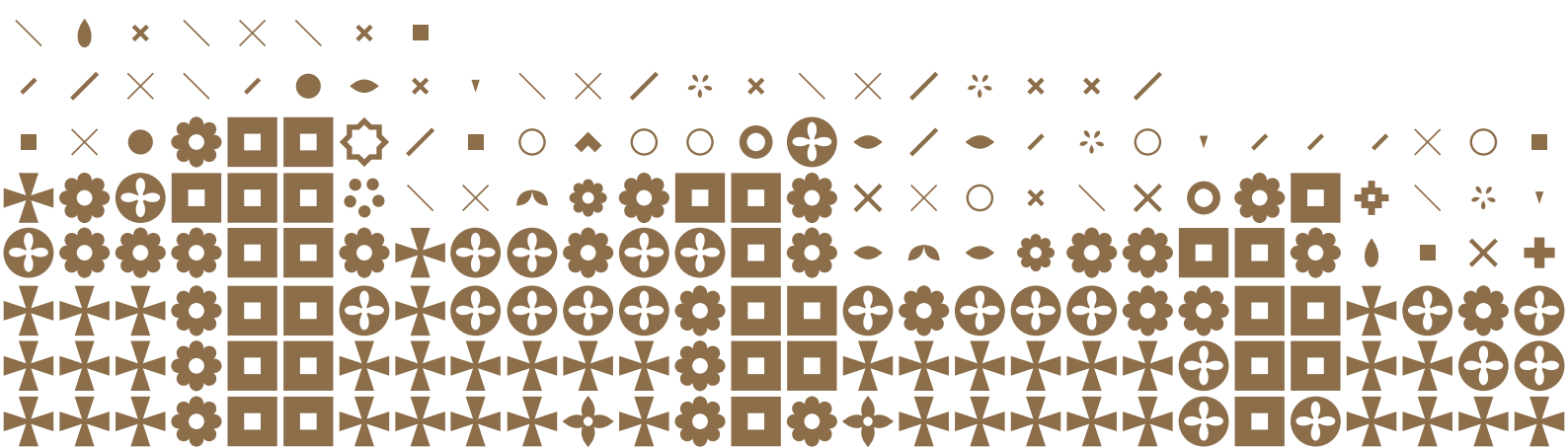




*edp*  
ENERGY  
THAT MAKES  
A DIFFERENCE

TRANSFORM, IMPROVE, MAKE THE WORLD MOVE...  
THAT'S WHERE WE PUT ALL OF OUR ENERGY.  
AN ENERGY THAT IS BUILT IN 14 COUNTRIES,  
MADE OF PROXIMITY, OF COMMITMENT,  
OF INVOLVEMENT AND RESPONSIBILITY.

**BUT ABOVE ALL,  
AN ENERGY THAT MAKES A DIFFERENCE.**









# AN ENERGY THAT TRANSFORMS THE ECONOMY

A commitment to an increase in  
the use of hydroelectric power plants,  
promoting the country's energy independence.







## MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

2014 was the final year of the 2012-2014 term of office of the company's current corporate bodies. In this third year, the General and Supervisory Board, with a new composition and rules of operation, has achieved a level of capability relative to the plenary meetings of the General and Supervisory Board and the specialised committees that has enabled it to create the conditions for a trend of growing efficiency.

The General and Supervisory Board complied with its core mission: ensure, at all times, the counselling, monitoring and supervision of the activity of the executive management of EDP, in a climate of active cooperation, safeguarding the corporate interests of the company. During 2014 the General and Supervisory Board held a total of 40 meetings, both plenary and in its committees, mirroring the demanding programme of activities included in the report submitted to Shareholders.

Nonetheless, I highlight, for its particular relevance, the role of the General and Supervisory Board, in coherent institutional articulation with the Executive Board of Directors, in the development of the EDP 2014-2017 Business Plan, already ongoing.

The Chairman of the General and Supervisory Board permanently monitored the most relevant activities in 2014, in EDP and also in its major subsidiaries. In this way a diverse set of decentralised initiatives were moved forwards, which aim to get to know better the challenges of the different business units and operational teams. The Chairman of the General and Supervisory Board, for this purpose, held regular work meetings and visits to the various units of the Group in 2014, in the different countries where EDP operates.

The activity of the General and Supervisory Board has always been developed in close cooperation with the Executive Board of Directors, in a joint effort to implement and maintain in EDP the best internationally renowned corporate governance practices, and to take the best decisions and achieve maximum results.



**EDUARDO CATROGA**  
Chairman of the General  
and Supervisory Board





2014 was not easy: it was very challenging, very influenced by a world economy only recording moderate global growth, although with differentiated regional dynamics. On the one hand, Europe has not yet demonstrated robust recovery after the recession of 2009. It is experiencing a slow economic recovery which, of course, influenced the growth of the Portuguese and Spanish economies that also have their own specificities and restrictive conditions. On the other hand, Brazil registered economic stagnation, heavily driven by the macroeconomic imbalances created and also by the decline of internal and external demand and the fall of commodity prices. The North American economy, where EDP Renováveis has a significant part of its assets, registered solid growth with the growth of private consumption and investment, enhanced by the improvement of employment and increasing business and consumer confidence.

The electricity sector was not, of course, immune to macroeconomic developments, again registering a decline of electricity consumption in most European countries in 2014. The falls in Portugal and Spain were in the region of 0.7% and 1.2%, respectively.

Macroeconomic developments continued to influence not only demand but also the regulatory and fiscal pressure, with special focus on the countries of the Iberian Peninsula, impacting on the reduction of profit margin. Several regulatory measures have been implemented in Portugal since 2012, under the financial adjustment programme, with negative effects on the results of the EDP. An extraordinary contribution on the energy sector (EESC) was also levied in 2014. In Spain, as had occurred in Portugal, the regulatory reform negatively impacted on the 2014 financial year, through the implementation of various government measures.

The challenges Europe currently faces in the energy field include issues such as: climate change; external dependency; supply security; competitiveness; the redesign of wholesale markets; the development of interconnections between the electricity systems of the various countries.

Two main axes can be considered in the electricity generation field: 1) small distributed generation, based on photovoltaic panels, which combined with electrochemical storage could revolutionize the industry; 2) large scale generation, centred on coastal and offshore wind energy in Northern Europe, driving major development of electricity transmission technology by submarine cables. The focus on renewable energies and the regional and pan-European integration of the associated volatility underlies both fields.

When we add to this the promotion of energy efficiency measures, which are probably more significant in the overall reduction of CO<sub>2</sub> emissions in the near future, we have a European framework that is more for investment in the replacement of generation sources and the renewal of classic infrastructure, as is the case of the expansion of the smart grid concept in distribution networks.

The sector continues to face serious challenges, in both technological and structural terms. In 2014, EDP continued its endeavour to innovate and adapt its business models to the ongoing transformations.

But the European electricity sector continues, at present, to have an inadequate structure that does not encourage investment, primarily in the different thermal generation technologies in the free market. In fact, European electricity markets are, on the one hand, characterised by excess capacity on the supply side, with a huge impact on the weak profitability of those technologies, while on the other, demand is anaemic with almost-insignificant growth. It will, however, be necessary to find a fair remuneration equilibrium, considering both the indispensable support function of thermal generation and future additions as well as the investment in replacement renewable technology and the renewal of infrastructure due to end of life or technological upgrade. The existing market mechanisms and the necessary stimuli for investment thus have to be adjusted to foster the appropriate medium-and long-term development. The current model of the European electricity market is not suitable for ensuring compliance with the new energy policy objectives defined for the European Union. The policy instruments to be used must therefore be adjusted to serve the objectives. The adequacy of the objectives and the policies to achieve them is a crucial issue in European energy policy. That's why it has become essential to reflect Europe-wide on an in-depth reform of the electricity wholesale market. EDP has given, and will continue to give its contribution, comprising realistic and innovative proposals.



The year of 2014 was therefore difficult and quite challenging. EDP presented a good performance, despite the notable ups and downs. The Group posted a net profit attributable to shareholders of 1.04 billion euros. This represents a return on invested operating capital of approximately 5.5% (5.4% in 2013), which, in articulation with the degree of leverage determines a return on equity of 10.7% (10.3% in 2013). The return on invested operating capital was above the average cost of capital; the company has therefore continued to achieve its ultimate aim of creating economic value.

EDP share performance in the capital markets demonstrated good resilience in 2014. Total shareholder remuneration, deemed to be the sum of the variation of price and dividend, was one of the best of the sector in Europe.

Essential steps were also taken in 2014 for continued financial deleveraging and for competitive refinancing. This effort was recognised by the rating agencies which, in early 2015, reflected the expectation of reduced financial risk profile of the company by revising the rating upwards. It should be noted that this effort was accomplished without sacrificing the levels of investment, which remained aligned with the set goals. EDP continued to implement its investment plan, which has a long cycle covering all technologies and countries, forming part of the growth strategy known to Shareholders. The achievement of the profitability goals of the various projects will constitute a major challenge in forthcoming years.

In the field of short-term efficiency, economic and operational performance was the best compared to various companies of the sector Europe-wide, adequately satisfying the different stakeholders (customers, shareholders, employees, suppliers and the community in general). It is to be highlighted that EDP was once again ranked first among utilities on the prestigious Dow Jones Sustainability Index. This demonstrates the importance the company assigns to the harmonious management of the three dimensions: economic, social and environmental.

But the challenges for the sector and for EDP are permanent and dynamic. 2015 will be marked by macroeconomic developments and the regulatory climate in various countries, the continuation of the process of liberalisation of the various market segments in Portugal and the implementation of the strategic agenda of the 2014-2017 business plan. The main objective of the ongoing management measures, which the General and Supervisory Board monitors permanently, is to ensure coherence between: 1) the commitment to growth, 2) the financial deleveraging effort, 3) the maintenance of a low-risk business profile, 4) the maintenance of high efficiency levels, and 5) obtaining an appropriate level of profitability.

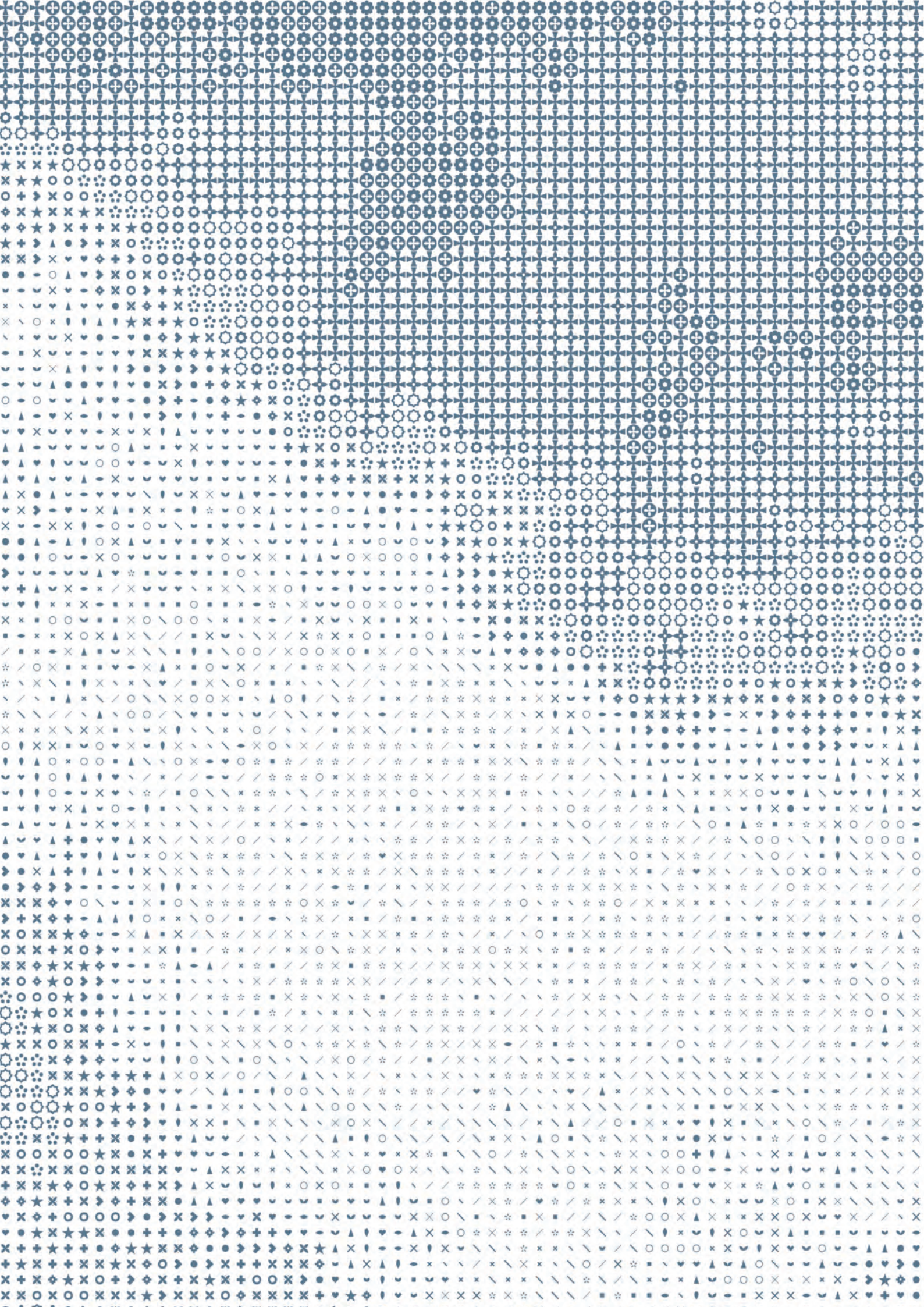
EDP has a coherent strategy, approved by the General and Supervisory Board following proposal from the Executive Board of Directors, which is based on three major pillars, assimilated by all: 1) controlled risk, 2) greater efficiency and 3) growth focused on the selected strategic areas. It is important to implement strategic partnerships to achieve that strategy, and the partnership with China Three Gorges (CTG) stands out for its size and scope.

The General and Supervisory Board, within the limits of its statutory role, will certainly continue to play an active role in monitoring and counselling in the area of strategic reflection and encouraging the executive management to implement the actions aimed at achieving the efficiency objectives.

We are certain that EDP will continue to overcome the challenges it faces, in the context of a sector undergoing accelerated mutation, relying on the committed participation of all employees and confidence of the Shareholders to achieve this.

**EDUARDO CATROGA**  
Chairman of the General  
and Supervisory Board







# 01.

## EDP'S GOVERNANCE MODEL

The information on the corporate governance structures and practices and the statement of compliance with the recommendations of the Corporate Governance Code, published by the CMVM in 2013, are presented in the EDP 2014 Annual Report, as is usual.

In this report, and following the practice that has been adopted, it is important to demonstrate how the General and Supervisory Board has been performing its role and the duties assigned it under the law and articles of association of EDP, with the end purpose of pursuing the corporate interest of the Company.

Of particular importance in this area is to verify the appropriateness of the governance model in practice in the EDP Group at this time, nine years since the two-tier model began to be used in the Company. During this period we have witnessed, in an almost methodical manner, an evolution of the times that, for being so changeable, cannot have the legal and/or regulatory frameworks that, in theory, would be required.

The General and Supervisory board, together with the Executive Board of Directors, has been making an effort to implement and maintain in EDP the best governance practices. In the report prepared by the Portuguese Catholic University at the request of AEM (Association of companies issuing stock listed on markets), which was directed by CEA - Centre of Applied Studies of the Catholic University – Lisbon School of Business & Economics with reference to the year 2013, EDP obtained an AAA classification, i.e. the highest possible.

This shows that despite the implementation of a continuous improvement model that allows EDP to continue to post excellent results in the corporate governance field, the Company is already at a very significant level of excellence, which ensures it has greater value for all its stakeholders.

With this premise as a starting point, and in view of the powers assigned it as a body responsible for monitoring and evaluating the adequacy of the corporate governance model implemented in the Company and its consistency with internationally accepted corporate governance standards, the General and Supervisory Board invited the Portuguese Institute of Corporate Governance to give a conference in 2014. At this presentation, this Institute gave a brief lecture on the set of recommendations it has issued, comparing them in particular with those contained in the Code that has historically been adopted by the EDP Group, in other words that of the CMVM. This presentation had a dual function, namely to inform the General and Supervisory Board of the set of recommendations considered by the Portuguese Institute of Corporate Governance for the purpose of corporate governance, as well as provide fuel to the starting point for an exercise of strategic reflection which might enable EDP to assess its degree of compliance, which is currently underway.

We maintain the belief, regardless of the conclusions that will result from this reflection, that the existence in EDP of a governance model that is guided by the best governance practice fosters the continuous improvement of the necessary mechanisms to give the best possible response to the constant management challenges facing the EDP Group.

## 02.

GENERAL AND  
SUPERVISORY BOARD

## 2.1. COMPOSITION

The EDP Articles of Association establish that the General and Supervisory Board must be composed of not less than nine members and must always have more members than directors, the majority of whom must also be independent. It should also be noted that the Chairman of the Board of the General Meeting is automatically a member of the General and Supervisory Board.

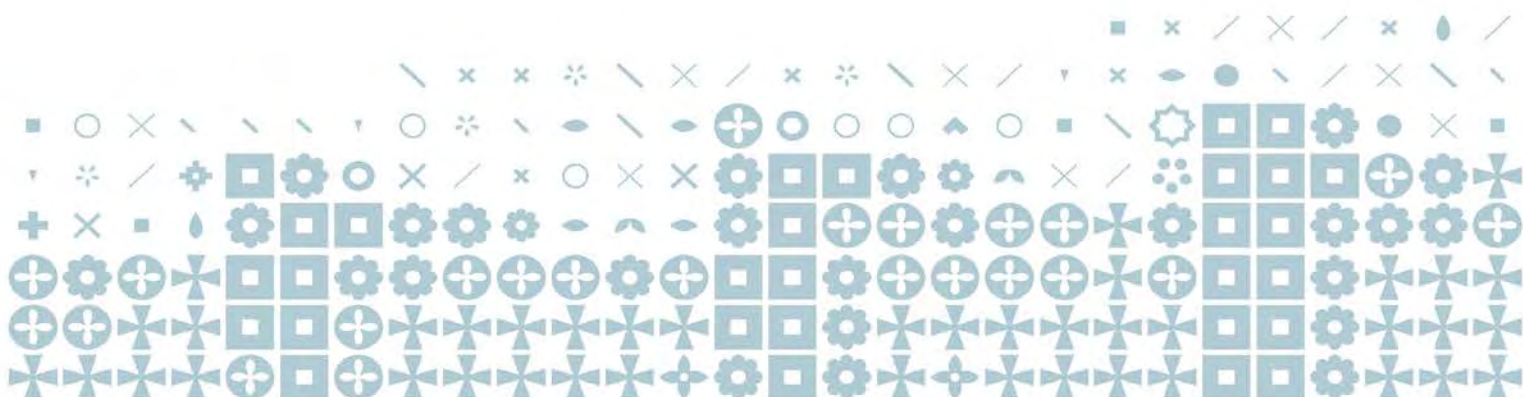
On 20 February 2012, the extraordinary General Meeting elected the 23 members of the General and Supervisory Board for the term of office from 2012 to 2014. 12 of those elected hold independent status.

