





smart **energy** world

A smart, efficient world, where nature's energy is our energy.
Where sustainability and competitiveness are at the core
of energy independence and generation. Where leadership
through innovation and technology respect the future of our planet.
That's our world. That's the EDP world.



corporate
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corporate governance

1. STATEMENT OF COMPLIANCE

EDP – Energias de Portugal, S.A. (“EDP”) is a company that issues shares listed on the NYSE Euronext Lisbon market (denominated Eurolist by Euronext Lisbon). Accordingly, the corporate governance recommendations contained in the “Corporate Governance Code” approved by the CMVM in January 2010 apply to the company. The full text of the code is available on the CMVM website at “www.cmvm.pt”.

Ever since the company was listed in the former Lisbon Stock Exchange, the organisation and functioning of the EDP corporate governance model have been guided towards achieving the highest standards of corporate governance and business conduct and ethics referenced on the best national and international practices in corporate governance.

In this context, EDP declares that it adopts in full the CMVM recommendations on corporate governance for listed companies in the aforementioned “Corporate Governance Code”, approved in January 2010, with the exception of Recommendations I.3.3. and I.6.1. of said code, which are not adopted for the reasons given below.

The following table lists the CMVM recommendations in the Corporate Governance Code and indicates whether they were fully adopted or not by EDP, as well as the section of this report that contains more detailed information on the adoption of each specific recommendation.

| STATEMENT OF COMPLIANCE | | | |
|--|-----------------|---|---------------------------|
| Recommendation | Adoption Status | Comments | Description in the Report |
| GENERAL MEETING OF SHAREHOLDERS | | | |
| I.1 BOARD OF THE GENERAL MEETING | | | |
| I.1.1 The Chairman of the Board of the General Meeting shall be equipped with the necessary and adequate human resources and logistical support, taking the company's economic situation into consideration. | Adopted | | 2.3.1 |
| I.1.2 The remuneration of the Chairman of the Board of the General Meeting shall be disclosed in the Annual Report on Corporate Governance. | Adopted | | 5.2 5.4 |
| I.2 PARTICIPATION IN THE GENERAL MEETING | | | |
| I.2.1 The antecedence imposed for the acceptance, by the Board, of share deposit or share block declarations for participation in the General Meeting, shall not exceed five working days. | Adopted | Article 14th of the Articles of Association | 4.7 |
| I.2.2 In case of the General Meeting being suspended, the company shall not oblige shareholders to block shares for the whole period in between until the session is resumed. The period required for the first session shall suffice. | Adopted | The Decree-Law 49/210 established the prohibition of the blocking of the shares during a certain period before the General Meetings | 4.7 |
| I.3 VOTING RIGHTS AND VOTING | | | |
| I.3.1 Companies should not impose any statutory restrictions on postal voting and, when adopted and admissible, on electronic voting. | Adopted | Article 14th of the Articles of Association | 4.9 |
| I.3.2 The statutory antecedence deadline for receiving postal vote declarations shall not exceed three working days. | Adopted | Article 14th of the Articles of Association | 4.9 |
| I.3.3 Companies shall ensure proportionality between voting rights and shareholder participation, preferably through a statutory provision ensuring one vote per share. The companies which do not meet the proportionality requirements are those which, in particular: i) have shares without voting rights; ii) establish that, above a certain threshold, voting rights cast by one single shareholder or shareholders related to him/her should not be accounted for. | Not adopted | It is EDP's understanding that with the provision of the principle of one vote per share adequate shareholder participation is ensured, although there may be limits on the number of shares with which each shareholder can vote. The principle of proportionality between shareholder participation and voting rights must be evaluated in relative and not absolute terms. The limit specified in Article 14(3) of EDP's Articles of Association embodies the expression of the will of shareholders in the protection of specific interests of the Company. In actual fact, the current Articles of Association that enshrine this limitation have been approved by the General Meeting with the participation or representation of 60.70% of the share capital. 95% of votes cast approved the motion. Thus, given the representation of shareholders achieved in the mentioned General Meeting, the characteristics of the company's shareholder structure even if the matter under consideration is exclusively for resolution by shareholders, it is deemed that their interests are properly respected in general. | 4.8 |
| I.4 QUORUM AND DECISIONS | | | |
| Companies shall not establish a quorum for deliberation greater than that laid down by law. | Adopted | | 4.10 |
| I.5 MINUTES AND INFORMATION ON DECISIONS | | | |
| Extracts of the General Meeting's minutes or documents of equivalent content shall be made available to shareholders on the company's website within five days of the General Meeting, even if they are not inside information. The disclosed information shall contain the deliberations taken, the represented capital and voting results. This information shall be maintained on the company's website for at least three years. | Adopted | | 4.11 |

| Recommendation | Adoption Status | Comments | Description in the Report |
|--|-----------------|---|---------------------------|
| I.6 COMPANY CONTROL MEASURES | | | |
| I.6.1 Measures adopted to prevent the success of takeover bids shall respect the interests of the company and its shareholders. Companies Articles of Association which, while respecting the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also set forth that, at least every five years, the maintenance or not of that statutory provision shall be put to deliberation by the General Meeting – without the need for a quorum greater than the legal quorum – and that, all the votes cast shall count in this deliberation without that limitation. | Not adopted | Although one considers as good practice the non existence of measures that may unfairly interfere with the success of a takeover bid, one disagrees on the contents of the CMVM's recommendation, as it does not seem reasonable to link the referred principle with the issue of the existence of limitation mechanisms to the exercise of voting rights (which is, in fact, dealt with in another recommendation). Therefore, the interests of EDP's shareholders, reflected on the limitation in article 14th of the Articles of Association, justify the non adoption of the recommendation. In addition, in terms of company's control measures, one understands that: a) In face of a takeover bid, the Executive Board of Directors (EBD) and the General and Supervisory Board (GSB) shall assess the referred proposal in the light of the company's interest; b) the position to be taken by the EBD will be object of favourable prior opinion from the GSB and c) the EBD and the GSB shall avoid to take any measure or position that may unfairly constitute an obstacle to the proper weighting of the takeover bid by the shareholders. | 4.12 |
| I.6.2 Defensive measures shall not be taken if they have the effect of automatically causing serious erosion of the company's assets in the event of transfer of control or a change in the membership of the Board of Directors, thereby affecting the free transferability of shares and the free assessment by shareholders of the performance of the members of the Board of Directors. | Adopted | | 4.12 |
| II. MANAGEMENT AND SUPERVISORY BODIES | | | |
| II.1 General Matters | | | |
| II.1.1 Structure and Duties | | | |
| II.1.1.1 The Board of Directors shall assess, in its annual Corporate Governance Report, the adopted model identifying any constraints to its functioning and recommending the appropriate measures to overcome them. | Adopted | | 2.1 |
| II.1.1.2 Companies shall set-up internal control and risk management systems, in order to safeguard their assets and ensure the transparency of their corporate governance, which allow them to identify and manage the risk. These systems shall include, at least, the following components: i) determination of the company's strategic objectives on risk-taking; ii) identification of the main risks linked to the specific activity being exercised and the events capable of originating risks; iii) analysis and measurement of the impact and the probability of occurrence of each one of the potential risks; iv) risk management in view of the alignment between the risks actually incurred and the society's strategic choice on risk-taking; v) control mechanisms of the execution of the risk management measures adopted and their effectiveness; vi) adoption of internal mechanisms of information and disclosure on the system's various components and risk alerts; vii) cyclic evaluation of the implemented system and adoption of any necessary modifications. | Adopted | | 3.6 |
| II.1.1.3 Management and supervisory bodies shall ensure the creation and operation of internal control and risk management systems, lying with the supervisory body the responsibility for the assessment of these systems' operation and the proposal of any adjustments to the company's needs. | Adopted | | 3.6. |
| II.1.1.4 Companies shall, in the annual Corporate Governance Report: i) identify the main economic, financial and legal risks to which the company is exposed in the exercise of its activity; ii) describe the operation and effectiveness of the risk management system. | Adopted | | 3.6.2 |
| II.1.1.5 Management and supervisory bodies shall have their own regulations, which shall be posted on the company's website. | Adopted | | 2.3.2 2.3.3 |
| II.1.2 INCOMPATIBILITIES AND INDEPENDENCE | | | |
| II.1.2.1 The Board of Directors shall include a number of non-executive members to ensure an effective capacity to oversee, supervise and evaluate the executive members. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.1.2.2 Within the non-executive directors there shall be an appropriate number of independent directors, taking into account the company's size and its shareholder structure, which cannot, in any case be less than one quarter of the total number of directors. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.1.2.3 The evaluation of the independence of their non-executive directors by the management body shall take into account the legal rules and regulations in force on the requirements of independence and the regime of incompatibilities applicable to the members of other social bodies, assuring coherency systematically and throughout time in the application of independence criteria to the entire company. The director which, in other corporate body, would not be able to assume that quality under the applicable rules, shall not be considered independent. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.1.3 ELIGIBILITY AND APPOINTMENT | | | |
| II.1.3.1 Depending on the applicable model, the Chairman of the Supervisory Board, Audit Committee or Committee on Financial Matters shall be independent and have the appropriate competences to the performance of his/her duties. | Adopted | | 2.3.8.1 |
| II.1.3.2 The selection process for non-executive directors' candidates shall be conceived in a way such as to impede the interference from the executive directors. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.1.4 WHISTLE-BLOWING POLICY | | | |
| II.1.4.1 The company shall adopt a whistle-blowing policy for reporting alleged irregularities with the following elements: i) indication of the means by which whistle-blowing reports can be made within the company, including the people qualified to receive them; ii) indication of the treatment to be given to the reports, including confidentiality if the whistleblower so requires. | Adopted | | 2.3.8.1 |



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| II.1.4.2 The general lines of this policy shall be disclosed in the Corporate Governance Report. | Adopted | | 2.3.8.1 |
| II.1.5 REMUNERATION | | | |
| II.1.5.1 The remuneration of the members of the Board of Directors shall be structured in such a way as to ensure the alignment between their interests and the long-term interests of the company, be based on performance evaluation and discourage excessive risk-taking. To that effect, the remuneration shall be structured according to the following: (i) The remuneration of directors, who perform executive duties, shall integrate a variable component, which determination depends on a performance evaluation, by the company's competent bodies, according to pre-determined measurable criteria, which considers the real growth of the company and the wealth, in fact, generated for shareholders, its long-term sustainability and the assumed risks, as well as the compliance with rules applicable to the company's activity, (ii) The variable component of the remuneration shall be globally reasonable when compared to the fixed remuneration component, and maximum limits shall be determined for all components. (iii) A significant part of the variable remuneration shall be deferred for a period not inferior to three years, and its payment shall depend upon the continuation of the positive performance of the company during that period; (iv) The members of the management body shall not enter into contracts, either with the company, or with third parties, which have as effect, to mitigate the risk inherent to the remuneration variability that is determined by the company; (v) until the term of their mandate, the executive directors shall keep the company's shares, which they have accessed by way of variable remuneration schemes, until the limit of twice the value of their global annual remuneration, with the exception of those which need to be divested in order to pay taxes resulting from the capital gains regarding those shares; (vi) In cases where the variable remuneration includes the award of options, the beginning of the fiscal year shall be deferred for a period of no less than three years. (vii) Adequate legal instruments shall be established so that the determined compensation for any form of unjust dismissal of a director is not paid if the dismissal or termination by agreement is due to the director's inadequate performance; (viii) The remuneration of the non-executive members of the Board shall not include any component which value depends on the company's performance or the company's value. | Adopted | | 5.3 |
| II.1.5.2 The statement on the remuneration policy of the managing and supervisory bodies set forth in article 2nd of Law n.º 28/2009, of 19th of June, shall contain, beyond the contents there referred, sufficient information: i) regarding which companies groups remuneration policy and practices were taken as a comparative element to the determination of the remuneration; ii) regarding payments related to the dismissal or termination by agreement of director's functions. | Adopted | | 5.1 |
| II.1.5.3 The statement on remuneration policy set forth in article 2nd of Law n.º 28/2009 shall also include the remunerations of other managers, in the sense of number 3 of article 248th-B of the Securities Code, whose remuneration contains an important variable component. The statement shall be detailed and the policy presented shall take into account, namely, the company's long-term performance, the compliance with norms applicable to the company's activity and the contention in risk-taking. | Adopted | | 5.5 |
| II.1.5.4 A proposal on the approval of share distribution and/or a share option plan based on variations in share price to members of the managing and supervisory bodies and other company officers, as set forth in number 3 of article 248th of the Securities Code, shall be submitted to the General Meeting. The proposal shall contain all the information necessary for a proper assessment of the plan and shall be accompanied by the plan's regulation, or, in case this has yet to be drafted, by the general conditions that shall govern it. Likewise, the main features of the pension benefits system established in favour of members of the managing and supervisory bodies and other company officers, as set forth in number 3 of article 248th of the Securities Code, shall be approved by the General Meeting. | Not applicable | | |
| II.1.5.6 At least one representative from the Remuneration Committee shall attend the Annual General Meetings. | Adopted | | 2.3.5 2.3.8.2 |
| II.1.5.7 The amount of remuneration received, in aggregate and individual form, in other companies of the group and the pension rights acquired in the fiscal year in question shall be disclosed in the annual Corporate Governance Report. | Adopted | | 5.3 5.4 |
| II.2. BOARD OF DIRECTORS | | | |
| II.2.1 Within the limits established by law for each management and supervisory structure, and unless the company is very small, the Board of Directors shall delegate the day-to-day running of the company. The powers delegated shall be described in the annual Corporate Governance Report. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its powers, particularly, with respect to: i) defining the company's general strategy and policies; ii) defining the group's business structure; iii) decisions that should be considered strategic due to the amount or risks involved or their special characteristics. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.2.3 If the chairman of the Board of Directors has executive duties, the Board shall find efficient mechanisms for coordinating the work of the non-executive members so as to ensure that they can make independent and informed decisions and shall duly explain those mechanisms to the shareholders in the Corporate Governance Report. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.2.4 The company's annual management report shall include a description of the work done by the non-executive directors and mention any constraints encountered. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.2.5 The company must explain its policy on rotation of offices within the Board, particularly in what concerns the financial office, and give information regarding that policy in the Corporate Governance Report. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |
| II.3 CEO, EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS | | | |
| II.3.1 When asked to do so by other members of the corporate bodies, executive directors shall provide all information required in a timely fashion and appropriate form. | Adopted | | 2.3.3 |
| II.3.2 The chairman of the Executive Committee shall send respectively to the chairman of the Board of Directors and, as applicable, the chairman of the Supervisory Board or the Audit Committee the notices to and minutes of their meetings. | Not applicable | This recommendation is not applicable, given the corporate governance model adopted by EDP. | |

