



a better energy, a better future, a better world.

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message from the chairman

Dear Shareholders

It is with great honour that I have the opportunity to deliver the GSB Annual Report. Although I was only elected Chairman at the EDP's General Shareholders' Meeting held on 20th February 2012, I am privileged to be part of this governing body as an independent Member since 2006, which gives me a broad knowledge of the activity of the GSB in which I have now the responsibility to be the Chairman.

The first note to highlight for the year 2011 is the fact that EDP was able to achieve good results in a very difficult context. This was possible with the implementation of EDP Business Plan 2010-2012, focused on three strategic pillars: Controlled Risk; Superior efficiency and Focused Growth.

The economic, financial and social context demanded a greater effort from EDP Group to achieve its key strategic goals. In fact, several events both on international and national levels have influenced not only the present but also the future of the energy sector.

In terms of economic environment, it is worth noting the difficulties in Europe concerning the "sovereign debt" problem, which had, and continues to have, a significant impact on the economic and financial situation of the "euro zone" and not only in the countries that, in 2010, had the need to implement financial rescue plans like it happened in Greece and Ireland. Following an adverse evolution of its financing conditions in international markets, Portugal had also to seek international financial assistance, which happened with the signing of the "Memorandum of Understanding on Specific Economic Policy conditionality" (MoU) between Portugal and the European Union, ECB and IMF in May 2011.

The MoU includes important measures for the Portuguese economy. Portugal needs to make a macro-economic adjustment to correct its economic and financial imbalances, while adopting structural measures to increase the growth potential of the economy.

The economic and financial difficulties in 2011 were felt in every market in which EDP operates, even in those where a positive development is expected, as it is the case of Brazil and the USA. Moreover, the energy sector is undergoing changes that will have great impact on energy companies, namely those located in the European Union and Iberian Peninsula.

Of course, the difficult economic environment has its reflection in the financial market conditions. Although the interbank interest rates remain almost at record lows, the "spreads" of the countries affected by the sovereign debt crisis reached historical highs. In this sense, financing conditions have worsened not only for countries but also for companies requiring active policies to control and reduce costs. Naturally, the financial effect puts pressure on the economic performance of companies located in those countries, which have been forced to find new markets and business opportunities in order to create value.

Additionally, the economic and financial framework described has important implications at social level, in particular in the field of unemployment rates and disposable income of households. Families are constrained to adopt austerity measures to tackle not only the immediate difficulties but also the uncertainties regarding the future.

In this context, EDP's achievements in 2011 are very positive and it is important to emphasize that this is not limited to economic and financial performance. As a result of the commitment to the communities in which it operates, EDP increased in recent years its initiatives concerning communities support: health, family welfare, environment and education. Those programs have been developed mainly through the EDP Foundation, HC Foundation and Instituto Energias do Brasil. EDP has devoted great energy to these causes because it believes that promoting social innovation and "stakeholders" active engagement, from customers and suppliers to NGOs and local communities, it is possible to create and share value in sustainable development projects. This is an area in which EDP has assumed worldwide leadership in terms of innovation. This fact that has been recognized by several national and international awards obtained by the EDP. In particular, in 2011, EDP has been considered, for the second consecutive year, the world leader company in the electricity sector in the Dow Jones Sustainability Index.

Naturally, one of 2011 key events was EDP privatization process (8th phase). This process was part of the political programme of the previous Government and afterwards included as a specific commitment in the MoU with the European Union, ECB and IMF, has become an important opportunity for the country and for the company. Accordingly, the agreements with the China Three Gorges on 30th December 30 2011, which are expected to be in force very soon, are a milestone in the life of this company, and regarding this new approach I would like to express my optimism.

In addition to other positive aspects that emerged from this operation, it should be highlighted the GSB role in this process, consolidating its strategic role in defending the interests of EDP and all its shareholders. In this aspect, the GSB intervened in the key stages of the process with a clear mission to ensure the protection of value, identity and unity of EDP.

During 2011, within the various initiatives that were developed, this was always the fundamental purpose of GSB activity as reflected in this annual report, which, in an objective and transparent path, continues to be a distinctive landmark in corporate activity EDP, allowing shareholders to have an important insight of the organization, operation and activity of this governing body which, in an innovative and distinctive way, was able to act as a key pillar of EDP corporate structure.

Taking in consideration the new term of office and the challenges ahead, I would like to underline the expressive support from EDP shareholders in the GSB, manifesting their confidence in the ability of the GSB, within the framework of its powers and in close cooperation with EBD, to promote a full alignment of the EDP activity with the fundamental interest in sustainable value creation, leveraging in this process the interests of its "stakeholders" in an inclusive and distinctive way.



More than our vision of being a global energy company, a leader in value creation, innovation and sustainability, it is extremely gratifying that, nationally and internationally, we are recognized as such. This is also the commitment of the General and Supervisory Board.

Finally, I would like to extend words of profound gratitude to:

- The Shareholders that, at the 20th February General Shareholders' Meeting, have entrusted me the responsibility of chairing this governing body.
- The GSB Members that have ended their term of office, in particular the former Chairman, Mr. Antonio de Almeida, who has promoted a rapid and smooth transition between terms of office.
- The current GSB Members for their support and willingness to exercise the responsibilities that have been assigned to this governing body.
- The Chairman and Members of the EBD for the professionalism, dedication and cooperation, fundamental values to assure that EDP continues its remarkable process of assuming itself as a world leader company in the energy sector.

A handwritten signature in black ink, appearing to read 'E. Catroga', with a long, sweeping underline that extends to the right.

Eduardo de Almeida Catroga
Chairman of the General and Supervisory Board

Lisbon, 8th March 2012

1. edp's governance model

The Annual Report gives an account of the corporate governance structures and practices as well as a statement of compliance with the Corporate Governance Code recommendations published by the CMVM in 2010.

At the end of the second term of office since EDP's shareholders adopted the dual model in 2006, the experience acquired makes it possible to set out a particularly reasoned appreciation of the model's positive features and challenges and some aspects that the GSB should consider with a view to the constant improvement of EDP's governance practices.

This reflection is particularly important with the completion of the eighth phase of EDP's reprivatisation, which will culminate in the change in its main shareholder resulting from the divestment of a 21.35% shareholding from Parpública to China Three Gorges (CTG). This process involves a number of important commitments in terms of corporate governance, not only regarding the members of the corporate bodies about six weeks prior to the AGM, but also some amendments to the Articles of Association made at the General Meeting of 20 February 2012:

- Amendment to Article 10 of EDP's Articles of Association with the addition of a new paragraph 10: "A shareholder that individually owns at least 20% of the Company's share capital and which, directly or through a legal person by which it is owned, signs and maintains with the Company a strategic partnership agreement for medium- or long-term business cooperation in the generation, distribution or supply of electricity or natural gas approved under the law and Articles of Association, with the prior approval of the General and Supervisory Board, shall not be considered to be a legal person in competition with EDP".
- Amendment to Article 14(3) of EDP's Articles of Association, which shall now read as follows: "The votes cast by a shareholder on his own behalf or in representation of another in excess of 25% of all votes representing the share capital shall not be counted".

Furthermore, 2011 also witnessed the end of the Portuguese government's golden share in EDP. The process was completed on 25 August at an extraordinary General Meeting that removed and amended the provisions in the Articles of Association considered by the European Union Court of Justice as contravening community law.

The amendments, including those to the Articles of Association made due to incidental requirements, suggest that extensive reflection should be undertaken within the Company as to EDP's governance model so that systematic, structured efforts can be made to strengthen governance practices so that they promote EDP's interests effectively and efficiently. Due to its competences and membership, the GSB should naturally be in charge of this process.

Over its two terms of office, the outgoing GSB undertook a number of corporate governance initiatives. In an initial phase, in its first term, these initiatives arose from the implementation of the dual model itself and the organisation and functioning of the GSB. In fact, the main changes resulting from the dual model as opposed to the single model was the institutional figure of the GSB and its relationship with the EBD. Rather than creating all the organisational rules and regulations from scratch, the main challenge was promoting governance practices that, with the participation of its members, guaranteed effective, full and not merely formal fulfilment of the GSB's duties under the law and Articles of Association. This depends mainly on the will of its members and the interpretation of their obligations.

During its second term, the GSB's concern with regard to corporate governance was more far-reaching and sought to reflect an integrated, demanding vision of the different aspects

of the company's governance. In this context, the EDP Corporate Governance Manual (the Manual) was approved by the GSB and EBD and then published. The Manual was distributed to the shareholders at the 2011 GM and is available on the EDP website.

More than a compendium of information on EDP's governance practices, the Manual is intended to be a dynamic instrument for reflection aimed at the continued improvement of these practices and a starting point for dialogue with its shareholders and other stakeholders on these matters.

Since 2010 the GSB has had special responsibility in the company's governance, not only concerning the veracity of the information provided in the annual corporate governance report but also its approval or not of the report.

Taking account of the challenges involved in the new term of office of EDP's corporate bodies and the fact that in 2012 the CMVM can be expected to start a new public consultation on the revision of the 2010 Corporate Governance Code, the Manual may provide a basis for internal reflection on governance practices to prepare EDP to once again play an active part in the CMVM consultation.

Regarding 2011, without prejudice to the legally required opinion in this matter, as per Annex 1, the GSB would like to set out and share with EDP's shareholders and other stakeholders the main conclusions of its reflection on the adequacy of the dual governance model at EDP:

- It allows a healthy division of powers between the different corporate bodies: management, supervision and auditing.
- It offers a considerable degree of flexibility to maximise the synergies resulting from this sharing.
- It is suited to the corporate organisation of EDP's activity, particularly as it ensures a weighted balance between the necessary amplitude of management powers and effective general supervision of the Company and specific oversight in highly sensitive areas.
- It shows that the functional relationship between the GSB and EBD was positive and extremely effective in the choice of matters addressed and the efficiency in the way in which issues were developed and handled, though this does not rule out the intention to improve them constantly.
- Institutional articulation of the GSB and EBD and GSB members' commitment to and involvement in the most complex matters handled by the GSB are necessary conditions for the promotion of greater quality of governance practices, as they optimise the potentialities of the governance model, especially:
 - The mechanisms allowing the GSB access to information.
 - Widening the scope of functions the GSB performs with regard to subsidiaries.
 - Involving the GSB in the preparation of multi-annual management documents.