Subsequently, on 11 October 2012, and following the resignation of the Chairman of the Board of Directors of Parpública - Participações Públicas (SGPS), S.A. ("Parpública"), Joaquim José de Oliveira Reis tendered his resignation as member of the General and Supervisory Board. Parpública did not appoint a new member.

In 2013, Carlos Jorge Ramalho Santos Ferreira resigned from as a member of the General and Supervisory Board, which took effect on 30 April 2013.

Two new members of the General and Supervisory Board were elected at the EDP General Meeting of 6 May 2013, these two being Augusto Carlos Serra Ventura Mateus and Nuno Manuel da Silva Amado.

On 9 May 2014, José Maria Espírito Santo Silva Ricciardi tendered his resignation as a member of the General and Supervisory Board. This Board is now composed of 22 members, as indicated below:





Member	Posts	Independent	Date of 1st election/ appointment	Date of re-election/re- appointment
1 Eduardo de Almeida Catroga	Chairman of GSB Chairman of FC Chairman of SC	Yes	30.06.2006	20.02.2012 15.04.2009
2 Dingming Zhang (China Three Gorges Corporation)	Vice-Chairman of GSB Vice-Chairman of SC	No	20.02.2012	n.a.
3 Alberto João Coraceiro de Castro	Member of GSB Chairman of RC Member of PACC	Yes	30.06.2006	20.02.2012 15.04.2009
4 António Sarmento Gomes Mota	Member of GSB Member of FC Member of PACC	Yes	15.04.2009	20.02.2012
5 Augusto Carlos Serra Ventura Mateus	Member of GSB Member of SC	Yes	06.05.2013	n.a.
6 Felipe Fernández Fernández (Cajastur)	Member of GSB Member of SC	No	20.02.2012	n.a.
7 Fernando Masaveu Herrero	Member of GSB Member of PACC	No	20.02.2012	n.a.
8 Guojun Lu (China International Water&Electric Corporation)	Member of GSB Member of RC	No	20.02.2012	n.a.
9 Harkat Abderezak (Sonatrach)	Member of GSB Member of SC	No	06.03.2012	n.a.
10 Ilídio da Costa Leite de Pinho	Member of GSB Member of RC Member CGSC	Yes	20.02.2012	n.a.
11 Jorge Braga de Macedo	Member of GSB Member of SC	Yes	20.02.2012	n.a.
12 Luís Filipe da Conceição Pereira (José de Mello Energia)	Member of GSB Chairman of PACC	No	26.04.2011	20.02.2012
13 Manuel Fernando de Macedo Alves Monteiro	Member of GSB Member of FC Chairman of CGSC	Yes	30.06.2006	20.02.2012 15.04.2009
14 Maria Celeste Ferreira Lopes Cardona	Member of GSB Member of FC Member CGSC	Yes	20.02.2012	n.a.
15 Mohamed Ali Al Fahim (Senfora)	Member of GSB Member of SC	No	16.04.2010	20.02.2012
16 Nuno Manuel da Silva Amado	Member of GSB Member of SC Member of PACC	No	06.05.2013	n.a.
17 Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Member of GSB Member of RC	Yes	20.02.2012	n.a.
18 Rui Eduardo Ferreira Rodrigues Pena (Presidente Mesa AG)	Member of GSB	Yes	12.04.2007	20.02.2012 15.04.2009
19 Shengliang Wu (Cwei Europe)	Member of GSB Member CGSC Member of SC Member of PACC	No	20.02.2012	n.a.
20 Vasco Joaquim Rocha Vieira	Member of GSB Member CGSC	Yes	20.02.2012	n.a.
21 Vítor Fernando da Conceição Gonçalves	Member of GSB Vice-Chairman of FC	Yes	30.06.2006	20.02.2012 15.04.2009
22 Ya Yang (China Three Gorges New Energy Corporation)	Member of GSB Member of PACC	No	20.02.2012	n.a.

In the EDP 2014 Annual Report, there is a short curriculum vitae of each member of the General and Supervisory Board, including their professional qualifications and indication of the posts held in at least the last five years, including posts held in other companies.

As required by law and the applicable regulations, the EDP 2014 Annual Report also provides information on the ownership by members of the General and Supervisory Board of shares and other financial instruments related to EDP.

## 2.1.1 RULES ON INCOMPATIBILITY AND INDEPENDENCE

The members of the General and Supervisory Board are subject to a vast range of rules on incompatibility in the performance of their duties, under the law and Articles of Association. Given the qualitative requirements governing membership of the General and Supervisory Board, it must comprise a majority of members with independent status.

The General and Supervisory Board, fulfilling its commitment to best corporate governance practices, has a procedure in place that is designed to step up checks ensuring that there are no incompatibilities and, where appropriate, that there is no lack of independence of the General and Supervisory Board members, based on the statements that its members make.

This procedure consists of the following:

- ⊕ A position on the General and Supervisory Board is accepted in a written statement which also declares:
  - Satisfactory knowledge of the rules set out in the law, regulations and Articles of Association applicable to the member's and the Company's activity.
  - Unreserved acceptance of the rules established in the General and Supervisory Board's Rules of Procedure.
  - Non-existence of any incompatibility under law or the Articles of Association regarding the holding of office as a member of the General and Supervisory Board.
  - Fulfilment of the requirements for independence, pursuant to Article 7(1) of the GSB Rules of Procedure, if elected as an independent member of the General and Supervisory Board.
  - The obligation to report to the General and Supervisory Board Chairman or, in the case of the Chairman, directly to the General and Supervisory Board, any subsequent circumstance that might result in incompatibility or loss of independence.
- ⊕ Within 30 days of the start of each financial year, the members of the General and Supervisory Board should renew their statements confirming the non-existence of incompatibilities and, if applicable, fulfilment of the independence requirements.
- ⊕ Pursuant to the Rules of Procedure of the General and Supervisory Board, the existence of an incompatibility automatically terminates a term of office and the member in question should take the initiative to resign with immediate effect.

Immediately after acceptance of their election, the members of the General and Supervisory Board signed a statement attesting to the fact that there were no incompatibilities and, where appropriate, verifying their independence. This statement was renewed at the end of 2014, where applicable.

Therefore, under the internal procedures established for the purpose, the General and Supervisory Board states that based on the information gathered for the purpose and the appraisal conducted at its meeting of 3 March 2015, no situations were found of:

- ⊕ Incompatibilities regarding its members.
- ⊕ That was likely to affect the independence of the members identified as such.

The members' statements are available on the EDP website ([www.edp.pt](http://www.edp.pt)).





## 2.2. DUTIES

In the exercise of its duties the main mission of the General and Supervisory Board is to advise, monitor and oversee, on a permanent basis, the management activities of EDP, cooperating with the Executive Board of Directors and the various other governing bodies in order to pursue the interests of the company under the terms stipulated in law and in its Articles of Association, in particular Article 22 thereof.

The Company's Corporate Governance Report describes the General and Supervisory Board's powers in detail. The following elements should be highlighted in light of their particular importance:

- ⊕ The role of supervising the activities of the Executive Board of Directors has to be understood in the broadest sense, with shareholders requiring that this be performed on a permanent basis pursuant to Article 22(1)(a) of the Articles of Association, thereby ensuring that all of EDP's shareholders and stakeholders are adequately protected.
- ⊕ The monitoring of directors' activity is not limited to EDP, but also covers all subsidiaries. However, given the large number and different sizes of these companies, the General and Supervisory Board has decided to focus especially on the following companies:
  - EDP Renováveis, S.A.
  - EDP – Gestão da Produção de Energia, S.A.
  - EDP Distribuição – Energia, S.A.
  - EDP Comercial – Comercialização de Energia, S.A.
  - EDP Gás, SGPS, S.A.
  - EDP Energias do Brasil, S. A.
  - Hidroeléctrica del Cantábrico, S.A.
  - Naturgas Energía Grupo, S. A.
- ⊕ All materially relevant operations are systematically scrutinised by the General and Supervisory Board, by means of the prior opinion process, including acquisitions, financing, investments or transactions of particular strategic significance.
- ⊕ The clarification of matters that by their nature may have implications on EDP's reputation.

## 2.3. ORGANISATION AND FUNCTIONING

The General and Supervisory Board is organised in accordance with the law and EDP's Articles of Association. Recommendations on the best governance practices for listed companies are also taken in to account, especially those of the CMVM Corporate Governance Code.

The General and Supervisory Board operates in plenary session and through specialised committees, to which the General and Supervisory Board delegates the performance of certain duties while retaining ultimate responsibility for those duties.

Pursuant to the EDP Articles of Association, ordinary plenary meetings must be held at least once every quarter. However, this number has been surpassed due to the specific requirements of the EDP Group's business. Whenever the nature, importance and urgency of the matters justifies such, the General and Supervisory Board will also hold extraordinary meetings.

The Chairman of the General and Supervisory Board, in the exercise of the office's powers under law and the Articles of Association, is responsible for the organisation and coordination of activities and representing that corporate body, as well as striving to ensure the correct implementation of its decisions. Given the extended composition of the General and Supervisory board, the Chairman of this Board is the element of connection between the activity of the General and Supervisory board and the Executive Board of Directors. The two Chairmen are responsible for ensuring they remain in direct and permanent contact, formally and informally, and they inform each other of the main events of the day-to-day management of the company and the respective supervision. This contact has been a reality since the two bodies began functioning.

Aside from plenary and committee meetings, the Chairman of the General and Supervisory Board selects issues for clarification with the Executive Board of Directors, informing the members of the General and Supervisory Board of such as and when required.

The Articles of Association grant the Chairman of the General and Supervisory Board the right to attend meetings of the Executive Board of Directors, without the right to vote. The same entitlement is granted in the Articles of Association to the Chairman of the Executive Board of Directors, who may attend meetings of the General and Supervisory Board.

## 2.4. SPECIALISED COMMITTEES

The Specialised Committees of the General and Supervisory Board are solely composed of members of the General and Supervisory Board.

The General and Supervisory Board, given the nature and duties attributed to it, has specialised committees to deal with issues of particular importance. These committees are composed of suitably qualified, experienced and available members and their main task is to monitor the matters entrusted to them on a permanent basis, in order to facilitate the General and Supervisory Board's decision-making processes and keep it informed on the specific issues they are dealing with.

The Audit Committee/Financial Matters Committee and the Remuneration Committee, were created in response to legal and statutory requirements. On the initiative of the General and Supervisory Board, the Corporate Governance and Sustainability Committee was created in 2006 and, in 2012, the Strategy Committee and the Performance Analysis and Competitiveness Committee were established.

The General and Supervisory Board, specifically through its Chairman, permanently oversees the work of these committees which, in turn, must report back regularly to this Board and provide information on their activities.

The Company's Corporate Governance Report describes the composition and duties delegated by the General and Supervisory Board to each of its specialised committees. The EDP website, [www.edp.pt](http://www.edp.pt), also provides detailed information on the Committees and their Rules of Procedure.

Following the Extraordinary General Meeting of 20 February 2012, the composition of the Audit Committee/Financial Matters Committee and the composition of the Remuneration Committee were defined on the General and Supervisory Board occurred on the 21<sup>st</sup> February 2012, given the fact that these Committees are foreseen in the Articles of Association.

Afterwards, the General and Supervisory Board considered it appropriate to restructure its specialised Committees, on completion of a review of the functioning of the General and Supervisory Board and its Committees. This restructuring was undertaken on 18 April 2012. It involved the change in composition of the Corporate Governance and Sustainability Committee and the creation of the Strategy Committee and the Performance Analysis and Competitiveness Committee.

The mission of each of the specialised committees of the General and Supervisory Board and their composition is described below.

### 2.4.1. AUDIT COMMITTEE/FINANCIAL MATTERS COMMITTEE

#### MISSION

The Audit Committee/Financial Matters Committee is a specialized committee which is responsible for supervising company financial information and overseeing, on a permanent basis, the work of the statutory auditor, external auditor and the internal auditor and the internal control systems and risk management systems. Article 23(2) of the Articles of Association lists the matters that must be mandatorily delegated in this Committee.

#### COMPOSITION

On 21 February 2012, the General and Supervisory Board set up the Financial Matters Committee for the period 2012-2014. It appointed the Chairman of the General and Supervisory Board as the Chairman of this Committee, considering the provisions of Article 23(3) of the Articles of Association of EDP. The members of the Financial Matters Committee since 18 April 2012 are the following:

Member	Post	Independent	Date of 1st appointment	Date of re-appointment
1. Eduardo de Almeida Catroga	Chairman	Yes	21.02.2012	n.a.
2. Vítor Fernando da Conceição Gonçalves	Vice-Chairman	Yes	13.07.2006	21.02.2012 07.05.2009
3. António Sarmento Gomes Mota	Member	Yes	07.05.2009	21-02-2012
4. Manuel Fernando de Macedo Alves Monteiro	Member	Yes	13.07.2006	21.02.2012 07.05.2009
5. Maria Celeste Ferreira Lopes Cardona	Member	Yes	18.04.2012	n.a.



## 2.4.2. REMUNERATION COMMITTEE

### MISSION

The Remuneration Committees is a specialized committee which is responsible for establishing the remuneration policy for the Chairman and the other members of the Executive Board of Directors, according to Article 27 of the Articles of Association. It is distinct from the Remuneration Committee appointed by the General Meeting which is responsible for establishing the remuneration policy for the other company officers.

### COMPOSITION

On 21 February 2012 the General and Supervisory Board set up the Remuneration Committee for the period of 2012-2014. Its current members are:

	Post	Independent	Date of 1st appointment	Date of re-appointment
<b>Member</b>				
1. Alberto João Coraceiro de Castro	Chairman	Yes	13.07.2006	21.02.2012 07.05.2009
2. Ilídio da Costa Leite de Pinho	Member	Yes	22.05.2012	n.a.
3. Guojun Lu	Member	No	11.05.2012	n.a.
4. Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Member	Yes	18.04.2012	n.a.

## 2.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

### MISSION

The Corporate Governance and Sustainability Committee was set up as a specialised committee with duties on the following matters:

- ⊕ Corporate governance
- ⊕ Strategic sustainability
- ⊕ Internal codes of ethics and conduct
- ⊕ Systems for evaluating and resolving conflicts of interest, namely relations between the Company and its shareholders
- ⊕ The definition of appropriate selection criteria and powers to be observed in the structures and internal bodies of the Company or subsidiaries and assessment of their impact on the respective membership
- ⊕ The drafting of succession plans

### COMPOSITION

On 18 April 2012 the General and Supervisory Board set up the Corporate Governance and Sustainability Committee for the period of 2012-2014. Its current members are:

	Post	Independent	Date of 1st appointment	Date of re-appointment
<b>Member</b>				
1. Manuel Fernando de Macedo Alves Monteiro*	Chairman	Yes	18.04.2012	n.a.
2. Ilídio da Costa Leite de Pinho	Member	Yes	18.04.2012	n.a.
3. Maria Celeste Ferreira Lopes Cardona	Member	Yes	18.04.2012	n.a.
4. Shengliang Wu	Member	No	11.05.2012	n.a.
5. Vasco Joaquim Rocha Vieira	Member	Yes	18.04.2012	n.a.

\* The Chairman of the Corporate Governance and Sustainability Committee of the General and Supervisory Board was Carlos Jorge Ramalho dos Santos Ferreira between 18 April 2012 and 30 April 2013; following the resignation tendered by this member, the Board decided, at its meeting of 9 May 2013, to appoint Manuel Fernando de Macedo Alves Monteiro, who had been a member of the Corporate Governance and Sustainability Committee, as the Chairman of said Committee.

## 2.4.4. STRATEGY COMMITTEE

### MISSION

The Strategy Committee was created as a specialised committee with responsibility for the following areas:

- ⊕ Long-term strategies and scenarios
- ⊕ Strategic implementation and business planning, and respective budgets
- ⊕ Major investments and divestments
  
- ⊕ Debt and financing
- ⊕ Strategic alliances
- ⊕ Evolution of markets and competitiveness
- ⊕ Regulation

### COMPOSITION

The General and Supervisory Board created the Strategy Committee on 18 April 2012, and appointed the members for the period 2012-2014. The current members of the Strategy Committee are:

Member	Post	Independent	Date of 1st appointment	Date of re-appointment
1. Eduardo de Almeida Catroga	Chairman	Yes	18.04.2012	n.a.
2. Dingming Zhang	Vice-Chairman	No	11.05.2012	n.a.
3. Augusto Carlos Serra Ventura Mateus	Member	Yes	09.05.2013	n.a.
4. Felipe Fernández Fernández	Member	No	18.04.2012	n.a.
5. Harkat Abderezak	Member	No	18.04.2012	n.a.
6. Jorge Braga de Macedo	Member	Yes	18.04.2012	n.a.
7. Mohamed Ali Al-Fahim	Member	No	18.04.2012	n.a.
8. Nuno Manuel da Silva Amado	Member	No	09.05.2013	n.a.
9. Shengliang Wu	Member	No	09.05.2013	n.a.