| Recommendation | Adoption Status | Comments | Description in the Report |
|---|-----------------|----------|---------------------------|
| II.3.3 The chairman of the Executive board of Directors shall send to the chairman of the General and Supervisory Board and the chairman of the Committee on Financial Matters the notices to and minutes of their meetings. | Adopted | | 2.3.3 |
| II.4. GENERAL AND SUPERVISORY BOARD, COMMITTEE ON FINANCIAL MATTERS, AUDIT COMMITTEE AND SUPERVISORY BOARD | | | |
| II.4.1 In addition to the exercise of its supervisory duties, the General and Supervisory Board shall advise, monitor and continuously assess the management of the company by the Executive Board of Directors. The matters on which the General and Supervisory Board shall give opinion include: i) the definition of the company's strategy and general policies; ii) the group's business structure; and iii) decisions that should be considered strategic due to the amounts or the risks involved or their special characteristics. | Adopted | | 2.3.2 |
| II.4.2 The annual reports on the activities developed by the General and Supervisory Board, the Committee on Financial Matters, the Audit Committee and the Supervisory Board shall be published on the company's website along with the respective financial statements. | Adopted | | 2.3.2 |
| II.4.3 The annual reports on the activities developed by the General and Supervisory Board, the Committee on Financial Matters, the Audit Committee and the Supervisory Board shall include a description of their supervisory activity and refer any constraints encountered. | Adopted | | 2.3.2 |
| II.4.4 The General and Supervisory Board, the Audit Committee and the Supervisory Board, depending on the applicable model, shall, for all purposes, represent the company in all dealings before the external auditor, and shall also make suggestions as to the providers of these services and their remuneration, and ensure that the right conditions exist within the company for the services to be performed as well as act as the company's interlocutor and first recipient of their reports. | Adopted | | 2.3.2 2.3.8.1 |
| II.4.5 The General and Supervisory Board, the Audit Committee and the Supervisory Board, depending on the applicable model, shall evaluate the external auditors every year and shall propose their dismissal to the General Meeting whenever just cause is given to that effect. | Adopted | | 2.3.2 2.3.8.1 |
| II.4.6 The internal audit services and those who ensure the compliance of the norms applied to the company (compliance services) shall functionally report to the Audit Committee, the General and Supervisory Board or, in case of companies that adopt the Latin model, to an independent director or the Supervisory Board, regardless the hierarchical relation that those services have with the executive administration of the company. | Adopted | | 3.6.1 |
| II.5. SPECIALISED COMMITTEES | | | |
| II.5.1 Unless the company is very small, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall set up any committees necessary for: i) ensuring a competent and independent assessment of the executive directors' performance as well as for the evaluation of their own overall performance and that of other committees; ii) reflecting on the adopted system of governance, checking its effectiveness and proposing, to the competent bodies, measures aimed at improving it; iii) identifying in a timely fashion, potential candidates with the necessary high profile for the performance of director's functions. | Adopted | | 2.1 2.3.8.3 |
| II.5.2 The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors and include, at least one member with knowledge and experience in remuneration policy matters. | Adopted | | 2.3.8.2 |
| II.5.3 Any individual or legal person that provides or has provided, in the past three years, services to any structure in the dependency of the Board of Directors, the Board of Directors itself or that has a present relation with the company's consultant, shall not be hired to support the Remunerations Committee in the performance of its duties. This recommendation is also applicable to any individual or legal person that is connected to those referred to above by an employment or service contract. | Adopted | | 2.3.8.2 |
| II.5.4 All the committees must keep minutes of their meetings. | Adopted | | 2.3.8 |
| III. DISCLOSURE AND AUDITS | | | |
| III.1 GENERAL DISCLOSURE OBLIGATIONS | | | |
| III.1.1 Companies shall ensure a permanent contact with the market, in respect of the principle of shareholders' equality of and in prevention of imbalances in the access to information by investors. In order to achieve this, the company shall have an investor relations office. | Adopted | | 7.1 7.2 7.3 |
| III.1.2 The following information on the company's website must be published in English: a) The company's name, status as public limited company, registered office and all other elements mentioned in Article 171st of the Companies Code; b) The Articles of Association; c) The names of the members of the corporate bodies and market liaison officer; d) The Investor Relations Office, its functions and contact information; e) The financial statements; f) Half-yearly calendar of company events; g) Motions submitted for discussion and voting at general meetings; h) Notices to general meetings | Adopted | | 7.4 |
| III.1.3 The companies shall promote the rotation of the auditor at the end of two or three terms, according to them being of four or three years respectively. Their maintenance after this period shall be reasoned in a specific opinion from the supervisory body which consider expressly the conditions of the auditor's independence and the advantages and costs of his/her substitution. | Adopted | | 2.7 |
| III.1.4 The external auditor shall, within its competencies, verify the application of remuneration policies and systems, the efficiency and the functioning of internal control mechanisms and report any deficiencies to the company's supervisory body. | Adopted | | 2.7 |
| III.1.5 The company shall not give to the external auditor, or any other entities in a relation of participation with that auditor or that are part of the same network, any services other than auditing. If the engagement of such services is required – which must be approved by the supervisory body and explained in its annual report on Corporate Governance – they should not account for more than 30% of the total value of services provided to the company. | Adopted | | 2.7 |



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| Recommendation | Adoption Status | Comments | Description in the Report |
|---|-----------------|----------|---------------------------|
| IV. CONFLICTS OF INTEREST | | | |
| IV.1 RELATIONS WITH SHAREHOLDERS | | | |
| IV.1.1. The company's businesses with shareholders with a qualified stake, or with entities with any relation with those shareholders shall be performed in normal market conditions, as set forth in article 20th of the Securities Code. | Adopted | | 2.4 |
| IV.1.2. The business of significant relevance with shareholders of a qualified stake, or with entities with any relation to those shareholders, shall be submitted to prior opinion of the Supervisory Board, as set forth in article 20th of the Securities Code. This body shall establish the necessary procedures and criteria for the definition of the relevant level of significance of these businesses and the further terms of their intervention. | Adopted | | 2.4 |

1.1. STATUTORY FRAMEWORK IN RESPECT OF INDEPENDENCE AND INCOMPATIBILITIES

The Articles of Association of EDP, which are available for consultation on its Website (www.edp.pt), contain rules on independence and incompatibilities for office in any body of the Company.

The independence criteria provided for in Article 414 5) of the Companies Code are in line with those stipulated in the Articles of Association, determining that the independence corresponds to the absence of direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and hold or act on behalf of holders of qualifying of 2% or more of the share capital or have been re-elected for more than two terms, either continuous or interspersed.

The assessment of the independence of members of corporate bodies should be promoted by each corporate body for its members, complying with applicable laws and regulations at all times and must be expressly justified when it diverges from criteria resulting from non mandatory recommendations which EDP should take into account.

Beyond the legal rules applicable and in matters of incompatibility and as a way of safeguarding the interests of the company and its shareholders, it was established by the Articles of Association that the holding of office in any of the EDP corporate bodies is not compatible with:

- The quality of natural or legal person associated with a legal person that is a competitor of EDP;
- Holding any office or performing any tasks of any kind or designation – namely through appointment to a corporate office, a work contract or a service contract – in a legal person competing with EDP or in a legal person associated with an EDP competing company;
- Appointment, even if only de facto, as a member of a corporate body by a rival legal person competing with EDP or by a natural or legal person associated with a legal person that is a competitor of EDP.

In this context, in accordance with the Articles of Association:

- A legal person that carries out, directly or indirectly, a business activity that competes with that pursued by EDP or by a company in which EDP has a stake of at least 50% (fifty per cent) of the respective capital or voting rights in Portugal or abroad, provided that, in the latter case, it is a market in which EDP, or the company it controls, carries out the activity through a fixed establishment.

- A person associated with an EDP competing legal person is: (i) a person whose voting rights are attributable to the latter in accordance with Article 20 of the Securities Code or any provision that modifies or substitutes it; (ii) a person that, directly or indirectly, holds, in a EDP competing legal person, or in a company in a control or group relationship with it, as defined in Article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such a company, a stake of at least 10% (ten per cent) or more of the voting rights corresponding to a shareholding in that company.
- A person that indirectly carries out a business activity in competition with EDP is the one that, directly or indirectly, holds a share, or of at least 10% (ten per cent) in the capital or voting rights of a company that carries out some of the same business activities as EDP or an EDP subsidiary.

Incompatibility for office in any body of EDP is not applicable to EDP competing legal persons in which EDP holds 50% (fifty per cent) or more of the respective share capital or voting rights, nor to natural persons that hold office of any kind or designation or are nominated, even if only de facto, in such competing legal persons when the appointment to the corporate office in the competing legal person or the contract with the competing legal person were made on the basis of an indication by EDP or an EDP subsidiary.

Incompatibility as defined above also does not apply to the holding of offices such as member of the General and Supervisory Board, where permitted by law, through prior authorisation approved by a two-thirds majority of votes issued in the General Meeting at which the appointment is confirmed. The competition relationship must be expressly referred to and identified in precise terms in the appointment proposal and the decision on authorisation may be made subject to conditions, namely the holding of a shareholding in EDP representing no more than 10% (ten per cent) of its share capital.

1.2. STATEMENTS REGARDING THE INDEPENDENCE AND INCOMPATIBILITIES

In line with the independence criteria provided for in Article 9 of the company's Articles of Association, the members of the Executive Board of Directors declared upon taking office that they fully comply with the independence criteria, given that they have no direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and also do not hold a stake in EDP representing 2% (two per cent) or more of its share capital. They also declared that they have no incompatibility to hold the office in accordance with Article 10 of the Articles of Association, as they do not hold office in EDP competing companies nor do they represent any EDP competing company or legal person associated with EDP competitors.

The members of the Executive Board of Directors also undertakes

to inform the Chairman (and the Chairman himself undertakes to inform the Executive Board of Directors) of the occurrence of any circumstance that could eventually cause a situation of incompatibility with the status of member of the Executive Board of Directors or of loss of the status of independent member.

Pursuant to its Internal Regulation, the General and Supervisory Board has set a specific procedure to assess the fulfillment of the large set of rules on incompatibility and independence requirements applicable to the exercise of office in the same body. The procedure includes the following features:

- The acceptance of the appointment as General and Supervisory Board member occurs with a written statement in which the member specifically declares: (i); (ii) the absence of any incompatibility situation under the law or EDP'S Articles of Association with the exercise of the office; (iii) the fulfillment of the independence requirements set out in the Internal Regulation, if elected as a General and Supervisory Board independent member; and (iii) the duty to inform the Chairman of the General and Supervisory Board or, in case of the Chairman, the Board itself directly, of the subsequent occurrence of any circumstance that may constitute a situation of incompatibility or loss of independence status.
- The members of the General and Supervisory Board must confirm annually in writing the absence of incompatibility and compliance with the requirements of independence, if applicable.
- Also annually, the General and Supervisory Board conducts a general assessment on the fulfillment of the incompatibilities and independence requirements by its members.

At the same time, the General and Supervisory Board's regulations regarding the independence criteria applicable to its members were extended beyond the provisions in Article 414 5) of the Companies Code and Article 9 of the Articles of Association, with the result that persons who, either directly or in relation to their spouse or relative by direct line or affinity, and up to and including the third degree in the collateral line, may not have the status of independent if they are in any of the following situations:

- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of a qualified holding of 2% or more of the voting rights in EDP, or the same percentage in a company that it controls.
- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of, a qualified holding of 2% or more of the share capital or voting rights in a company that is a competitor of EDP.
- They gain any remuneration, albeit suspended, from EDP or a subsidiary company or from non-profit institutions economically dependent on them, except for compensation for their duties as a member of the General and Supervisory Board.
- They have been re-elected for more than two terms, whether consecutively or not.

The regime of independence applicable to the members of the General and Supervisory Board is particularly important with regard to the following requirements:

- The body must be composed of a majority of independent members (Article 434(4) of the Companies Code and Article 21(4) of the Articles of Association).
- The Committee for Financial Matters and the Remuneration Committee of the General and Supervisory Board must be composed of a majority of independent members (Article 444(6) of the Companies Code and Article 27(1) of the Articles of Association).

In accordance with the above-mentioned procedure, the members of the General and Supervisory Board declared at the start of their term that they were not in any situation of legal incompatibility (Article 414-A(1)(a) to e), g) and h) (ex vi Article 434(4)) and Article 437(1) of the Companies Code) and furthermore that, in the applicable cases, they were in statutory compliance with the requirements of independence set forth in the General and Supervisory Board's internal regulations.

It should be mentioned in this regard that the General Meeting on 15 April 2009 authorised the election of Sonatrach as a member of the General and Supervisory Board pursuant to the terms of Article 10(4) of the Articles of Association as, under the terms of Article 10(1) and 10(7) of the Articles of Association, Sonatrach is a legal person that is a competitor of EDP.

At the beginning of 2011, the members of the General and Supervisory Board renewed their declarations regarding incompatibilities and independence, and on 27 January 2011 the General and Supervisory Board assessed the application to its members of the rules on incompatibilities and independence.

The same declarations of compliance with the independence and incompatibility checking criteria for the exercise of their duties, set forth in Article 414(5) and Article 414-A(1) of the Companies Code and in Articles 9 and 10 of the Articles of Association, were made by the Chairman and Vice-Chairman of the General Meeting.

The statements, above mentioned, are publicly available on the website of EDP in www.edp.pt.

For further information on application of the incompatibility and independence regime for members of the General and Supervisory Board see section 2.1.1 of the Annual Report issued by that body.

2. CORPORATE GOVERNANCE STRUCTURE

2.1. CORPORATE GOVERNANCE MODEL

EDP has adopted, since 2006, a dual corporate governance model.

The definition of EDP corporate governance model essential purpose was to ensure separation of functions and specialization of supervision with rigor and transparency, and to align the interests of the EDP with the interests of its shareholders. The EDP management and supervision structure is made up of four bodies:

- The General Meeting
- The Executive Board of Directors;
- The General and Supervisory Board; and
- The Statutory Auditor.

The EDP General Meeting of Shareholders appoints and dismisses

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the members of the Executive Board of Directors and the General and Supervisory Board as well as the Statutory Auditor, the latter upon proposal by the General and Supervisory Board (or by the Committee on Financial Matters/Audit Committee on its behalf). The General Meeting also appoints the members of the Environment and Sustainability Board and the Remuneration Committee, responsible for fixing the remuneration of members of the corporate bodies (with the exception of the members of the Executive Board of Directors, whose remuneration is fixed by the Remuneration Committee appointed by the General and Supervisory Board.

Separation of the functions of management and supervision is ensured by the existence of a Executive Board of Directors, which is responsible for the management of the business, and by the General and Supervisory Board, which is the maximum corporate authority in matters of supervision.

For a better understanding of how EDP works in terms of corporate governance, the company maintains its Articles of Association updated in both Portuguese and English for its shareholders on its website (www.edp.pt), as well as the internal regulations for the Executive Board of Directors, the General and Supervisory Board and their respective committees.

Additionally, in November 2010, the General and Supervisory Board and the Executive Board of Directors approved the "Guidelines on Corporate Governance of EDP" (Manual), which is available to shareholders and the general public in the "Website" (www.edp.pt). The primary goal of the Manual is to record and share an understanding of the two bodies with respect to recommendations of good corporate governance practices applicable to the EDP, as well as guidelines which are deemed appropriate before adopting them.

Given the requirement of EDP and ambition in terms of quality of its corporate governance practices, we tried to go beyond legal requirements and regulations in this area, particularly regarding the reporting of information. Thus, the realization of that fundamental objective, the elaboration of the Manual sought to meet the following purposes:

- Reflect critically on the recommendations of best practices defined in the Code of Corporate Governance of CMVM, to contribute actively to the improvement of the practices of EDP.
- Select the recommendations are deemed appropriate to governance model of EDP, highlighting and pointing out potential measures to implement measures towards the full adoption of best practices.
- Identify recommendations that are deemed appropriate to the interests of EDP, the reasons justifying this position, as well as pointing to other practices to achieve differently the same objectives of the recommendations of the Government Code of CMVM.
- Support the recommendations addressed in their discussions on the best governance practices to be adopted in EDP.
- Formalize a document that can assist compliance with the reporting requirements on corporate governance practices, including the annual report required by law.
- Give information about the governance practices of EDP that although not reflected in the Code of Corporate Governance, materialize the goal, shared by the General and Supervisory

Board and the Executive Board of Directors, to develop and deepen the quality of governance processes in EDP.