2. general and supervisory board

2.1. membership

Under EDP's Articles of Association, the GSB must have no fewer than nine members and always more than the number of directors. It must also consist of a majority of independent members. The Chairman of the Board of the GM is automatically a member of the GSB.

On 15 April 2009, the GM elected 17 members of the GSB for the 2009-2011 term. After 31 December, the following changes occurred in GSB composition:

- Resignation of Fernando Manuel Barbosa Faria de Oliveira;
- Election of Parpública, which appointed Joaquim José de Oliveira Reis as its representative;
- Election of José de Mello Energia, which appointed Luís Filipe da Conceição Pereira as its representative.

On 31 December 2011 the GSB therefore consisted of 17 members, nine of whom were independents. The table below lists the members.

	MEMBER	DUTIES	INDEPENDENT STATUS	DATE OF 1 ST ELECTION/ APPOINTMENT	DATE OF RE-ELECTION/ REAPPOINTMENT
1	António de Almeida	Chairman of GSB Chairman CGSC	No	30-06-2006	15-04-2009
2	Alberto João Coraceiro de Castro	Vice-Chairman GSB Chairman RC Member CGSC	Yes	30-06-2006	15-04-2009
3	António Sarmento Gomes Mota	Member GSB Member AC Member CGSC	Yes	15-04-2009	n.a.
4	Carlos Jorge Ramalho dos Santos Ferreira	Member GSB	No	10-04-2008	15-04-2009
5	Diogo Campos Barradas de Lacerda Machado	Member GSB Member CGSC	Yes	30-06-2006	15-04-2009
6	Eduardo de Almeida Catroga	Member GSB Member RC	Yes	30-06-2006	15-04-2009
7	Farid Boukhalfa (Sonatrach)	Member GSB	No	04-02-2010	n.a.
8	Joaquim José de Oliveira Reis (Parpública)	Member GSB	No	28-04-2011	n.a.
9	José Manuel dos Santos Fernandes	Member GSB Member CGSC	Yes	15-09-2009	n.a.
10	José Maria Brandão de Brito (Cajastur)	Member GSB Member CGSC	No	02-06-2008	15-04-2009
11	José Maria Espírito Santo Silva Ricciardi	Member GSB Member CGSC	No	30-06-2006	15-04-2009
12	Manuel Fernando de Macedo Alves Monteiro	Member GSB Member AC	Yes	30-06-2006	15-04-2009
13	Mohamed Ali Al Fahim (Senfora)	Member GSB Member CGSC	No	16-04-2010	n.a.
14	Luís Filipe da Conceição Pereira (José de Mello Energia)	Member GSB	No	26-04-2011	n.a.
15	Ricardo José Minotti da Cruz Filipe	Member GSB Member CGSC	Yes	15-04-2009	n.a.
16	Rui Eduardo Ferreira Rodrigues Pena (Presidente Mesa AG)	Member GSB	Yes	12-04-2007	15-04-2009
17	Vítor Fernando da Conceição Gonçalves	Member GSB Chairman AC	Yes	30-06-2006	15-04-2009

annual report of the general and supervisory board

At the General Meeting of 20 February 2012, the number of GSB members was increased from 17 to 23, as follows.

MEMBER	DUTIES	INDEPENDENT STATUS	DATE OF 1 ST ELECTION/ APPOINTMENT	DATE OF RE-ELECTION/ REAPPOINTMENT
1 Eduardo de Almeida Catroga	Chairman GSB Chairman AC Member RC	Yes	30-06-2006	20-02-2012 15-04-2009
2 China Three Gorges Corporation*	Vice-Chairman	No	20-02-2012	n.a.
3 Alberto João Coraceiro de Castro	Member GSB Chairman RC	Yes	30-06-2006	20-02-2012 15-04-2009
4 António Sarmento Gomes Mota	Member GSB Member AC	Yes	15-04-2009	20-02-2012
5 Carlos Jorge Ramalho dos Santos Ferreira	Member GSB	No	10-04-2008	20-02-2012 15-04-2009
6 China International Water&Electric Corporation*	Member GSB	No	20-02-2012	n.a.
7 China Three Gorges New Energy Corporation*	Member GSB	No	20-02-2012	n.a.
8 China Three Gorges International*	Member GSB	No	20-02-2012	n.a.
9 Felipe Fernández Fernández (Cajastur)	Member GSB	No	20-02-2012	n.a.
10 Fernando Masaveu Herrero	Member GSB	Yes	20-02-2012	n.a.
11 Harkat Abderrzak (Sonatrach)	Member GSB	No	06-03-2012	n.a.
12 Ilídio da Costa Leite de Pinho	Member GSB	Yes	20-02-2012	n.a.
13 Joaquim José de Oliveira Reis (Parpública)	Member GSB	No	28-04-2011	21-02-2012
14 Jorge Braga de Macedo	Member GSB	Yes	20-02-2012	n.a.
15 José Maria Espírito Santo Silva Ricciardi	Member GSB Member RC	No	30-06-2006	20-02-2012 15-04-2009
16 Luís Filipe da Conceição Pereira (José de Mello Energia)	Member GSB	No	26-04-2011	20-02-2012
17 Manuel Fernando de Macedo Alves Monteiro	Member GSB Member AC	Yes	30-06-2006	20-02-2012 15-04-2009
18 Maria Celeste Ferreira Lopes Cardona	Member GSB	Yes	20-02-2012	n.a.
19 Mohamed Ali Al Fahim (Senfora)	Member GSB	No	16-04-2010	20-02-2012
20 Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Member GSB	Yes	20-02-2012	n.a.
21 Rui Eduardo Ferreira Rodrigues Pena (Presidente Mesa AG)	Member GSB	Yes	12-04-2007	20-02-2012 15-04-2009
22 Vasco Joaquim Rocha Vieira	Member GSB	Yes	20-02-2012	n.a.
23 Vítor Fernando da Conceição Gonçalves	Member GSB Member AC	Yes	30-06-2006	20-02-2012 15-04-2009

* Their taking of office depends on the coming into effect of the strategic partnership agreement between EDP and CTG signed on 30 December 2011.

The GSB's specialised committees are made up exclusively of GSB members.

In EDP's Annual Report, there is a brief curriculum vitae of all GSB members indicating their qualifications, work experience at least in the last five years, positions held with other companies, the date of their first appointment and the end of their term of office.

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

2.1.1. rules on incompatibilities and independence

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

Fulfilling its commitment to best governance practices, the GSB has in place a procedure designed to step up checks ensuring that there are no incompatibilities and, where appropriate, that there is no lack of independence of GSB members, based on their statements of responsibility.

This procedure includes the following elements:

- A position on the GSB 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 his/her and the Company's activity.
 - Unreserved acceptance of the provisions set forth in the GSB internal regulations.
 - Non-existence of any incompatibility under the law or Articles of Association regarding membership of the GSB.
 - Fulfilment of the requirements for independence, pursuant to Article 8(1) of the IR, if elected as an independent GSB member.
 - The obligation to report to the CGSB any supervening facts that may create a situation of incompatibility or loss of independence, or, in the case of the Chairman, to report such facts directly to the GSB.
- Within 30 days of the start of each financial year, the members of the GSB should renew their statements confirming the inexistence of incompatibilities and, if applicable, fulfilment of the independence requirements.
- Each year, the GSB conducts a general assessment of its members with regard to the application of the rules on incompatibilities and independence.
- Pursuant to the GSB IR, 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 GSB signed a statement attesting to the fact that there were no incompatibilities and, where appropriate, to their independence.

Therefore, under the internal procedures established for the purpose and taking account of CMVM Regulation 1/2010, the GSB states that based on the information gathered for the purpose and the appraisal conducted at its meeting of 21 February 2012, no situations were found that:

- Revealed incompatibilities regarding its members.
- Was liable to affect the independence of the members identified as such in point 2.1.

The members' statements are available on the EDP website www.edp.pt.

2.2. roles

The GSB's main mission is to advise, monitor and supervise the management of EDP on a permanent basis, cooperating with the EBD and other corporate bodies in pursuing the company's interests as required by law and the company's Articles of Association, in particular Article 22.

The Company's Corporate Governance Report describes the GSB's competences in detail. The following elements of these duties should be highlighted in light of their particular importance:

- The role of supervising EBD activities should 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, to ensure 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 of its subsidiaries. However, given the large number and different sizes of these companies, the GSB has decided to focus especially on the following:
 - 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.
 - Hidroelétrica del Cantábrico, S.A.
 - Naturgas Energía Grupo, S. A.
- All materially relevant operations are systematically scrutinised by the GSB by means of the prior opinion process, including acquisitions, financing, investments and operations of particular strategic significance.
- The clarification of issues that by their nature may have implications for EDP's image.

2.3. organisation and functioning

The GSB is organised in accordance with the law and EDP's Articles of Association, taking also in consideration the recommendations on best governance practices for listed companies, especially the CMVM Corporate Governance Code.

The GSB operates in plenary and through specialised committees, to which the GSB delegates the exercise of certain duties while retaining ultimate responsibility.

Under EDP's Articles of Association, ordinary plenary meetings must be held at least once every quarter. However, as has occurred in previous years, this number has been exceeded due to the specific requirements of the EDP Group's business. The GSB meets in extraordinary sessions whenever the nature, importance or urgency of matters so require.

In the exercise of his powers under the law and the Articles of Association, the CGSB is responsible for representing the GSB and organising its activities, as well as striving to ensure the correct implementation of its decisions. Now that the number of members has been increased, as in the EBD's relations with the GSB, which are the exclusive responsibility of the CEBD, the CGSB acts as the link between the GSB's and EBD's activity. It falls to the two Chairmen to stay in direct and permanent formal and informal contact and inform each other of the main events in the day-to-day management of the company and matters relating to supervision. This contact has been a reality since the two bodies went into operation.

Aside from plenary and committee meetings, the CGSB selects issues for clarification with the CEBD, informing the GSB members as and when required.

The Articles of Association also require the CEBD to attend GSB meetings without any voting rights and entitle the Chairman of the GSB to attend EBD meetings when he sees fit, also without voting rights.