## 2.4.5. PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

### MISSION

The Performance Analysis and Competitiveness Committee was created as a specialised committee with responsibility for the following areas:

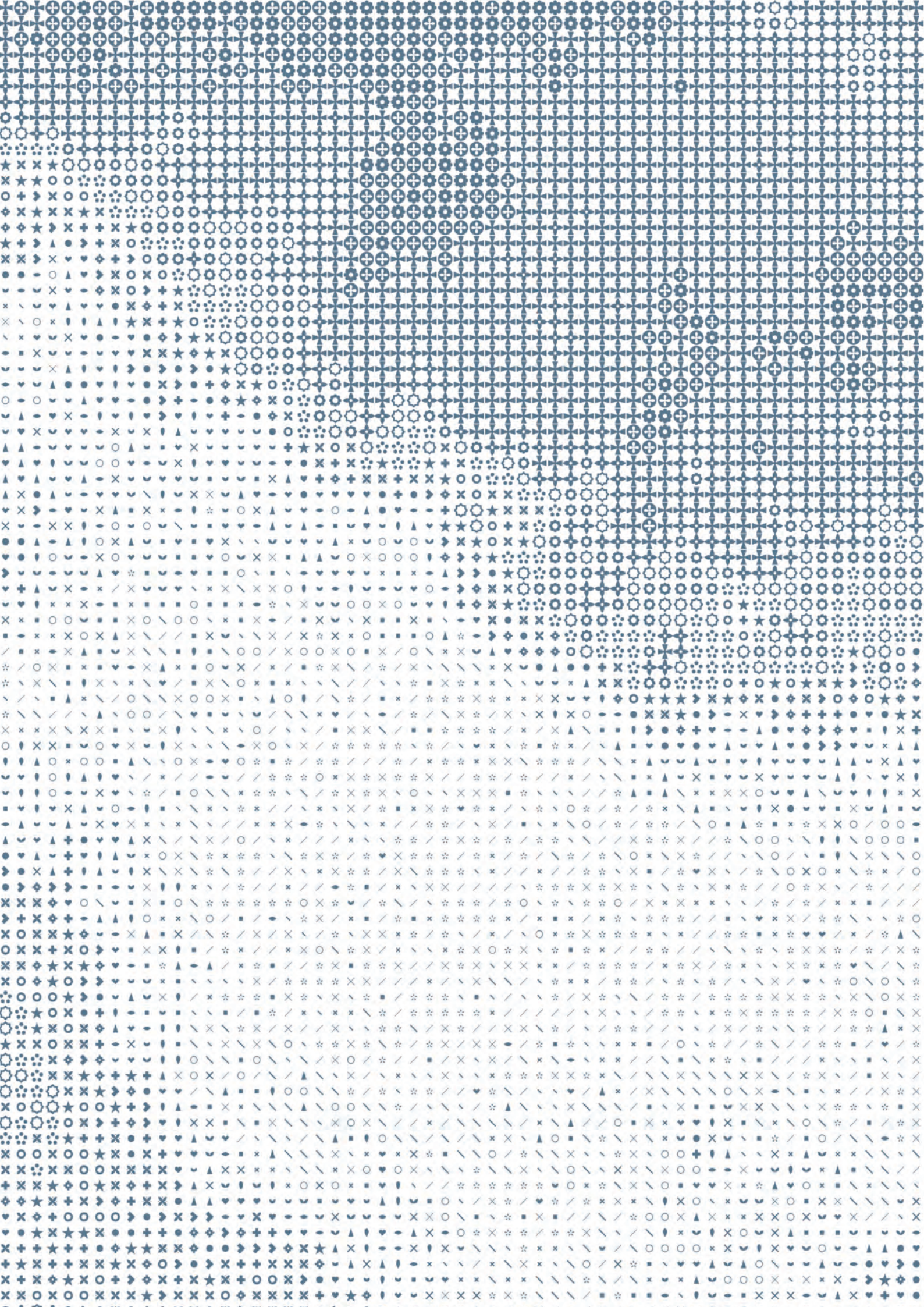
- ⊕ Analyse the business performance of the company
- ⊕ Benchmarking the Company's business performance compared to the industry's top companies
- ⊕ Assess the competitiveness of the business portfolio of EDP.

### COMPOSITION

The General and Supervisory Board created the Performance Analysis and Competitiveness Committee on 18 April 2012, and appointed the members for the period 2012-2014. The current members of the Performance Analysis and Competitiveness Committee are:

Member	Post	Independent	Date of 1st appointment	Date of re-appointment
1. Luis Filipe da Conceição Pereira	Chairman	No	18.04.2012	n.a.
2. Ya Yang	Vice-Chairman	No	11.05.2012	n.a.
3. Alberto João Coraceiro de Castro	Member	Yes	18.04.2012	n.a.
4. António Sarmento Gomes Mota	Member	Yes	18.04.2012	n.a.
5. Fernando Masaveu Herrero	Member	No	18.04.2012	n.a.
6. Nuno Manuel da Silva Amado	Member	No	09.05.2013	n.a.
7. Shengliang Wu	Member	No	09.05.2013	n.a.







## 03.

WORK OF THE GENERAL  
AND SUPERVISORY BOARD

As part of its competences under the Articles of Association, the General and Supervisory Board is responsible for advising, monitoring and supervising EDP's activities and most important decisions. These range from business organisation, management models and eminently operational aspects to decisions on new growth opportunities and their implementation, including the relevant forms of finance, and internal and external reporting of results.

The most visible part of the General and Supervisory Board's work is its plenary meetings and specialised committees. However, permanent, complex activities are necessary in order to organise and prepare these meetings. This permanent work is related to the extent of the institutional representation provided by the Chairman and the types of duties that the shareholders decide that he should take on internally and externally.

Hence, as the General and Supervisory Board's activity is restricted to the availability and participation of its members in plenary and specialised committee meetings, care and selectivity is essential in choosing and preparing the matters that should deserve this body's special attention.

The General and Supervisory Board's activities in 2014 were based on an annual activities plan and respective budget, documents that were approved at the 19 December 2013 meeting.

The General and Supervisory Board's plan of activities for 2014 was designed to guide the work of this Board in order to maximise its resources and the availability of its members, centered on two basic types of initiative:

- ⊕ Strengthening the supervision and monitoring of the activity of EDP, structured according to a preliminary selection on the basis of the relative importance of the identified issues as regards the sustainable development of EDP;
- ⊕ Improving the operational activity of the GSB.

The exercise of these duties requires that the General and Supervisory Board, whether directly or through its Chairman, its specialised committees and the support Office, is equipped with the means to monitor the functioning of the business structures and the most relevant activities of the EDP Group's life, and it has reasonable and up-to-date overall knowledge of the reality of the Group and of the markets in which it operates.

The result of the direct or indirect action is shown through the approval of certain documents, the issuance of prior opinions or preparation of recommendations, decided in meetings, based on documents specifically prepared for this purpose.

The following paragraphs set out, in a summary form, the activities planned for the General and Supervisory Board and its Committees, grouped according to their nature:

- ⊕ Routine: Primarily steered towards the fulfilment of duties of a deliberative nature, such as those relating to the issue of prior opinions, and of a non-deliberative nature, such as the monitoring of specific matters in the fields of corporate governance or the performance of the Group companies.
- ⊕ Non-routine: They primarily seek to improve the General and Supervisory Board members' knowledge of the real situation in the Group, the markets in which it operates and its activities.

The routine activities of a deliberative nature include, in particular:

- ⊕ The annual report and accounts and the interim reports;
- ⊕ The preparation for the 2014 General Meeting;
- ⊕ The accompaniment and approval of the EDP budget for 2015;
- ⊕ The EDP 2014-2017 Business Plan;
- ⊕ The issue of prior opinions.

The routine activities of a non-deliberative nature include, in particular, those related to the monitoring of:

- ⊕ The subsidiaries, through monitoring the weekly meetings of the Executive Board of Directors and periodic reporting of the corporate activity undertaken by the Chairman of the General and Supervisory Board and by the Committees;
- ⊕ The implementation of the activities subject to a prior opinion, related to strategic partnerships, investments, debt and financing or other items that may prove to be relevant;
- ⊕ The development of the regulatory framework in the countries in which the Group is present.

The highlights of the non-routine activities include the presentation to the Corporate Governance and Sustainability Committee on the Corporate Governance Code of Instituto Português de Corporate Governance.

The approach conveyed by the members of the abovementioned Institute proved to be of great interest. It gave the members of the Corporate Governance and Sustainability Committee a thorough understanding of the set of recommendations issued by this entity, in particular by comparison with those of the code that has historically been adopted by the EDP Group, namely that of the Portuguese Securities Market Commission.

The initiatives promoted by the General and Supervisory Board include the speech to the Board by Professor Jorge Vasconcelos on 27 February 2014, which was titled, "An external view on the strategic challenges of EDP 2020".

The speech made to the General and Supervisory Board on the same date, on the energy policy of the EU, with the title "EU's 2030 Climate and Energy Framework", should also be highlighted.

It should also be noted, taking into account the purpose of deepening the knowledge of the members of the General and Supervisory Board on the issues related to the energy sector, the presentation on "Key challenges and developments of the electricity and gas marketing sector in Portugal", which was held in April 2014.

Information on the implementation of the budget of the General and Supervisory Board for 2014, approved on 19 December 2013, appears in section 3.6.

In previous annual reports, the General and Supervisory Board has sought to highlight some topics that warranted its particular attention and that jointly have relevant material specificities, justifying special focus in this report. In this regard, the work of the General and Supervisory Board relative to the monitoring of the following topics is of particular note:

- ⊕ EDP 2014-2017 Business Plan
- ⊕ Conflicts of interests
- ⊕ Developments of the strategic partnership with China Three Gorges
- ⊕ Assets rotation programme
- ⊕ Major technical investments completed and in progress
- ⊕ New Collective Labour Agreement of the EDP Group in Portugal
- ⊕ Placement of new debt issues in national and international markets and disposal of regulatory assets

The report also includes a section intended to summarise in figures the main aspects of the General and Supervisory Board's activity for the purposes of comparison with the previous financial year. It has been introduced in light of the view that the supervising, monitoring and advising activities must also be subject to the strictest requirements, with the capacity to generate added value for the Company.

## 3.1 PERMANENT WORK

Under the Articles of Association, the General and Supervisory Board's permanent activity was assured in 2014 by its Chairman, who performed his role in full-time. He was assisted in his duties by the General and Supervisory Board Support Office. It should be pointed out, in this context, the competences of the General and Supervisory Board Chairman within the scope of the coordination and preparation of themes to be appreciated by this Board, which is materialized in the accompaniment of the several analysis phases of the matters that, later on, are submitted to the General and Supervisory Board. It should be also noted that the Chairman of the General and Supervisory Board participates in the specialized Committees meetings, even in the ones he does not chair, and proceeds to an effective and systematic accompaniment of all items addressed in them.

The Chairman of the General and Supervisory Board is responsible, pursuant to the respective Rules of Procedure, for:

- ⊕ Represent the General and Supervisory Board and being the spokesperson for its decisions.
- ⊕ Coordinate the General and Supervisory Board's activities and supervise the correct functioning of its Committees, retaining the right to attend any meeting and request information on those Committee's activities.
- ⊕ Ensure that the members of the General and Supervisory Board receive all the information necessary, in a timely fashion, for them to fully perform their duties.
- ⊕ Request from the Executive Board of Directors the information deemed relevant for the exercise of the powers of the General and Supervisory Board and its Committees, making it available in a timely manner to the members of the Board chaired.
- ⊕ Take the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of the Company and the Executive Board of Directors in particular.
- ⊕ Control the implementation of the General and Supervisory Board budget and manage the material and human resources assigned to this body.
- ⊕ Convene and chair the General and Supervisory Board meetings, as well as strive to ensure the correct implementation of its decisions.

One of the Chairman's most important duties is the institutional representation of the General and Supervisory Board. This is done specifically through the following actions:

- ⊕ Accompanying the weekly Executive Board of Directors meetings, for which purpose the mechanism of providing the Chairman of the General and Supervisory Board with the agenda and support documentation beforehand, and the minutes afterwards, has been created. In terms of the provision of information, the existence of a "portal" for information sharing between the Executive Board of Directors and the General and Supervisory Board, accessible to all the members of those bodies, should also be noted.
- ⊕ Permanent contacts with the Chairman of the Executive Board of Directors.
- ⊕ Obtaining and handling information on management policy, business performance and economic operations that are materially relevant to EDP and its subsidiaries.
- ⊕ Participating in events of EDP's institutional life.

In the field of internal work of the General and Supervisory Board, the Chairman ensures the coordination of the work through:

- ⊕ Monitoring and advising at the meetings of the Committees on which he is not a member.
- ⊕ Processing the information from the Executive Board of Directors and other sources.
- ⊕ Management of processes for waiving prior opinion, as described in section 3.3.

In addition to the normal activities resulting from the statutory powers, the Chairman of the General and Supervisory Board has continued to develop a diverse set of initiatives to better understand the challenges of the different business units and motivate their operational teams. For this purpose, the Chairman of the General and Supervisory Board has held, articulated with the Chairman of the Executive Board of Directors, regular contacts with the other members of the Executive Board of Directors, with the members of the board of directors of subsidiary companies and with the officers of the corporate centre and held meetings and regular visits in 2014 with the organisational units of the EDP Group and some of the key technical infrastructure. This effort is being conducted in Portugal and also in other geographical areas where EDP is present.



## 3.2 PLENARY MEETINGS

The General and Supervisory Board held 8 plenary meetings in 2014. The attendance rate for those meetings deserves to be highlighted (79%).

The table below identifies these meetings and the General and Supervisory Board's main initiatives at each one:

No.	Date	Place	Main topics
1	27 Feb.	Lisbon	<ul style="list-style-type: none"> <li>· EDP 2013 Annual Report and Accounts</li> <li>· Assignment of portion of the deficit of the extra cost of the 2013</li> <li>· Energy and environment policy - 2030 goals</li> </ul>
2	10 Apr.	Lisbon	<ul style="list-style-type: none"> <li>· 2014-2017 Business Plan</li> <li>· Challenges of the electricity sales business in Portugal</li> <li>· Eurobonds issue</li> </ul>
3	8 May	Lisbon	<ul style="list-style-type: none"> <li>· 2014-2017 Business Plan</li> <li>· Strengthening strategic and cooperative relations EDP/CTG</li> <li>· Hidalgo Project – EDP Renewables North America</li> <li>· Assets rotation programme – EDP Renewables North America</li> </ul>
4	13 May	Lisbon	<ul style="list-style-type: none"> <li>· EDP Group accounts - Q1 2014</li> <li>· Technical investments completed and in progress</li> </ul>
5	31 Jul.	Lisbon	<ul style="list-style-type: none"> <li>· EDP Group accounts - 1H 2014</li> <li>· New regulatory period for the regulated electricity sector in PT</li> <li>· Assignment of portion of the deficit of the extra cost of the 2014</li> <li>· New Collective Labour Agreement</li> </ul>
6	25 Sep.	Lisbon	<ul style="list-style-type: none"> <li>· Situation report of Encore and Fridão Hydroelectric projects</li> <li>· Eurobonds issue</li> <li>· EDP Energias do Brasil</li> </ul>
7	30 Oct.	Lisbon	<ul style="list-style-type: none"> <li>· EDP Group accounts - Q3 2014</li> <li>· Debt Issue</li> <li>· Situation report of strategic partnership – EDP/CTG</li> <li>· Maldivas Project</li> <li>· Corporate ethics topics</li> </ul>
8	18 Dec.	Lisbon	<ul style="list-style-type: none"> <li>· EDP Budget for 2015</li> <li>· Appointment of Managing Director of Fundação EDP</li> <li>· Acquisition of Eneva's stake in Pecém I</li> <li>· Moray and San Gabán projects</li> <li>· Monetisation of deficit regarding adjustment amount of 2012 CMEC</li> <li>· EDP Group's human resource policy</li> </ul>

## 3.3 ISSUE OF PRIOR OPINIONS

Article 17(2) of EDP's Articles of Association sets out a number of matters that require a favourable prior opinion from the General and Supervisory Board, which has the power to set the parameters for measuring the economic or strategic value of operations that must be submitted to it for an opinion.

The matters that require a favourable prior opinion from the General and Supervisory Board are as follows:

- ⊕ The approval of the Company's Strategic Plan;
- ⊕ The following operations by the Company or by EDP subsidiaries:
  - Acquisitions and sales of assets, rights or shareholdings of significant economic value;
  - Contracting financing operations of significant value;
  - Opening and closing establishments, or important parts thereof, and significant extensions or limitations of the business activity;
  - Other transactions or operations of significant economic or strategic value;
  - Establishment or termination of strategic partnerships or other forms of lasting cooperation;
  - Divisions, mergers or transformation projects;

- Amendments to the Articles of Association, including moving the registered office and increasing the share capital, if on the initiative of the Executive Board of Directors.

The General and Supervisory Board approved on 8 March 2012 a set of rules for issuing and waiving prior opinions. These rules seek to guarantee the effective exercise of the statutory powers of the General and Supervisory Board and the Executive Board of Directors, in order to foster the pursuit of the Company's interests. In broad terms, the mechanism set up by the General and Supervisory Board has the following features:

- ⊕ The transactions referred to in the business plan and annual budgets, which are documents submitted to the General and Supervisory Board for prior opinion, and unless otherwise decided, do not require an autonomous prior opinion. This waiver is granted provided they are individually identified and valued in the Business Plan and/or Annual Budget, and when their implementation value does not differ from the value established in those documents by more than 10%, in absolute terms.
- ⊕ Parameters of material relevance determining the need for a prior opinion have been established for operations not meeting these requirements.
- ⊕ The Executive Board of Directors may request the waiver of the General and Supervisory Board's prior opinion in cases of exceptional urgency or when the nature of the material warrants such, by making a written request for such and explaining the reasons, addressed to the Chairman of the General and Supervisory Board. The Chairman of the General and Supervisory Board will approve that request or not, after mandatory consultation with at least two members of the General and Supervisory Board.
- ⊕ Definition of specific information obligations regarding the performance of transactions exempted from prior opinion.

The General and Supervisory Board intervened in 24 operations, some of which involved issuing a prior opinion at meetings and others the waiving of a prior opinion by the Chairman of the General and Supervisory Board.