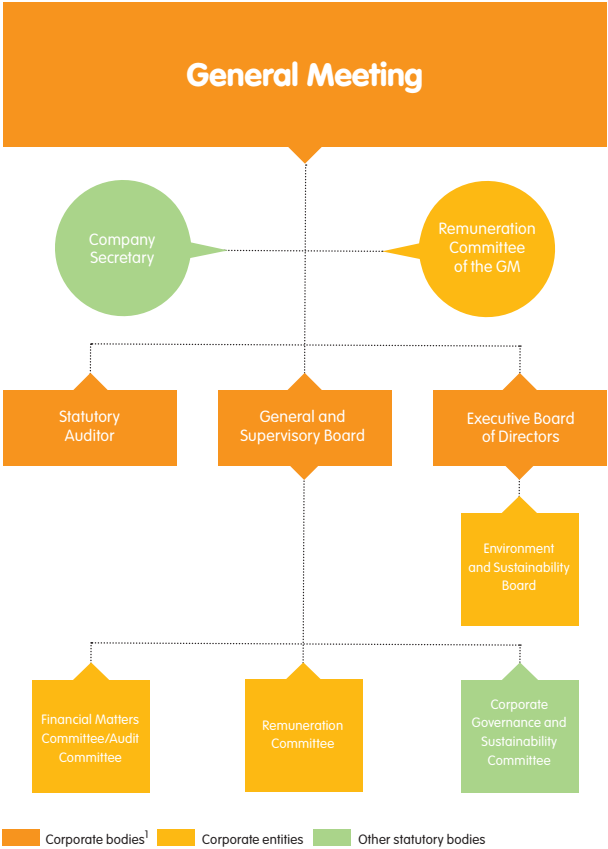
Where the evaluation of our corporate governance model was concerned, the Executive Board of Directors and General Supervisory Board reflected together on the functioning and possible constraints of EDP's model. The Executive Board of Directors feels that, on the basis of some four years' experience of the model, EDP's current organisation enables it to pursue the company's management goals without jeopardising the necessary division of functions between its management and supervisory bodies. The use of this model has also made it possible for the supervisory body to permanently monitor the EDP Group's activity. This body is exacting in terms of operations but has appropriate communication and information mechanisms for each body to perform its duties without interference or constraints in its work.

In relation to the assessment of the corporate governance model and in accordance with its powers in this matter, the General and Supervisory Board registered its conclusions in its Annual Report, which can be summarised as follows:

- The governance model adopted by the shareholders proves to be adequate to the organisation of the EDP business, especially as it ensures a fair balance between the necessary flexibility and amplitude of the management powers and the effectiveness of the general supervision of the company and specific supervision in truly sensitive areas;
- The institutional and functional relationship between the General and Supervisory Board and the Executive Board of Directors was very positive and of considerable effectiveness in the choice of the matters dealt with; it also proved to be very efficient in terms of how the matters were looked at and dealt with;
- The continuous monitoring of the Group's activities by the General and Supervisory Board, the constant close scrutiny of the decision making processes and, in some cases, the effective involvement in said processes, significantly strengthen the demand and functional accountability standards within the EDP universe and better safeguard the interests of all shareholders and other stakeholders;
- The commitment and the institutional articulation between the General and Supervisory Board and the Executive Board of Directors further promote higher quality levels in governance practices, allowing for optimisation of the virtues of the governance model, namely:
 - * At the level of the mechanisms for access to information by the General and Supervisory Board;
 - * In terms of consolidating the functions of the General and Supervisory Board in relation to the subsidiaries;
 - * At the level of the provision of the human and technical resources appropriate to the tasks of the General and Supervisory Board.

For more information on this topic please see section 1 of the Annual Report of the General and Supervisory Board.

2.2. ORGANIC CORPORATE STRUCTURE



1) Corporate entities are also corporate bodies, pursuant to Article 8/4 of EDP's Articles of Association

2.3. CORPORATE BODIES

The current members of the corporate bodies were elected at the annual General Meeting held on the 15 April 2009, for a term of 3 years (triennial 2009/2011).

2.3.1. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the body that represents the shareholders. It has the following functions:

- Assessing the annual reports of the Executive Board of Directors, discussing and voting on the balance sheet, accounts and opinion of the Statutory Auditor and the opinions of the General and Supervisory Board and Committee on Financial Matters/Audit Committee and voting on proposals for the allocation of profits;
- Electing and dismissing the members of the board of the General Meeting, the Executive Board of Directors and the General and Supervisory Board as well as their respective chairmen and vice-chairmen and, if applicable, the Statutory Auditor, under proposal of the General and Supervisory Board or, by delegation, of the Committee on Financial Matters/Audit Committee, and also the members of the Environment and Sustainability Board;
- Deciding on amendments to the Articles of Association, including capital increases;

- Appointing a Remuneration Committee responsible for establishing the remuneration of the members of the corporate bodies; the majority of the committee members should be independent;
- Assessing the annual company report produced by the General and Supervisory Board;
- Dealing with any other matters brought before it;
- Exercising any other powers that may be conferred to it by law, namely as regards the general assessment of the administration and supervision of the company and the approval of the remuneration policy of the members of these bodies.

Board of the General Meeting

Pursuant to Article 12 of the EDP Articles of Association, the Board of the General Meeting is made up of a Chairman and a Vice-chairman and the company's General Secretary appointed by the Executive Board of Directors.

The current members of the board of the General Meeting are as follows:

| Board of the General Meeting | |
|------------------------------|---|
| Chairman | Rui Eduardo Ferreira Rodrigues Pena |
| Vice-Chairman | António Bernardo de Meneses e Lorena de Sêves |
| Company Secretary | Maria Teresa Isabel Pereira |

In accordance with the Articles of Association, the Chairman of the Board of the General Meeting is a member of the General and Supervisory Board.

The Chairman of the Board of the General Meeting has the internal human and logistic resources that are appropriate for his/her needs, namely the support of the General Secretary and Legal Department, the Investors Relations Office and the Brand and Communication Department, as well as external support from a specialised entity hired by EDP for the collection, processing and counting of votes. The logistic and administrative resources for holding the General Meeting are provided by the company, with the respective organisation being supervised by the Chairman of the Board of the General Meeting.

2.3.2. GENERAL AND SUPERVISORY BOARD

The General and Supervisory Board is the body that oversees the company's management activity and guarantees permanent monitoring and supervision of the administration of the company, cooperating with the Executive Board of Directors and all other corporate bodies in the pursuit of the corporate interests in accordance with the Companies Code and the Articles of Association, being elected by the shareholders in the General Meeting.

The General and Supervisory Board is composed of 17 members, the majority of whom are independent, who meet the requirements in terms of education and competence provided for in the Articles of Association and legislation applicable to EDP. The work of the General and Supervisory Board is governed by an internal regulation, available on the EDP website (www.edp.pt).

The professional qualifications of the members of the General and

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Supervisory Board can be consulted in the Corporate Bodies chapter herein.

The competencies of the General and Supervisory Board are to:

- Permanently monitor the management of the company and the subsidiaries, providing advice and assistance to the Executive Board of Directors, namely with respect to strategy, meeting targets and objectives and complying the applicable legislation;
- Issue an opinion on the annual report and accounts;
- Oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, issue pronouncement on the respective election or appointment, removal from office, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluates internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitor the definition of the necessary or appropriate criteria and responsibilities for the internal structures and bodies of the company or group and their impact, in addition to drawing up succession plans;
- Provide, in accordance with the law, for the replacement of members of the Executive Board of Directors in the event of absence or temporary impediment;
- Issue, on its own initiative or upon request by the Chairman of the Executive Board of Directors, an opinion on the annual vote of confidence in the company management as referred to in Article 455 of the Companies Code;
- Monitor and assess matters pertaining to corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes, systems for appraising and solving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Procure the resources, financial or otherwise, which it reasonably considers necessary for its work and request the Executive Board of Directors to adopt the measures or corrections it deems appropriate, being authorised to contract the necessary resources to obtain independent advice, if required;
- Receive regular information from the Executive Board of Directors on significant commercial relations between the company or subsidiaries and shareholders with a qualified shareholding and related persons;
- Appoint the Remuneration Committee and Committee on Financial Matters/Audit Committee;
- Represent the company in its relations with the directors;

- Oversee the work of the Executive Board of Directors;
- Supervise observance of the law and the Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for the engagement or dismissal of the same;
- Monitor, when and how it deems appropriate, the regularity of bookkeeping, accounts and supporting documents, as well as the status of any assets or securities held by the company;
- Oversee the drawing up and disclosure of financial information;
- Convene the General Meeting when it deems appropriate;
- Approve its internal regulation, which includes rules on relations with the other corporate bodies;
- Exercise any other powers that may be conferred upon it by law or by the General Meeting.

In the scope of the corporate governance model in force at EDP, the General and Supervisory Board has one more power of particular importance. Although it does not have management powers, in accordance with Article 442. 1) of the Companies Code, the company's Articles of Association establish that the approval of the company's strategic plan and the following operations carried out by the company or by subsidiaries are subject to favourable prior opinion from the General and Supervisory Board:

- 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;
- Amendments to the Articles of Association, including changes of registered office and capital increases when these are of the initiative of the Executive Board of Directors;

The Articles of Association also envisage that the prior opinion of the General and Supervisory Board may be waived (Article 21(7)). The rules in force that apply to the issue and waiving of prior opinion of the General and Supervisory Board were approved on 7 May 2009, as well as the procedures for reporting and providing clarification between that Body and the Executive Board of Directors.

In that capacity, a total of eight transactions were submitted for prior opinion to the General and Supervisory Board, with an average value of EUR 1,079 million and maximum value of EUR 2,100 million. In relation to the waiving of prior opinion, a total of thirteen transactions were submitted to the General and Supervisory Board, with an average value of EUR 584 million and maximum value of EUR 2,000 million.

The Chairman of the General and Supervisory Board has competencies of its own, and is responsible for:

- Convening and chairing meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and supervising the correct functioning of its committees;
- Provide timely availability to members of the General and Supervisory Board of the information necessary for the complete fulfilment of their duties;
- Requesting and receiving information from the Executive Board of Directors on the activities of the company and subsidiaries;
- Promote the necessary arrangements for proper monitoring of social activity by the General and Supervisory Board;
- Control the implementation of the budget of the General and Supervisory Board and manage the human and material resources allocated to this body;
- Ensuring correct implementation of the General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board, or, in case of its absence or impediment, one of its members specifically appointed by the board, may attend the meetings of the Executive Board of Directors and participate in the discussion of matters to be submitted to the General and Supervisory Board, whenever they deem convenient and without the right to vote.

Members of the Committee on Financial Matters/Audit Committee have the obligation to attend Executive Board of Directors meetings assessing the accounts for a financial year.

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, either on its own initiative or at the request of any member, of the Executive Board of Directors or of its respective Chairman. In 2010, the General and Supervisory Board met 7 times. Minutes of all meetings were drawn up.

The General and Supervisory Board draws up an annual report on its activity and functioning, including any constraints it may have encountered in the carrying out of its duties. The report is available on the EDP website (www.edp.pt) together with the management report and accounts.

Supported in the work developed by the Corporate Governance and Sustainability Committee, the General and Supervisory Board carries out, each year:

- The self-assessment of its activity and performance, as well as that of the Committees, the conclusions of the evaluation to be included in the General and Supervisory Board Annual Report.
- The independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of the assessment process to be included in the General and Supervisory Board Annual Report as an appendix.

Concerning the 2010 assessment procedures, the General and Supervisory Board has decided to reinforce its transparency and objectiveness through the adoption of the following procedure:

- Its members must fill individual evaluation questionnaires about the activity and performance of the General and Supervisory Board and the Executive Board of Directors.
- The questionnaire results are discussed at the General and Supervisory Board meeting, without the attendance of the Executive Board of Directors, and the General and Supervisory Board identifies the positive aspects and the ones that shall be improved.

For more information on the activity of the General and Supervisory Board during the financial year please see section 3 of its Annual Report.

Currently, the General and Supervisory Board has the following composition:

| General and Supervisory Board | | Independent Members | Date of First Appointment |
|-------------------------------|---|---------------------|---------------------------|
| Chairman | António de Almeida (1) | | June 30, 2006 |
| Vice-Chairman | Alberto João Coraceiro de Castro (1) | Independent | June 30, 2006 |
| | António Sarmento Gomes Mota | Independent | April 15, 2009 |
| | Carlos Jorge Ramalho Santos Ferreira | | April 10, 2008 |
| | Diogo Campos Barradas de Lacerda Machado (1) | Independent | June 30, 2006 |
| | Eduardo de Almeida Catroga (1) | Independent | June 30, 2006 |
| | Farid Boukhalfa (as representative of Sonatrach) | | February 4, 2010 |
| | Fernando Manuel Barbosa Faria de Oliveira | | April 10, 2008 |
| | José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.) | | June 2, 2008 |
| | José Maria Espírito Santo Silva Ricciardi (1) | | June 30, 2006 |
| | José Manuel dos Santos Fernandes | Independent | April 15, 2009 |
| | Manuel Fernando de Macedo Alves Monteiro (1) | Independent | June 30, 2006 |
| | Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL) | | April 16, 2010 |
| | Ricardo José Minotti da Cruz Filipe | Independent | April 15, 2009 |
| | Rui Eduardo Ferreira Rodrigues Pena | Independent | April 12, 2007 |
| | Vítor Fernando da Conceição Gonçalves (1) | Independent | June 30, 2006 |

(1) Members appointed at the Annual General Shareholders' Meeting held on March 30, 2006, which office began in June 30, 2006, after the entry into force of the new Articles of Association and the dual corporate governance model.

On 4 February 2010, the member of the General and Supervisory Board Sonatrach informed EDP that Farid Boukhalfa would be its representative in the General and Supervisory Board, pursuant to the resignation to the office of Mohamed Meziane. On 23 April 2010, Senfora SARL, elected in the Annual General Shareholders Meeting held on April 16, 2010, appointed Mohamed Al Fahim as its representative to exercise the office replacing Khalifa Al Romaitihi who resigned to its term of office. On 21 December 2010, Vasco Maria Guimarães José de Mello has presented his resignation from the General and Supervisory Board, so this board has now 16 members.

For more information regarding changes to the composition of the General and Supervisory Board please see section 2.1. of its Annual Report.

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2.3.3. EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is the body responsible for the management of the company's business activities and for representing the Company, in accordance with the Companies Code and EDP Articles of Association. Its members are elected by the shareholders at the General Meeting. The Executive Board of Directors is comprised of 7 member, which were initially elected on March 29, 2006.

The professional qualifications of the members of the Executive Board of Directors can be consulted in the Corporate Bodies section.

The Executive Board of Directors habitually meets once a week, though it is obliged to meet only once every two months.

The Executive Board of Directors works in a collegial manner, without delegation of duties in any of its members. Individual directors are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The work of the Executive Board of Directors is governed by an internal regulation, available on the EDP website (www.edp.pt).

The powers of the Executive Board of Directors, in accordance with the Articles of Association, include:

- Establishing the objectives and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the remit of other corporate bodies;
- Representing the company actively and passively in and out of court, with the power to concede, acquiesce and plead in any legal proceedings, as well as to sign arbitration agreements;
- Buying, selling or by any other means disposing of, or encumbering, rights or immovable assets;
- Incorporating companies and subscribing, acquiring, encumbering and transferring shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, observing the annual quantity limits fixed by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of its internal operation, particularly in relation to personnel and their remuneration;
- Establishing proxies with such powers as it may deem fit, including the power to delegate;
- Appointing the general secretary and his/her alternate;
- Contracting and dismissing the External Auditor upon instruction of the General and Supervisory Board;
- Exercising any other powers invested in it by law or by the General Meeting; and

- Establishing its regulation setting out rules applicable to its internal functioning.

Moreover, proposals for amendments to the Articles of Association in matters of capital increases that are submitted by the Executive Board of Directors are subject, pursuant to Article 17.2 g) of the Articles of Association, to a prior opinion of the General and Supervisory Board.

The Chairman of the Executive Board of Directors has competencies of its own, and is responsible for:

- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring the correct execution of the decisions of the Executive Board of Directors.