2.4. specialised committees

Given the nature and duties attributed to it, the GSB created 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 GSB's decision-making processes, keep it informed on the specific issues they deal with and initiate certain processes.

The Audit Committee (AC) and Remuneration Committee (RC) were set up as required by law and the Articles of Association. The Corporate Governance and Sustainability Committee (CGSC) was created on the initiative of the GSB.

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

The Company's Corporate Governance Report describes the membership and duties delegated by the GSB to each of its specialised committees. The EDP website, www.edp.pt, also provides detailed information on the committees and their internal regulations (in Portuguese and English). Their missions and membership are described below.

The Committees' term of office ended on 31st December 2011. Soon it will be developed a new organization model for the 2012-2014 term of office, aiming to reinforce the Committees' role in supporting the GSB activity.

However, to comply with the legal requirements, in the beginning of the current term of office, the GSB created the Committees that are required by Law (Audit Committee and Remuneration Committee). This took place on the 21st February 2012 meeting with the appointment of their members. The CGSC was not appointed.

2.4.1. audit committee

Mission

The AC is a specialised committee with powers to supervise the Company's financial information and permanently monitor the work of the external auditor, internal auditor and internal control systems. Article 23(2) of the Articles of Association lists the matters that must be delegated to this committee.

Composition

As at 31 December 2011, the members of the AC were as follows:

	MEMBER	DUTIES	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
1	Vítor Fernando da Conceição Gonçalves	Chairman	Yes	13-07-2006	07-05-2009
2	António Sarmento Gomes Mota	Member	Yes	07-05-2009	n.a.
3	Manuel Fernando de Macedo Alves Monteiro	Member	Yes	13-07-2006	07-05-2009

On 21 February 2012, taking account of Article 23(3) of EDP's Articles of Association, which requires that the CGSB, as an independent, must chair the AC, the GSB appointed the following members to the AC for 2012-2014:

	MEMBER	DUTIES	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
1	Eduardo de Almeida Catroga	Chairman	Yes	21-02-2012	n.a.
2	António Sarmento Gomes Mota	Member	Yes	07-05-2009	21-02-2012
3	Manuel Fernando de Macedo Alves Monteiro	Member	Yes	13-07-2006	21-02-2012 07-05-2009
4	Vítor Fernando da Conceição Gonçalves	Member	Yes	13-07-2006	21-02-2012 07-05-2009

2.4.2. remuneration committee

Mission

The RC is a specialised committee with responsibility for fixing pay policy for the Chairman and other members of the EBD, pursuant to Article 27 of the Articles of Association. It is separate from the Remuneration Committee elected by the GM, which fixes the pay policy for the other corporate bodies.

Composition

As at 31 December 2011, the members of the RC were as follows:

	MEMBER	DUTIES	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
1	Alberto João Coraceiro de Castro	Chairman	Yes	13-07-2006	07-05-2009
2	Eduardo de Almeida Catroga	Member	Yes	13-07-2006	07-05-2009
3	José Maria Espírito Santo Silva Ricciardi	Member	No	27-01-2011	n.a.

On 21 February 2012, the GSB appointed the following members to the RC for 2012-2014:

	MEMBER	DUTIES	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
1	Alberto João Coraceiro de Castro	Chairman	Yes	13.07.2006	21.02.2012 07.05.2009
2	Eduardo de Almeida Catroga	Member	Yes	13.07.2006	21.02.2012 07.05.2009
3	José Maria Espírito Santo Silva Ricciardi	Member	Yes	27.01.2011	21.02.2012

2.4.3. corporate governance and sustainability committee

Mission

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

- Corporate governance;
- The sustainable development of the EDP Group.
- Management control.
- Internal codes of ethics and conduct.
- Systems for assessing and resolving conflicts of interest in relations between EDP and its shareholders.
- Defining appropriate criteria and competences to serve as standards for EDP structures and internal bodies and their impact on the composition thereof.
- The drafting of plans of succession

Composition

As at 31 December 2011, the members of the CGSC were as follows:

	MEMBER	DUTIES	INDEPENDENT STATUS	DATE OF 1 ST APPOINTMENT	DATE OF REAPPOINTMENT
1	António de Almeida	Chairman	No	27-07-2006	07-05-2009
2	Alberto João Coraceiro de Castro	Member	Yes	27-07-2006	07-05-2009
3	António Sarmiento Gomes Mota	Member	Yes	07-05-2009	n.a.
4	Diogo Campos Barradas de Lacerda Machado	Member	Yes	08-11-2007	07-05-2009
5	José Manuel dos Santos Fernandes	Member	Yes	07-05-2009	n.a.
6	José Maria Brandão de Brito	Member	No	07-05-2009	n.a.
7	José Maria Espírito Santo Silva Ricciardi	Member	No	27-07-2006	07-05-2009
8	Mohamed Ali Al-Fahim	Member	No	06-05-2010	n.a.
9	Ricardo José Minotti da Cruz Filipe	Member	Yes	07-05-2009	n.a.

3. activities of the general and supervisory board

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

The most visible part of the GSB's work is its plenary meetings and its 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 at internal and external level.

Indeed, as the GSB's activity is conditioned by the availability and participation of its members, especially the independents for the plenary meetings and specialised committees, it is essentially for the matters warranting special reflection on the part of the GSB to be carefully selected and meticulously prepared.

The GSB's activities were based on an annual activities plan and respective budget, documents that were approved at the 16 December 2010 meeting.

The GSB's plan of activities for 2011 was designed to maximise its resources and the availability of its members in 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 main concern of the 2011 GSB Budget was to reduce the costs of its functioning and carefully manage available resources. Information on the implementation of the GSB Budget is given in point 3.6.3.

In previous annual reports, the GSB has highlighted some matters that warranted its particular attention and that have relevant material specificities justifying special focus in this report. The following GSB activities were particularly important:

- Handling conflicts of interest,
- The workshop Mission Structure for Maritime Matters,
- Approval of the regulations on the whistleblowing mechanism.

The report also includes a section that summarises the main aspects of the GSB's activity in numbers for the purposes of comparison with the previous year. It has been introduced in light of the view that GSB activities must also be subject to accountability requirements, in order to generate added value for the company.

3.1. permanent activity

As part of its competences under the Articles of Association, in 2011 the GSB's permanent activity was undertaken by its Chairman, who performed his duties on a full-time basis and chaired the CGSC, with the assistance of the GSB Support Office.

Pursuant to the GSB IR, the Chairman is responsible for:

- Representing the GSB and acting as spokesman for its decisions
- Coordinating the GSB's activities and supervising the correct functioning of its committees, retaining the right to attend any meeting and request information on their activity
- Ensuring that the members of the GSB receive all the information necessary, in a timely fashion, for them to perform their duties
- Asking the EBD to provide the relevant information for the exercise of the powers of the GSB and its committees, making it available to GSB members in a timely manner.
- Taking the necessary measures to ensure that the GSB adequately monitors the activity of the Company and its EBD in particular.
- Controlling the implementation of the GSB budget and managing its material and human resources.
- Convening and chairing GSB meetings, as well as striving to ensure the correct implementation of its decisions.

One of the Chairman's most important duties is to represent the GSB. This involved the following tasks:

- Accompanying the weekly EBD meetings, for which purpose he is provided with the agenda and support folder beforehand and the minutes afterwards,
- Contacts between the CGSB and CEBD,
- Obtaining and handling information on management policy, business performance and economic operations that are materially relevant to EDP and its subsidiaries.
- Participating in some events in EDP's institutional life.

Within the GSB, the Chairman coordinated its activities via:

- Specialised assistance and advice at meetings of committees to which he did not belong, such as the AC,
- Processing of information from the EBD and other sources,
- Management of prior opinion processes, as described in point 3.3.

As required by the law and the Articles of Association, and in his role as intermediary between the GSB and the EBD, the CGSB enjoys a series of prerogatives and powers to obtain information on the EDP Group's activity. Given the broad composition of the GSB, this function is critical, as an atomistic approach to the relationship between the GSB and the EBD would be impractical and upset the healthy relationship that should exist between the two bodies.

3.2. plenary meetings

In 2011, the GSB held 10 plenary meetings, which were attended by a high number of members.

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

N.º	DATE	PLACE	MAIN MATTERS
1	27-Jan	Lisbon	<ul style="list-style-type: none"> EDP Budget 2011 Rebranding EDP project New EDP buildings
2	03-Mar	Lisbon	<ul style="list-style-type: none"> Annual Report and Accounts 2010 Hiring of external auditor 2011 GSB 2010 Annual Report
3	05-May	Lisbon	<ul style="list-style-type: none"> Report and Accounts, First Quarter 2011 United Kingdom offshore project S. António Jari hydroelectric power station project (Brazil)
4	28-Jul	Lisbon	<ul style="list-style-type: none"> Report and Accounts, First Half 2011 Sale of holding in EDP Brasil
5	04-Oct	Lisbon	<ul style="list-style-type: none"> New EDP Group Business Plan 2012-2015 Reprivatisation of EDP Wind projects Brasil
6	25-Oct	Lisbon	<ul style="list-style-type: none"> Reprivatisation of EDP
7	27-Oct	Lisbon	<ul style="list-style-type: none"> Report and Accounts, Third Quarter 2011 New EDP Group Business Plan 2012-2015 Issue of EDP bonds Regulations on whistleblowing mechanism
8	06-Dec	Lisbon	<ul style="list-style-type: none"> Reprivatisation of EDP
9	13-Dec	Lisbon	<ul style="list-style-type: none"> Reprivatisation of EDP EDP Budget 2012
10	22-Dec	Lisbon	<ul style="list-style-type: none"> Reprivatisation of EDP EDP Budget 2012

3.3. 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 GSB, which has the power to set the parameters for measuring the economic or strategic value of operations to be submitted to it for an opinion.

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Contracting financing operations of significant value;
- The opening and closure of establishments, or important parts thereof, and important extensions or limitations of the company activity;
- Other transactions or operations of significant economic or strategic value;
- The commencement or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for divisions, mergers or transformations;
- Changes to the Articles of Association, including moving the registered office and increasing the share capital, when on the initiative of the Executive Board of Directors.