### 3.3.1. PRIOR OPINIONS AT MEETINGS

In 2014, the General and Supervisory Board was asked to issue a prior opinion 17 times. All the requests for prior opinion were approved:

Date	Subject
27 Feb	Securitisation of credits of the extra cost of the 2013 Special Status Generation
27 Feb	Onshore wind energy investment project – Peñoles
8 May	EDP 2014-2017 Business Plan
8 May	Strengthening strategic and cooperative relations EDP/CTG
8 May	Nove Project
8 May	Waverly Project
31 Jul	Encore Project
31 Jul	EFG binding offer - sale of minority stakes in France
25 Sep	Fridão Hydroelectric Project
30 Oct	Debt Issue (USD)
30 Oct	Maldivas Project
30 Oct	Gas procurement strategy - Long term contract with Cheniere
18 Dec	EDP Budget for 2015
18 Dec	Sale of a 50% stake in EDP Asia to CTG
18 Dec	Sale of minority stakes in wind farms in Brazil
18 Dec	Moray Project (UK Offshore)
18 Dec	San Gabán Project (Peru)

#### Value of operations\*

Max. Value (EUR million)	1.700
Average Value (EUR million)	319

\* Only covers quantifiable operations

### 3.3.2. WAIVER OF PRIOR OPINION

In 2014, the Executive Board of Directors asked for a prior opinion to be waived on 7 occasions. The requests for waiving the prior opinion were granted, after checking the respective procedures:

Date	Subject
6 Feb	Assignment of portion of deficit of extra charges of 2013
22 Apr	Hidalgo investment project
11 Jun	RCF refinancing
11 Jun	Assignment of portion of deficit of extra charges of 2014
8 Sep	Eurobonds issue
24 Oct	Signing of EDP/CTG agreements - Strategic partnership
17 Nov	Monetisation of deficit regarding adjustment amount of 2012 CMEC

#### Value of operations\*

Max. Value (EUR million)	3.300
Average Value (EUR million)	730

\* Only covers quantifiable operations

## 3.4 WORK OF SPECIALISED COMMITTEES

Through 2014, the General and Supervisory Board promoted 32 meetings of the specialized Committees.

Subsequently, the referred meetings are identified as well as the several initiatives developed for the Committees in which one of them:

### 3.4.1. AUDIT COMMITTEE/FINANCIAL MATTERS COMMITTEE

1	31 Jan.	Lisbon	<ul style="list-style-type: none"> <li>· DAI – 4Q2013 Activity Report; 2014 Activity Plan and Self-Assessment Report 2013</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> <li>· 2013 FMC Reports – Activities; irregularity communication and Self-Assessment</li> </ul>
2	14 Feb.	Lisbon	<ul style="list-style-type: none"> <li>· ROC/AE – Preliminary results to tests of impairment to EDP assets</li> <li>· ROC/AE – 2014 fees – Services of RLC and Auditing, SCIRF e Sustainability</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> </ul>
3	21 Feb.	Lisbon	<ul style="list-style-type: none"> <li>· ROC/AE – Conclusion report on EDP' and EDP Finance BV' financial individual accounts and on– 2013 exercise</li> <li>· EDP Energias do Brasil, EDP Renováveis and Hidroeléctrica del Cantábrico Audit Committees – relevant aspects of 2013 Report and accounts</li> <li>· ROC/AE – Report conclusions on SCIRF Assessment</li> <li>· DCF and DCG - report on EDP' and EDP Finance BV' financial individual accounts and on EDP Group consolidated accounts – 2013 exercise</li> <li>· SGAJ – Report of the EDP Group "pending litigation" – 2013 exercise</li> </ul>
4	21 Mar	Lisbon	<ul style="list-style-type: none"> <li>· DGR – 2014 Activity Plan: more relevant aspects on the risk management; relation with risk areas of EDP and the major subsidiaries of EDP Group</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> <li>· ROC/AE – Accounting policies; IFRS 9 Hedge Accounting Requirements; IFRS 11 Joint Arrangements; Active and Passive Deferred Taxes; Benchmarking with similar companies in the Iberian Peninsula and impairment registry policies</li> </ul>
5	11 Apr.	Lisbon	<ul style="list-style-type: none"> <li>· DAI – 1Q2014 Activity Report</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> <li>· EY - Fraud Investigation &amp; Dispute Services (FIDS) services in the energetic area</li> </ul>



6	7 May	Lisbon	<ul style="list-style-type: none"> <li>· ROC/AE - Conclusion report on EDP' and EDP Finance BV' financial individual accounts and on EDP Group consolidated accounts – 1Q2014</li> <li>· EDP Energias do Brasil, EDP Renováveis and Hidroeléctrica del Cantábrico Audit Committees: relevant aspectos of the Report and 1Q 2014 accounts</li> <li>· DCF and DCG – Report and EDP' and EDP Finance BV individual accounts and EDP Group consolidated accounts – 1Q2014</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> </ul>
7	6 Jun.	Lisbon	<ul style="list-style-type: none"> <li>· DCF – Policies of accounting and of financial risk management; main estimates and judges used in the preparation of EDP Group financial accounts and other relevant themes</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> </ul>
8	27 Jul.	Lisbon	<ul style="list-style-type: none"> <li>· ROC/AE - Conclusion report on EDP' and EDP Finance BV' financial individual accounts and on EDP Group consolidated accounts – 1S2014</li> <li>· EDP Energias do Brasil, EDP Renováveis and Hidroeléctrica del Cantábrico Audit Committees: relevant aspectos of the Report and 1S 2014 accounts</li> <li>· DCF e DCG - Report and EDP' and EDP Finance BV individual accounts and EDP Group consolidated accounts – 1S2014</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> </ul>
9	15 a 17 Sep.	Régua	<ul style="list-style-type: none"> <li>· 4th meeting of EDP Group Audit Committees: Main challenges of the Audit Committees; Risk Management; Framework COSO; Reforms of the audit market in the European Union</li> </ul>
10	3 Oct.	Lisbon	<ul style="list-style-type: none"> <li>· DAI – 2Q2014 Activity Report</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> </ul>
11	23 Oct.	Lisbon	<ul style="list-style-type: none"> <li>· ROC/AE - Conclusion report on EDP' and EDP Finance BV' financial individual accounts and on EDP Group consolidated accounts – 3Q2014</li> <li>· EDP Energias do Brasil, EDP Renováveis and Hidroeléctrica del Cantábrico Audit Committees: relevant aspectos of the Report and 3Q2014 accounts</li> <li>· DCF e DCG - Report and EDP' and EDP Finance BV individual accounts and EDP Group consolidated accounts – 3Q2014</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> </ul>
12	21 Nov.	Lisbon	<ul style="list-style-type: none"> <li>· AC Plan of Activities for 2015</li> <li>· SA/EA – Analysis of EDP political accounts in comparison with Iberian congeners</li> <li>· DAI – Report Activity 3T2014</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> </ul>
13	15 Dec.	Lisbon	<ul style="list-style-type: none"> <li>· DGR – Status of risk mapping EDP Group and analysis in course</li> <li>· DFN – EDP Group Financial Management Policy and EDP Pension Fund situation in Portugal</li> <li>· Appreciate FMC regulatory instruments and approve adjustments</li> <li>· Audit and Non-Audit Services request approvals- EDP Portugal</li> <li>· Approve FMC contributions to DAI 2015 Activity Plan</li> </ul>

### 3.4.2. REMMUNERATION COMMITTEE

1	26 Feb.	Lisbon	<ul style="list-style-type: none"> <li>· Statement on the remuneration policy of the Members of the Executive Board of Directors</li> </ul>
2	28 May	Lisbon	<ul style="list-style-type: none"> <li>· Annual and pluriannual variable remuneration of the EBD Members with reference to 2013 exercise – 1st part</li> </ul>
3	31 Jul.	Lisbon	<ul style="list-style-type: none"> <li>· Annual and pluriannual variable remuneration of the EBD Members with reference to 2013 exercise – 2nd part</li> </ul>
4	29 Oct.	Lisbon	<ul style="list-style-type: none"> <li>· Benchmark on executive board members remuneration</li> <li>· New trends on remuneration policies structuring</li> </ul>

### 3.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

1	25 Feb.	Lisbon	<ul style="list-style-type: none"> <li>Conflict of interests and related parties</li> <li>Corporate Governance Report EDP 2013</li> <li>Ethics and Conduct</li> </ul>
2	29 Jul.	Lisbon	<ul style="list-style-type: none"> <li>Conflict of interests and related parties</li> <li>Client Ombudsman</li> <li>Companies Governance and Sustainability themes</li> <li>IPCG Corporate Governance Code</li> </ul>
3	28 Oct.	Lisbon	<ul style="list-style-type: none"> <li>Conflict of interests and related parties</li> <li>Corporate Ethics themes</li> <li>Corporate Governance</li> <li>Stakeholders Management</li> </ul>

### 3.4.4. STRATEGY COMMITTEE

1	27 Mar.	Lisbon	<ul style="list-style-type: none"> <li>Discussion of EDP Business Plan 2014-17</li> </ul>
2	30 Apr.	Lisbon	<ul style="list-style-type: none"> <li>EBD proposal analysis in EDP Business Plan 2014-17</li> </ul>
3	31 Jul.	Lisbon	<ul style="list-style-type: none"> <li>Financial policy and financial applications, financial debt structuring and deleverage</li> <li>Innovation policy at EDP Group; <ul style="list-style-type: none"> <li>New disruptive services of the energetic sector (new services of EDPC)</li> <li>EDP Inovação Strategic Plan</li> <li>Labelec Strategic Plan</li> </ul> </li> </ul>
4	27 Sep.		<ul style="list-style-type: none"> <li>2014-2017 Business Units Business Plans <ul style="list-style-type: none"> <li>EDP Produção</li> <li>EDP Comercial</li> <li>EDP Renováveis</li> </ul> </li> </ul>
5	30 Oct.	Lisbon	<ul style="list-style-type: none"> <li>2014-2017 Business Units Business Plans <ul style="list-style-type: none"> <li>EDP Distribuição</li> <li>EDP Gás</li> </ul> </li> </ul>
6	17 Dec.	Lisbon	<ul style="list-style-type: none"> <li>2014-2017 Business Units Business Plans <ul style="list-style-type: none"> <li>EDP Internacional</li> </ul> </li> <li>Presentation of peruvian electricity market</li> <li>San Gában III Project</li> </ul>

### 3.4.5. PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

1	27 Feb.	Lisbon	<ul style="list-style-type: none"> <li>2013 EDP Group Business Units performance</li> <li>EDP Group and Business Units return (2010-2013)</li> <li>2013 EDP share performance</li> </ul>
2	7 May	Lisbon	<ul style="list-style-type: none"> <li>Evolution of clients debt, consolidated and per unit business</li> <li>EDP Renováveis performance, consolidated and per unit business</li> </ul>
3	30 Jul.	Lisbon	<ul style="list-style-type: none"> <li>EDP Group Business Units performance 1S2014</li> </ul>
4	26 Sep.	Lisbon	<ul style="list-style-type: none"> <li>Operational efficiency projects</li> <li>Comparative study of the electricity and gas distribution network</li> <li>Comparative study of the commercial costs, marketing capacity and sales</li> </ul>
5	29 Oct.	Lisbon	<ul style="list-style-type: none"> <li>Consensus of EDP's assessment by analysts</li> <li>Comparative study on CCGT, coal and hydropic plants</li> </ul>
6	12 Dec.	Lisbon	<ul style="list-style-type: none"> <li>Budget EDP 2015 - preliminary version</li> </ul>

The activity of the specialised committees is monitored, pursuant to their Rules of Procedure in force, by the Chairman of the General and Supervisory Board. Every six months the committees have to provide information to the General and Supervisory Board about the work they have done in that period.

The General and Supervisory Board committees' annual reports and their self-assessments are attached (Annexes 5, 7, 8, 9 and 10).



## 3.5 SPECIFIC THEMES OF THE WORK OF THE GENERAL AND SUPERVISORY BOARD

### 3.5.1. EDP 2014-2017 BUSINESS PLAN

Throughout the process of preparing the EDP Group 2014-2017 business plan, the General and Supervisory Board permanently monitored the work carried out, either in plenary session or in the committees, or through constant contact between the chairmen of the General and Supervisory Board and Executive Board of Directors. In plenary session, the topic was initially assessed at the meeting of 10 April. A favourable prior opinion was issued at the meeting of 8 May. At several Strategy Committee meetings the subject was also discussed as well as at three workshops in 2013 and during various explanation sessions.

The EDP Group's 2014-2017 business plan presents, as its key messages, (i) the continuity of growth, (ii) the maintenance of financial deleveraging, (iii) the preservation of a low-risk business profile, (iv) improving efficiency and (v) the delivery of an attractive return. The strategic agenda of EDP thus comprises growth and deleveraging in a balanced way, the maintenance of controlled risk and the adoption of an attractive return policy, reinforcing the distinctive equity story of the EDP Group. The goals, based on this structure, are to make EDP the most efficient company of the Iberian Peninsula, with a unique low-risk portfolio, with heavy exposure to hydro and wind energy, with extensive geographical and technological diversification and possessing adequate risk management.

The following are to be highlighted with regard to concrete actions to implement in order to endow the EDP Group with the tools necessary to reach the established goals:

- ⊕ **Achievements:** given the numerous constraints affecting the energy sector in recent years, the anticipation with which certain matters were addressed as well as the clarity demonstrated in unforeseen situations was instrumental. In this context, we highlight the situation of the Iberian Peninsula, where besides the recessive macroeconomic framework, regulatory issues have taken on material preponderance and have led to progressive cuts in the sector. Despite the negative scenario, the distinctive profile of EDP was fundamental for the Company to achieve an above-average performance. This was due to the pillars that support the strategy of the group, namely, controlled risk (diversification of portfolio, successful energy management policy, downward revision of CAPEX, maintaining liquidity, beneficial management of the cost of debt and deleveraging), higher efficiency (cost management and lean operation) and focused growth (hydropower projects in Portugal, Brazil, USA and in other countries);
- ⊕ As regards the Iberian Business, EDP Renováveis and EDP Brasil, EDP's 2014-2017 business plan details the main strategies to implement in each of these three areas with a view to fulfilment of the pillars that underlie the EDP Group's activity, i.e. controlled risk, higher efficiency and focused growth;
- ⊕ **Financials:** in this respect, it is expected that EDP's portfolio changes by 2017, considering the term of the CMEC and the liberalisation of the market. The increased business risk will, however, be mitigated by improved credit ratios. The intention is for the CAPEX to be channelled to hydro and wind power, and the additional investments be preceded by divestments (asset rotation) and deleveraging supported on strong and stable cash flow. It should be noted that the resilient performance stated in the outlooks is essentially based on diversity and risk management.

### 3.5.2. CONFLICTS OF INTEREST

There are different aspects of the issue of conflicts of interest in the company's governance practices and it can be divided into the following sub-chapters:

#### 3.5.2.1. CONFLICTS OF INTEREST IN BUSINESS BETWEEN RELATED PARTIES

Under the terms of Article 22(1)(i) of EDP's Articles of Association, the General and Supervisory Board must "Monitor and appraise the assessment and settlement of conflicts of interest, including the Company's relations with shareholders and issue opinions on these matters". This power has been delegated to the Corporate Governance and Sustainability Committee.

On 29 July 2010, the General and Supervisory Board approved the regulations on conflicts of interest (Regulations), which are available on the EDP website ([www.edp.pt](http://www.edp.pt)). In short, the reporting obligations set out in these Regulations are as follows:

- ⊕ Up to 30 days after the end of each quarter, the Executive Board of Directors shall inform the Chairman of the Corporate Governance and Sustainability Committee of operations involving potential conflicts of interest.
- ⊕ Within the same time period, the Executive Board of Directors must identify the shareholders owning a qualifying shareholding of at least 2% in EDP or its subsidiaries, calculated pursuant to Article 20 of the Portuguese Securities Code, and who in the period under review:
  - Are creditors of at least 5% of EDP's liabilities
  - Are customers that represent at least 1% of total invoicing or have originated revenue of at least 5 million euros
  - Are suppliers representing at least 1% of the total value of external supplies and services or from which services in the value of at least 5 million euros have been acquired.
- ⊕ The Executive Board of Directors shall provide information on contracts and business relationships between EDP and its subsidiaries.

On the subject of the prior opinion mechanism in relation to conflicts of interest (not to be confused with the General and Supervisory Board prior opinion mechanism described in section 3.3), the Regulations set out the parameters governing their mandatory nature and the procedure involved. Since the Regulations came into effect, no situations have arisen in which it was necessary to initiate a prior opinion for a conflict of interest.

Pursuant to the rules applicable to EDP in matters of relevant transactions between related parties, the General and Supervisory Board examined the 21 cases submitted to it by the Executive Board of Directors during 2014 under section 4.1 of the Regulations and it concluded that no cases were detected during the year relating to:

- Transactions between related parties that significantly affected EDP's performance or financial situation.
- Transactions between EDP and related parties needing to be included in the annual report because of their material relevance or the fact that they were not performed under normal market conditions.
- Evidence that potential conflicts of interest underlying the operations identified by the Executive Board of Directors were resolved in a manner contrary to the company's interests.

### 3.5.2.2. PREVENTION OF CONFLICTS OF INTEREST AT GENERAL AND SUPERVISORY BOARD MEETINGS

The General and Supervisory Board, because of its nature and composition, has settled and prevented potential conflicts of interest likely to arise in its activity, especially when called to give an opinion on matters involving qualifying EDP shareholders as counterparties and with representatives on this board.

In all the identified situations of potential conflicts of interest, it was the members involved who took the initiative to highlight the situation and they abstained from taking part in the relevant discussion and vote.

### 3.5.2.3. SIGNIFICANT RELATIONS OF A COMMERCIAL NATURE BETWEEN THE HOLDERS OF A QUALIFYING SHAREHOLDING AND THE COMPANY

In the current exercise of its activity and regardless of its relevance, EDP performs business transactions and operations in normal market conditions for similar operations with a range of entities, in particular financial institutions. These include holders of qualifying holdings in the EDP capital and companies related to those.

It should be noted here that 2014 was a year marked by the completion of several transactions between EDP and China Three Gorges Corporation ("CTG"), as described in section 3.5.3. below. Most transactions had been preceded by the conclusion of memorandums of understanding formalized in 2013 and the target market was Brazil, with the exception of the acquisition by CTG of a stake in the share capital of EDP Ásia – Investimento e Consultoria, Limitada. It should be noted that the transactions were considered for the purposes of compliance with the strategic partnership agreement signed between EDP and CTG in December 2011, effective from May 2012, in relation to the total investment of EUR 2 billion to be carried out by CTG.