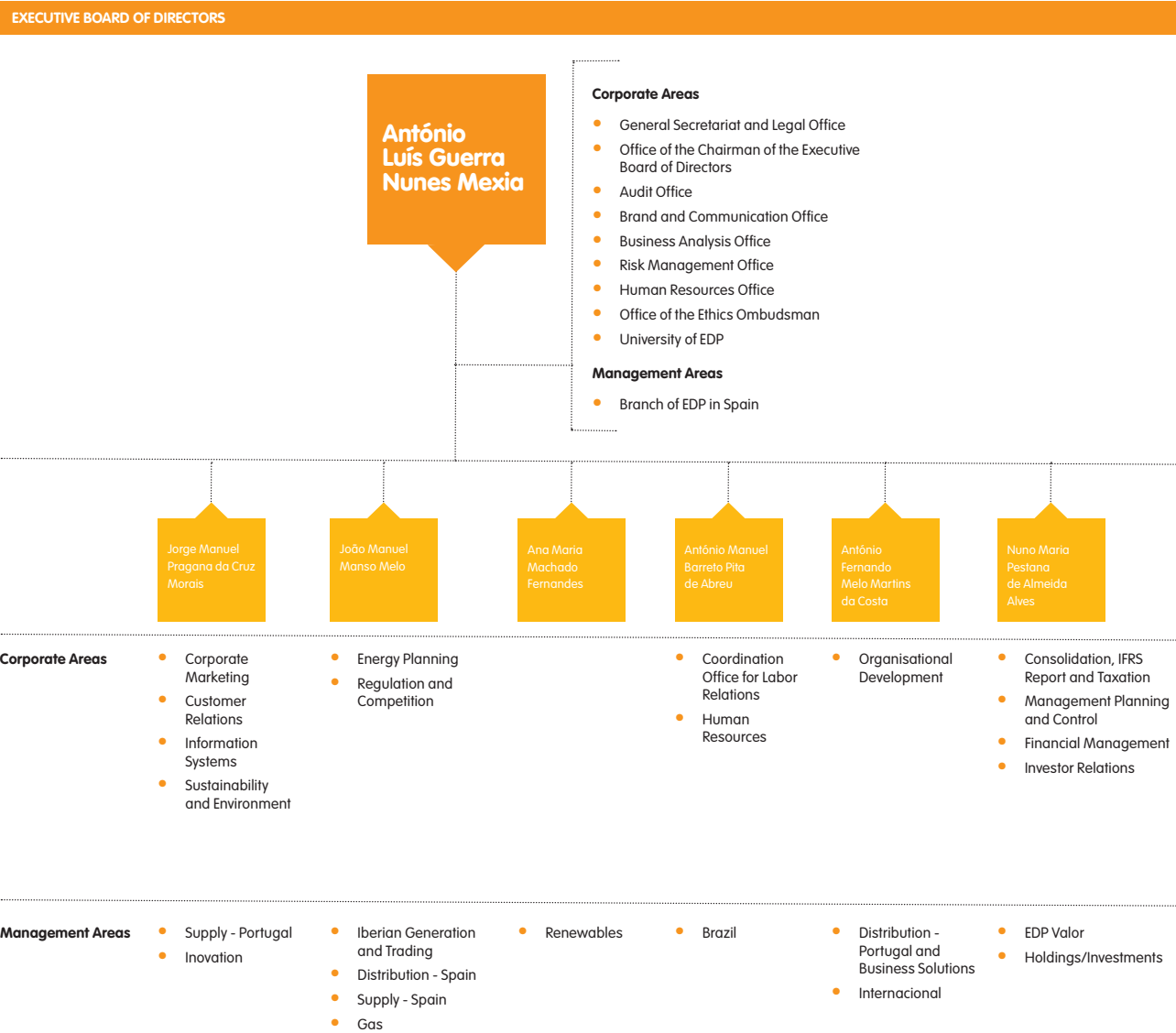
The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions on the supervision of the work of the Executive Board of Directors and, in general, in any situations which involve a conflict of interests.

The Chairman of the Executive Board of Directors forwards to the support office of the General and Supervisory Board invitations to meetings and the respective minutes and, whenever requested, timely provides the information requested from him/her in the appropriate form, such information being accessible to all members of the General and Supervisory Board.

The performance of the Executive Board of Directors is assessed continuously and independently by the General and Supervisory Board.

The Executive Board of Directors met 50 times in 2010. Minutes of all meetings were drawn up.

The Executive Board of Directors is organised in accordance with the following management areas and corporate areas:





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The offices held by members of the Executive Board of Directors in other Group companies are as follows:

| Offices Held by Members of The Executive Board of Directors | | | | | | | |
|--|---------------|---------------------|--------------------------|-----------------------|------------------------|-------------------|--------------------|
| | António Mexia | Ana Maria Fernandes | António Martins da Costa | António Pita de Abreu | João Manuel Manso Neto | Jorge Cruz Morais | Nuno Almeida Alves |
| Balwerk - Consultadoria Económica e Participações, S.U, Lda. | - | - | - | - | - | M | M |
| EDP - Ásia Soluções Energéticas Limitada | - | - | CBD | - | - | - | - |
| EDP - Energias de Portugal Sociedade Anónima, Sucursal en España | PR | PR | PR | - | PR | - | PR |
| EDP - Estudos e Consultoria, S.A. | - | - | - | D | - | - | CBO |
| EDP - Gestão da Produção de Energia, S.A. | - | - | - | - | CBO | - | - |
| EDP - Soluções Comerciais, S.A. | - | - | CBO | - | - | - | - |
| EDP Ásia - Investimentos e Consultoria Lda. | - | - | CBO | - | - | - | - |
| EDP Comercial - Comercialização de Energia, S.A. | - | - | - | - | - | CBO | - |
| EDP Energia Ibérica S.A. | - | - | - | - | D | CBO | - |
| EDP Energias do Brasil, S.A. | CBO | D | - | VCBD + DC | - | - | D |
| EDP Finance BV | R | R | R | R | R | R | R |
| EDP Gás II, SGPS, S.A. | - | - | - | - | CBO | - | - |
| EDP Gás III, SGPS, S.A. | - | - | - | - | CBO | - | - |
| EDP Gás, SGPS, S.A. | - | - | - | - | CBO | D | - |
| EDP Gás.Com - Comércio de Gás Natural, S.A. | - | - | - | - | D | CBD | - |
| EDP Imobiliária e Participações, S.A. | - | - | - | - | - | - | CBO |
| EDP Internacional, S.A. | - | - | CBO | - | - | - | - |
| EDP Investimentos, SGPS, S.A. | - | - | - | - | CBO | - | - |
| EDP Projectos, SGPS, S.A. | - | - | D | - | D | - | - |
| EDP Renewables Europe SL | - | CBO | - | - | - | - | - |
| EDP Renováveis Brasil, S.A. | - | CBO | - | VP | - | - | - |
| EDP Renováveis, S.A. | CBO | VCBD | D | - | D | - | D |
| EDP Serviner - Serviços de Energia, S.A. | - | - | - | D | - | CBO | - |
| EDP Valor - Gestão Integrada de Serviços, S.A. | - | - | - | - | - | - | CBO |
| Eléctrica de La Ribera de Ebro, S.L. | - | - | - | - | CBD | - | - |
| Electricidade de Portugal Finance Company Ireland Lt. | - | - | - | - | - | - | D |
| Empresa Hidroeléctrica do Guadiana, SA | - | - | - | - | CBO | - | - |
| ENEOP - Eólicas de Portugal, S.A. | - | CBO | - | - | - | - | - |
| Energia RE, S.A. | - | - | - | - | - | - | CBO |
| Hidrocantábrico Energía, S.A.U. | - | - | - | - | CBD | - | - |
| Hidrocantábrico Gestión de Energía, S.A.U. | - | - | - | - | SD | - | - |
| Hidroeléctrica del Cantábrico, S.A. | - | D | D | - | VP/CD | D | D |
| Horizon Wind Energy, LLC | - | - | CBO | - | - | - | - |
| Naturgás Energía Grupo, S.A. | - | - | - | - | VP | D | - |
| Sávida - Medicina Apoiada, S.A. | - | - | - | - | - | - | CBO |
| SCS - Serviços Complementares de Saúde, S.A. | - | - | - | - | - | - | CBO |

CBD – Chairman of the Board of Directors

M – Manager

CEBD – Chairman of the Executive Board of Directors

VCBD – Vice-Chairman of the Board of Directors

DC – Director-Chairman of the Board (Executive Board)

R – Representative

SD – Sole Director

D – Director

VP/CD – Vice-President and Counselor-Delegate

PR – Permanent Representative

2.3.4. STATUTORY AUDITOR

The Statutory Auditor is the corporate body responsible for examining the financial statements. It is elected by the General Meeting of Shareholders for three year period terms.

In accordance with the Companies Code and the Articles of Association, the Statutory Auditor is in particular responsible for verifying:

- The regularity of the company’s books, accounting records and the respective supporting documents;
- When, and in the form it deems fitting, the cash and all assets or securities belonging to the company or received by it as a guarantee, deposit or for any other purpose;
- The exactness of the account rendering documents;
- Whether or not the accounting policies and valuation criteria adopted by the company lead to a correct evaluation of the assets and profits.

The Statutory Auditor and its alternate are as follows:

| Statutory Auditor | |
|-------------------|---|
| Permanent | KPMG & Associados, SROC, S.A. representada por Jean-éric Gaign, ROC |
| Alternate | Vítor Manuel da Cunha Ribeirinho, ROC |

2.3.5. REMUNERATION COMMITTEE - GENERAL MEETING

The remuneration of members of the corporate bodies, with the exception of the members of the Executive Board of Directors, is fixed by the Remuneration Committee elected by the General Meeting.

In accordance with Article 11-2d) of the Articles of Association, the members of the Remuneration Committee – General Meeting should be independent.

The current members of the Remuneration Committee – General Meeting are as follows:

| Remuneration Committee/General Meeting | |
|--|---|
| Chairman | José Manuel Archer Galvão Teles |
| | Carlos Alberto Veiga Anjos Parpública – Participações Públicas, (SGPS), SA |

As regards the term 2009/2011, the Remuneration Committee - General Meeting decided in February 2010 to approve the remuneration policy applicable to the corporate bodies of EDP, with the exception of the Executive Board of Directors, setting their remuneration.

In the annual General Meeting held on 16 April of 2010, the Chairman of the Remuneration Committee - General Meeting attended the meeting and submitted the remuneration policy of the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period term and the proposal was rejected by shareholders.

This General Meeting was attended by the members of the Remuneration Committee – General Meeting.

2.3.6. ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment and Sustainability Board was set up as a corporate body in 1991 under a different name. Its name was changed to Environment and Sustainability Board at the Annual General Meeting of Shareholders of 30 March 2006.

The Environment and Sustainability Board has powers to advise the Executive Board of Directors in environment and sustainability-related matters. In particular, it provides advice and support in defining the company’s environmental and sustainability strategy and in drawing up opinions and recommendations on the environmental impact of projects planned by the EDP Group.

The Environment and Sustainability Board is currently made up of persons with acknowledged competence in the field of environmental protection.

The current composition of the Environment and Sustainability Board is as follows:

| Environmental and Sustainability Board | |
|--|--|
| Chairman | João Martins Ferreira do Amaral |
| | José de Sousa Cunhal Sendim Maria da Graça Madeira Martinho Maria Madalena Monteiro Garcia Presumido Miguel Pedro Brito St. Aubyn |

2.3.7. COMPANY SECRETARY

The Company General Secretary and respective alternate are appointed by the Executive Board of Directors. The Secretary has the powers conferred upon him/her by law and his/her term of office ends with the end of term of the Executive Board that appoints him/her.

The current Company Secretary and alternate are:

| Company Secretary | |
|-------------------|---|
| Secretary | Maria Teresa Isabel Pereira |
| Alternate | Ana Rita Pontífice Ferreira de Almeida Côrte-Real |

2.3.8. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

Without prejudice to the maintenance of its responsibility for the carrying out of its competencies as a corporate body, the internal regulation of the General and Supervisory Board sets out the possibility of establishing permanent and temporary specialised committees composed of some of its members, whenever it considers necessary, in which the board can delegate the exercise of certain specific functions.

Both the permanent and temporary committees have as main mission to make a specific and permanent monitoring of the matters entrusted to them to ensure processes of decision-making informed by the General and Supervisory Board or the information about certain subjects.

The committees’ activities are coordinated by the Chairman of the General and Supervisory Board, who ensures an adequate coordination of such activities with that of the Board, through their respective Chairmen, who shall keep him informed, namely by disclosing to him the convening of their meetings and their respective minutes.

corporate governance

The current specialised committees of the General and Supervisory Board were set up at the meeting of 7 May 2009.

The General and Supervisory Board considers that its specialised committees are relevant to the regular functioning of the company as they allow the delegation of the carrying out of certain activities, including the monitoring of the company financial information, the reflection on the governance system it has adopted, the assessment of the performance of the company directors as well as that of the company’s overall performance.

The work of the committees is governed by an internal regulations, available on the EDP website (www.edp.pt).

2.3.8.1 COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

Composition, powers and functioning

The Committee on Financial Matters/Audit Committee is made up of three independent members with the appropriate qualifications and experience, including at least one member with a higher education degree in the area of the committee’s functions and with specific knowledge of auditing and accounting, as confirmed by the curriculum vitae of the Chairman, which can be consulted in the chapter on corporate bodies.

Currently, the Committee on Financial Matters/Audit Committee comprise the following members:

| Financial Matters Committee/Audit Committee | | Date of First Appointment |
|---|--|---------------------------|
| Chairman | Vítor Fernando da Conceição Gonçalves | July 13, 2006 |
| | António Sarmento Gomes Mota | May 7, 2009 |
| | Manuel Fernando de Macedo Alves Monteiro | July 13, 2006 |

In accordance with the EDP Articles of Association and by means of a delegation from the General and Supervisory Board, the Committee on Financial Matters/Audit Committee has the following responsibilities:

- To issue an opinion on the annual report and accounts
- To oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, to issue an opinion on its respective election or appointment, removal from office, conditions of independence and other relations with the company;
- To oversee, on a permanent basis, and evaluate internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- To monitor, when and how it deems appropriate, the bookkeeping, accounts and supporting documents, as well as the situation in relation to any assets or securities held by the company;
- To exercise any other powers that may be conferred upon it by law.

As a specialised committee of the General and Supervisory Board, the Committee on Financial Matters/Audit Committee supports the former in the process of selecting and replacing the external auditor.

The work of the Committee on Financial Matters/Audit Committee is governed by an internal regulation approved by the General and Supervisory Board.

The members of the Committee on Financial Matters/Audit Committee meet the legal requirements in terms of independence and qualification for holding their office, given that they have no work relation or contractual bond with EDP and its subsidiaries, shareholders with a stake of 2% or more in the company or entities in a group or control relationship with such shareholders and their spouses, relatives and kin in a direct line to the third degree.

The General and Supervisory Board carries out an annual assessment of the compliance with the above mentioned requirements.

The composition, competence and functioning of the Committee on Financial Matters/Audit Committee are in line with the European Commission Recommendation of 15 February 2005.

In 2010, the Committee on Financial Matters/Audit Committee met 14 times. Minutes of all meetings were drawn up. No significant constraints were reported that may have disturbed the performance of this Committee’s duties.

The annual report of the Committee’s activity is disclosed in the EDP website integrated with the General and Supervisory Board Annual Report.

Whistle-blowing Policy

The EDP Group has always carried out its activity by consistently implementing measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance.

EDP provides the Group workers with a channel enabling them to report directly and confidentially to the Committee on Financial Matters/Audit Committee of the General and Supervisory Board any practice presumed illicit or any alleged accounting and/or financial irregularity in their company, in compliance with the provisions of CMVM Regulation no. 1/2010.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Guaranteeing conditions that allow workers to freely report any concerns they may have in these areas to the Committee on Financial Matters/Audit Committee;
- Facilitating the early detection of irregular situations which, if practised, might cause serious damage to the EDP Group, its workers, customers and shareholders.

The Committee on Financial Matters/Audit Committee can be contacted by e-mail, fax and regular mail, and access to the information received in this context is restricted.

All complaints or reports to the Committee on Financial Matters/Audit Committee are treated with the strictest confidentiality. The identity of the whistle-blower is kept secret, provided that this does not hinder investigation of the complaint.

In accordance with its established regulations, EDP guarantees that no employee will be the target of any retaliatory or disciplinary action as a result of exercising their right to report irregular situations, provide information or assist in an investigation.

2.3.8.2 REMUNERATION COMMITTEE

Pursuant to Article 27 of the EDP Articles of Association, the Remuneration Committee designated by the General and Supervisory Board is the body that determines the remuneration of the members of the Executive Board of Directors, as well as other benefits such as old age or invalidity pensions.

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting for consultation a statement on the remuneration policy for the members of the Executive Board of Directors which it has adopted, at least in years during which such policy is implemented or altered. Taking into account the publication of Law 28/2009 of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

The work of the Remuneration Committee is governed by is governed by an internal regulation approved by the General and Supervisory Board.