On 7 May 2009, the GSB approved a set of rules for issuing and waiving prior opinion. These rules seek to guarantee the effective exercise of the statutory powers of the GSB and EBD in pursuit of the Company's interests. In broad terms, the characteristics of the mechanism set up by the GSB are as follows:

- The transactions referred to in these documents, given the submission of business plan and annual budgets to the GSB for its prior opinion, and unless otherwise decided, do not require an autonomous prior opinion provided they are individually identified and valued in the Business Plan and/or Annual Budget, when their market value does not differ from their book value 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.
- In cases of exceptional urgency or if the nature of the matter so justifies the EBD may, in a duly reasoned written request to the CGSB, request that the GSB's prior opinion be waived. The request will be decided upon by the CGSB after consulting at least two GSB members.
- Definition of specific information obligations regarding the execution of transactions exempted from prior opinion.

The GSB therefore intervened in 19 operations, some of which involved issuing a prior opinion at meetings and the others waiving a prior opinion by the CGSB.

prior opinions at meetings

In 2011, the GSB was asked to issue prior opinions 12 times and all requests were approved:

DATE	MATTER
27-Jan	EDP Budget 2011 (EDP)
5-May	Swan II Project (EDPR)
5-May	Jari Project (EDPB)
28-Jul	Change in Articles of Association (EDPR)
28-Jul	MoU EDP / East Timor (EDP)
28-Jul	Marble River Wind Farm (EDPR)
28-Jul	Divestment holding in Ampla (EDPB)
27-Oct	EDP Business Plan 2012-2015 (EDP)
27-Oct	Bond issue (EDP)
13-Dec	Reprivatization of EDP
22-Dec	EDP Budget 2012
22-Dec	Reprivatization of EDP

VALUE OF OPERATIONS*

Total (€m)	791
Max. Value (€m)	321
Av. Value (€m)	198

*Covers only quantifiable operations (4)

waiving of prior opinion

In 2011, the EBD asked for a prior opinion to be waived on seven occasions and, after checking their procedures, the CGSB did not oppose any of them:

DATE	MATTER
24-Mar	Aquisition 20% Genesa (EDPR)
7-Apr	Loan (EDP)
13-May	Sale of holding in EDP Brasil (EDP)
5-Aug	Grant of credits (EDPU)
5-Aug	Bond issue (EDP)
12-Aug	Novento and Resende Project (EDPB)
19-Dec	Novento Project (EDPB)

VALUE OF OPERATIONS

Total (€m)	2.249
Max. Value (€m)	663
Av. Value (€m)	321

3.4. activity reports from specialised committees

Pursuant to their internal regulations, the activity of the specialised committees is monitored by the GSB Chairman and the committees have to provide information to the GSB about their work every six months.

The GSB committees' annual reports and their self-assessments are attached.

3.5. specific activity themes for the general and supervisory board

3.5.1. 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:

3.5.1.1 conflicts of interest in business between related parties

Under the terms of Article 22(1)(j) of EDP's Articles of Association, the GSB 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 CGSC.

On 29 July 2010, the GSB approved the draft regulations on conflicts of interest (Regulations), which are available on the EDP website (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 EBD shall inform the CGSC on operations involving potential conflicts of interest.
- By the same deadline, the EBD shall identify shareholders with minimum qualifying holdings of 2% in EDP or its subsidiaries, calculated pursuant to Article 20 of the Securities Code, who, in the period in question:
 - Are EDP creditors of at least 5% of its liabilities;
 - Are customers that represent at least 1% of total turnover or have originated earnings of at least 5 million euros;
 - Are suppliers representing at least 1% of the total value of external supplies and services and from which services have been acquired to a value of at least 5 million euros.
- The EBD 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 GSB favourable prior opinion mechanism described in point 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.

Under the rules applicable to EDP concerning relevant transactions between related parties, the GSB examined the 8 cases submitted to it by the EBD in 2011 under article 4.1. Of the Regulations and concluded that there had been no:

- 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.

3.5.1.2 prevention of conflicts of interest at general and supervisory board meetings

Because of its nature and membership, the GSB has settled and prevented potential conflicts of interest likely to arise in its activity, especially when called upon to give an opinion on matters involving as counterparties qualifying EDP shareholders with representatives on the board.

In all situations of potential conflicts of interest, it was the actual members involved who took the initiative to highlight the situation and abstain from the discussion and vote.

3.5.1.3 prevention of conflicts of interest in deals between the company and members of the general supervisory board and executive board of directors

Although this aspect is generically covered by the regulations on conflicts of interest, the GSB can say that, in 2011, it did not receive any requests for authorisation of deals between the company and members of the GSB or EBD.

3.5.2. workshop mission structure for maritime matters

Since it was first set up, it was understood that, due to its nature and membership, the GSB would be an appropriate forum for encouraging its members to reflect on matters of interest to an innovative approach to the challenges to EDP's activity.

A workshop on the exploitation of marine resources, especially off the Portuguese coast, was therefore held at the meeting on 5 May.

This is an extremely topical issue in which Portugal should invest in terms of research, in order to develop innovative, economically viable solutions for exploiting the country's resources, including energy. Proof of this is the fact that the initiative was held in the same year that EDP began the ambitious offshore wind power windfloat project, which takes specific account of our coast's characteristics. Like the Pelamis project, windfloat involves a large partnership of entities and represents a substantial investment by EDP. Its results are therefore awaited with great expectations.

The workshop was attended by Prof. Manuel Pinto de Abreu and Admiral Cavaleiro Ferreira, who are in charge of the Mission Structure for Maritime Matters.

3.5.3. regulations on the whistleblowing mechanism

The existence of a whistleblowing mechanism has a long tradition at EDP and dates back to the requirements of the Sarbanes-Oxley Act. Up to 2011, the mechanism was very similar to that existing prior to 2006.

Taking account of the periodic revision of the Regulations, the CGSB decided to take the opportunity to conduct a more in-depth revision of the rules to bring them in line with the current regulatory framework and the specificities of the dual governance model.

Experience also showed a discrepancy between the purpose and use of the mechanism, as it was being used to submit complaints that had nothing to do with its scope (e.g. Complaints about the air conditioning). This resulted in totally unnecessary bureaucratic work for the AC and constituted a waste of resources.

As the AC agreed with the CGSB's plan at the meeting of 27 October, the GSB approved the regulations on the whistleblowing mechanisms, which are currently awaiting authorisation from the Portuguese Data Protection Authority. After it has been obtained, the regulations will be published, circulated and implemented.

Pursuant to these regulations, the mechanism has the following characteristics:

- It was set up solely to "receive, retain and handle whistleblowing reports received by the company on matters of:
 - Accounting;
 - Internal accounting controls;
 - Auditing;
 - The fight against corruption and bank and financial crimes.
- The AC is responsible for ensuring that the mechanism functions properly by:
 - Processing reports, selecting only those falling within the scope of the regulations and rejecting all others;
 - Investigating relevant reports;
 - Advising the GSB to dismiss or take corrective measures regarding cases investigated.

The GSB believes that the whistleblowing mechanism is an important tool in strengthening EDP's governance practices, especially in terms of the transparency and credibility of financial and accounting information.

Amending the regulation will naturally not in itself solve the inappropriate use of the mechanism. The GSB and AC will have to take a pro-active attitude in implementing and disseminating the mechanism and its goals by conducting a broad publicity campaign in coordination with the EBD and even providing training for EDP Group employees.

3.6. general and supervisory board budget 2011

Following efforts to rationalise costs, the 2011 budget provided for a reduction in expenses against 2010 through more efficient use of resources. The GSB has a very rigid cost structure, as 87% of costs correspond to the remuneration of the board's members and support office staff.

The overall cost of the GSB, including the individual remuneration of its members set out in the Corporate Governance Report, was 2,545,000 euros. In terms of execution, there was a 16% reduction in the use of budgeted resources, representing a saving of around 475,000 euros. This saving was essentially due to:

- A reduction in the GSB members' remuneration (-200,000 euros),
- A reduction in transport, accommodation and travel (-124,000 euros),
- Limitation of use of consultancy services and other specialised work (130,000 euros).
- The reduction in the GSB members' remuneration was the result of a decision on 27 June 2011 made by the RC elected by the GM altering their remuneration for 2011. The main changes made by the decision were as follows:
 - 10% reduction of the Chairman's basic remuneration;
 - End of the Chairman's retirement savings plan (10% of basic remuneration);

- Maintenance of the remuneration of the three AC members;
- Additional 15,000 euros remuneration for the Vice-Chairman of the GSB;
- 5% reduction in the basic remuneration of the other GSB members.

4. assessment of the activity and performance of the general and supervisory board and its committees

The GSB set as main goals in its activity plan focused on two broad categories of duties:

- **Routine**, for which the form and effectiveness of the GSB's intervention in deliberative and non-deliberative matters was streamlined,
- **Non-routine**, for which the GSB members learned more about the Group's reality, markets and activities.

The GSB's intervention in routine and deliberative activities focused on:

- Preparing EDP's 2010 Annual Report and Accounts,
- Hiring the external auditor for 2011
- Issuing a favourable prior opinion on EDP's budgets for 2011 and 2012 and on the preliminary EDP Business Plan for 2012-2015,
- Issuing or waiving favourable prior opinions on a significant range of operations, the most important being:
 - Investment projects (namely wind farms) not initially provided for in the Business Plan or 2011 Budget.
 - Finance operations via debt issues or divestment of assets.
- 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 its ambitious investment plan.
- Approving the regulations on the whistleblowing mechanism.