Banco Comercial Português (BCP) during 2014, besides providing some financial intermediation services, was one of the banking institutions of the syndicate of banks included in the Revolving Credit Facility contracted by EDP in the Club Deal, with a participation of EUR 150,000,000, in line with the other institutions involved in the

process. Also in 2014, about EUR 200,000,000 was sold to BCP, as an assignment without recourse, relative to a portion of the deficit of the extra cost of the 2014 Special Status Generation.

Natural gas was acquired from Sonatrach in 2014 under long-term contracts to supply the EDP group and the Soto 4 combined cycle power plant, in the approximate value of USD 318,630,000.

### 3.5.3. DEVELOPMENTS OF THE STRATEGIC PARTNERSHIP WITH CHINA THREE GORGES

With reference to 3.5.1 above, here the transactions made during 2014 between the EDP Group and China Three Gorges Corporation ("CTG") are detailed:

- ⊕ On 3 February, 2014, EDP and CTG met in Lisbon to discuss the terms of the agreement to be concluded between the EDP group company, Labellec, and SIDRI, a subsidiary of CTG, with the aim of joint exploration of opportunities in three areas of common interest, namely, (i) cooperation in research and development in technologies for new energy, (ii) joint participation in international projects developed by other entities, and (iii) mutual technical assistance. The research and development centre (CNET R&D Centre), which was set up in November 2014, allows the capacity of both companies to be increased and expands the potential for the joint development of business opportunities.
- ⊕ On 7 February 2014, EDP Energias do Brasil signed with CWEI (Brasil) Participações, Ltda., a subsidiary of CTG, a purchase and sale contract for the sale of a participation of 33.3% of the company that owns the development rights of Hidroelétrica de São Manoel, through the payment to EDP Energias do Brasil of the costs incurred with the project to then. With this operation, the shareholder structure of the company that operates São Manoel changed to EDP Energias do Brasil (33.334%), CWEI (Brasil) Participações, Ltda. (33.333%) and Furnas (33.333%). This transaction was concluded on 11 November 2014.
- ⊕ On 28 June 2014, EDP Energias do Brasil completed the sale of a 50% stake in the company owning the rights for development of the Jari hydroelectric power plant (373 MW) and 50% of the company owning the rights for development of the Caldeirão hydroelectric power plant (219 MW) to CWEI (Brasil) Participações Ltda., a subsidiary of CTG. The total value of this transaction was BRL 420,600,000.
- ⊕ On 29 December 2014, EDP Renováveis reached agreement with CWEI (Brasil) Participações, Ltda., a subsidiary of CTG, for the sale of a shareholding representing 49% of the share capital of the wind farms in Brazil in operation (84 MW) and in development (237 MW). The conclusion of this transaction is subject to regulatory approvals and it is foreseen that the same will occur during 2015 first semester. CWEI (Brasil) Participações, Ltda. is going to invest a total of BRL 364,800,000 in these projects.
- ⊕ On 30 December 2014, EDP agreed with ACE Asia, an entity held by CWEI Hong Kong Company Limited, which in turn is wholly owned by CTG, the sale of a 50% stake in its subsidiary EDP Ásia – Investimento e Consultoria, Limitada. This transaction generated a capital gain for EDP of EUR 110,000,000.

### 3.5.4. ASSETS ROTATION PROGRAMME

Continuing the strategic agenda of EDP's 2014-2017 business plan, particularly in relation to the existence, simultaneously and in a balanced manner, of growth and deleveraging, several operations included in the assets rotation programme were analysed in plenary session of the General and Supervisory Board. These were the following:

- ⊕ On 20 August 2014, EDP Renováveis reached an agreement with Fiera Axiom Infrastructure US L.P. ("Fiera Axiom") for the sale of a minority stake in a portfolio of wind assets in the United States of America with a production capacity of 1101 MW; the economic interest of Fiera Axiom in portfolio represents a total of 394.5 MW. Based on (i) the price of the transaction and (ii) tax equity liabilities expected of the projects, the implied total value of the portfolio of 1 101 MW totals USD 1.70 billion, which translates to USD 1.54 million/MW.
- ⊕ On 1 October 2014, EDP Renováveis reached agreement with a fund led by EFG Hermes for the sale of a shareholding representing 49% of the share capital and respective shareholder loans for a portfolio of wind farms in operation with net 270 MW. The portfolio, located in France, comprises thirty-three wind farms with five years average life, which currently benefit from a feed-in-tariff remuneration. This transaction represented a capital inflow of EUR 160 million.



### 3.5.5. MAJOR TECHNICAL INVESTMENTS COMPLETED AND IN PROGRESS

The situation of the major technical investments completed and still ongoing has been a topic recurrently reported to the General and Supervisory Board, given its importance. This highlights that the members of the supervisory body should not only have a thorough understanding of the state of evolution of the projects, the vast majority of which begin life as the object of a favourable prior opinion or have had this opinion waived, but also so that the General and Supervisory Board may effectively follow-up on this theme. The presentations made in the plenary session of the General and Supervisory Board on 13 May and 30 October are to be highlighted in this area.

### 3.5.6. NEW COLLECTIVE LABOUR AGREEMENT OF THE EDP GROUP IN PORTUGAL

In strict compliance with the rules of governance concerning the separation of functions between General and Supervisory Board and Executive Board of Directors, the former closely followed the process on the termination in 2012 of the collective labour agreement ("ACT") of the EDP Group in Portugal and the ensuing negotiations aimed at concluding a new agreement. This occurred in July 2014, after the EDP Group in Portugal had reached agreement with sixty-four trade unions representatives of its workers, including all companies (twenty-three) it 100% owns or over which it has a control relationship, based in Portugal. The new agreement covered about six thousand seven hundred workers of the EDP Group in Portugal. It:

- ⊕ Ensures the economic/financial sustainability of the social support model for employees, in health and retirement, reformulating the co-payment mechanisms of the parties in particular;
- ⊕ Reformulates the professional careers management model by increasing its amplitude, creating new descriptions of professional profiles and reinforcing the mechanisms of promotion based on merit;
- ⊕ Establishes rules which encourage the promotion of internal mobility, the flexibility of work organisation and strengthens the internal provisions on occupational health and safety.

### 3.5.7. PLACEMENT OF NEW DEBT ISSUES IN THE MARKETS AND DISPOSAL OF REGULATORY ASSETS

The General and Supervisory Board examined various operations to place new issues, amounting to EUR 1,650 million and USD 1,500 million, and the sale, without recourse, of regulatory credits totalling EUR 1,300 million in Portugal. These topics were the subject of a prior opinion of the General and Supervisory Board or waiving of that opinion. Whatever the case, the supervisory body always carried out their subsequent monitoring.

## 3.6 GENERAL AND SUPERVISORY BOARD 2014 BUDGET

The budget of the General and Supervisory Board for 2014 was approved at the meeting of 19 December 2013. Budgeted expenses came to EUR 3,054 million, with around 74% of this for remunerations, 58% of which for the remunerations of the General and Supervisory Board members and 16% for the remunerations of the staff of the General and Supervisory Board Support Office.

The approved budget had a particular focus on cost containment, although its structure is very rigid since 74% of the costs are for remunerations.

In terms of budget implementation, the overall cost of the General and Supervisory Board, including the remunerations of its members, individually stated and identified in the Company's Governance Report, amounted to EUR 3,184 million, which represents a deviation of around 4%, about EUR 130,000.

# 04.

## ASSESSMENT OF THE WORK AND PERFORMANCE OF THE GENERAL AND SUPERVISORY BOARD

The General and Supervisory Board has set its main goals for the planning of its activities on two broad categories of duties:

- ⊕ Routine, where there was an effort to streamline the form and effectiveness of the General and Supervisory Board's intervention in deliberative and non-deliberative matters.
- ⊕ Non-routine, where there was an effort for the General and Supervisory Board members to learn more about the Group's reality, markets and activities.

The General and Supervisory Board's intervention in routine and deliberative activities is focused on:

- ⊕ EDP's 2013 Annual Report and Accounts
- ⊕ Issuing a favourable opinion on EDP's Budget for 2015.
- ⊕ Issuing or waiving favourable prior opinions on a significant range of operations, the most important being:
  - Investment projects not initially provided for or individually identified in the Business Plan or 2014 Budget.
  - Finance operations via debt issues or the divestment of assets.
  - Diverse partnerships.
- ⊕ Examining the quarterly accounts, as well as monitoring budget implementation.
- ⊕ Monitoring the development of the EDP Group's debt and the processes of obtaining the financing necessary to implement the investment plan.

## 4.1 GENERAL AND SUPERVISORY BOARD INDICATORS

	2014	2013	Change
Plenary meetings planned (no.)	7	7	-
Plenary meetings held (no.)	8	8	-
Members' attendance at Plenary meetings (%)	79	87	8pp
Committees meetings planned (no.)	32	32	-
Committees meetings held (no.)	32	32	-
Members' attendance at Committees meetings (%)	73	78	-5pp
EBD Chairman attendance (%)	100	100	-
Prior opinions (no.)	17	13	4
Prior opinion waivers (no.)	7	11	-4
Training initiatives/workshops (no.)	2	4	-2



## 4.2 GENERAL AND SUPERVISORY BOARD PLENARY MEETINGS 2014 – ATTENDANCES

	27 Feb	10 Apr	8 May	13 May	31 Jul	25 Sep	30 Oct	18 Dec	%
Eduardo de Almeida Catroga	P	P	P	P	P	P	P	P	100
Dingming Zhang (representing China Three Gorges Corporation)	P	R	R	P	P	P	P	P	75
Guojun Lu (representing China International Water & Electric Corp.)	R	R	R	R	R	R	P	R	12.5
Ya Yang (representing China Three Gorges New Energy Co. Ltd.)	R	P	P	P	P	R	P	P	75
Shengliang Wu (representing CWEI (Europe), S.A.)	P	P	R	R	P	P	P	P	75
Fernando Maria Masaveu Herrero	P	P	P	P	P	A	A	P	75
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)	P	P	P	P	P	P	P	P	100
Luis Filipe da Conceição Pereira (representing José de Mello Energia, S.A.)	P	P	P	P	P	P	P	P	100
Mohamed Ali Ismaeil Ali Al Fahim (representing Senfora SARL)	P	P	P	A	P	A	P	P	75
Harkat Abderezak (representing Sonatrach)	A	A	A	A	A	A	A	A	0
Nuno Manuel da Silva Amado	P	P	A	A	P	P	P	P	75
José Maria Espírito Santo Silva Ricciardi*	A	A	A	-	-	-	-	-	0
Alberto João Coraceiro de Castro	P	P	P	P	P	P	P	P	100
António Sarmiento Gomes Mota	P	A	P	P	P	P	A	P	75
Augusto Carlos Serra Ventura Mateus	P	P	P	P	P	P	P	P	100
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	P	P	100
Ilídio da Costa Leite de Pinho	P	P	A	P	A	A	P	P	62.5
Jorge Avelino Braga de Macedo	P	P	P	P	P	P	P	P	100
Manuel Fernando de Macedo Alves Monteiro	P	P	P	P	P	P	P	P	100
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	P	P	P	P	P	P	P	A	87.5
Vasco Joaquim Rocha Vieira	P	P	P	A	P	P	P	P	87.5
Vitor Fernando da Conceição Gonçalves	P	P	P	P	P	P	P	P	100
Rui Eduardo Ferreira Rodrigues Pena	P	P	P	P	P	P	P	A	87.5

\*resigned on 9 May 2014.

P= Present; A= Absent; R= Represented

## 4.3. SELF-ASSESSMENT OF THE GENERAL AND SUPERVISORY BOARD'S WORK

EDP has voluntarily established a formal and impartial process to assess its own work. This distinctive practice adopted by the General and Supervisory Board directly contributes to the Dow Jones Sustainability Index evaluation.

At the beginning of 2015, the members of the General and Supervisory Board were invited to complete a self-assessment questionnaire that was divided into two major areas:

- ⊕ Assessment of the adequacy of aspects of a formal and organisational nature.
- ⊕ Material assessment of the General and Supervisory Board's work.

The purpose of the questionnaires was to be an impartial support document for the General and Supervisory Board's appraisal with a view to the self-assessment opinion that it has to issue and submit to EDP's shareholders.

Based on the answers to the questionnaires, the General and Supervisory Board jointly analysed these data at the meeting of 3 March 2015, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with best corporate governance practices, the General and Supervisory Board wishes to record the following conclusions on the self-assessment of its work and performance in 2014:

- ⊕ The General and Supervisory Board considered its overall performance in 2014 to be excellent, and it consider all assessed aspects to be satisfactory in terms of:
  - The composition, organisation and functioning of the General and Supervisory Board.
  - Institutional co-operation of the General and Supervisory Board with the Executive Board of Directors.
  - Relevance of the work done by the Committees.
- ⊕ The material assessment of the work of the General and Supervisory Board was also considered to be very good or excellent, particularly the activities of:
  - Monitor and advise the Executive Board of Directors.
  - Activity of monitoring the EDP strategy.
  - Monitoring the business plan and budget.

Regardless of the assessment made, the work of the General and Supervisory Board is underpinned by the continual improvement of its performance, both in terms of the performance of its duties and the relationship with the other corporate bodies of EDP, and also in the best interests of the shareholders.

The General and Supervisory Board recorded that to now:

- ⊕ No barriers have been identified that may materially limit or restrict the exercise of its powers or those of its committees;
- ⊕ The Executive Board of Directors has provided the means, financial and otherwise, that the General and Supervisory Board considers necessary for its activities, and it has adopted the necessary measures to ensure autonomous, independent advice from the General and Supervisory Board;
- ⊕ The Executive Board of Directors has provided all necessary information for the General and Supervisory Board and its Committees to perform their duties, whether through periodic reporting on its own initiative or on request by the General and Supervisory Board.

# 05.

## CHALLENGES FACING THE GENERAL AND SUPERVISORY BOARD IN 2015

2014 was a year marked by stability of the mandate of the General and Supervisory Board. In fact, except for the resignation of José Maria Ricciardi, the composition of the Board and the committees has remained unchanged, which has allowed procedures to infiltrate and keep the focus on the exercise of the powers assigned to the General and Supervisory Board and its various committees.

The activity of the Executive Board of Directors and the performance of the EDP Group was closely monitored throughout 2014, in particular in matters most critical and the most demanding sectors and countries, where the regulatory and market environments have proven to be volatile, with inevitable repercussions on the performance of the Group. The process of the approval of the EDP 2014-2017 business plan was of particular relevance, which includes the strategic agenda that the EDP Group proposes to develop and implement in the forthcoming years.

As part of its supervisory powers, the General and Supervisory Board will naturally, in 2015, continue to guide its activity with the aim of complying with the functions of supervision and advising that are assigned it, creating conditions for the achievement of the strategic priorities of the Group and seeking to ensure that they are always aligned with shareholders' expectations.

The new strategic agenda of EDP, adopted on the approval of the 2014-2017 business plan, aims to reconcile a set of strategic priorities that the General and Supervisory Board and its Committees wish to follow: (i) continue to growth, (ii) pursuit financial deleverage, (iii) preserve a low risk business profile, (iv) continue to improve efficiency levels and (v) deliver attractive return to the shareholders.

The General and Supervisory Board expresses its full confidence in the support of EDP's shareholders in 2015 to continue providing the Company's corporate bodies, and the members of the General and Supervisory Board in particular, with all the support and cooperation they need to succeed in the exercise of their duties.



## 06.

## ACKNOWLEDGEMENTS

The General Supervisory Board wishes to thank:

- ⊕ The shareholders, for the trust that they have placed in this supervisory body and for the constant support they have given to its functioning.
- ⊕ The Chairman and members of the Executive Board of Directors, for the results they have achieved and their professional participation in meetings of the General and Supervisory Board and its specialized committees.
- ⊕ The members of EDP's corporate bodies and those of the companies of the EDP Group.
- ⊕ The General Secretariat and Legal Department of EDP for the support provided in the work of the General and Supervisory Board.
- ⊕ The staff of the General and Supervisory Board Support Office for the support provided to the work of the General and Supervisory Board and its specialized committees.
- ⊕ All the employees of the EDP Group, for the manner in which they have contributed to the results achieved.

The General and Supervisory Board also demonstrates its appreciation to José Maria Ricciardi, who resigned as a member of the General and Supervisory Board in May 2014, for his collaboration and commitment to the smooth functioning of the Board.



## 02. ANNEXES

### ANNEX 1 39

GENERAL AND SUPERVISORY BOARD'S OPINION ON EDP'S  
2014 ANNUAL REPORT AND ACCOUNTS

### ANNEX 2 41

GENERAL AND SUPERVISORY BOARD'S STATEMENT  
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FINANCIAL COMMITTEE'S OPINION ON EDP'S 2014  
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### ANNEX 5 45

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### ANNEX 6 49

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### ANNEX 7 51

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### ANNEX 8 53

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## 02.

## ANNEXES

1. GENERAL AND SUPERVISORY BOARD'S  
OPINION ON EDP'S 2014 ANNUAL REPORT  
AND ACCOUNTS

## 1. TAKING INTO ACCOUNT:

- ⊕ The legal and regulatory requirements governing the preparation, appraisal and publication of the EDP Annual Report and Accounts, especially those in the Portuguese Company Code, Portuguese Securities Code and CMVM Regulations;
- ⊕ The activities carried out by the GSB and its committees during 2014, as recorded in the GSB Annual Report;
- ⊕ The documentation provided during the appraisal of the EDP 2014 Annual Report and Accounts by the Executive Board of Directors, statutory auditor, external auditor and the Financial Committee, namely:
  - The detailed presentation by the EBD of the EDP 2014 Annual Report and Accounts, especially the following indicators of the individual and consolidated financial statements:

Indicator	EDP SA	EDP Group (EUR million)
Gross Margin	201	5,367
Gross Operating Results	-4	3,642
Operating Profit	-18	2,193
Net Profit <sup>1</sup>	786	1,040
Net Assets	21,237	42,873
Equity <sup>1</sup>	7,151	8,681
Total liabilities	14,086	30,904
Gross debt	10,817	20,298

<sup>1</sup> – Attributable to the shareholder EDP


- The Statutory Audit Certificate and Audit Report, based on the work carried out:
  - The individual and consolidated financial statements truly and properly show, in all materially relevant aspects, the financial position of EDP as at 31 December 2014, the results of its operations, the cash flows, the changes in shareholder equity and the full revenue for the year ended on that date, in compliance with the International Financial Reporting Standards (IFRS) as adopted in the European Union and the information therein is constant and complete, truthful, current, clear, objective and lawful.