In 2010, the committee met 4 times. Minutes of all meetings were drawn up.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent of the members of the Executive Board of Directors. A member of this committee is always present at the Annual General meetings.

| Remuneration Committee of the GSB | |
|-----------------------------------|---|
| Chairman | Alberto João Coraceiro de Castro |
| | Eduardo de Almeida Catroga |
| | José Maria Espírito Santo Silva Ricciardi |

Due to the resignation on December 21, 2010, Vasco Maria Guimarães José de Mello ceased to belong to this committee. On 27th January 2011, the General and Supervisory Board has designated José Maria Espírito Santo Silva Ricciardi member of this Committee.

In the Annual General Meeting held on 16 April, in accordance with Law nº 28/2009, of June 19th, the Chairman of this Committee attended the meeting and submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term and was approved by shareholders.

No natural or legal person that provides or has provided services in the last three years to anybody answering to the Board of Directors, or services directly to the Board of Directors proper or that has a current relationship as a company consultant, was hired in 2010 to assist the Remuneration Committee in its duties. This statement is extensible to any natural or legal person who is related through employment or services' provision contract.

No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activities is published on the EDP website as an integrated component of the Annual Report of the General and Supervisory Board.

2.3.8.3 CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to monitor and supervise, on a permanent basis, all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Defining appropriate criteria and competences to serve as standards for the EDP structures and internal bodies and their impact on the composition thereof;
- Drawing up succession plans.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as well as of the performance of the General and Supervisory Board itself. Based on the work of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually carries out the above mentioned assessments, which are the object of a report. The conclusions of these assessments are included in the annual report of the General and Supervisory Board and presented to the shareholders in the annual General Meeting.

Another two very important activities carried out by the Corporate Governance and Sustainability Committee are the monitoring:

- Of the corporate governance practices adopted by the Company;
- Of the human resources and succession plans management.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

In 2010, the Committee met 3 times. Minutes of all meetings were drawn up.



corporate governance

The committee currently consists of the following members:

| Corporate Governance and Sustainability Committee | |
|---|---|
| Chairman | António de Almeida |
| | Alberto João Coraceiro de Castro |
| | António Sarmento Gomes Mota |
| | Diogo Campos Barradas de Lacerda Machado |
| | José Maria Brandão de Brito |
| | José Manuel dos Santos Fernandes |
| | José Maria Espírito Santo Silva Ricciardi |
| | Mohamed Ali Ismaeil Ali Al Fahim |
| | Ricardo José Minotti da Cruz Filipe |

No significant constraints were reported that may have disturbed the performance of this Committee’s duties.

The annual report of the Committee’s activities is published on the EDP website as an integrated component of the Annual Report of the General and Supervisory Board.

2.4. BUSINESS OPERATIONS BETWEEN THE COMPANY AND THE MEMBERS OF THE CORPORATE MANAGEMENT AND SUPERVISION BODIES WITH QUALIFYING HOLDINGS AND COMPANIES IN A GROUP OR CONTROL RELATIONSHIP WITH EDP

In the current exercise of its activity, EDP performs business transactions and operations in normal market conditions for similar operations with a range of entities, in particular financial institutions. These include holders of qualifying holdings in the EDP capital and EDP group companies and subsidiaries which are not considered relevant due to their very nature or the fact that they are not significant in economic terms.

Moreover, in accordance with article 246, paragraph 3, point c) of the Securities Code, it is noted that during the year 2010, EDP did not enter into the relevant transactions between related parties that have materially affected its financial position or performance.

The detailed analysis of this subject matter in 2008 led to the General and Supervisory Board approving a set of objective and transparent rules for the identification, prevention and resolution of relevant corporate conflicts of interest, called the “Framework for handling conflicts of interest”. That framework was revised in late 2009.

Following the deliberation taken by the General and Supervisory Board, the Executive Board of Directors approved, on May 17, 2010, the rules of identification, internal reporting and action in case of conflicts of interests applicable to all EDP Group employees who take decisions in transactions with related parties. These rules are also available on EDP’s “Website” (www.edp.pt).

It is noted, in the context of the qualitative improvement of governance practices, that the General and Supervisory Board approved the “Reference Framework for the Conflicts of Interests and business conflicts between related parties of EDP”, on 29 July 2010, which is available for consultation at the EDP website (www.edp.pt). This reference framework replaces the “Framework for handling conflicts of interest”. This set of rules on the prevention, identification and resolution of potential important conflicts of interest has a wider scope of application than that corresponding to CMVM Regulation no. 1/2010.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its activity to the General and Supervisory Board.

Based on the work developed by the Corporate and Sustainability Committee, the General and Supervisory Board noted that, with respect to the cases it analysed and the information provided by the Executive Board of Directors regarding 2010, there was no evidence that potential conflicts of interests in the business operations had been resolved in a way that was contrary to the interests of the company.

For further information on this matter, please see section 3.5.1 of the Annual Report of the General and Supervisory Board.

2.5. EDP SHARES HELD BY MEMBERS OF THE CORPORATE BODIES

The table below shows the shares held by the members of the corporate bodies, as well as any alterations in these between the financial years 2009 and 2010, in compliance with Article 447 5) of the Companies Code.

| | EDP - Energias de Portugal, S.A. | | EDP Renováveis, S.A. | | Energias do Brasil, S.A. | |
|---|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | N.º Shares 31-12-2010 | N.º Shares 31-12-2009 | N.º Shares 31-12-2010 | N.º Shares 31-12-2009 | N.º Shares 31-12-2010 | N.º Shares 31-12-2009 |
| General and Supervisory Board | | | | | | |
| António de Almeida | 0 | 0 | 1,200 | 1,200 | 0 | 0 |
| Alberto João Coraceiro de Castro | 4,578 | 4,578 | 1,580 | 1,580 | 0 | 0 |
| António Sarmento Gomes Mota | 0 | 0 | 0 | 0 | 0 | 0 |
| Cajastur Inversiones, S.A. | 183,257,513 | 183,257,513 | 0 | - | 0 | - |
| José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.) | 0 | 0 | 0 | 0 | 0 | 0 |
| Carlos Jorge Ramalho Santos Ferreira (1) | 40,000 | 40,000 | 0 | 0 | 0 | 0 |
| Diogo Campos Barradas de Lacerda Machado | 260 | 260 | 0 | 0 | 0 | 0 |
| Eduardo de Almeida Catroga | 1,375 | 1,375 | 0 | 0 | 0 | 0 |
| Fernando Manuel Barbosa Faria de Oliveira (2) | 0 | 0 | 0 | 0 | 0 | 0 |
| José dos Santos Fernandes | 0 | 0 | 600 | 600 | 0 | 0 |
| José Maria Espírito Santo Silva Ricciardi (3) | 0 | 0 | 2,320 | 2,320 | 0 | 0 |
| Manuel Fernando de Macedo Alves Monteiro | 0 | 0 | 0 | 2,750 | 0 | 0 |
| Ricardo José Minotti da Cruz Filipe | 6,622 | 6,622 | 500 | 500 | 0 | 0 |
| Rui Eduardo Ferreira Rodrigues Pena | 1,445 | 1,445 | 380 | 380 | 0 | 0 |
| Sonatrach | 81,713,076 | 81,713,076 | 0 | - | 0 | - |
| Farid Boukhalfa (as representative of Sonatrach) | 0 | 0 | 0 | - | 0 | - |
| Vasco Maria Guimarães José de Mello (4) | - | 0 | - | 0 | - | 0 |
| Vítor Fernando da Conceição Gonçalves | 3,465 | 3,465 | 680 | 680 | 0 | - |
| Senfora SARL | 148,431,999 | 148,431,999 | 0 | - | 0 | - |
| Mohamed Al Fahim (as representative of Senfora SARL) | 0 | - | 0 | - | 0 | - |
| Executive Board of Directors | | | | | | |
| António Luís Guerra Nunes Mexia | 31,000 | 1,000 | 4,200 | 4,200 | 1 | 1 |
| Ana Maria Machado Fernandes | 0 | 0 | 1,510 | 1,510 | 1 | 1 |
| António Fernando Melo Martins da Costa (5) | 13,299 | 13,299 | 1,480 | 1,480 | 0 | 11 |
| António Manuel Barreto Pita de Abreu (6) | 34,549 | 34,549 | 1,810 | 1,810 | 41 | 1 |
| João Manuel Manso Neto | 1,268 | 1,268 | 0 | 0 | 0 | 0 |
| Jorge Manuel Pragana da Cruz Moraes (7) | 62,497 | 12,497 | 1,990 | 1,990 | 0 | 0 |
| Nuno Maria Pestana de Almeida Alves | 80,000 | 50,000 | 5,000 | 5,000 | 1 | 1 |

Notes:
1) Carlos Jorge Ramalho Santos Ferreira is the Chairman of the Executive Board of Directors Banco Comercial Português, S.A. which had, on December 31, 2010, a qualified shareholding in EDP share capital (Please see chapter IX.1.1.).
2) Fernando Manuel Barbosa Faria de Oliveira is the Chairman of the Board of Caixa Geral de Depósitos, S.A. and Parcaixa, SGPS, S.A. which had on December 31, 2010, a qualified shareholding in EDP share capital (Please see chapter IX.1.1.).
3) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Moraes Calheiros e Meneses Ricciardi.
4) Vasco Maria Guimarães José de Mello presented his resignation from the General and Supervisory Board on December 21, 2010; a qualified shareholding in EDP share capital (See chapter IX.1.1.).
5) The shares of EDP Renováveis includes 150 shares held by his wife, Anna Starzenska Martins da Costa;
6) The shares of EDP - Energias de Portugal, SA includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;
7) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barrêto;

corporate governance

During 2010, the following members of the Corporate Bodies performed the following trade operations of EDP shares:

| Corporate Body | Company | Date | N.º Shares | Operation | Avg. Purch./ Sales price (euros) |
|--|----------------------------------|----------|------------|-------------|----------------------------------|
| Executive Board of Directors | | | | | |
| António Luís Guerra Nunes Mexia | EDP - Energias de Portugal, S.A. | 03/05/10 | 2,111 | Acquisition | 2.845 |
| | | 03/05/10 | 7,889 | Acquisition | 2.847 |
| | | 03/05/10 | 10,000 | Acquisition | 2.848 |
| | | 03/05/10 | 10,000 | Acquisition | 2.850 |
| Jorge Manuel Pragana da Cruz Morais | EDP - Energias de Portugal, S.A. | 03/05/10 | 50,000 | Acquisition | 2.830 |
| Nuno Maria Pestana de Almeida Alves | EDP - Energias de Portugal, S.A. | 03/05/10 | 10,000 | Acquisition | 2.837 |
| | | 03/12/10 | 10,000 | Acquisition | 2.870 |
| | | 03/12/10 | 10,000 | Acquisition | 2.427 |
| General and Supervisory Board | | | | | |
| Manuel Fernando de Macedo Alves Monteiro | EDP Renováveis, S.A. | 09/27/10 | 2,750 | Sale | 4.120 |

2.6. OTHER MANAGERS

Attending to the provisions set forth in Article 248º-B 3) of the Securities Code, EDP does not have other managers than the members of the corporate bodies. Indeed, apart from those members, there is no other manager with regular access to inside information or that participates in the management and strategic decisions of the company.

2.7. EXTERNAL AUDITOR

The external auditor of EDP is KPMG since December 2004. It is responsible for conducting the necessary audit work to ensure the reliability of financial reporting and the credibility of the accounting documents.

From a functional standpoint, the external auditor answers to the General and Supervisory Board and it is organisationally dependent on the Executive Board of Directors.

Since the external auditor has only been collaborating with EDP since December 2004, the rotation of the auditor is not, presently, a point to be considered for the purposes of guaranteeing its independence.

Moreover, and considering the scope of services provided by audit firms, EDP adopts specific measures aimed at safeguarding the independence of the external auditor.

The duties of the External Auditor include checking compliance with remuneration policies and systems, the effectiveness and operation of internal control mechanisms and reporting any deficiencies to the General and Supervisory Board.

Indeed, on 29 January 2009, the General and Supervisory Board approved a regulation concerning the procurement of “non-audit” services to the Statutory Auditor and to the independent external auditor of the EDP Group.

This regulation establishes the permitted scope of “non-audit” services to be eventually provided by an independent external auditor, from which are excluded, in particular, accounting services, development of financial information systems, evaluation as well as legal services, management of human resources and actuarial matters. These services may not be provided by the statutory auditor or by the independent external auditor.

Moreover, the regulation provides that the provision of “non-audit” services by the statutory auditor or by an independent external auditor to the EDP Group is subject to prior joint approval by the Chairman of the General and Supervisory Board and the Committee on Financial Matters/Audit Committee. However, the cost may not exceed 30% of contracted fees for the respective services of statutory audit and external audit, except in exceptional circumstances and upon joint prior approval of the Chairman of General Supervisory Board and the Committee on Financial Matters/Audit Committee.

Finally, EDP created a mechanism for quarterly reporting to the Committee on Financial Matters /Audit Committee for services contracted by companies of the EDP to the statutory auditor and to the independent external auditor.

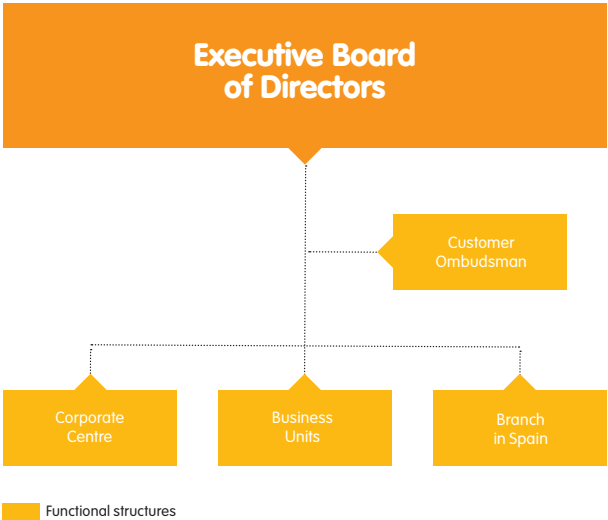
The General and Supervisory Board, in its meeting of 16 December 2010, revised the mentioned rules by approving the “Rules on the Provision of Services by the Statutory Auditor and External Auditor of EDP”, available on the EDP website (www.edp.pt). One of the major changes was the transposition of Recommendation III.1.5 of the CMVM Corporate Governance Code regarding the hiring of additional audit services. It was expressly established, in addition to the quantitative limit established in the Recommendation, that the Financial Committee/Audit Committee has the obligation to refuse to authorise additional audit services when:

- It concerns a forbidden additional service;
- In accordance with an objective, reasonable and informed third-party standard, the service possibly threatens the independence of the SA or EA, particularly by not fostering the likelihood of self-review or promoting self-interest.

The Financial Committee/Audit Committee annually presents to the General and Supervisory Board a proposal of evaluation of the independence of the External Auditor/Statutory Auditor, which is disclosed in the Annual Report of the General and Supervisory Board.

3. FUNCTIONAL STRUCTURE OF EDP

3.1. THE GROUP ORGANISATIONAL MODEL



It is the responsibility of the Executive Board of Directors to define the organisational model of the Group and how tasks are distributed amongst the various business units, the Group’s shared services company – EDP Valor – and the central structure. The latter consists of a Corporate Centre that plays an instrumental role of support to the Executive Board of Directors in defining and controlling implementation of the strategies, policies and goals for the respective business areas.

The Corporate Centre is organised in departments and business units, allowing for greater optimisation and efficiency of the organisational structure.

The Executive Board of Directors is also supported by specialised committees, allowing for more effective and efficient monitoring and better support of the company management.