4.1. general and supervisory board indicators

	2011	2010	CHANGE
Meetings planned (no.)	6	7	-1
Meetings held (no.)	10	7	+3
Members' attendance (%)	77	87	-10
CEBD attendance (%)	100	100	=
Items on the agenda (no.)	62	78	-16
Items addressed (no.)	60	78	-18
Items placed on the agenda on the initiative of the CGSB (no.)	29	42	-13
Items placed on the agenda at the request of the EBD (no.)	33	36	-3
Prior opinions (no.)	12	8	+4
Prior opinion waivers (no.)	7	13	-6
Training initiatives/workshops (no.)	1	0	+1
Requests for information from the EBD by the CGSB (no.)	37	68	-31
Support documents prepared by the GSB (no.)	41	57	-16

The following table summarises the implementation of the 2011 PA as at 31 December 2011 (not including work done specifically for GSB meetings):

MATTER	GOALS FULFILLED
I. Routine activities	
I.1 Organizational matters	
CGS SOP	Yes
Revision of CGS Member Induction Manual	Yes
Reorganization of CGS archives and portal	No
I.2. Deliberative matters	
EDP Budget 2011	Yes
Annual Report and Accounts 2011	Yes
Interim reports and quarterly accounts	Yes
CGS - 2010 Annual Activity Report	Yes
Funds to be allocated to Fundação EDP	Yes
Revision of decision on GSB prior opinions	No
Revision of decision on human resources and succession plans	No
I.3. Non-deliberative matters	
Monitoring of investments over €75 million	No
Monitoring on strategic partnerships	No
II. Non-routine activities	
Dissemination of EDP Corporate Governance Manual	Yes
Workshop	Yes
Workshop	Sim

4.2. general and supervisory board meetings in 2011 – participation

NAME	%	27-JAN	3-MAR	5-MAY	28-JUL	4-OCT	25-OCT	27-OCT	6-DEC	13-DEC	22-DEC
António de Almeida	90,0	P	P	P	P	P	P	P	A	P	P
António João Coraceiro Castro	100,0	P	P	P	P	P	P	P	P	P	P
António Sarmiento Gomes da Mota	90,0	A	P	P	P	P	P	P	P	P	P
Carlos Jorge Ramalho dos Santos Ferreira	10,0	A	P	A	A	A	A	A	A	A	A
Diogo Campos Barradas de Lacerda Machado	70,0	P	P	A	A	P	P	P	A	P	P
Eduardo de Almeida Catroga	80,0	A	P	A	P	P	P	P	P	P	P
Farid Boukhalifa	10,0	A	P	A	A	A	A	A	A	A	A
Fernando Manuel Barbosa Faria de Oliveira (1)	100,0	P	R	----	----	----	----	----	----	----	----
Joaquim José de Oliveira Reis (2)	87,5	----	----	P	P	P	P	P	P	P	A
José Manuel dos Santos Fernandes	90,0	P	P	P	P	P	A	P	P	P	P
José Maria Brandão de Brito	100,0	P	P	P	P	P	P	P	P	P	P
José Maria Espírito Santo Silva Ricciardi	20,0	A	P	A	A	P	A	A	A	A	A
Lúis Filipe da Conceição Pereira (3)	100,0	----	----	P	P	P	P	P	P	P	P
Manuel Fernando de Macedo Alves Monteiro	90,0	R	P	A	P	P	P	P	P	P	P
Mohamed Ali Al Fahim	80,0	P	P	P	P	P	A	P	P	P	A
Ricardo José Minotti da Cruz Filipe	100,0	P	P	P	P	P	P	P	P	P	P
Rui Eduardo Ferreira Rodrigues Pena	100,0	P	P	P	P	P	P	P	P	P	P
Vítor Fernando da Conceição Gonçalves	100,0	P	P	P	P	P	P	P	P	P	P
P&R vs. Total		11/16	15/16	12/17	13/17	15/17	12/17	14/17	12/17	14/17	12/17
%	77,38	68,8	93,8	64,71	76,47	88,24	70,59	82,35	70,59	82,35	70,59
P - Present; A - Absent; R - Represented											
Total meetings in 2011											
Average participation											
		10									
		77,4%									

4.3. self-assessment of general and supervisory board's activity

The EDP continues to be one of the few listed companies that has a formal and objective procedure to assess its own activity and the EBD's activity. It is a distinctive practice adopted by the GSB that has a direct impact on the evaluation of its corporate governance practices by the Dow Jones Sustainability Index.

The experience of the last two years has allowed the improvement of the self-evaluation process with some minor adjustments. In fact, this process has been seen as particularly important considering the current mandates transition, since its findings can be used to improve the GSB organization and functioning.

In early January 2012, the GSB Members were asked to complete a self-assessment questionnaire, which was divided into two main areas:

- Assessment of the adequacy of organizational issues;
- Evaluation of GSB activity and performance.

The main objective of the questionnaire was to provide objective support to GSB evaluation, in order to prepare this opinion that will be presented to EDP's shareholders. It should be noticed that 10 from 17 Members have answered to the questionnaire.

Based on the answers to the questionnaire, at the 8th March 2012 meeting, the GSB discussed the results and resolved on the evaluation conclusions. Thus, in accordance with its rules, adopted in line with best corporate governance practices, the GSB intends to record the following conclusions regarding the process of self-assessment of their activity and performance in 2011.

4.3.1. assessment of the adequacy of organizational issues

The GSB classified as adequate the following evaluation items:

- Governance model and articles of association;
- Organization and responsibilities of EDP's governing bodies;
- GSB's internal regulatory framework (internal regulations and framework resolutions).
- Committees' structure, their composition, responsibilities and reporting to the GSB.

4.3.2. evaluation of general and supervisory board activity and performance

The GSB considered excellent the overall performance in 2011, considering the following items as above expectations:

- Supervision activity;
- EBD's activity monitoring and advice.

In terms of specific assessment items for the purposes of reporting, the GSB has chosen to present its evaluation using the following scale:

- Excellent
- Above expectations
- In line with expectations
- Below expectations

Thus, the GSB evaluated:

- Excellent the following items:
 - GSB planning activity;

annual report of the general and supervisory board

- Quality of supporting documentation available for the meetings.
- As above expectations the following items:
 - Effectiveness and efficiency of GSB meetings;
 - GSB's capacity for critical and independent thinking;
 - GSB's ability to participate in problem solving;
 - Time available for discussion at meetings;
 - Activity of the GSB's committees' (AC, RC, CGSC).
- As expected the following items:
 - Quality of decision making process;
 - Attendance of GSB Members to the meetings;
 - Members' individual contribution for the GSB activity;
 - Availability of supporting documentation for the meetings;
 - Supervision of EDP's subsidiaries.
- Below expectations the item related to initiatives developed outside the meetings.

Lastly, the GSB registered, for the purposes of section II.4 of Annex I of CMVM Regulation No. 1/2010, that to date:

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

5. challenges facing the general and supervisory board in 2012

2011 involved important challenges for EDP and the GSB, especially because of the difficult macroeconomic situation of the main countries in which EDP operates (Portugal and Spain), which made the EBD's management activity and the GSB's activities within the scope of its competences more demanding.

As mentioned above, the end of 2011 witnessed the outcome of the eighth phase of EDP's reprivatisation, which culminated in a commitment by Parpública to sell to CTG 21.35% of EDP's share capital and the signing of a strategic partnership agreement between EDP and CTG. This process involves a number of important commitments in terms of the company's governance, especially the membership of the GSB, which now includes four CTG representatives.

Now that the transaction with CTG has gone through, it will be necessary:

- To conduct a broad discussion on the GSB's role in EDP's governance model and make any appropriate changes. Above all, it is to be hoped that the GSB's role will be stepped up, especially with regard to its competences to monitor and advise the management of EDP and its subsidiaries,
- To draft a plan of GSB activities for the current year that will seek to balance its priorities and aspirations with resources and the availability of its members to implement planned initiatives,
- To handle the prior opinion dossier on the EDP Business Plan 2012-2015 and revise the 2012 EDP Budget, both of which were appraised by the outgoing GSB but will have to be adjusted not only to the commitments made in the reprivatisation process, but also to the challenges of the economic, social and political scenario in which EDP will have to operate in the period.

With regard to the challenges ahead, the GSB expresses its full confidence in the ability of EDP's shareholders to continue providing the Company's corporate bodies, and members of the GSB in particular, with all the support and cooperation they need to succeed in the exercise of their powers under the law and the Articles of Association.

6. acknowledgements

The GSB would like to express its thanks to:

- 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 the members of the EBD, for their excellent work, the results they have achieved and their professional participation in meetings of the GSB and its committees.
- The members of other EDP corporate bodies and the corporate bodies of EDP's subsidiaries.
- All the employees of the EDP Group, for their contributions for the results achieved.
- The staff of the GSBSO for its support to the activity of the GSB and Committees.

Special gratitude is also conveyed to the former members of the GSB who concluded their duties, for their effort, dedication and contribution to the good performance of the GSB:

- António de Almeida
- Diogo Campos Barradas de Lacerda Machado
- Farid Boukhalifa
- Fernando Manuel Barbosa Faria de Oliveira
- José Manuel dos Santos Fernandes
- José Maria Brandão de Brito
- Ricardo José Minotti da Cruz Filipe



appendices

24	annex 1 general and supervisory board's opinion on edp's 2011 annual report and accounts
26	annex 2 general and supervisory board's statement on edp's 2011 annual report and accounts
27	annex 3 audit committee's opinion on edp's 2011 annual report and accounts
28	annex 4 statement of the executive board of directors' assessment
29	annex 5 audit committee's annual report
31	annex 6 remuneration committee's annual report
32	annex 7 corporate governance and sustainability committee's annual report



general and supervisory board's opinion on the edp's 2011 accounts and annual report

taking into consideration:

- The legal and regulatory requirements applicable to the preparation appraisal and publication of EDP's s Account and Annual Report, in particular those from the Companies Code, the Securities Code and the CMVM regulations;
- The activity developed by the GSB and its Committees during 2011 as recorded in the Annual Report;
- The documentation presented for the assessment of EDP's Accounts and Annual Report 2011, provided by the EBD, the Statutory Auditor, the External Auditor, the Audit Committee namely:
 - The detailed presentation made by the EBD on EDP's Account and Annual Report 2011, highlighting the main financial indicators, which are reproduced below:

INDICATORS	EDP SA	EDP GROUP (EUR MILLION)
Gross profit	108	5,436
EBITDA	(82)	3,756
EBIT	(102)	2,267
Net profit ¹	786	1,125
<hr/>		
Net assets	18,711	41,305
Total equity ¹	6,737	8,110
Total liabilities	11,974	29,918
Gross debt	3,657	16,948

¹ - Attributable to the shareholders of EDP

- The Report and Opinion of the Statutory Auditor through which it proposes that the Annual General Meeting approve the Executive Board of Directors annual report and the financial statements for the exercise ending in 31 of December of 2011.
- The legal certification of individual and consolidated accounts and the External Auditor review report presented by KPMG, including the conclusion that, based on work performed:
 - The consolidated and the individual financial statements present fairly, in all material respects, the financial position of EDP, as at 31 December 2011, the results of its operations, cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.
 - The financial information included in the Executive Board of Directors Report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Securities Code (CVM).
- The presentation made by the KPMG concerning its report on the EDP SCIRF (Financial Information Report Control System), which concluded that its controls were properly designed and operated effectively during the financial year of 2011.