- The information in the management report is consistent with the financial statements for the year and the corporate governance report includes the information required pursuant to Article 245-A of the Portuguese Securities Code.
- KPMG's independent report on the EDP Group's internal control system, which concludes that the controls therein were properly designed and operated effectively during 2014.
- The opinion of the Financial Committee, in which it:
  - Expresses a favorable opinion on the EDP Group's Annual Report and individual and consolidated IFRS Accounts for the year ended on 31 December 2014.
  - Concludes that the operationally of the Internal Control System for Financial Reporting is satisfactory and the full operation of the Risk Management Systems minimizes the risks inherent to the business and its support processes.

## 2. THE GENERAL SUPERVISORY BOARD UNANIMOUSLY DECIDED TO:

- ⊕ Issue a favorable opinion and express its agreement with EDP's 2014 Annual Report and Accounts;
- ⊕ Declare that, to the best knowledge of its Members, the information provided in Article 245(1)(a) of the Securities Code (management report, annual accounts, statutory audit certificate and other documents providing accounts) for the year ended as at 31 December 2014 was prepared in compliance with the applicable accounting standard, giving a truthful and accurate picture of assets and liabilities, the financial situation and the results of EDP and the companies included in the consolidation perimeter, and that the 2014 annual management report faithfully explains the evolution of business, the performance and position of EDP and of the companies included in the consolidation perimeter, and contains a description of the main risks and uncertainties facing them.
- ⊕ Attest that the report on EDP's corporate governance structure and practices includes the elements set out in Article 245-A of the Securities Code and CMVM Regulation 4/2013;
- ⊕ Declare that, in accordance with the information provided by the Executive Board of Directors for 2014, there was no detection of:
  - Transactions between related parties that significantly affected EDP's performance or financial situation.
  - Transactions between EDP and related parties needing to be included in the annual report because of their material relevance or the fact that they were not performed under normal market conditions.
  - Evidence that potential conflicts of interest in the operations identified by the EBD had been settled contrary to the company's interests.
- ⊕ Express its agreement with the FC's assessment of the performance and independence of the statutory auditor and external auditor, in which the FC made a positive evaluation of the work of KPMG (statutory auditor/external auditor) and considered that it had performed its duties with quality, competence, integrity, impartiality and independence.
- ⊕ Recommend that the EDP General Meeting approves the individual and consolidated financial statements for the year ended 31 December 2014, as well as the Executive Board of Directors' proposal for the appropriation of profits.

  
Eduardo Catroga  
Chairman of the General Supervisory Board

Lisbon, 3 March 2015

## 2. GENERAL AND SUPERVISORY BOARD'S STATEMENT ON EDP'S 2014 ANNUAL REPORT AND ACCOUNTS

Pursuant to Article 245(1)(c) of the Portuguese Securities Code, declare that, to the best knowledge of each of the signatories, as members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (hereinafter “EDP”), the information envisaged in Article 245(1)(a) (management report, annual accounts, statutory audit certificate and other accounting documents) for the 2014 financial year was prepared in compliance with the applicable accounting standards. It is also declared that this information gives a truthful and accurate picture of assets and liabilities, the financial situation and the results of EDP and the companies included in the consolidation perimeter, and that the 2014 annual management report faithfully explains the evolution of business, the performance and position of EDP and of the companies included in the consolidation perimeter, and contains a description of the main risks and uncertainties facing them.

Lisbon, 3 March 2015

 Eduardo de Almeida Catroga – Chairman	 Dingming Zhang – Vice-Chairman (as representative of China Three Gorges Co.)
 Alberto João Coraceiro de Castro	 António Sarmento Gomes Mota
 Augusto Carlos Serra Ventura Mateus	 Felipe Fernandez Fernandez (as representative of Cajastur Inversiones)
 Fernando Maria Masaveu Herrero	 Markar Abderetakis (as representative of Sonatrach)
 Guojun Lu (as representative of China International Water&Electric Co.)	 Ilidio da Costa Leite de Pinho
 Jorge Braga de Macedo	 Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)
 Manuel Fernando de Macedo Alves Monteiro	 Maria Celeste Ferreira Lopes Cardona
 Mohamed Al Fahim (as representative of Senfora Sarl)	 Nuno Manuel da Silva Amado
 Paulo Jorge de Assunção Rodrigues Teixeira Pinto	 Rui Eduardo Ferreira Rodrigues Pena
 Shengliang Wu (as representative of China Three Gorges International Co.)	 Vasco Joaquim Rocha Vieira
 Vitor Fernando da Conceição Gonçalves	 Ya Yang (as representative of China Three Gorges New Energy Co.)

### 3. OPINION OF THE GENERAL AND SUPERVISORY BOARD'S FINANCIAL COMMITTEE

- ⊕ Under the terms of the legal and statutory duties, specifically as set in the Articles of Association and internal terms of reference, the Audit Committee ("AUDC" or "Committee") presents this Report and Opinion, based on its understanding of the activity and business performance, the financial position, the effectiveness of the internal control and risk management systems, and its conclusions following the review of the financial statements, the analysis of the information and supporting documentation received over the year of 2014, from the Executive Board of Directors, the Audit Committees of the Subsidiaries, the Statutory and External Auditors (ROC/EA) and from the heads of EDP Group's corporate departments.
- ⊕ For the year ended December 31, 2014, the Audit Committee met with the EDP's Board of Directors and the Heads of the corporate departments to monitor and analyze the most relevant aspects of the activity developed by the EDP Group, in particular with:
  - The Executive Board of Directors (CAE) that presented the Management Information (*Package IFRS*), the *Scorecard* and the Results of the EDP Group;
  - The EDP's heads of corporate departments of Consolidation, Accounting and Taxation (DCF), that presented and discussed with CMF the relevant information related to the condensed financial statements, the scope of consolidation, the accounting policies and criteria, the financial reporting and other relevant information to the Commission;
  - The heads of EDP's corporate departments of Internal Audit (DAI) and Risk Management (DGR), that presented and discussed, respectively, the conclusions of the audit and internal control works performed and the conclusions related to the operation of the Integrated risk management system of the EDP Group;
  - The head of the legal department (SGAJ), which presented and discussed the most relevant conclusions of the processes "litigations" of the EDP Group, focused in the major litigations and other contingencies and review of the provisions, taking into account the assessment risk carried out in accordance with IAS 37.
- ⊕ Also with reference to the year ended on 31 December 2014, the AUDC held meetings with the subsidiaries Audit Committee's Chairmen, to discuss the main issues and any significant matters which affect EDP Group's Financial Statements, and received from:
  - The Audit and Control Committee of Hidroelétrica del Cantábrico (HC Group) - the supporting documentation to the issue of a favorable opinion on the accounting closure procedures and on the consolidated financial statements and the annual corporate governance report of HC Group;
  - The Audit Committee of EDP Renováveis (EDPR Group) - the report and the supporting documentation to the issue of a favorable opinion on the Management Report, Consolidated Accounts and Corporate Governance Report of EDPR Group;
  - The Audit Committee of EDP Energias do Brasil (EDP Brasil Group) - the report with the supporting documentation to the issue of a favorable opinion on the approval of the Financial Statements of the company and its subsidiaries.
- ⊕ The AUDC also met with the Statutory and External Auditors (ROC/EA), to review the main findings and conclusions of the audit work conducted on the condensed consolidated financial statements of EDP Group, for the year ended on 31 of December 2014, where were presented and discussed:
  - The conclusions of the work conducted on the consolidated statement of financial position (showing a total assets of 42.873 M€ and a shareholders' equity attributable to the equity holders of EDP of 8.681 M€) and the consolidated income statement (showing a turnover of 16.294 M€ and a net profit for the year attributable to equity holders of EDP Group of 1.040 M€);
  - The conclusions of the work conducted on the assessment of Internal Control System over Financial Reporting (SCIRF), which include the results of the tests of design and of operating effectiveness, done in different geographies made about 1.940 checks in defined types of controls - Global, Applicational and IT General Controls;
  - The conclusions of the work conducted on the implementation of policies and systems of governing bodies' remunerations;

As a consequence of the work carried out, the ROC/EA issued an unqualified Opinion on (1) the EDP individual and consolidated annual financial statements and the Report on other legal requirements; (2) the Independent Report on the Internal Control System over Financial Reporting (SCIRF) of EDP Group and (3) the implementation of policies and systems of governing bodies' remuneration.

- ⊕ Based on Audit Committee's oversight of the main aspects of EDP Group's activity and business performance, the review and discussion of the information and documentation provided by the Executive Board of Directors and the heads of Consolidation, Accounting and Taxation, Management Control, Internal Audit, Risk Management, Legal Departments, EDP Subsidiaries' Audit Committees and by the Statutory and External Auditors, it is the Audit Committee's understanding that it has received all necessary explanations to the questions raised and in relation to EDP Group's Management Report and Accounts, for the year ended as at 31 December 2014.
- ⊕ Considering the mentioned above and not being aware of any material relevant circumstances which may affect the accuracy of the financial information produced and made available by the company or the appraisal of the quality of the work performed by EDP's Statutory and External Auditors or their independence, for the period ended as at 31 December 2014, the Audit Committee:
  - Issues a favorable opinion on the Annual Report and Individual and Consolidated IFRS Financial Statements of EDP Group and on the profits from the operations at that date, by virtue of its understanding that they are in accordance with the applicable accounting principles and legal and statutory provisions in force;
  - Evaluates positively the operation of the Internal Control System over Financial Reporting (SCIRF), whose continuous improvement has helped to ensure greater reliability of financial information produced and disclosed by the company;
  - Considers effectiveness that the operating of the Risk Management Systems is appropriate and ensures the alignment of the management of the risk with the policies and procedures defined in the EDP Group and with the best practices in this area, allowing for the monitoring and mitigation of the risks inherent in the business activities in the business and support processes.

Lisbon, 3 March 2015

### The Audit Committee

(Eduardo de Almeida Catroga - Chairman)

(Vítor da Conceição Gonçalves – Vice Chairman)

(António Gomes Mota)

(Manuel Alves Monteiro)

(Maria Celeste Cardona)



## 4. GENERAL AND SUPERVISORY BOARD'S STATEMENT ON THE ASSESSMENT AND PERFORMANCE OF THE EXECUTIVE BOARD OF DIRECTORS IN 2014

The General and Supervisory Board, in the uncompromising pursuit of the interests of the EDP and in the exercise of its powers and without prejudice to the principle of institutional cooperation that steers the relationship with the Executive Board of Directors, believes and has also put into practice a principle of maximum exigency and accountability, which has special significance in terms of the assessment of the work and performance of the Executive Board of Directors.

EDP has voluntarily established a formal and impartial process to assess the work of the Executive Board of Directors. This distinctive practice adopted by the General and Supervisory Board directly contributes to the Dow Jones Sustainability Index evaluation, and it acknowledges the continued effort of excellence in corporate governance practices that the General and Supervisory Board has sought to develop.

At the beginning of 2015, the members of the General and Supervisory Board were invited to complete a questionnaire to assess the work of the Executive Board of Directors, which was divided into two major areas:

- ⊕ Assessment of the adequacy of aspects of a formal and organizational nature.
- ⊕ Material assessment of the work of the Executive Board of Directors.

The purpose of the questionnaire was to be an impartial support document for the reflection by the General and Supervisory Board, for the purpose of the opinion this body must issue and submit to EDP's shareholders for voting regarding the assessment of the Executive Board of Directors.

Based on the answers to the questionnaires, the General and Supervisory Board jointly analysed these data at the meeting of 3 March 2015, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with best corporate governance practices, the General and Supervisory Board wishes to record the following conclusions on the process of assessing the work and performance of the Executive Board of Directors in 2014:

The General and Supervisory Board assessed all the aspects under evaluation as adequate in terms of:

- ⊕ Organization and powers of the Executive Board of Directors.
- ⊕ Compliance with the provisions defined by the General and Supervisory Board on:
  - The issue and waiving of prior opinions.
  - Handling conflicts of interest.
  - SA/EA Independence.

The General and Supervisory Board considered the overall performance of the Executive Board of Directors in 2014 to be excellent, with particular emphasis on the following areas of activity:

- ⊕ Strategy
- ⊕ Financing
- ⊕ Information and management control
- ⊕ Preparation of financial and accounting information

Regardless of the assessment made, the work of the Executive Board of Directors is underpinned by the continual improvement of its performance, both in terms of the performance of its duties and the relationship with the other corporate bodies of EDP, and also in the best interests of the shareholders.

## 5. FINANCIAL COMMITTEE'S ANNUAL REPORT

### 1. MEETINGS HELD BY THE FINANCIAL COMMITTEE (FC)

During 2014, the FC met on the dates indicated below:

	31 Jan	14 Feb	21 Feb	21 Mar	11 Apr	7 May	6 Jun	27 Jul	15 a 17 Sep	3 Oct	23 Oct	21 Nov	15 Dec	%
Eduardo de Almeida Catroga (Chairman)	P	P	P	P	P	P	P	P	P	P	P	P	A	92
Vítor Fernando Conceição Gonçalves (Vice-Chairman)	P	P	P	P	P	P	P	P	P	P	P	P	P	100
António Sarmiento Gomes Mota	R	P	P	R	P	R	P	R	P	P	P	P	A	62
Manuel Fernando de Macedo Alves Monteiro	P	R	P	R	P	P	P	P	A	P	P	A	P	69
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	P	R	P	P	P	P	P	92

P=Present; A=Absent; R=Represented

Total meetings in 2014: 13

Average attendance: 83%

### 2. INTRODUCTION

The FC's mission, under the powers delegated by the General and Supervisory Board (GSB), is to permanently monitor and oversee:

- ⊕ The Company's financial matters.
- ⊕ Internal procedures concerning the areas of auditing, accounting practices followed by the Company and the internal control system of financial information and financial reporting, in coordination with the Internal Audit Department.
- ⊕ Matters relating to the risk management process, particularly fiscal, legal and financial aspects.
- ⊕ The work and independence of the Company's statutory auditor (SA) and external auditor (EA), with which it should keep close relations.
- ⊕ The work carried out by the FC also extends to subsidiaries and relevant information from other companies in which the Company or its subsidiaries have a direct or indirect stake. The Rules of Procedure of the FC can be viewed at [www.edp.pt](http://www.edp.pt).

The FC was set up by decision of the GSB on 18 April 2012, with the following members, all considered to be independent:

- ⊕ Eduardo de Almeida Catroga (Chairman)
- ⊕ Vítor Fernando da Conceição Gonçalves (Vice-Chairman)
- ⊕ António Gomes Mota
- ⊕ Manuel Fernando de Macedo Alves Monteiro
- ⊕ Maria Celeste Cardona.

### 3. WORK OF THE COMMITTEE

During 2014, the FC held 13 meetings (as already stated in point 1). In addition to these regular meetings, the members of the Committee held frequent informal working meetings, as they usually do, and they exchanged written information on the most significant matters or those requiring the most urgent settlement, related to the activities of the FC.

The FC, on the most diverse matters subject to monitoring and supervision, and taking into account the objectives defined in the articles of association and law:

- ⊕ Attended the meetings of the Executive Board of Directors (EBD) of EDP that presented and discussed the draft accounts for 2013 and for the 1st and 3rd quarters and 1st half of 2014;
- ⊕ Invited the directors and managers of EDP, with duties and responsibilities in topics that the FC considered should be addressed with a higher level of detail and seniority, to speak at the Committee's meetings, whenever it deemed necessary and appropriate;
- ⊕ The statutory auditor and the external auditors (SA/EA) of the EDP Group also took part in several meetings.

The meetings held covered the areas set out in the Activity Plan of the FC for 2014, with the main goal being to obtain information and analyse the matters of most relevance, with particular focus on the following:

- ⊕ Supervision of financial reporting and the business of EDP – Appraisal and discussion of relevant financial information contained in the Condensed Financial Statements and Management Reports, variations in the consolidation perimeter, the accounting principles and policies adopted and other situations of interest to the FC, tasks that involved the participation of corporate managers of EDP (Consolidation, IFRS Reporting and Taxation Department, Financial Department and the Management Control Department);
- ⊕ Monitoring the activity of the Internal Audit Department (IAD) - Approval of the proposed Activity Plan for 2014; Supervision of the implementation of the annual audits plan and monitoring of the audit reports issued, (Portugal, HCE, EDPR and EDP Brasil), the evolution of improvement initiatives arising from the SCIRF project and the implementation status of the recommendations made by IAD, with reference to the closing of the 2013 financial year and the first nine months of 2014; these being tasks in which the managers of the Corporate IAD assisted; The FC also assessed the activity and performance of the Corporate Internal Audit Department of the EDP Group, for the year 2013;
- ⊕ Monitoring the activity of the Risk Management Department of the EDP Group (DGR) - Analysis of the work of the Risk Management Department in areas of management of risk, and relations with the risk areas of the Holding and the main companies controlled by the EDP Group. The relevant corporate manager of EDP assisted with this task;
- ⊕ Monitoring litigation cases of the EDP Group – Supervision of information and documentation in the ongoing litigation folder of the EDP Group relative to 2013 and the first half of 2014. The relevant corporate managers of EDP assisted with this task (General Secretariat and Legal Department, and the Consolidation, IFRS Reporting and Taxation Department);
- ⊕ Monitoring the contractual relationship with the SA and EA, their work and evaluation of the objective conditions of their independence – Appraisal and approval of the Proposal to contract Audit Services for the year 2014; Appraisal and approval of requests to authorize additional audit services to be provided by the SA/EA, requested by DCF Corporate Centre for the year 2014; Appraisal of the method and approach to the audit process in the EDP Group in 2014; Appraisal of the reports on the conclusions concerning the Annual Reports and Financial Statements of EDP and EDP Finance BV, for the year 2013 and for the 1st and 3rd quarters and 1st half of 2014; Appraisal of the report on the conclusions and opinion about the internal financial reporting control system (SCIRF) of the EDP Group for the year ended 31 December 2013 and the 3rd quarter of 2014; Supervision of the performance of contracts for the provision of audit services and additional services; Analysis of information relating to objective conditions for the independent performance of the roles by the SA/EA. In the monitoring of these matters and other topics considered relevant or pertinent, the Committee was able to rely on the participation of the representatives of the SA/EA whenever necessary, including the person of the SA and the partner responsible for the audit services provided to EDP;
- ⊕ Monitoring of Irregularities Reported (Whistleblowing) - Analysis of complaints received and report on the conclusions drawn, with reference to the 2014 calendar year. There were no complaints with relevant impact on accounting, finance, internal control and audit matters. Although the reports of irregularities received did not fall within the jurisdiction of the FC, it always requested from the competent services of EDP, where applicable, the follow-up and reporting of the results of any action taken. when ended;
- ⊕ Relationship with the Audit Committees of subsidiaries of EDP - Monitoring the work, agendas and minutes of the meetings and the reports/opinions issued by the audit committees of Hidroeléctrica del Cantabrico (HC Group), EDP Renováveis (EDP R Group) and EDP Energias do Brasil (EDP Brasil Group),



on the accounts for the 2013 financial year and the financial statements for the first three quarters of 2014.