3.2. CORPORATE CENTRE

The current organisation of the central support structure for decision-making processes is as follows:

| Corporate Centre • Business Units | |
|--|------------------------------|
| DEPARTMENTS | |
| SUPPORT TO GOVERNANCE AREA | |
| General Secretariat and Legal office | Maria Teresa Pereira |
| Office of the Chairman of the Executive Board of Directors and Institutional Relations | Duarte Castro Bello |
| Audit Department | Azucena Viñuela Hernández |
| Office of the Ethics Ombudsman | Carlos Alberto Loureiro |
| STRATEGIC AREA | |
| Energy Planning Department | Pedro Neves Ferreira |
| Business Analysis Department | Pedro Pires João |
| Risk Management Department | José Allen Lima |
| University of EDP | Nuno Manuel Brito |
| FINANCIAL AREA | |
| Investor Relations | Miguel Henriques Viana |
| Consolidation, IFRS Report and Taxation Department | Miguel Ribeiro Ferreira |
| Management Planning and Control Department | Nuno Miguel Chung |
| Financial Management Department | Paula Cristina Guerra |
| MARKETING AND COMMUNICATION AREA | |
| Corporate Marketing Department | Maria Inês Lima |
| Brand and Communication Department | Paulo Campos Costa |
| Costumer Relations Department | Paula Pinto da Fonseca |
| SYSTEMS AND ORGANISATIONAL AREA | |
| Information Systems Department | Vergílio Domingos da Rocha |
| Organisational Development Department | Rui Ferin Cunha |
| HUMAN RESOURCES AREA | |
| HR Department | Maria João Martins |
| Coordination Office for Labor Relations | Eugénio Purificação Carvalho |
| SUSTAINABILITY AND REGULATION AREA | |
| Regulation and Competition Department | Maria Joana Simões |
| Sustainability and Environmental Department | António Neves de Carvalho |
| COORDINATION AREA FOR STAKEHOLDERS RELATIONS | |
| Office of the Chairman of the Executive Board of Directors and Institutional Relations | Paulo Campos Costa |
| Corporate Marketing Department | |
| Brand and Communication Department | |
| Sustainability and Environmental Department | |
| Costumer Relations Department | |
| BUSINESS UNITS | |
| Energy Management Business Unit | Carlos Alves Pereira |

corporate governance

The functions and responsibilities of the current Departments are as follows:

The **General Secretariat and Legal Office** supports the Executive Board of Directors in administrative and logistical matters, thus ensuring the smooth functioning of the Corporate Centre, and provides legal assistance to the Group with the aim of guaranteeing observance of the applicable legislation. It also provides administrative support to the meetings of the Executive Board of Directors, including dissemination of the decisions reached.

The **Office of the Chairman of the Executive Board of Directors and Institutional Relations** supports the Chairman of the Executive Board of Directors in all matters determined by the latter, guarantees representation of the Group at the institutional level and participates, on behalf of the Chairman, in internal projects and initiatives. It also coordinates the management of the agenda and the support work for the office and represents the Chairman at events and meetings whenever necessary.

The main function of the **Audit Department (DAI)** is the systematic and independent assessment of the Group activities with the aim of ensuring effectiveness of the management systems and processes and the internal control system. The DAI's main responsibilities are to establish and manage the systematic planning of the internal audits at the Group level in the areas of finance, information, operations and management and to monitor the definition and implementation of corrective measures and improvements resulting from audits performed. It is also responsible for monitoring the implementation and maintenance of the Internal Control System, providing methodological support and guaranteeing its consistency and internal coherence, as well as reporting on its performance.

In accordance with the EDP Code of Ethics, the **Office of the Ethics Ombudsman (GPE)** is responsible for receiving, retaining and processing reports and complaints received by EDP on alleged infractions of the provisions of the code in matters of compliance with laws and ethics, conduct in the workplace, human rights, equal opportunities, integrity, relations with customers and suppliers, the environment and sustainability. The GPE must accompany each of the infraction proceedings it initiates to its conclusion, making contact with the reporter of the complaint wherever necessary and appropriate.

The **Energy Planning Department (DPE)** supports the Executive Board of Directors in processes for altering the Group's energy portfolio, contributing to an integrated vision of the portfolio and to the planning of its development in the various regions in which the Group operates. The DPE thus constitutes an organisational platform that links the Group's various electricity and gas business areas, helping to form the required integrated vision of the market and operation of the EDP Group.

The mission of the **Business Analysis Department (DAN)** is to contribute to defining and developing the Group business strategy by promoting and carrying out the analysis, study and realisation of new business opportunities and optimising the EDP business portfolio. Its main areas of work are the assessment of projects, identification of business opportunities, the analysis and execution of merger operations, the purchase and sale of assets and strategic alliance options, as well as providing analyses and studies for the Group's strategic planning processes.

The mission of the **Risk Management Department (DGR)** is to support the Executive Board of Directors in modelling and monitoring identification of the Group's risks with a view to

risk minimisation and control. The use of the Integrated Risk Management System provides comparative advantages to EDP by enabling the risk factor to be included in the Group's strategic and operational decisions. There are always uncertainties associated with the business opportunities that are constantly presented to a group the size of EDP and the fact that these can be quantified by determining the corresponding risks is a decisive contribution towards correct decision-making.

The **University EDP's** mission is to develop knowledge and talent of the EDP Group employees, reinforcing the corporate culture as a competitive advantage of the Group for the excellence in customer service, enhancing innovation and sustainability in the environment where it is located.

Investor Relations Department (DRI) (see section 7.2)

The **Consolidation, IFRS Repot and Tax Department (DCF)** is structured into two areas of operation: (i) Consolidation, which is responsible for consolidating the Group's accounts and preparing accounting reports and (ii) Taxation. Its mission is to ensure the rendering and reporting of EDP's accounts, provide consultancy services and ensure tax compliance for the Group. It defines, implements, monitors and coordinates rules, guidelines, policies and procedures in all the Group's geographical locations for accounting, taxation, consolidation and reporting purposes on a local basis and at IFRS-IAS level.

The main tasks of the **Management Planning and Control Department (DCG)** are to support the Executive Board of Directors in the Group's corporate planning and to challenge the business units in their performance, guaranteeing their alignment with the Group's strategic objectives. It is responsible for coordinating the EDP Group's business plan and budget and for the corporate management control process.

The mission of the **Financial Management Department (DFN)** is to optimise the consolidated financial operations of the Group and control the financial liabilities in accordance with the approved policies. The DFN proposes the financial management policy of the Group and pursues implementation thereof. Its main responsibilities are: i) negotiating, managing and controlling financing, credit lines and banking and financial products and services; ii) optimising the Group's cash management; iii) proposing financial risk management policies, particularly in relation to interest and exchange rates, and applying the policies in the market; iv) liaisons with the debt capital and banking markets and the rating agencies; and v) monitor the management of the EDP Pension Fund.

The **Corporate Marketing Department (DMK)** is responsible for planning, developing and controlling the Group's marketing strategy with the aim of achieving a competitive market positioning and maximising the commercial outcome of the business operations.

The **Brand and Communication Department (DMC)** works in the planning, implementation and control of the Group's communication strategy with the aim of maximising brand value, creating goodwill in relation to all stakeholders and furthering internal communication.

The mission of the **Customer Relations Department (DRE)** is to plan, implement and control the customer relations strategy, consolidate knowledge and promote a market-oriented culture, with the aim of improving customer satisfaction and loyalty levels.

The mission of the **Regulation and Competition Department (DRC)** is to support the Executive Board of Directors in decision-making processes in the areas of regulation and competition and in the relations with the various regulatory entities in the sector. The DRC monitors the development and implementation of new European directives on the internal market and on competition pertaining to the electricity and natural gas markets and studies the impacts of implementation of the Iberian Electricity Market (MIBEL). It also monitors alterations to the energy sectors at the legislative, regulatory and organisational levels that have implications for the profitability of the EDP companies, namely by developing economic/financial models and carrying out tariff studies.

The **Information Systems Department (DSI)** is responsible for aligning the Group's information systems with the business strategy, creating value by providing solutions that further effectiveness, efficiency and innovation within the Group. The DSI also proposes the Group strategy in matters of information systems and is responsible for their medium and long-term planning, including regular revisions and for studying and proposing the Group's information systems' architecture for an adequate support to its businesses.

The **Organisational Development Department (DDO)** is responsible for defining and implementing an organisational structure in permanent alignment with the Group strategy, supported by adequate business process management practices, and for coordinating transformation projects that aim to guarantee performance excellence for the Corporate Centre and the businesses.

The mission of the **Human Resources Department (DRH)** is to support the Executive Board of Directors in defining and implementing a Human Resources strategy that promotes the personal and professional development of all employees, responds to the strategic and operational needs of the Business Units and contributes to the corporate values of the EDP Group, by supporting a series of Centres of Competence to put the Human Resources value chain into practice, as follows: Change Communication and Management; Management of Potential; Career Management, Mobility and Succession; Training Management; Performance Management; Selection and Integration; Remuneration and Benefits; and Information and Technology to support HR Management.

The **Coordination Office for Labour Relations (GCRL)** negotiates (or monitors negotiation when outside Portugal) of the Collective Employment Agreements, manages relations with the Ministry of Labour and Social Solidarity and the official entities dependent on it, Works Council, Trade Unions, Workers' Association, Pensioners' Association and other similar institutions for workers, former workers and pensioners. The office's main responsibilities are: i) to draw up and propose the instruments of collective regulation for the Group and carry out the respective negotiation in Portugal; ii) to guarantee complete understanding of the labour-related legislation in all the countries in which the Group operates and ensure compliance with said legislation; iii) to propose and implement strategies for relations with the social partners; iv) to monitor the management of the EDP Pension Fund in the HR perspective, in particular the actuarial responsibilities; and v) to develop the EDP Flex Plan and monitor management thereof.

The main responsibilities of the **Sustainability and Environment Department (DSA)** are to support the Executive Board of Directors in defining the sustainability and environmental policy and objectives and to cooperate with the businesses with a view to

boosting complementarities and synergies in these areas and, in particular, to contribute to the operationalisation of the policies and initiatives in the area of the Group's environmental management.

The **Stakeholder Relations Coordination Area** is an organisational area which coordinates relations with the EDP Group's main stakeholders in a structured and coherent manner, mainly employees, customers, the media, NGOs, the government, local authorities, the European Community, opinion formers and others. This area ensure a constant coordination of dialogue with all the stakeholders involved, as well as with the EDP Group's network of Foundations;

The **Energy Management Business Unit (UNGE)** is responsible for negotiating the physical and forward purchases of fuel and contracting maritime transport in the name of, and on behalf of, the relevant EDP companies. It is also responsible for carrying out spot and forward purchases and sales in the electricity market of a physical and financial nature, namely energy derivatives and foreign exchange operations. It also decides on operational and supply programmes of the EDP Group electricity generating plants where the energy management is under its responsibility, with the aim of optimising the portfolio and supplying energy to the clients of the EDP Group's sellers. Additionally, it is responsible for managing operations relating to the EDP Group's CO₂ emission licences and green certificates.

3.2.1. ACTIVITY OF THE ETHICS OMBUDSMAN

The Ethics Ombudsman handled ethics complaints in line with his duties and competences. During the year, 228 complaints were processed. Eighteen of them were found not to involve ethical issues and were therefore referred in accordance with their subject matter.

Ethical complaints are classified on the basis of the principles and values set out in EDP's Code of Ethics, such as legislation and ethics, conduct in the work environment, human rights and equal opportunities, integrity, relations with customers and suppliers and the environment and sustainability. Of the 210 ethical complaints handled, 80% had to do with relations with customers and suppliers, 9.5% with conduct in the work environment, 9.5% with the environment and sustainability, 0.5% with human rights and equal opportunities and 0.5% with integrity. The competent bodies appraise and deal with complaints, as required by EDP's Code of Ethics. Twenty-six of the 210 ethical complaints resulted in cases being opened, therefore requiring submission to the EDP Ethics Committee. Of these 26 cases, at the end of 2010 nine were still pending confirmation measures or had been sent for inclusion in the committee's agenda. The other 17 were submitted to the Ethics Committee and completed, nine with a decision to proceed while the other eight were dismissed. Of the total number of complaints, 48% originated in Brazil, 42% in Portugal and 10% in Spain. Furthermore, an important part of the Ethics Ombudsman's work was active participation in the Ética EDP (EDP Ethics) Project being organised by the Sustainability and Environment Department.

Initiatives in the project included a survey on ethical issues in each company, training of people in supervisory positions and subsequent follow-on training for all employees. These initiatives, which have already been concluded in Portugal and at EDP in Brazil, will be completed at all the other EDP Group companies in 2011.



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3.3. SPECIFIC EDP COMMITTEE (FUNCTIONAL STRUCTURES)

With a view to achieving more effective and efficient support of the management of the company, the following specific committees were set up:

ETHICS COMMITTEE

EDP has always carried out its business activities within a framework of ethical values that are explicit or implicit in its business agenda, in its professional relations and obligations to the shareholders, in the Vision, Commitments and Culture and in the Principles of Sustainable Development defined by the Executive Board of Directors.

Following the approval of the EDP Group Code of Ethics, a specialised committee was set up to work together with the General and Supervisory Board's Corporate Governance and Sustainability Committee with the aim of:

- Supporting the definition of EDP Group policy regarding the code of conduct, the adoption of good practices and compliance with the highest standards of ethics;
- Establishing guidelines for regulating the matters for which it is responsible; and,
- Ensuring the proper regulation of ethical matters within the Group companies.

In 2010, this committee met once.

Ethics Committee

Chairman of the Executive Board of Directors
Chairman of the Board of Directors of EDP Distribuição
Member of the Board of EDP Produção
Human Resources Department
Sustainability and Environmental Department

INNOVATION COMMITTEE

The Innovation Committee has the following missions:

- To define strategic areas for innovation within the EDP Group, to be submitted to the approval of the Executive Board of Directors;
- To identify the projects to be carried out in the field of innovation and to submit them to the Executive Board of Directors;
- To monitor EDP Group initiatives and projects in the area of innovation that are in progress and to propose corrective measures wherever necessary;
- To analyse the conclusions from technology watch actions;
- To support the Energy Planning Committee in the analysis of new technological options;
- To prepare the meetings of the Innovation Board.

The committee meets on a half-yearly basis and, in 2010, held two meetings.

Innovation Committee

Chairman of the Executive Board of Directors
Member of Executive Board of Directors
Chairman of The Board of Directors of EDP Distribuição
Chairman of The Board of Directors of EDP Inovação
Member of the Board of EDP Inovação (5 Members)
Member of the Board of EDP Gás
Member of the Board of EDP Produção
Member of the Board of EDP Energias do Brasil
Member of the Board of Foundation EDP
Member of the Management Team EDP Renováveis
Business Analysis Department
Human Resources Department
Brand and Communication Department
Corporate Marketing Department
Energy Planning Department
Information Systems Department
Officer of HC Energia
Representative of EDP – Energias do Brasil

DISCLOSURE OF INFORMATION CONTROL AND PROCEDURES COMMITTEE

The Disclosure of Information Control and Procedures Committee (CDI) has three main functions:

- To identify and analyse the information that should regularly be made public by the company;
- To assist in the review of the information periodically disclosed by EDP in the context of preparing reports and other communications to the market;
- To make quarterly assessments of the control and disclosure of information mechanisms of EDP.

This committee is the organisational structure responsible for monitoring and assessing the control mechanisms and procedures for the disclosure of information. It is an integral part of the EDP Group's Information Certification Project, which also includes a project work group, led by the Internal Auditing Department working in close cooperation with the Executive Board of Directors, and teams from the business areas responsible for the control procedures in their respective areas of activity. In 2010, this Committee met twice.

Disclosure of Information and Procedures Committee

Member of the Executive Board of Directors (CFO)
Audit Department
Consolidation, Accounting Control and Taxation Department
Management Planning and Control Department
Brand and Communication Department
Investor Relations Department
General Secretariat and Legal office
Representative of EDP - Energias do Brasil
Representative of EDP Renováveis
Representative of the Investor Relations Department

RISK COMMITTEE

The Risk Committee has the following responsibilities:

- To monitor significant risks and the EDP Group's risk profile;
- To approve the periodical reporting model proposed by the business units or the Risk Management Department, as well as other mechanisms for reporting and monitoring EDP risks;
- To approve or define recommendations on the Group's significant risks and on extraordinary situations in terms of risk, for analysis by the Executive Board of Directors;
- To approve or define recommendations on risk policies, procedures and limits for the EDP Group to be analysed and approved by the Executive Board of Directors.