- The letter presented by the KPMG regarding the implementation of remuneration policies and systems, which registered that no deficiencies were identified that should be communicated to the General and Supervisory Board.
- The AC's opinion on the Accounts that allows for the conclusion:
 - That AC appreciates favorably the Management Report and the individual and consolidated IFRS accounts of Group EDP for the exercise ending in 31 December 2011,
 - That the design and functioning of SCIRF is satisfactory and the operation of the Risk Management Systems minimizes business risks.
- The support documents presented by the Chairman of the GSB on:
 - The report on corporate governance
 - The report on conflicts of interest
 - The endowment for EDP Foundation

the general and supervisory board has decided unanimously:

- To express its agreement in respect of Legal Certification/Audit Reports, prepared by KPMG & Associados, SROC, SA, individual and consolidated basis, on the EDP's Accounts and Annual Report 2011.
- To express its agreement in relation to the AC's opinion on the EDP's Accounts and Annual Report 2011.
- To declare, under terms of article 245, no. 1, section c) of the Securities Code, that to its best knowledge the information referred to 2011 and foreseen in article 245, no.1 section a) of the Securities Code (annual report and accounts, legal certification of the accounts and all other financial documents) was prepared in conformity with applicable accounting rules, giving a true and appropriate image of assets and liabilities, financial situation and financial results of EDP and of companies in control or group relationship with EDP, and that the 2011 annual report presents fairly the business evolution, the position and the performance of EDP and of companies in control or group relationship with EDP, and describes the main risks and uncertainties faced.
- Pursuant article 420, no. 5 of the Companies Code (ex vi article 441, paragraph 2), to confirm that the report on EDP corporate governance includes the elements required by article 245-A of the Securities Code of the Securities and CMVM Regulation No. 1/2010.
- According to rules applicable to EDP in terms of relevant transactions between related parties, and given the information provided by the EBD and with the support of the activity developed by the Corporate Governance and Sustainability Committee, to declare that, in the course of 2011, there were no:
 - Transactions between related parties that have affected significantly EDP's financial situation or performance.

- Transactions between EDP and related parties that must be communicated in the Annual Report, due to its material relevance or because they were concluded outside normal market conditions.
- Evidence that all the potential conflicts of interest derived from operations identified by the EBD, have been resolved in ways contrary to the company's interests.
- To issue a favorable opinion on EDP's Accounts and Annual Report, both individually and consolidated as of 31 December 2011, having concluded that these documents:
 - Give a true, fair and clear image of the business development, the performance and economic and financial position of the company and describe the principal risks and uncertainties that it faces.
 - Adequately reflect the Group's organization and governance model adopted and activity developed, which is consistent with the strategy and budget approved.
 - Comply with regulatory requirements, particularly those relating to financial and corporate governance reporting.
- To express its agreement to the AC opinion on the SA and EA performance and independence, according to which the CMF has assessed positively the work done by KPMG, considering that it has carried out its professional duties with quality, competence, accuracy, impartiality and independence.
- To recommend to the EDP Annual Shareholders' General Meeting the approval of the 2011 individual and consolidated Accounts and Annual report, as well as the Executive Board of Directors' proposal for results allocation.
- To congratulate the Executive Board of Directors, the management boards of Group's subsidiaries and all their workers for the excellent results achieved despite the economic and financial difficulties faced during the course of 2011.



Eduardo de Almeida Catroga
Chairman of the General and Supervisory Board

Lisbon, 8th March 2012

statement of the general and supervisory board on edp's 2011 annual report

Pursuant article 245º, n.º 1, paragraph c) of Securities Code (CVM), to the best knowledge of each of the signatories, **members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (EDP)**, the information referred in article 245º, n.º 1, paragraph a) of CVM (management report, financial statements, accounts legal certification and remaining accounts reporting documents), **in 2011**, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of EDP and subsidiaries included in the consolidation perimeter, and that the annual management report faithfully states the trend of the business, the performance and position of EDP and subsidiaries included in the consolidation perimeter, and contains a description of the principal risks and uncertainties faced.

Lisbon, 8th March 2012

 Eduardo de Almeida Catroga – <i>Chairman</i>	 Alberto João Coraceiro de Castro
 António Sarmento Gomes Mota	 Carlos Jorge Ramalho dos Santos Ferreira
 Felipe Fernández Fernández (<i>appointed by Cajastur Inversiones, SA</i>)	 Fernando Masaveu Herrero
 Harkat Abderrezak (<i>appointed by Sonatrach</i>)	 Ilídio da Costa Leite de Pinho
 Joaquim José de Oliveira Reis (<i>appointed by Parpública – Participações Públicas SGPS SA</i>)	 Jorge Braga de Macedo
 José Maria Espírito Santo Silva Ricciardi	 Luís Filipe da Conceição Pereira (<i>appointed by José de Mello Energia SA</i>)
 Manuel Fernando de Macedo Alves Monteiro	 Maria Celeste Ferreira Lopes Cardona
 Mohamed Al Fahim (<i>appointed by pela Senfara Sarl</i>)	 Paulo Jorge de Assunção Rodrigues Teixeira Pinto
 Rui Eduardo Ferreira Rodrigues Pena	 Vasco Joaquim Rocha Vieira
 Vítor Fernando da Conceição Gonçalves	

audit committee's opinion on the edp's 2011 accounts and annual report

- In the exercise of the duties conferred by the Articles of Association and internal regulation, the Audit Committee (AC) presents its opinion on the Management Report and on individual and consolidated accounts of EDP for the period ending on 31 December 2011, based on the knowledge obtained of the company's business, the financial situation, the internal control, the risks inherent in the business activities and the analysis of the information and support documentation provided by the company's management.
- Throughout the year of 2011 AC met periodically with the management of EDP, namely:
 - The Executive Board of Directors (EBD) that presented financial and management reports (Results and Scorecard), the IFRS consolidated financial statements (Management Information), and other relevant information of the EDP Group;
 - The head of the corporate department (DCF and DCG) responsible for the preparation of the IFRS company's financial statements that presented a file on the scope of consolidation, the accounting policies and criteria, the financial statements and other information relevant to AC, and answered any questions raised by the members of AC;
 - The heads of EDP's corporate departments of Internal Audit of EDP (DAI), Risk Management (DGR) and other internal structures 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 EDP Group;
 - The head of the legal department which presented and discussed the most relevant conclusions of the processes "litigation" 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;
 - The Statutory Auditor (SA) and the External Auditor (EA), to acknowledge and appreciate the conclusions emerging from the work on the consolidated financial statements and from the evaluation of the Financial Reporting Internal Control System (SCIRF) of EDP Group.
- Also with reference to the period ending on 31 December 2011, the AC received:
 - From the Audit and Control Committee of Hidroeléctrica del Cantábrico (HC), a favorable opinion on the accounting closure procedures adopted and on the financial statements of HC;
 - From the Audit Committee of EDP Renováveis, a favorable opinion on the company's Management Report and on company's consolidated accounts and corporate governance report;
 - From the Audit Committee of EDP - Energias do Brazil, a favorable opinion to the approval of the accounts of the Board and of the Financial Statements of both the company and its subsidiaries.
- At the meeting of AC with the SA/EA for the period ending on 31 of December 2011, were presented and discussed:
 - The report of the work done on the consolidated Financial Statements of EDP, which include the balance sheet (with a total of 41.305 M € and a share capital of 8.110 M€, attributable to shareholders of the EDP group) and the income statement (with a turnover of 15.121 M€ and a net profit attributable to shareholders of the EDP of 1.125 M€);
 - The evaluation report of the Financial Reporting Internal Control system (SCIRF), made up of around 2.080 design and about 2.040 operating effectiveness tests done in different geographies on the global, application and IT controls, that allowed the ROC/AE to issue, without any qualifications; (1) the Auditor's Report of annual individual and consolidated accounts of EDP and (2) the Report and opinion of the Statutory auditor(3) the Independent Report on the Internal Control System of EDP Group.
- Based on the monitoring performed of the main aspects of the EDP Group's activity and on the analysis and discussion of the information and documents provided by the company with the corporate managers at various levels, and, in particular, with the Executive Board of Directors, and the heads of the corporate departments of Management and Control, of Accounting and Consolidation, of Internal Audit and of Risk Managements, as well as with the Statutory and the External Auditors, the AC considers that it has obtained all the clarifications required concerning the issues it raised on the Management Report and on the IFRS financial statements of EDP Group for the period ending on 31 December 2011.
- In light of the above and not being aware of any materially 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 done by EDP's Statutory and External Auditors or their independence, the AC:
 - Considering that the significant improvements implemented in the development and consolidation of the system guarantee higher thoroughness and reliability of financial information of the company, assesses satisfactorily the operating effectiveness of the Financial Reporting Internal Control System (SCIRF);
 - Considers that the operating effectiveness of the Risk Management Systems is appropriate and ensure 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;
 - Issues a favorable opinion on the Management Report and Individual EDP and Consolidated EDP Group IFRS Financial Statements for 31 December 2011 and on the profits from 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.



Eduardo de Almeida Catroga
Chairman of the Audit Committee

Lisbon, 8th March 2012

general and supervisory board's declaration on the evolution and performance of the executive board of directors in 2011

In exercising its powers and without prejudice to the principle of institutional cooperation that guides the relationship with EBD uncompromising in pursuing the interest of the EDP, the GSB believes and has also put into practice a principle of maximum demand and responsibility, which has a special significance in terms of activity and performance evaluation of the EDP. EBD continues to be one of the few listed companies nationally and internationally who voluntarily instituted a formal and objective evaluation of the activity of EBD. It is a distinctive practice adopted by the GSB directly contributing to the evaluation of the Dow Jones Sustainability Index, recognizing the continued effort of excellence in corporate governance practices that the GSB has sought to develop.