In pursuit of this goal, the FC held the 4th Meeting of Audit Committees of the EDP Group between 14 and 17 September, in Régua, Portugal. This meeting was also attended by representatives of the corporate internal audit departments and of EDP's subsidiaries, the Corporate Manager of the Risk Management Department and representatives of the EDP Group's external auditor (KPMG) and a guest consultant - Deloitte. This meeting again allowed a beneficial exchange of experience and knowledge, as well as the establishment of procedures that improve the articulation and communication between the Financial Committee (FC) and the Audit Committees of the EDP Group's subsidiaries.

The FC also sought, through its work, to strengthen the knowledge of the mechanisms and procedures in place, to prevent or detect the occurrence of any events which might affect the capacity of the EDP Group to operate, with the aim of: (i) Produce, analyse and disseminate relevant and appropriate information, faithfully representing the financial situation of the EDP group; (ii) minimize the risk of intentional errors in financial information and of misappropriation or misuse of the company's own resources.

The conclusions drawn from this work and tasks undertaken provided the basis for the FC to issue reports and opinions on the Accounts of EDP and EDP Finance BV relative to the 2013 financial year and the 1st and 3rd quarters and 1st half of 2014.

Lastly, the FC approved the Agenda and Activity Plan for 2015 at the end of 2014. These are work tools containing the main activities to be undertaken by this Committee in each month of the calendar year. These documents not only contribute to greater efficacy and efficiency of the functioning of the Committee in the future, but also place its work in line with internationally accepted best corporate governance practices in force.

#### 4. ASSESSING THE WORK AND INDEPENDENCE OF THE STATUTORY AUDITOR (SA) AND EXTERNAL AUDITOR (EA)

The Financial Committee paid special attention to the nature and scope of the services provided by the company supplying the statutory audit and external audit services to the EDP Group (KPMG), in order to assess its independence and compliance with the contract and principles of good practices governing the activities of audit companies and their representatives in the audited companies. The analysis of the information collected and processed by the Committee in the 2014 calendar year for this purpose gives no indication of conflicts of interest or situations that objectively affect the independence of the SA/EA in the provision of professional services to the EDP Group.

#### 5. ASSESSMENT OF THE WORK OF THE COMMITTEE AND ITS MEMBERS

As usual, the FC conducted its exercise of self-assessment, which is based on two essential goals: (i) provide each of the members of the FC and the Committee as a whole, with a space for reflection on its performance, particularly, as to how it addressed the topics that make up its annual plan of activities, as well as, with regard to the duties that it should perform by law, by the Articles of Association of the company, by the rules of procedure of the FC and according to other regulatory documents of EDP which cover matters that the FC should give attention to; and (ii) allow the Committee to adopt, if appropriate, measures for the improvement of its procedures and operating methods, with the aim of making it more efficient in the future.

Although the FC constantly aims to improve its performance, the Committee knows that, taking into account the knowledge it has of practices in comparable national and international companies, the standards of conduct which guide it are high. Those standards are also in harmony with the recommended best practices in the areas that fall within its spectrum of action. Accordingly, the FC remained committed to ensuring its activities are guided by accuracy, transparency and independence. It shall hold a perception of auditing as a tool that the company can put to use to induce a culture of accuracy and transparency to serve stakeholders and the sustainability of the company in the creation of value.

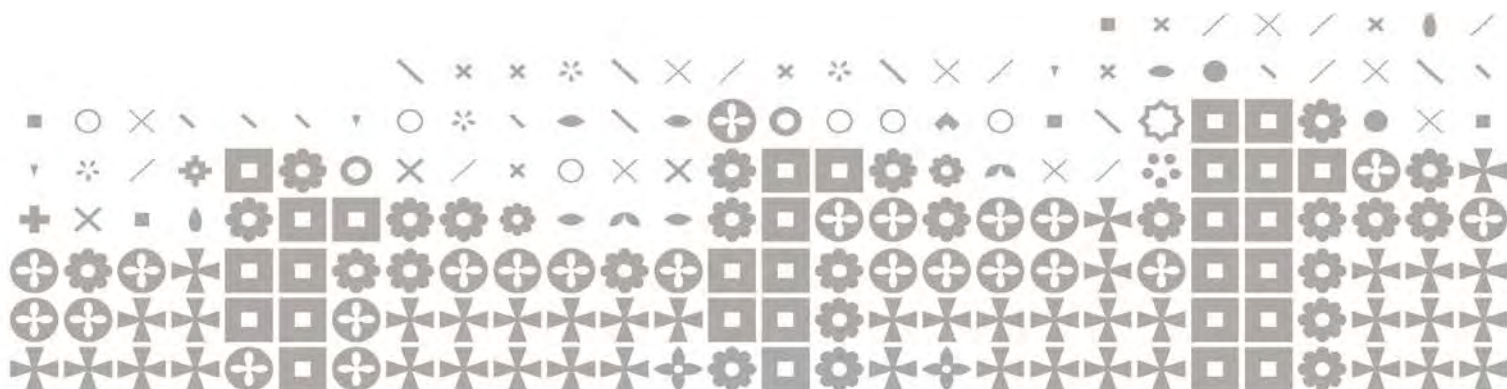
## 6. ASSESSMENT OF THE WORK OF THE COMMITTEE AND ITS MEMBERS

The duties of the FC are demanding, whether at the technical level, regarding general knowledge of the subjects that it addresses, the knowledge required of the various aspects of the business that are conducted in the corporate perimeter of EDP, and also regarding the availability that the functioning of the Committee requires of its members.

The FC notes that it was not faced with situations that raised additional difficulties, and which might jeopardise the requirements on which its work should be based - freedom of analysis and reaching a conclusion, freedom to assess and to investigate and the autonomy to talk and make enquiries at various levels, in regards to matters which it felt deserved its further attention. Likewise, no situation restricted its independence or freedom to act.

## 7. ACKNOWLEDGEMENTS

On concluding this report of its activities, the FC expresses its satisfaction with the way in which the work progressed during 2014. It thanks the GSB and EBD for always being available for this Committee; the large variety of managers of the company that this Committee worked with over this period, the members of the Audit Committees of the subsidiaries – HC Group, EDP Renováveis and EDP Energias do Brasil - with whom fruitful institutional relations were established; the statutory auditor and representatives of the external auditor of EDP, for the availability they always provided and for the work done; and finally, the advisors of the GSB Support Office, for their availability and the professional way they contributed to the functioning and performance of this Committee.



## 6. ASSESSMENT REPORT OF THE WORK AND INDEPENDENCE OF THE STATUTORY AUDITOR (SA) AND EXTERNAL AUDITOR (EA) OF THE EDP GROUP IN THE 2014 FINANCIAL YEAR

During the year 2014, the Audit Committee ("AUDC" or "Committee") has paid particular attention to the nature and scope of the Statutory Audit Review Services and External Audit provided to the EDP Group ("EDP") by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. ("KPMG"), in order to assess the qualifications, to assess the performance of their duties and to assess its independence, in compliance with legal, regulatory and contractual provisions and the principles and best practices that governed the action of KPMG and its representatives to EDP, in particular:

- ⊕ Services Contracts signed between EDP and KPMG
- ⊕ CMVM Regulation No. 4/2013 on Corporate Governance;
- ⊕ 2013 CMVM Recommendations relating to the CMVM Code of Corporate Governance;
- ⊕ Internal Rules of EDP on the Provisions of Services by Statutory Audit and the External Auditor of EDP.

The evaluation process of the Statutory Auditor (ROC) and the External Auditor (EA) of EDP Group was based on the work of the AUDC throughout the year 2014, completed by the analysis of the contract control Checklist provision of audit services concluded between EDP and KPMG and the responses of members of the AUDC internal evaluation system of ROC / EA.

The conclusions of this assessment process and a broad exchange of views among AUDC members, the Committee notes with satisfaction progress in systematizing, comprehensiveness and continuity of good relations ROC / EA with AUDC, responding a more interventionist and active dynamics of AUDC in this relationship, which resulted in an improvement in the mechanisms and information tools and more efficient way of operating.

Note, also, that the analysis of information provided by KPMG (ROC / EA) to this Committee, with reference to the year 2014, does not indicate the existence of conflicts of interest or situations affecting the independence of KPMG, in providing professional services to the EDP Group, as follows:

- ⊕ the amount of total fees charged in different geographies to EDP Group (€ 7,344 m) is less than 0.5% of the volume of business of KPMG in Portugal, Spain, Brazil and the USA;
- ⊕ the fees billed to EDP in Portugal (€ 3,542 m) represent about 4% of KPMG Portugal turnover;
- ⊕ the fees charged by KPMG to EDP Group, other than audit and statutory audit (€ 1,001 m) services represented approximately 10% of total services provided in different geographies;
- ⊕ auditors' independence was confirmed by KPMG, pursuant to and in accordance with the independence rules of the Order of Statutory Audit, the Commission of the Securities Market and KPMG Group, including those defined by the 8th Directive of the European Commission, as well as those defined by the application of International Standards on Auditing issued by the International Federation of Accountants;
- ⊕ auditors' independence was also monitored through an intranet system KPMG itself (Sentinel), which determines the authorization of the Global Lead Partner responsible for the customer, the provision of any office of the KPMG network services.



Furthermore, the interaction that AUDC developed with ROC / EA, throughout 2014, in meetings or through correspondence and provision of varied contributions and clarifications, allowed the collection of information on their action, availability and attitude, whereby AUDC believes that KPMG (ROC / EA) performed his duties with quality, competence, accuracy, impartiality and independence.

Notwithstanding of this assessment, it is the intention of AUDC to continue to develop, in conjunction with the ROC / EA, a reflection, in order to identify areas of operation that may require improvement of operation and provision of services in a process of continuous improvement of the audit activity and the supervision of EDP.

Lisbon, 24th February 2015

#### **The Audit Committee**

(Eduardo de Almeida Catroga - Chairman)

(Vítor da Conceição Gonçalves – Vice Chairman)

(António Gomes Mota)

(Manuel Alves Monteiro)

(Maria Celeste Cardona)

## 7. REMUNERATION COMMITTEE'S ANNUAL REPORT

### 1. MEETINGS

	26 Feb	28 May	31 Jul	29 Oct	%
Alberto João Coraceiro de Castro	P	P	P	P	100
Ilídio da Costa Leite de Pinho	P	P	A	A	50
José Maria Espírito Santo Silva Ricciardi*	A	-	-	-	0
Guojun Lu	P	P	P	P	100
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	P	P	P	P	100

\*Resigned on 9 May 2014

P=Present; A=Absent; R=Represented

**Total meetings in 2014: 4**

**Average attendance: 82.5%**

### 2. INTRODUCTION

The General and Supervisory Board, pursuant to Article 27 of the EDP Articles of Association, must establish a Remuneration Committee (RC) to define the remuneration of the members of the Executive Board of Directors as well as any add-ons, notably old age or disability retirement pension supplements. This Committee must have a majority of independent members.

The RC was composed of three members until 2012. In 2012, following the completion of a review of the composition of the Committee, the General and Supervisory Board decided the number of members of the RC should be increased, which occurred in the course of that year. The Committee currently has four members:

- ⊕ Alberto João Coraceiro de Castro (Chairman)
- ⊕ Ilídio da Costa Leite de Pinho
- ⊕ Guojun Lu
- ⊕ Paulo Jorge de Assunção Rodrigues Teixeira Pinto

The duties of the RC as well as its mission and responsibilities are set out in the rules of procedure (available at [www.edp.pt](http://www.edp.pt)) of the Committee. The content of those rules was approved on 18 April 2012.

### 3. WORK UNDERTAKEN

During 2014, the RC held four ordinary meetings and the average attendance of its members was 82.5%. In addition to the ordinary meetings, the Chairman of the Committee held several working meetings, involving one or more members of the RC, notably in cases where it was known in advance that they could not attend a scheduled meeting, thus allowing the views of the members concerned to be taken into consideration in the work of the RC. Besides informal work meetings there was also an exchange of written information on relevant issues of the activity of the RC.

The main point of the first meeting, on 26 February 2014, was the "Annual statement on the remuneration policy for members of the EBD". In that meeting the members of the RC conducted a detailed examination of each of the main aspects of the remuneration policy and how the chosen indicators would, or would not, achieve the purpose of ensuring a competitive remuneration mix. Also examined was to what extent that produced a system

of incentives that could be considered a paradigm in the alignment of the executive management activity with the interests of shareholders and the company's partners, in a perspective of economic and financial sustainability.

After discussion among the members of the RC no reasons were found to change the basic principles that have presided over the definition of remunerations, namely the continued existence of a variable component with twice the weight of the fixed portion, and in which the factors of multi-year performance are weighted more strongly than those relating to annual performance.

The RC unanimously approved to submit for the approval of shareholders at the Annual General Meeting the annual statement on the remuneration policy for members of the EBD, embodying the guidelines set out above.

The main item of the second meeting, held on 28 May 2014, was to determine the annual variable remuneration relating to the 2013 financial year and the multi-year remuneration of the members of the EBD assigned to that same year, based on the guidelines previously approved and voted on at the General Meeting. The Chairman of the RC invited the Chairman of the EBD, António Mexia, to attend this meeting. He shared with the members of the RC his assessment of the performance of the other members of the EBD, providing any explanations needed.

In the third meeting, held on 31 July 2014, the main concern was to set and ratify the annual variable remuneration relating to the 2013 financial year and the multi-year remuneration of the members of the EBD assigned to that same year.

In the fourth meeting, held on 29 October 2014, the Committee analysed and discussed the remuneration policy by comparison with those practiced in the market, namely PSI20 and Euro Stoxx Util 600 Companies. It was able to rely on, whenever necessary and so requested, assistance from the members of the GSB Support Office.

## 4. WORK UNDERTAKEN

The RC must, as part of its statutory duties, make an annual self-assessment of its work.

In this regard, and based on the methodology developed for the assessment of the work of the General and Supervisory Board and of the other committees of this Board, the members of the RC were asked in January 2015 to fill out a questionnaire to assess the work of the Committee in 2014. This questionnaire was broken down into three main areas:

- ⊕ Organisation, composition and functioning
- ⊕ Work done in 2014
- ⊕ Individual assessment

At the meeting held on 2 March 2015, the members of the Committee reflected on the results of the self-assessment questionnaire, based on the answers provided in the same. They concluded that the Committee's performance, as a whole, was excellent.

## 8. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE'S ANNUAL REPORT

### 1. MEETINGS

This table summarises the information on the meeting dates and attendance record of the Committee's members.

	%	25 Feb	29 Jul	28 Oct
Manuel Alves Monteiro	100%	P	P	P
Ilídio Pinho	0%	A	A	A
Maria Celeste Cardona	66%	A	P	P
Shengliang Wu	100%	P	P	P
Vasco Rocha Vieira	100%	P	P	P

P=Present; A=Absent; R=Represented

**Total meetings in 2014: 3**

**Average attendance: 73%**

### 2. INTRODUCTION

The Corporate Governance and Sustainability Committee (Committee or CGSC) was established on 27 July 2006. It currently has five members:

- + Manuel Alves Monteiro (Chairman)
- + Ilídio Pinho
- + Maria Celeste Cardona
- + Shengliang Wu
- + Vasco Rocha Vieira

The duties of the Corporate Governance and Sustainability Committee as well as its mission and responsibilities are set out in the rules of procedure of the Committee (available at [www.edp.pt](http://www.edp.pt)).

### 3. WORK UNDERTAKEN

The CGSC is responsible for permanently monitoring and supervising matters concerning:

- + Corporate governance
- + Strategic sustainability
- + Internal codes of ethics and conduct
- + Systems for evaluating and resolving conflicts of interest, namely relations between the Company and its shareholders



- ⊕ The definition of appropriate selection criteria and powers to be observed in the structures and internal bodies of the Company or subsidiaries and assessment of their impact on the respective composition
- ⊕ Drawing up succession plans.

In the performance of its duties, the CGSC should pay special attention to the following, considering its above-described duties:

- ⊕ Changes in corporate governance policies and practices, particularly changes in Articles of Association or internal regulations.
- ⊕ The overall organisation of the Company and its subsidiaries with regard to corporate governance.
- ⊕ The Company's institutional and commercial relations with members of the corporate bodies and qualifying shareholders, identifying any conflicts of interest.
- ⊕ Compliance with good governance practices, ethical codes and codes of conduct on the part of the Company and its subsidiaries.

Accordingly, the CGSC adopted an Annual Plan of Activities and has been complying with it over its mandate, particularly during the year just ended. It held three meetings last year. The most significant topics addressed in those meetings were:

- ⊕ Reporting relevant situations in terms of conflicts of interest
- ⊕ Ethics and Conduct
- ⊕ Sustainability
- ⊕ Corporate Image and Stakeholder Management
- ⊕ Corporate Governance
- ⊕ Monitoring the work of the Customer Ombudsman's Office

The CGSC has played an important role in the preparation and systematization of the information to be reported to the GSB. Of particular note in this regard is, (i) the assessment and overseeing of internal procedures concerning matters of conflicts of interest, as well as the effectiveness of the systems of assessment and resolution of these conflicts and (ii) the support provided in defining the policy of the Company and its subsidiaries for the code of conduct, the adoption of good practices and compliance with the highest standards of ethics, as well as on issues of sustainability.

The presentations made on corporate image and the management of stakeholders within the EDP Group were also of relevance, both in terms of analysis of the evolution of the EDP brand over the years and as regards the stakeholder policy that has been followed by the Company, giving the Committee a better understanding of this theme.