Risk Committe

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (6 Members)
Member of the Board of EDP Gás
Member of the Board of EDP Inovação
Financial Management Department
Risk Management Department
Management Planning and Control Department
Energy Planning Department
Director of Energy Management Business Unit
Representative of EDP - Energias do Brasil
Representative of EDP Renováveis

Non-standing members participate in this committee’s meetings when invited to do so depending on the respective items on the agenda. It also meets whenever an unexpected risk situation requires it.

This committee didn’t met any time in 2010. However, it held several meetings with the business units and the corporate centre departments involved in studies conducted by the Risk management Department.

ACCIDENT PREVENTION AND SAFETY COMMITTEE

The Accident Prevention and Safety Committee has the following main responsibilities:

To support the Executive Board of Directors in drawing up proposals for defining the EDP Group’s strategic objectives with regard to accident prevention and safety at work, appraising the degree of application and effectiveness thereof and reporting on progress;

- To provide a critical analysis of the Annual Report and to give an opinion on the EDP Accident Prevention and Safety Action Plan;
- To monitor the evolution of the main work safety indicators and draw up proposals for improvement actions; and,
- To appraise and approve regulatory documents on the safety management system that apply within the EDP Group in general or apply across several areas of activity.

This Committee met once in 2010.

Accident Prevention and Safety Committee

Member of Executive Board of Directors
Member of the Board of EDP Valor (Responsible by Office Safety and Health)
Member of the Board of EDP Distribuição (HR)
Member of the Board of EDP Produção (HR)
Member of the Board of EDP Valor (HR)
Responsible Office Safety and Health EDP Valor
Responsible of Occupational Medicine (Office Safety and Health EDP Valor)
Representative of HC Energia
Representative of EDP – Energias do Brasil
Representative of EDP Renováveis

ENERGY PLANNING COMMITTEE

The main tasks of the Energy Planning Committee are:

- To plan and project the structural development of the market on a 5-year horizon;
- To define a baseline scenario for the purpose of the Business Plan;
- To identify the generation portfolio to adopt on a 5-year horizon;
- To provide an integrated vision of the Group’s portfolio of quantities, covering generation, gas and the retail market;

- To identify gas and CO₂ needs for the next 5 years;
- To analyse priorities for action in new technologies/innovation, in liaison with the Innovation Committee; and,
- To identify attractive business opportunities throughout the value chain and in the different geographical locations.

This committee met twice in 2010.

Energy Planning Committee

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (Generation, Gas, HC Energia)
Member of Executive Board of Directors (Renewables)
Member of the Executive Board of Directors (Supply)
Member of Executive Board of Directors (Brazil)
Member of the Board of EDP Comercial
Member of the Board of EDP Gás
Member of the Board of EDP Produção
Director Corp. HC Energia
Director Energy Planning Department - Energias do Brasil
Representative of da EDP Renováveis (2 members)
Business Analysis Department
Management Planning and Control Department
Investor Relations Department
Energy Planning Department
Risk Management Department
Regulation and Competition Department
Responsible for the Energy Management Business Unit

INVESTMENTS COMMITTEE

The Investments Committee is responsible for the following:

- Analysing, challenging, filtering and issuing opinions on organic growth investment projects, which either form part of the budget or entail changes to it, according to the amounts and profitability involved.

In 2010, the Investments Committee hekd twenty-three meetings.

Investments Committee

Member of Executive Board of Directors (CFO)
Business Analysis Department
Management Planning and Control Department
Energy Planning Department
Member of the Board of EDP Distribuição
Member of the Board of EDP Gás
Member of the Board of EDP Internacional
Representative of EDP Produção
Director of HC Energia
Member of the Board of EDP - Energias do Brasil
Member of the Management Team EDP Renováveis

CAREERS, MOBILITY AND TRAINING COMMITTEE

The Careers, Mobility and Training Committee has the following main areas of responsibility:

- Approving measures designed to further evolution and/ or mobility of the workforce, in particular with reference to Macrostructure workers, high-potential managerial staff and performers with potential;
- Guaranteeing the implementation of Succession Plans for key positions in the EDP Group;
- Monitoring the development of careers in the Macrostructure workforce, high-potential managerial staff and performers with potential and analysing expectations and possible hindrances; and,
- Approving the EDP Group’s Training Plan and monitoring its implementation.

This committee met 4 times in 2010.



corporate governance

| Careers, Mobility and Training Committee |
|--|
| Chairman of the Executive Board of Directors Member of Executive Board of Directors (6 Members) Member of the Board of EDP Comercial (HR) Member of the Board of EDP Distribuição (HR) Member of the Board of EDP Produção (HR) Member of the Board of EDP Soluções Comerciais Member of the Board of EDP Valor (HR) Human Resources Department Representative of HC Energia Representative of EDP – Energias do Brasil Representative of EDP Renováveis |

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for the following:

- Approving the remuneration model (fixed, variable and incentives) for all employees in the EDP Group, under proposal of the HR Strategic Management Department;
- Approving the benchmarks for the Key Performance Indicators (management by objectives) for Macrostructure workers, high-potential managerial staff and performers with potential, as well as the corresponding annual performance calculation;
- Regularly fostering development and comparative analysis (benchmarks) at the national and international levels with a view to defining adequate (fixed and variable) remuneration levels and fringe benefits for all Macrostructure workers, high-potential managerial staff and performers with potential, in particular the Macrostructure “payment package”, and align the strategy for compensation for all workers; and,
- Reporting on the remuneration policies to all stakeholders.

This committee met twice in 2010 and the members.

| Remuneration Committee |
|--|
| Chairman of the Executive Board of Directors Member of Executive Board of Directors (6 Members) Human Resources Department |

INFORMATION TECHNOLOGY COMMITTEE

The Information Technologies Committee is responsible for the following:

- Developing guidelines for the strategic planning of information systems;
- Approving the annual plan and budget for information systems (application and infrastructure projects), to be submitted to the Executive Board of Directors for approval;
- Allocating funds and resources for large-scale initiatives;
- Defining priorities with respect to strategic projects;
- Projecting budget allocations for unplanned projects; and,
- Resolving issues such as the distribution of limited resources and those involving with unplanned requirements for strategic projects.

This committee met twice in 2010.

| Information Technology Committee |
|---|
| Member of Executive Board of Directors (Information Systems) Member of the Board of EDP Distribuição (Information Systems) Member of the Board of EDP Produção (Information Systems) Member of the Board of EDP Soluções Comerciais (Information Systems) Member of the Board of EDP Valor (Information Systems) General Manager of EDP (Information Systems) Organisational Development Department Corporate Marketing Department Information Systems Department Officer of EDP Gás (Information Systems) Representative of HC Energia Representative of EDP – Energias do Brasil Representative of EDP Renováveis |

REGULATION COMMITTEE

The main responsibilities of the Regulation Committee are:

- Monitoring the development of European Commission’s energy strategy and policy and the implementation of new European internal market and competition directives for the electricity and natural gas sectors and to study their impact on the Iberian Market;
- Monitoring alterations in terms of policies, legislation, regulations and organisation to the energy sectors in Portugal and Spain (namely in the scope of the Iberian Market), anticipating the structural implications thereof for the sectors in terms of energy prices and tariffs, company profitability and possible needs or obligations for alterations at the organisational level, namely through identification and monitoring of the most relevant regulatory risks;
- Supporting the Executive Board of Directors in drawing up proposals defining the positions to be defended by the EDP Group in the context of the Iberian and European Markets in terms of regulation and competition;
- Fostering the exchange of experiences on regulatory practices in Europe and the Iberian peninsula as well as those applicable in Brazil;
- Monitoring the trends in prices and the implications of the tariff policies and decisions (per se and on a comparative basis) in the regulated activities.

This committee met 10 times in 2010.

| Regulation Committee |
|---|
| Member of Executive Board of Directors (Regulation) Member of Executive Board of Directors (Distribution) Member of Executive Board of Directors (Costumer Relations) Member of the Board of EDP Gás Regulation and Competition Department Officer HC Energia EDP Gás Officer of HC Energia (Regulation) Officer of Naturgas (Regulation) Officer of EDP - Energias do Brasil (Regulation) Representative of Naturgás (Regulation) Representative of EDP Renováveis |

ENVIRONMENT AND SUSTAINABILITY COMMITTEE

The Environment and Sustainability Committee has the following responsibilities:

- Preparing and annually updating the medium/long-term Strategic Sustainability and Environment Plan for the EDP Group to be submitted to the Executive Board of Directors for approval;

- Proposing the annual action plans and defining the objectives and goals to be met by the Group to be submitted to the Executive Board of Directors for approval;
- Monitoring the progress of approved plans of action; and,
- Monitoring the activities of the sustainability and environmental management structures of the Group companies.

Given the specific responsibilities of this committee, the Chairman of the Executive Board of Directors monitors its work and attends its meetings whenever he/she deems fitting. This Committee held one meeting in 2010.

| Environmental and Sustainability Committee |
|--|
| Chairman of the Executive Board of Directors Member of Executive Board of Directors (Sustainability) Chairman of The Board of Directors of EDP Inovação Member of the Board of EDP Comercial Member of the Board of EDP Distribuição (Sust. and Env.) Member of the Board of EDP Gás Member of the Board of EDP Produção (Sust. and Env.) Member of the Board of EDP Soluções Comerciais (Sust. and Env.) Member of the Board of EDP Valor (Sust. and Env.) Member of the Board of EDP Energias do Brasil Member of the Board of Foundation EDP Risk Management Department Brand and Communication Department Investor Relations Department Human Resources Department Sustainability and Environment Department Officer of HC (Environmental) Representative of EDP – Energias do Brasil Representative of EDP Renováveis |

PROCUREMENT COMMITTEE

The main responsibilities of the Procurement Committee are:

- To support the Executive Board of Directors in the strategic coordination of the Group’s procurement policies;
- To ensure top-level articulation between the various businesses with regard to procurement;
- To dynamise and continuously analyse the performance of the structures involved in procurement;
- To monitor the main group procurement indicators, particularly in terms of volumes purchased and savings obtained; and,
- To follow in detail the most important procurement negotiations carried out by the Group’s procurement structures.

In 2010, this committee held 1 meeting.

| Procurement Committee |
|---|
| Member of Executive Board of Directors (Finance) Member of the Board of EDP Valor (Procurement) Member of the Board of EDP – Energias do Brasil (Procurement) Member of the Management Team EDP Renováveis (Procurement) Officer of EDP Valor (Procurement Plataforma) Representative of EDP Gás (Procurement) |

PRICES AND VOLUMES COMMITTEE

The main purpose of the Prices and Volumes Committee is to guarantee that the Group has access to the best information and perspective on market evolution at any given moment. Accordingly, the committee is responsible for:

- Sharing relevant and up-to-date market information;

- Deciding on what should be considered relevant information on the evolution of key variables to be made available to the Group;
- Defining the forward curve that represents Group estimates in terms of market evolution;
- Providing an up-to-date database containing historical data and estimates for key market variables;
- Guaranteeing harmonisation amongst business areas with regard to shared information; and,
- Establishing itself as a forum for ongoing discussion and for sharing and aligning market perspectives and information.

In 2010, the Prices and Volumes Committee held 4 meetings.

| Prices and Volumes Committee |
|---|
| Member of Executive Board of Directors (Energy Planning and Gas) Member of Executive Board of Directors (Renováveis) Member of Executive Board of Directors (Costumer Relations) Member of the Board of EDP Comercial Member of the Board of EDP Gás (2 Members) Member of the Board of EDP Produção (2 Members) General Manager of HC Energia Risk Management Department Management Planning and Control Department Energy Planning Department Regulation and Competition Department Officer of HC Energia (Planeamento) Officer of UNGE Officer of EDP Produção (Planning and Control) Representative of Naturgás Representative of EDP Renováveis |

GENERATION COMMITTEE

The main responsibility of the Generation Committee is to coordinate, Iberia wide, the management of the generation business, ensuring articulation and standardisation between the activities of EDP Produção and HC Energia (Generation), with specific reference to:

- Exchange of information on the development of the business in each geographical area, including the respective regulatory environments;
- Dissemination of best practices, particularly in the context of operation of power generation infrastructures, with a view to identifying and harnessing synergies;
- Joint decision-making with a view to defining objectives (with a focus on developing power generation infrastructures); and,
- Broadening the scope of the committee to cover other regions, whenever necessary.

The Generation Committee committee met once in 2010.



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Generation Committee

Member of Executive Board of Directors (Generation)
Member of the Board of EDP Produção (3 Members)
Adviser of the Board of EDP Produção
Representative of Energias do Brasil
Energy Planning Department
Officer of EDP Produção (Planning and Control)
Officer of EDP Produção (Business Development)
Officer of EDP Produção (Hydro Generation)
Officer of EDP Produção (Thermal Generation)
Officer of EDP Produção (Projects and Investments)
Officer of EDP Produção (Quality and Process)
Officer of EDP Produção (Integrated Management of Environmental Matters)
Officer of EDP Produção (Cogeneration and Biomass)
Officer of HC Energia - Environmental
Officer of HC Energia - Studies and Communication
Officer of HC Energia - Generation
Officer of HC Energia - Projects
Officer of Energy Management Business Unit
Representative of EDP Produção (Planning and Control)

DISTRIBUTION COMMITTEE

The main responsibility of the Distribution Committee is to guarantee the Iberia-wide coordination of distribution and coordinate and standardise the activities of EDP Distribuição, HC Energia (Distribution) and EDP Brasil, with special reference to:

- Drawing up joint proposals for strategic objectives for the EDP Group's distribution activity, assessing their degree of implementation and effectiveness and reporting on progress;
- Monitoring developments in the main activity indicators and drawing up proposals for improvements;
- Reviewing the periodical reporting model, as well as other mechanisms for reporting, controlling and disclosing information;
- Promoting the development of national and international benchmarks;
- Fostering exchange of experiences on the regulatory environments and practices in the different regions; establishing guidelines for the regulation of matters under its responsibility and monitoring and studying the effects of alterations in terms of policies, legislation, regulation and organisation on the energy sectors;
- Disclosing and sharing information on the evolution of the distribution business in each region, as well as on best practices, with a view to identifying projects of mutual interest, improving the efficiency and effectiveness of operations, and identifying synergies; Sharing information on the management of high-impact events;
- Analysing, and issue opinions on, the criteria used to evaluate investment projects and planning models;
- Ensuring coordination with regard to standardising projects and heavily used equipment and analysing new technological options and identifying priorities for action in the area of new technologies/innovation.

This committee met once in 2010. This meeting was chaired by the member of the Executive Board of Directors responsible for distribution.

Distribution Committee

Member of Executive Board of Directors (Distribution)
Chairman of the Board of Directors of EDP Distribuição
Member of the Board of EDP Distribuição (2 Members)
Member of the Board of EDP Energias do Brasil
Officer of HC Energia - Distribution

COMMERCIAL COMMITTEE

The Commercial Committee's main responsibility is to coordinate the commercial area Iberia-wide and to ensure coordination and standardisation of the activities of EDP Comercial and HC Energia (Marketing and Supply), in particular:

- Exchange of information on the evolution of the business in each region, including the respective regulatory environments;
- Dissemination of best practices in the supply of energy services, with a view to identifying and harnessing synergies; and,
- Joint decision making in relation to business with an impact at the Iberian level, in particular with regard to setting objectives, implementing the marketing plan and defining conditions for energy purchase.

This committee met once in 2010.

Commercial Committee

Member of Executive Board of Directors (Supply)
Member of Executive Board of Directors (Generation)
Member of the Board of EDP Comercial (2 Members)
Member of the Board of EDP Gás
Member of the Board of EDP Soluções Comerciais
General Manager of HC Energia
General Manager of Naturgas
Member of the Board of EDP – Energias do Brasil
Brand and Communication Department
Corporate Marketing Department
Officer of HC Energia - Costumer Relations
Officer of HC Energia - Marketing
Officer of Naturgas (Costumer Relations)

PENSION PLAN AND FUND COMMITTEE

The main responsibilities of the Pension Plan and Fund Committee are to define the strategy for the Pension Plan and Fund and guarantee its alignment with the EDP Group strategy. It is responsible for strategic decisions on:

- The pension plan;
- Risk assessment for the pension plan; and,
- The pension fund's management structure.