It is recalled that in 2010, based on the methodology developed by the CGSS, the GSB has implemented a process of evaluating the activity and performance of the EBD. In 2011, the process has been improved in terms of methodology for determination of the results of the evaluation questionnaires completed by individual members of GSB as confidential and anonymous.

In early January 2012, the members of the GSB were asked to complete a questionnaire on the evaluation of the EBD, which was divided in two major areas:

- Evaluation of the adequacy of the aspects of formal and organizational nature;
- Evaluated of the activity of EBD.

The aim of the questionnaire was to provide an objective support to the reflection of GSB, in view of the opinion that the GSB have to issue on the evaluate of EBD and submit to the shareholders of EDP to vote. Noteworthy is the fact that they have participated in this process 10 of the 17 members.

Based on the answer to the questionnaire at the meeting on 8 March 2012, the GSB reflected on these data drawing its conclusions. Thus, in accordance with its rules, adopted in line with best corporate governance practices, the GSB intends to record the following conclusions regarding the evaluation process of the activity and performance of the EBD in 2011.

1. evaluation of the adequacy of the aspects of formal and organizational nature

The GSB evaluated as adequate all the matters submitted to the assessment in terms of:

- Organization and duties of EBD (internal rules, composition and division of responsibilities);
- Compliance with the terms defined by the GSB related to:
 - Issuing the prior opinion;
 - Treatment of the conflicts of interests;
 - Additional audit services.

2. evaluated of the activity of executive board of directors

While to the overall performance in 2011, the GSB considered it "Excellent" highlighted the following areas of action:

- Execution of the Business Plan EDP 2010-2012;
- Execution of the Budget EDP 2011.

To specific assessment, for the purposes of reporting, the GSB has chosen to present the assessment of the activity of EBD using the following scale:

- Excellent
- Above expectations
- In expectations
- Below expectations

Thus, the GSB evaluated:

- As "excellent" the following matters:
 - Strategy and planning
 - Financing management
 - Cost control
 - Human Resource management
 - Financial and accounting information
 - Sustainability and the environment
 - Organizational culture
 - Communication and image
 - Cooperation of the EBD with the GSB
 - Availability of the EBD to the initiatives of the GSB
 - Preparation of the matters raised at meetings of the GSB
 - Quality of information provided to GS
- As "above expectations" the following matters:
 - Investment policy
 - Risk Management
 - Corporate governance practices
 - Conflicts of interest
 - Involvement the GSB in the crucial processes of the EBD
 - Open to the critical dialogue with the GSB
 - Acceptance of the suggestions made by GSB
 - Providing the information requested by the GSB
- As "in expectations" the timing of the availability of the support documentation to the meetings of the GSB.

audit committee annual report

1. meetings

NAME	%	13-JAN	21-JAN	25-FEB	28-FEB	11-MAR	25-MAR	2-MAY	5-MAY	1-JUN	8-JUL	25-JUL	28-JUL	8-SEP	22-SEP	17-OCT	25-OCT	6-DEC	14-DEC
António Sarmiento Gomes da Mota	100,0	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Manuel Fernando de Macedo Alves Monteiro	100,0	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Vítor Fernando da Conceição Gonçalves	100,0	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
P&R vs. Total		3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3
%	100,0	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
P - Present, A - Absent, R - Represented																			
Total of meetings held in 2011		18																	
Participation average		100%																	

2. activities

In 2011, the committee held 18 meetings, which were attended by all its members. Third parties were invited to participate whenever this was considered opportune. In addition to these regular meetings, the members of the committee held frequent informal working meetings, as they usually do, and exchanged written information on the most significant matters or those requiring the most urgent settlement, related to the AC's activity.

The meetings covered the areas set out in the AC's Activity Plan for 2011, the main goal being to obtain information and analyse the most relevant matters, with particular focus on the following:

- Supervising EDP's financial and business information - appraisal of financial statements and management information for reports and opinions on the accounts of EDP and EDP Finance BV for 2010 and the first three quarters of 2011.
- Monitoring the work of the Internal Audit Department (DAI) – approval of the draft plan of activities for 2011, supervision of the implementation of the annual audit plan and monitoring of audit reports (Portugal, HCE, EDP R and EDP Brazil), the progress of improvements to the SCIRF project and the stage of implementation of the DAI recommendations with reference to the end of 2010 and the first three quarters of 2011.
- Monitoring the work of the Statutory Auditor (ROC) and External Auditor (AE) – supervision of the performance of the service contract and assessment of the activity and independence of the ROC and AE in 2010, approval of the proposal for hiring auditing services for 2011, appraisal of the conclusions and opinion issued on the financial statements of EDP and EDP Finance BV for 2010, appraisal of the conclusions and opinion on the EDP Group's internal financial reporting control system (SCIRF) for 2010, appraisal of the conclusions on the financial statements of EDP and EDP Finance BV for the first and third quarters and first half of 2011, appraisal and approval of requests from the DCF Corporate Centre for authorisation of additional services to be provided by the SA or EA for the first three quarters of 2011 and monitoring of fees for the services hired and billed to the EDP Group by the SA and EA in 2010 and the three quarters of 2011. A report and/or an opinion were issued on these activities for appreciation at the GSB plenary meeting.
- Risk management in the EDP Group - monitoring of the work of the Risk Management Department (DGR) in terms of management of the business, operational, financial and reporting risk and issue of an opinion for the GSB and organisation of a workshop on risk assessment in the EDP Group.
- Litigation in the EDP Group – monitoring of the dossier of main lawsuits under way in the EDP Group for 2010, with a report for the GSB.

- Handling whistle-blowing – participation in the preparation of a draft revision of the regulations in coordination with the Chairman of the GSB and issue of reports for the GSB and EBD on complaints received and handled in 2010 and the first half of 2011. The main conclusion on the whistle-blowing system is that there are no complaints with a relevant impact on matters of accounting, finance, internal control or audits. The seven reports received in 2011 were analysed, answered and clarified by the company's departments and closed by the AC.
- Relations with audit committees in other EDP geographical areas – monitoring of the activities, agendas and minutes of meetings and of reports and opinions issued by the committees at EDP R, HC and EDP Brazil on the financial statements for 2010 and the first and third quarters and first half of 2011.
- Organisation, efficacy and functioning of the AC – the committee conducted a self-assessment exercise for its work in 2010 and 2011, supported by a system that it approved and instituted, as a relevant step in the constant improvement of its activity and the way it performs the duties with which it is tasked by law and the articles of association. It drafted a report on its corresponding conclusions.

In this context, the AC sought to strengthen information on the mechanisms and procedures in place, to prevent or detect situations affecting the EDP Group's capacity to:

- Produce, analyse and circulate relevant information appropriately and faithfully portraying EDP's economic and financial situation.
- Minimise the risk of intentional errors in financial information and of the improper use or appropriations of the Company's resources.
- On the matters in question and with a view to achieving the goals set, the AC:
- Participated in the meetings of EDP's Executive Board of Directors that appraised the annual accounts for 2010 and the first and third quarters and first half of 2011.
- Invited to the committee's meeting, whenever it saw fit, representatives of EDP's departments with powers and responsibilities on the matters in hand and the Statutory Auditor and External Auditor. The AE was invited to analyse in detail the documentation provided by EDP and conclusions issued, every quarter, six months and year by KPMG on the most important accounting, financial and auditing matters identified during the work.

At the close of 2011, the AC approved its 2012 Activity plan, which is an instrument setting out the main activities to be undertaken by

the committee in each month of the calendar year. This document not only contributes to greater future efficacy and efficiency of the committee but also places its activities more in line with the best internationally accepted corporate governance practices.

As in previous years, in 2011 the AC had an assistant requested from EDP's DAI to contribute to its work. Their contribution to the committee's functioning is considered satisfactory.

3. process evaluation of the activity of the Statutory Auditor (ROC) and the External Auditor (EA)

The AC devoted special attention to the nature and scope of the services provided by the company (KPMG) acting as the EDP Group's Statutory Auditor and External Auditor, in order to assess its independence and compliance with the principles and good practices governing the work of audit firms and their representatives to their auditees. The analysis of the information provided by KPMG to the committee for this purpose gives no indication of conflicts of interest or situations affecting the auditors' independence in providing professional services to the EDP Group.

The AC gives a positive assessment of the work carried out by the ROC and AE and notes more consistent, systematic, and comprehensive work carried out to adequate depth in its relationship with this committee. This work was undertaken in order to constitute a more involved committee seeking to foster growing awareness in the ROC, AE and other players relating with the committee (specialists and people in charge of accounting and management control, internal audits, risk control and even the CEO and CFO) of the AC's role and duties. Their interaction resulted in an improvement in information mechanisms and instruments and a more efficient way of working.

4. evaluation of the work carried out

The close of 2011 coincides with the end of the Audit Committee's current term of office. For this reason, the self-evaluation conducted by the committee members had to cast an eye on the term of office that is now coming to end and not be limited to 2011.

As usual, the aim of this was to provide each AC member and the committee as a whole with the opportunity to reflect on its performance, especially how it addressed the issues on its annual work agenda of tasks and the duties for which it is responsible under the law, EDP's articles of association, its own regulations and other EDP rules on AC matters.

As a result of its 2011 self assessment, the AC highlights:

- Its concern for continuing to reinforce the routines and procedures on which its work was based.
- A considerable improvement in its action with its main interlocutors (external auditors, internal audit, consolidation of accounts, management control, heads of other company departments, EDP's corporate bodies, audit of the most important subsidiaries, etc).

- More solid knowledge on the part of the AC and its members of the company's activity and business, especially internal audit and risks and consolidation.

Although it is the AC's constant intention to improve its actions, it is true that, considering its knowledge of practices in other, comparable Portuguese and international companies, the committee considers that the standards that guided it are very high. It also abided by the recommendations of best practices within its spectrum of action. The AC therefore remained committed to acting with integrity, transparency and independence and regarding audits as a tool at the company's service that instils a culture of integrity and transparency at the service of stakeholders and the company's sustainability in the creation of value.