The important contribution made by the CGSC in the analysis of corporate governance issues is also to be highlighted, which are increasingly taking on an important role in any company. It should be mentioned, in this regard, the speech given by the Instituto Português de Corporate Governance at the CGSC meeting of 29 July 2014. This speech was very interesting and it triggered a process of internal analysis to gauge the degree of compliance with the recommendations of that entity (and not just with those issued by the CMVM). This process was extremely enriching, allowing the Company to carry out a reasoned insight into its best practices and the path it intends to follow in the future.

A final note on the report of the activity of the Customer Ombudsman's Office, considering the recent changes in terms of liberalisation of the energy market. The EDP Group demonstrated all its resilience and capacity to deliver in this field, with the Customer Ombudsman assuming a leading role in the settlement of these issues that naturally arise in a market undergoing complete change.

## 4. ASSESSMENT OF THE WORK

This exercise aims to promote among each member of the CGSC and in the Committee as a whole, a reflection on its performance, particularly its composition and the way it is organised, as well as with regard to the duties it should perform, pursuant to the rules of procedure of the Committee, approved by the General and Supervisory Board. This exercise is important for an approach of continuous improvement to be implemented in the functioning of the Committee.

The analysis of the results of the self-assessment carried out at the start of 2015 show:

- ⊕ The members of the CGSC generally considered the composition, organisation and functioning to be adequate, without prejudice to keeping the principle of continuous improvement always underlying any assessment process;
- ⊕ The assessment of the work and duties of the Committee is positive. The areas with some space for improvement are noted as being the appraisal of the overall organisation of the Company and controlled companies with regard to corporate governance as well as the appraisal of the institutional and commercial relations of the company with the members of the governing bodies and qualified investors, included in the framework of measures to be taken identifying possible conflicts of interest;
- ⊕ The assessment of the overall balance of the work is one of compliance in full with the CGSC plan of activities for 2014. The most positive factors to be highlighted are the Committee's overall activity and productivity of the meetings held.



## 9. STRATEGY COMMITTEE'S ANNUAL REPORT

### 1. MEETINGS

	%	27 Mar	30 Apr	31 Jul	25 Sep	30 Oct	17 Dec
Eduardo de Almeida Catroga	100	P	P	P	P	P	P
Dingming Zhang (CTG)	67	P	P	P	A	A	P
Shengliang Wu (CTG)	100	P	P	P	P	P	P
Felipe Fernandez Fernandez (OPPIDUM)	33	A	A	A	P	A	P
Harkat Abderezak (Sonatrach)	0	A	A	A	A	A	A
Jorge Braga de Macedo	100	P	P	P	P	P	P
José Maria Espírito Santo Silva Ricciardi	0	A	A				
Mohamed Ali Al Fahim (Senfora)	50	A	A	P	A	P	P
Nuno Amado (BCP)	17	P	A	A	A	A	A
Augusto Mateus	83	P	P	P	P	P	A

P=Present; A=Absent;

**Total meetings in 2014: 6**

**Average attendance: 61%**

### 2. INTRODUCTION

The Strategy Committee (hereinafter SC) was established on 18 April 2012. It currently has ten members, including the Chairman and Vice-Chairman of the General and Supervisory Board:

- ⊕ Eduardo de Almeida Catroga (Chairman)
- ⊕ Dingming Zhang (Vice-Chairman) \*
- ⊕ Shengliang Wu \*\*
- ⊕ Felipe Fernandez Fernandez
- ⊕ Harkat Abderezak
- ⊕ Jorge Braga de Macedo
- ⊕ José Maria Espírito Santo Silva Ricciardi \*\*\*
- ⊕ Mohamed Ali Al-Fahim
- ⊕ Nuno Amado\*\*
- ⊕ Augusto Mateus\*\*

\* Took office on 11 May 2012

\*\* Took office on 9 May 2013

\*\*\* Resigned from office on 9 May 2014

The duties of the Strategy Committee as well as its mission and responsibilities are set out in the rules of procedure of the Committee (available at [www.edp.pt](http://www.edp.pt)).

### 3. WORK UNDERTAKEN

The reason for creating the Strategy Committee was for the General and Supervisory Board to permanently monitor, through a specialised committee, the following areas of the Company's business:

- ⊕ Long-term strategies and scenarios
- ⊕ Strategic implementation and business planning
- ⊕ Major investments and divestments
- ⊕ Debt and financing
- ⊕ Strategic alliances
- ⊕ Evolution of markets and competitiveness
- ⊕ Regulation

The specific duties assigned to the Strategy Committee are the following:

- Appraisal of the strategic plans of the Company, through the analysis of the different development scenarios on which they are based and implementation in the different markets and activities in which the company operates;
- Appraisal of the business plans and annual budgets as part of the strategy of the Company;
- Analysis of investment, disinvestment, merger, acquisition and restructuring of business projects of significant value, as part of the strategy of the Company;
- Monitoring financing operations and the development of the company's capital structure, analysing in particular the evolution of the debt of the company, covering all the variables with relevant impact in this field;
- Monitoring the strategic alliances concluded by the Company and the concrete actions resulting thereof, as part of the strategy of the Company;
- Observance of the change of variables that have an impact on the development of the company's activities in the various markets in which it operates;
- Monitoring the regulatory climates in which the Company has activities, evaluating the regulatory risk to the Company and the foreseeable impact on the results of the company;
- Appraisal of requests for prior opinion submitted by the Executive Board of Directors when such is deemed relevant by the Chairman of the General and Supervisory Board.

The work of the Strategy Committee focuses, considering the above-described duties and responsibilities, not only on EDP but also the controlled companies. This is the reason why the goal of this Committee, and following on from previous years, is that all members actively take part in the discussion of the EDP 2014-2017 Business Plan, whether concerning the Group or the main strategic units of the EDP Group. This discussion shall focus in particular on the strategic priorities, risks and associated results.

In the context of the strategic reflection, 2014 was particularly important with the preparation of the EDP 2014-2017 Business Plan. The Strategy Committee was especially involved in the discussion of both documents. The members of the Committee were informed of the progress of the strategic reflection conducted at the Executive Board of Directors (EBD) level, and meetings of joint reflection were held by the members of the Strategy Committee with the EBD. This process also involved the holding of extraordinary meetings to provide explanations. All the members of the GSB were invited to these meetings.

The Strategy Committee held six meetings in 2014. The topics addressed at these meetings were:

- ⊕ EDP 2014-2017 Business Plan (1st meeting)
  - Appraisal of the development of the analytical process: Baseline scenario: portfolio restructuring and divestment options; analysis of main growth platforms; and potential of efficiency improvement initiatives;
  - Situation report on the status of the 2014-2017 Business Plan.
- ⊕ EDP 2014-2017 Business Plan (2nd meeting)



- The proposal of the EBD for the EDP 2014-2017 Business Plan.
- ⊕ Financing policy and investments, financial debt structure and deleveraging.
- ⊕ Innovation in the EDP Group
  - EDP Group's innovation policy;
  - The new disruptive challenges of the energy sector (new services of EDPC);
  - Strategic plan of EDP Inovação;
  - Strategic plan of Labelec
- ⊕ 2014-2017 Business Plan of the business units Presentation to the Committee of the individual business plans of the following business units of the EDP Group:
  - EDP Produção
  - EDP Comercial
  - EDP Renováveis
  - EDP Distribuição
  - EDP Gás
  - EDP Internacional
- ⊕ Presentation of the Peruvian electricity market
  - San Gabán Project

It is the aim of this Committee to continue to monitor throughout 2015 the phases and the permanent strategic reflection of EDP as well as the compliance of the company's performance with the business plan at group level, and the individual business plans of the various strategic units that are part of the Group. It will also monitor the realization of investments and/or divestments, debt and pay particular attention to degree of implementation of the strategic alliances of the EDP Group.

The activity carried out in 2014 by this Committee leads us to conclude that the necessary mechanisms were already in place for the articulation of its activity with the bodies and services of the Company and controlled companies, resulting in the definition of procedures that permit the monitoring of the various topics under analysis and their presentation at the plenary meeting of the General and Supervisory Board, whenever such is appropriate considering the respective importance.

## 4. ASSESSMENT OF THE WORK

This exercise aims to promote among each member of the Strategy Committee and in the Committee as a whole, a reflection on its performance, particularly its composition and the way it is organised, as well as with regard to the duties it should perform, pursuant to the rules of procedure of the Strategy Committee, approved by the General and Supervisory Board. This exercise is important for an approach of continuous improvement to be implemented in the functioning of the Committee, after the first year of its work.

The members of the Strategy Committee generally consider its composition and organisation to be adequate. As regards the duties of the Strategy Committee, its members consider that there is room for improvement, particularly in aspects directly linked to the monitoring of the regulatory contexts of the different business units and the financing operations and evolution of the company's capital structure. It is the opinion of the members of the Strategy Committee that this committee complied almost totally with its Activity Plan for 2014. The overall assessment of the Committee's work in 2014 was quite positive.

# 10. PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE'S ANNUAL REPORT

## 1. MEETINGS

	26 Feb	7 May	30 Jul	26 Sep	29 Oct	12 Dec	%
Luis Filipe da Conceição Pereira	P	P	P	P	P	P	100
Ya Yang	A	P	P	A	A	A	33
Alberto João Coraceiro de Castro	P	P	P	P	P	P	100
António Sarmento Gomes Mota	P	P	P	P	A	P	83
Fernando Masaveu Herrero	P	P	P	A	A	A	50
Nuno Manuel da Silva Amado	P	A	A	A	A	A	17
Shengliang Wu	P	A	P	P	P	P	83

P=Present; A=Absent;

**Total meetings in 2014: 6**

**Average attendance: 67%**

## 2. INTRODUCTION

The reason for establishing the Performance Analysis and Competitiveness Committee (the Committee or PACC) was to give the General and Supervisory Board (the Board or GSB) a specialised Committee that might permanently monitoring the following matters:

- ⊕ Analyse the business performance of the company and controlled companies;
- ⊕ Benchmarking the company's business performance compared to the industry's top companies;
- ⊕ Assess the competitiveness of the business portfolio of EDP.

The specific duties assigned to the PACC are the following:

- ⊕ Follow up and advise on the process of defining the key performance indicators of the Company, in articulation with the Executive Board of Directors (EBD);
- ⊕ The selection and prioritization of the main strategic topics for monitoring by the Company, on the basis of its strategy;
- ⊕ The preparation of information for the GSB concerning the analysis of the performance of the Company, on a regular basis, focusing on the topics previously defined and prioritized, and presentation to the Chairman of the GSB of conclusions and recommendations to be submitted at the plenary meeting of the Board;
- ⊕ Analysis of the corporate performance of the Company, using adequate tools for the purpose, particularly in terms of evaluation metrics, reports prepared by the management control and strategy bodies of the Company and research reports from third parties;
- ⊕ Benchmarking the company's business performance compared to the industry's top companies and comparable international best practices;
- ⊕ Assessing the competitiveness of the business portfolio of EDP in terms of business areas and countries;
- ⊕ Monitoring the implementation and results of major investment projects.

The PACC was established on 18 April 2012. It currently has seven members:

- + Luís Filipe da Conceição Pereira (Chairman)
- + Ya Yang (Vice-Chairman)
- + Alberto João Coraceiro de Castro
- + António Sarmento Gomes Mota
- + Fernando Masaveu Herrero
- + Nuno Amado
- + Shengliang Wu

The duties of the PACC as well as its mission and responsibilities are set out in the rules of procedure of the Committee (available at [www.edp.pt](http://www.edp.pt)). The content of those rules was approved on the same date.

### 3. WORK UNDERTAKEN

The PACC held six meetings during 2014, with an average attendance rate of 67%. The meetings were attended by external persons whenever such was deemed significant, in particular members of the management bodies and senior managers of the Company and controlled companies.

The following matters were discussed at those meetings:

- + Performance of the Business units of the EDP Group in 2013
- + Profitability of the EDP Group and Business Units (2010-2013)
- + EDP share performance 2013
- + Performance of the Business units of the EDP Group in Q1 2014
- + Development of customer debt, consolidated and by business unit
- + Performance of EDP Renováveis
- + Performance of the Business units of the EDP Group in 1st Half 2014
- + EDP share performance in the capital market 1st Half 2014
- + Operational efficiency projects in progress
- + Comparative study of the electricity and gas distribution networks
- + Comparative study of the sales activity
- + Performance of the Business units of the EDP Group in Q3 2014
- + Assessment consensus of EDP
- + Comparative study of the CCGT, Coal and Hydropower plants
- + EDP Budget for 2015 - preliminary version

The activity carried out in 2014 by this Committee leads us to conclude that the necessary mechanisms are in place for the articulation of its activity with the bodies and services of the Company and controlled companies, resulting in the definition of procedures that permit the monitoring of the various topics under analysis and their presentation at the plenary meeting of the GSB, whenever such is appropriate, considering the respective importance.

The PACC can count on members of the GSB Support Office to assist with the development of its work.

## 4. ASSESSMENT OF THE WORK

The PACC must, as part of its statutory duties, make an annual self-assessment of its work.

In this regard, and based on the methodology developed for the assessment of the work of the General and Supervisory Board and of the other committees of this Board, the members of the PACC were asked in January 2015 to fill out a questionnaire to assess the work of the Committee in 2014. This questionnaire was broken down into three main areas:

- ⊕ Composition, organisation and functioning
- ⊕ Work and duties
- ⊕ Individual assessment

At the meeting held on 2 March 2015, the members of the Committee reflected on the results of the self-assessment questionnaire, based on the answers provided in the same. They concluded that the Committee's performance, as a whole, was excellent. Nevertheless, and from a perspective of continuous improvement, it was possible to identify areas where the work could be improved, particularly as regards how much in advance supporting documentation is distributed before a meeting.



## LIST OF ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations are used throughout this report for ease of expression, although the names and expressions they substitute may also be used occasionally:

**GM** - General Meeting

**EA** –External Auditor

**ECB** – European Central Bank

**EBD** - Executive Board of Directors

**Cajastur** - Caja de Ahorros de Asturias

**PACC** - Performance Analysis and Competitiveness Committee

**GSB** - General and Supervisory Board

**CGSC** - Corporate Governance and Sustainability Committee

**SC** - Strategy Committee

**FC** - Financial Committee/Audit Committee

**CTG** – China Three Gorges

**RC** - Remuneration Committee (GSB)

**CVM** - Portuguese Securities' Code

**CMVM** - Portuguese Securities Market Commission

**CSC** - Portuguese Companies' Code

**EDP (or 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.

**IMF** – International Monetary Fund

**GSBSO** - GSB Support Office

**HC** - Hidroeléctrica del Cantábrico, S.A.

**Natargas** - Natargas Energía, S.A.

**NGOs** – non-governmental organisations

**CEBD** - Chairman of the Executive Board of Directors

**CGSB** - Chairman of the General and Supervisory Board

**AR** – EDP's Annual Report and Accounts

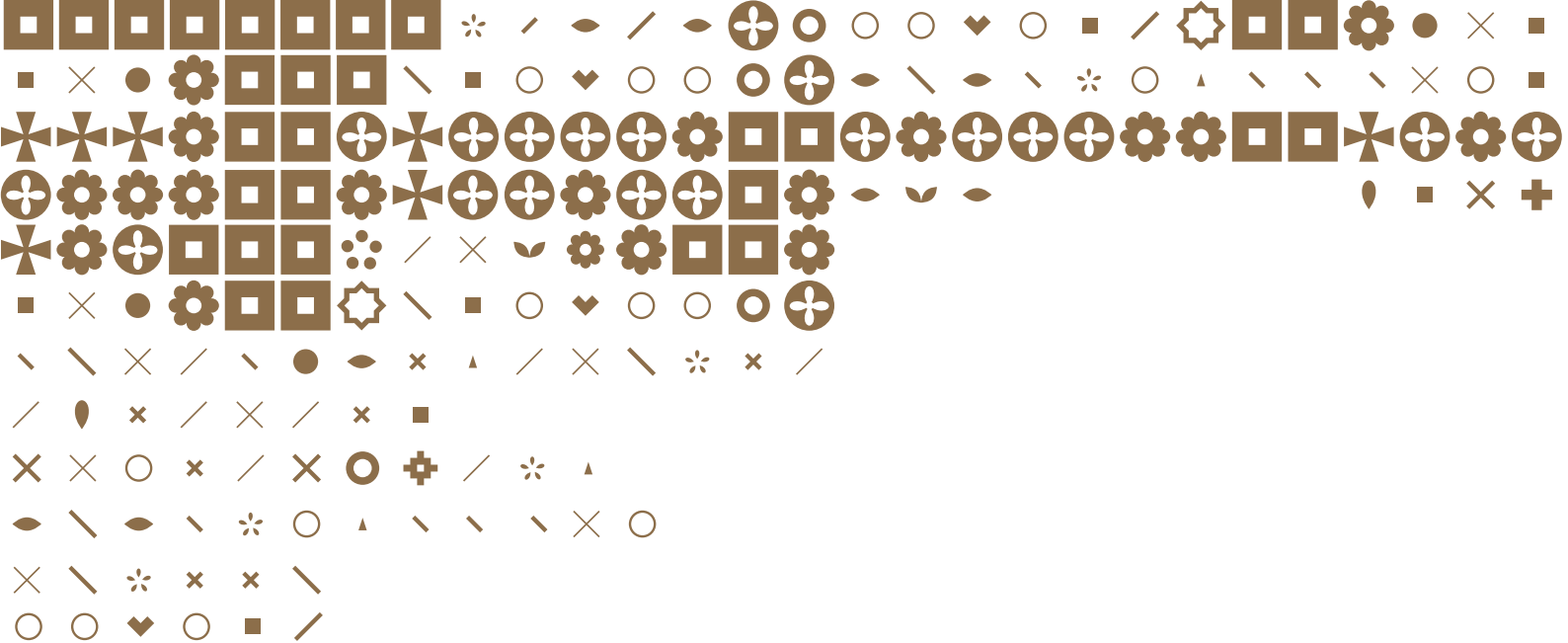
**IR** - Internal Regulations

**SA** – Statutory auditor

**Subsidiaries/Controlled companies** -companies in a control or group relationship with EDP, pursuant to Article 21 of the Portuguese Securities' Code

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

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



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