The AC also notes that there has not been confronted with requests that put increased difficulties, challenging the conditions in which its action must be based: freedom of analysis and prosecution, freedom of inquiry and research and dialogue and autonomy to inquire, to various levels, on matters which it felt should be given their best attention. Also, no event has conditioned its independence of action.

annual report of the remuneration committee

1. meetings

NOME	%	20 - APRIL	27 - APRIL
António João Caraceiro Castro	100,0	P	P
Eduardo de Almeida Catroga	100,0	P	P
José Maria Espírito Santo Silva Ricciardi (I)	100,0	P	P
P&R vs. Total		3/3	3/3
%	100,0	100	100
P - Present; A - Absent; R - Represented			
Total of meetings held in 2011	18		
Participation average	100%		
^(I) Appointed by the GSB on 27th January 2011			

2. activities

In 2011, the Remuneration Committee (RC), nominated by the GSB for setting the EBD remuneration policy, had a change in its composition. By virtue of the resignation of Mr. Vasco de Mello in December 2010, the GSB nominated Mr. José Maria Espírito Santo Silva Ricciardi for the RC on 27th January 2011.

Taking into account the term of his mandate in 2011, the RC activity was focused in the execution of the remuneration guidelines approved by the EDP General Shareholders' Meeting by the GSB.

In any case, pursuant Law no. 28/2009 of 19 June, RC must submit annually to the approval of EDP General Shareholders' Meeting a statement on EBD remuneration policy. In this context, in the first quarter of 2011, the RC gave priority to the preparation of that document reiterating the basic pillars of the EBD remuneration policy, which were presented to all shareholders and approved by EDP General Shareholders' Meeting on 14th April 2011. Following EDP General Shareholders' Meeting decision, RC carried out the implementation of the remuneration policy, with the aim of defining the variable component EBD members remuneration. As stated in previous reports, the definition of this segment is by reference to a set of indicators that reflect not only the company's performance in the short term, as a logical medium to long term, the latter being earned only fraction in order the mandate and performance throughout the three years to overcome the objectives. It will be recalled also that in this term, following the recommendations of the European Commission and the CMVM, there was a weight reduction of the variable remuneration that reflect the results of short term and for reinforcing the medium-term. In any case, the method shows the performance of EDP not only in absolute terms but also relative, by reference to a set of national and foreign companies of similar size or with related activities. The remuneration policy, in its various aspects, is described in the Corporate Governance Report, including providing answers to information requirements established by Law n.º 29/2009 and the CMVM Regulation no. 1/2010.

For previous years, RC paid particular attention to aspects of the remuneration component which reflects the mid-term performance, assessing the extent to which various quantitative and qualitative indicators were showing the appropriate living situation and trends announced. This reflection has left RC comfortable with the methodology that is in keeping with best practice and seems to be a solid foundation to continue to shape the substance of the remuneration policy of the EDP in the future. In any case, the RC lined by way of balance, a set of considerations which decided to send the RC it will succeed.

As you know, 2011 was the last year of GSB term of office. In addition it became known the plan of EDP privatization process, which would result in a substantial change in the timing and agenda of the Annual General Shareholders' Meeting. In this context, given the changes in shareholder structure and composition of governing bodies, including the GSB, it did not make sense to define the Activity Plan for the future RC. In any case, the new RC will need to perform a set of routine activities, including the calculation of the variable component of salaries of EBD Members, plus the multi-year remuneration: Therefore, the RC will have to evaluate the EBD performance to determine if the conditions are verified and the amount of the multi-year remuneration that will be fixed for each EBD Member.

In addition to this routine activity, the RC to be nominated by the GSB will be responsible for presenting the guidelines of the EBD remuneration policy for the new mandate.

3. evaluation of the work carried out

While sub-divided into several working sessions, there were only two formal RC meetings. Thus, it did not make sense to formalize the assessment of activity, based on anonymous surveys, more or less sophisticated. In general, the RC Members did not feel restrictions on their activity. However, the ambition to improve the benchmarking exercise is limited by the available databases.

In addition, the Committee considers that its composition is appropriate. As for the overall assessment of its activity, while it can not be considered perfect, RC considers that it was able to complete with the demanding requirements connected to the EBD remuneration policy of a company as EDP, with the expectation that it has been able to do so in a way that there will be a continuity the remuneration by the RC nominated for the 2012-2014 mandate.

corporate governance and sustainability committee annual report

1. meetings

NAME	%	4 - MAY	3 - OCTOBER
António de Almeida	100,0	P	P
António João Caraceiro Castro	100,0	P	P
António Sarmento Gomes da Mota	50,0	A	P
Diogo Campos Barradas de Lacerda Machado	100,0	P	P
José Manuel dos Santos Fernandes	100,0	P	P
José Maria Brandão de Britto	50,0	A	P
José Maria Espírito Santo Silva Ricciardi	0,0	A	A
Mohamed Ali Al Fahim	100,0	P	P
Ricardo José Minotti da Cruz Filipe	100,0	P	P
P&R vs. Total		6/9	8/9
%	77,8	66,7	88,9
P - Present; A - Absent; R - Represented			
Total of meetings held in 2011		2	
Participation average	77,8		

2. activities

In 2011, CGSC held only two meetings, which in part is justified by the following aspects:

- EDP corporate activity in 2011 was focused on the preparation of a new Business Plan for 2012-2015 and the 2012 Budget, both influenced by the strategic partnership agreement signed with China Three Gorges;
- EDP privatization process (8th phase), which ultimately determine an overloaded of GSB meetings, including the six held in the last quarter;
- Given the particular context, the GSB has exercised directly some of the functions delegated in the Committee.

To compensate for the low number of meetings, the CGSC has chosen to concentrate its activities set in the activity plan in the few meetings that were held.

Given the flexibility of its activity plan, it was possible to complete by 7 of the 12 planned initiatives, namely the following:

- Analysis of EDP financial evolution – The CGSC has given continuity the analysis of EDP quarter results, which allowed the reflection on the activity of EDP main business units. Thus, at the October meeting, it was possible to do a global analysis on EDP Renováveis business, similarly to the one that had been done in the past for the electricity generation, distribution and supply in the Iberian Peninsula, as well for the natural gas business unit.
- Model for the management of ethics and conduct issues. These matters have great importance to achieve the excellence that EDP intends to assume in terms of governance practices. The CGSC benefited from the contribution of Mr. Carlos Loureiro, EDP Ethics Ombudsman, who is responsible for the activity developed under the ethics framework created by EDP. Given its responsibilities in this area, the CGSC defined a set of additional procedures to ensure a greater involvement of the Committee in the most relevant issues treated at this level, and identified the relevant

information that the Committee needs to perform its duties. Finally, the CGSC concluded that, in 2012, it would be appropriate to consider launching a process of reviewing EDP's regulation framework in terms of ethics and conduct.

- EDP Corporate Sustainability Policy. The Committee felt that during the two terms of office it was not possible to address in adequate manner this subject. Attending to its importance, namely EDP participation in the Dow Jones Sustainability Index, the Committee decided to invite Mr. Neves de Carvalho, Mr Cruz Morais and Mr. Sergio Figueiredo (all with high responsibilities on this matter) to participate in a meeting for a conjoint reflection. This is an area that, for the future, may justify a more active intervention by the Committee, particularly in terms of defining EDP sustainability principles and policy objectives, as well as in terms of implementation and monitoring of this policy.

More important than the meetings, it should be underlined the importance of the effectiveness of the initiatives discussed and the efficiency of meetings. In addition, it is important to offer to the Members reflection topics and suggestions that allow them to have a complete understanding of the matters dealt. Thus, with only two meetings, the Committee was able to conclude seven important initiatives. Moreover, at a technical level, the Committee developed a lot of work that should be used in the future by GSB or by any Committee that may be in charge with the duties that the CGSC has assumed in the last two terms of office. In this sense, and in addition to the above mentioned, two additional topics deserve special attention:

- Investment projects - Over the last two terms of office, EDP was able to implement an ambitious investment plan. Through the mechanism of the prior opinion, the GSB is committed with the policy proposed by EBD, having based its action by setting demanding targets for returns. Therefore, it makes sense that the CGSC reflects on the implementation of the investment plan. In this reflection, the Committee shall assess critically the assumptions that justified the investment decisions in order to incorporate

those lessons in future decisions, having a better view on EDP competitive advantages and the critical issues to continue to create more value than its main competitors.

- Strategic Partnerships - The year 2011 will be marked by the partnership with the China Three Gorges (CTG), emerging from the privatization process launched by the Portuguese Government. This is a special strategic commitment that creates great challenges and opportunities for EDP, which, by itself, justifies a special attention in the implementation of this partnership. Moreover, over the last two terms of office, with the GSB support, the EBD has promoted a policy of dynamic strategic partnerships, including the entry of new shareholders in EDP share capital. Therefore, the GSB or a Committee elected by the GSB should, in coordination with the EBD, carry out a specific reflection on this subject, to enrich the guidelines to align these partnerships with strategic interest of EDP sustainable growth in the coming years.

3. evaluation of the work carried out

With only two meetings it did not seem appropriate to undertake a formal self-evaluation process. However, the Committee believes that, taking in consideration the context and the work done, the balance is clearly positive, and it should be highlighted the relationship that was possible to develop with different business units and other EDP corporate structures, which allowed a better understanding of the daily activity of the company and its challenges.

The CGSC registers that no barriers have been identified that may have limited or restricted the exercise of its powers or duties.

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:

AC - Audit Committee

AR - EDP's Annual Report and Accounts 2011

Cajastur - Caja de Ahorros de Asturias

CC - Companies Code

CEBD - Chairman of the Executive Board of Directors

CGSB - Chairman of the General and Supervisory Board

CGSC - Corporate Governance and Sustainability Committee

CMVM - Portuguese Securities Market Commission

CTG - China Three Gorges

EA - External Auditor

EBD - Executive Board of Directors

ECB - European Central Bank

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

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

EDP R - EDP Renováveis, S.A.

EDP SU - EDP Serviço Universal, S.A.

GM - General Meeting

GSB - General and Supervisory Board

GSBO - GSB Office

HC - Hidroeléctrica del Cantábrico, S.A.

IMF - International Monetary Fund

IR - Internal Regulations

Naturgas - Naturgas Energía, S.A.

RC - Remuneration Committee (GSB)

SA - statutory auditor

SC - Securities Code

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

Subsidiaries - companies owned by or in the same group as EDP under Article 21 of the SC

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