This committee met 4 times in 2010.

Pension Plan and Fund Committee

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (CFO)
Member of the Board of EDP Valor (Labor Relations)
Consolidation, Accounting Control and Taxation Department
Risk Management Department
Representative of Financial Management Department

COMMITTEE ON INFORMATION SECURITY

The Committee on Information Security has the following responsibilities:

- Provide an opinion on the Strategic Plan for Information Security, EDP;

- Discuss the more relevant security initiatives, with a view to their inclusion in the annual Information Security Information of the EDP Group;
- Give advice on policy Information Security, of the EDP Group and its evolution;
- Evaluate and approve exceptions to the EDP’s Policy on Information Security, where justified by business reasons and by a formal acceptance of risk. Promoting the adoption of the EAC all the exceptions, by their nature, pose a high risk for the EDP Group;
- To promote communication and discussion about major changes in EDP, to identify the impacts the level of information security and to monitor the risk profile of the EDP Group;
- Monitor the implementation of the Program for Information Security Information EDP and KPI performance

This committee met once in 2010.

| Information Security Committee |
|--|
| Member of Executive Board of Directors (Information Systems) |
| Audit Department |
| Financial Management Department |
| Risk Management Department |
| Management Planning and Control Department |
| Human Resources Department |
| General Secretariat and Legal office |
| Information Systems Department |
| Officer of Energy Management Business Unit |
| Responsible of Government IT DSI |
| Responsible of Information Security DSI |
| Responsible for Security and Risk of companies |

3.4. CUSTOMER OMBUDSMAN

The Customer Ombudsman is an independent entity created in 2009. It aims to support the EDP Group’s customer care policy, and has the following remit:

- To receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- To enter into dialogue with complaining customers;
- To arbitrate disputes and conflicts between customers and EDP Group companies;
- To issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- To propose the adoption of measures to help improve levels of service quality and customer satisfaction;
- To establish contacts with third parties to obtain specialist information and knowledge so recommendations can be made to the EDP Group companies on the adoption of measures to improve their customer relations.

The Customer Ombudsman holds office for a period of 3 years, and this term is renewable once only, for an equal period. In the scope of the performance of his duties, the Customer Ombudsman has the use of an independent organic structure called the Office of the Customer Ombudsman, as well as an annual budget allocation.

3.5. BRANCH IN SPAIN

The mission of EDP - Energias de Portugal, Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of the EDP Group companies in Spain with a view to guaranteeing maximum synergies and the creation of value in the operations and activities in Spain. It also serves as an organisational platform for managing the Iberia-wide integration of support services. All majority shareholdings in EDP Renováveis S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect shareholding in NG Energia (Naturgas Energia Grupo S.A.) by virtue of the majority control of the latter, have been directly allocated to the subsidiary’s assets. The branch has offices in Madrid and Oviedo. The branch is represented by means of Permanent Representatives that are members of the EDP Executive Board of Directors appointed for that purpose. The administration, coordination, management and representation of EDP Sucursal de España is made up of the Executive Committee, the Management Committee and the Coordination Committees. The Executive Committee is made up of five Permanent Representatives of EDP, a Group Controller for activities in Spain and by the first line managers in charge of the business units in Spain. It fundamentally serves as the coordination body for the activities of the permanent representatives. The Management Committee is chaired by the Group Controller and is also made up of the natural extension of the management departments at the EDP Corporate Centre, namely the Business Analysis, Legal, Audit, Spanish Taxation, Financial Management, Shared Services and Information Systems departments. The committee carries out, in a homogeneously grouped way the tasks of these departments in Spain. Finally, the Coordination Committees for Generation, Supply and Gas are chaired by members of the members of the EDP Executive Board of Directors responsible for the respective management areas with a view to harnessing synergies with Spain and eliminating inefficiencies and redundancies.

| EDP Energias de Portugal, Sucursal en España, Sociedad Anonima | |
|---|--------------------------------------|
| ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE | |
| EXECUTIVE COMMITTEE | |
| Permanent EDP Representative | António Mexia (Presidente) |
| Permanent EDP Representative | Ana Maria Fernandes |
| Permanent EDP Representative | António Martins da Costa |
| Permanent EDP Representative | João Manso Neto |
| Permanent EDP Representative | Nuno Alves |
| Chairman of the Board, HC Energia | Manuel Menéndez Menéndez |
| General Corporate - Activities Spain | Miguel Ribeiro Ferreira |
| 1st Line Responsible, HC Energia | Javier Sáenz de Jubera |
| 1st Line Responsible, EDP Renováveis | João Paulo Costeira |
| 1st Line Responsible, NG Energia | Francisco Granjo |
| MANAGEMENT COMMITTEE | |
| General Corporate - Activities Spain | Miguel Ribeiro Ferreira (Presidente) |
| Business Analysis Department | Hugo Gouveia |
| Legal Department | Emílio García-Conde |
| Audit Department | Azucena Viñuela |
| Taxation Spain Department | Ramon Orlea Garcia |
| Financial Management Department | Nuno Gonçalves |
| Shared Services Department | Félix Arribas |
| Information Systems Department | Vergílio Domingos da Rocha |
| GENERATION COORDINATION COMMITTEE | João Manso Neto |
| SUPPLY COORDINATION COMMITTEE | Jorge Cruz Morais |
| GAS COORDINATION COMMITTEE | João Manso Neto |

corporate governance

3.6. RISK CONTROL AND MANAGEMENT SYSTEM

3.6.1. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)

In order to proceed with the EDP Group's decision to strengthen its internal control system, on the basis of the SCIRF (Internal Financial Reporting Control System) model, measures were taken in 2010 to extend this system to the business units in the new geographical locations and corporate organisation in general and to place the business units in charge of maintaining and consolidating information. The EDP Group's SCIRF is in line with the best international practices and is based on the COSO model (Committee of Sponsoring Organizations of the Treadway Commission), with respect to the objectives and implementation of controls.

Reinforcement of the SCIRF continued in 2010 and followed two strategic lines (i) maintenance and monitoring of the cycle and (ii) the completion of the first assessment by the external auditor.

The maintenance and monitoring of the cycle in 2010, particularly with regard to the implementation of the internal control model, resulted in the geographical extension of the SCIRF in Europe through EDP Renováveis Europa (Spain, France, Poland, Romania, Belgium, United Kingdom and Italy) and, in the United States, through EDP Renováveis – Horizon. This extension involved over 50 companies and improvement of overall general, application or process IT control operations.

Existing processes and controls were revised and maintained in the business areas in which the SCIRF had already been implemented in previous years (Portugal, Spain and Brazil).

The new SCIRF processes and controls resulting from the application of the SCIRF and from opportunities for improvement detected were also documented and implemented.

The following maintenance and assessment activities were also carried out:

- Identification, revision and appointment of SCIRF managers to assess the new elements resulting from use of the model or revisions and updates arising from legal or structural changes
- Documentation, revision and validation of overall global, general and application IT controls
- Identification of service organisation by using the model in order to ensure that legal requirements applicable to the controls are met and the appropriate certificates can be issued
- Action to solve the non-conformities identified in the tests
- Evaluation of the design of the controls in order to confirm a suitable structure for timely prevention of materially relevant errors or improper appropriation of Group resources
- Evaluation of operational efficacy of controls to confirm the implementation in accordance with the designs as well as the implementation by qualified personnel
- Self-certification by which the SCIRF managers check that the documentation is sufficient and up to date and that there is proof of performance of control at different levels in the chain of command

With the goal of enhancing the reliability and robustness of SCIRF was performed to evaluate the system by the External Auditor (KPMG), with reference to the year ended December 31, 2010. This assessment was prepared in accordance with International Standard on Assurance - ISAE 3000 - International Standard on Assurance Engagements, completed with positive results, with no material weaknesses identified.

The following developments in 2010 were particularly important in the implementation of the SCIRF in the EDP Group:

- Consolidation of the SCIRF IT tool
- Creation of the SCIRF logo
- Issue of a quality certificate for the EDP Group's internal auditing by Institute of Internal Auditors (IIA) in Spain, an organization accredited by the Institute of Internal Auditors (IIA) in the United States



Internal audits are a corporate function in the EDP Group and are performed by the Internal Audit Department. This department answers to the Chairman of the Executive Board of Directors and is supervised by the Financial / Audit Committee to which it reports on the Group's auditing activities.

The Group is strongly committed to continuing its wide-ranging and intensive efforts to develop the robustness of its system for internal control over financial reporting, everywhere it conducts its business.

3.6.2. RISK MANAGEMENT STRUCTURE

3.6.2.1. RISK MANAGEMENT MANDATE AND STRUCTURE

The diversity of the Group's business lines continued to ensure a low level of risk, mainly due to (i) the high relative weight of regulated businesses, (ii) growth in low-risk activities, such as wind generation with low exposure to electricity market prices and (iii) use of appropriate hedging policies to help mitigate financial and fuel risks and the risk of the price and quantity of electricity placed or purchased on the market.

The organization and process of risk management practice in the Group have been receiving the highest rating under the Dow Jones Sustainability Index, a benchmark that pleases and encourages us to continue developing integrated methodologies of R2R - Return to Risk, trying to include them in the normal management of the Business Units and at Corporate Center. This process is based on the following:

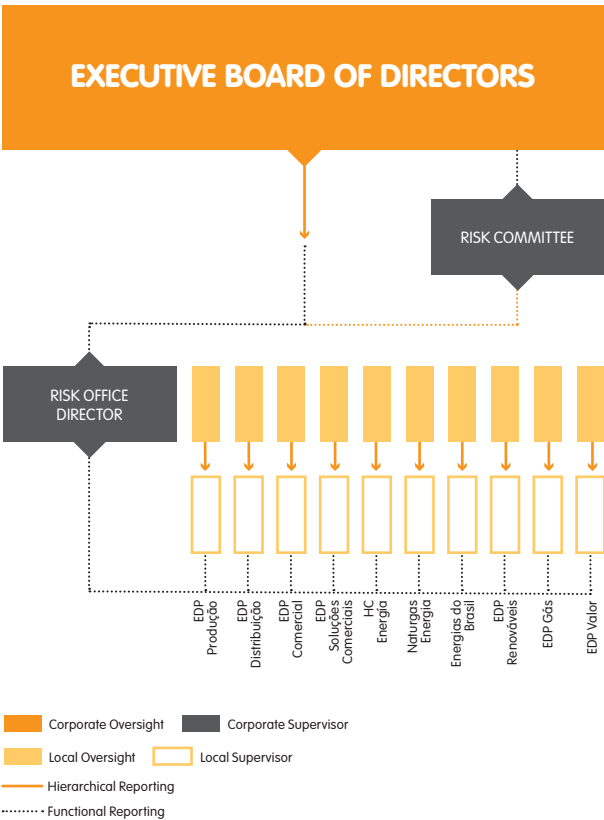
- **Risk identification and prioritisation.** Steps have been taken to ensure that this process is included in the usual cycle of preparing the business plan and budget, at least for the most important risks. There is also a risk portal for use by the Risk Management Department in recording work done and the consolidation of the most important risks from a joint point of view and also for the use of the business units, according to their needs. This tool was developed in-house for the consistent collection of information on each relevant risk, with qualitative and, as far as possible, quantitative assessments of overall impact, likelihood of occurrence and degree of control, and for preparing priority matrixes for action or control. It enables us to answer the following questions: What are the most important risks for each business unit? Who is responsible for managing a certain risk?
- **Risk strategy.** The aim of the risk strategy, for each of the priority risks, is to identify the key measure that can be used to avoid or mitigate it, decide on the transfer of the risk to another entity (insurance, hedging) and define the desired risk-return profile. It answers the questions: What are the risks that EDP profits in managing and which ones should be transferred to other entities? Is the ability to take risk aligned with EDP's strategy?
- **Integrated assessment of risk.** This dimension of risk control seeks to measure, for bottom-up methodology, values at risk of EBITDA, EBIT and Cash Flow of the most important Business Units of the Business Plan time horizon (usually three years). It still applies top-down methodologies in order to, considering the behavior of EDP's share and financial public information, infer similar values at risk and also make comparisons with competitors. It also aims to extrapolate to wider horizons the effects of a change in the composition of the portfolio of businesses. This tool allows answering the following questions: What is the aggregate level of risk actually expected? What is the relative weight of the critical factors? What is the effect of policy changes in hedging or other forms of transfer or mitigate risk? What is the impact of the more important business decisions in the aggregated risk of EDP?
- **Governance and control.** This component of the process of risk management is based on the Corporate Entrepreneurial Risk Management Policy defined by the Executive Board and on the structure established for this purpose. This tool allows answering the following questions: Are there management and risk control processes? Are they effective?

The Executive Board of Directors decides on the level of exposure to risk assumed by the EDP Group in its various operations and, notwithstanding the delegation of tasks and responsibilities, defines the overall risk limits and ensures that risk management policies and procedures are followed. This is based on the definition of the Group's appetite for risk, resulting on one hand from its long established business structure and, on the other hand, from criteria agreed upon by the Executive Board of Directors and the General and Supervisory Board. In fact and in practice, the appetite for risk focuses on how the Group:

- Is positioned in relation of its debt rating;
- Aims to grow (with a focus on a policy of organic investment and acquisitions in core assets/disposals of non-core assets);
- Implement a dividends payment policy (and a policy of possible acquisition of treasury stock).

In the organizational structure of the corporate center, the DGR is part of the strategic departments. So, in addition to monitoring activities and methodologies, it develops its own studies and actively participate in a perspective of a business intelligence unit, performing the assessment of important and current subjects of R2R - Return to Risk for the Group. In relation to the activity undertaken in 2010, it should be noted the following:

- The first meeting of Risk Officers in the Group was organised. In addition to two guest speakers who addressed the issue of risk management from a financial and industrial perspective, there was an interesting exchange of experiences between the different business units and corporate departments.
- In-house regulations were drafted to consolidate and guide good crisis management and business continuity practices in the Group.
- A market analysis was conducted in terms of the risk of surplus power and changes in basic market risk factors.
- A backtesting analysis of the business plans showed that deviations from budget constitute very important risk proxies.
- There was an optimum capital structure and content for fixed rate – variable rate for the Group's main geographical areas (euro, dollar and real). A risk analysis was performed of debt hedging instruments along with an evaluation of EDF – Expected Default Frequency and CDS – Credit Default Swaps of the Group and similar companies and of Trading and the Financial Department's counterparties.
- EDP Serviço Universal was analysed in terms of the regulatory risk associated with its functions as supplier of last resort and buyer of special regime generation and of placing its surplus on the market.



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- A more in-depth analysis of the cash flow at risk at HC Energía was performed for market and regulated business.
- An aggregated analysis of the top-down risk and a comparison with rival companies continued to show a low level of aggregated risk for the EDP
- Group’s businesses, which has made it possible to engage in a higher degree of financial leverage for similar ratings.
- An aggregated analysis of the bottom-up risk for the Business Plan, including a stress test simulation showed that the Group’s risk profile remains low.
- An integrated ALM analysis of the risk of the pension fund assets and liabilities was performed.
- An active contribution was made to the Eurelectric Focus Group Enterprise Risk Management.

Business Units manage their own risks, within the established criteria and delegations. There is a solution of double reporting of the Risk Officer of each business unit and the Head of Risk Management, ensuring alignment handling practices, reporting and control.

3.6.2.2. RISK FACTORS

The main risk factors identified by the EDP Group are structured as follows:

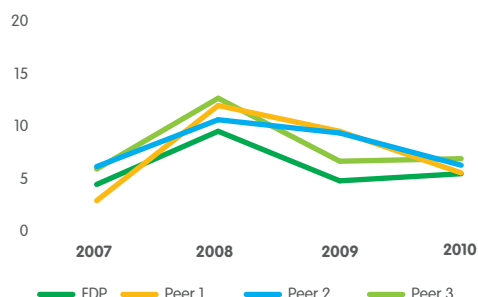


The Business Risk is the most important component, followed by the Market, Operational Risk and Credit Risk. This is a typical situation for the utilities in the sector.

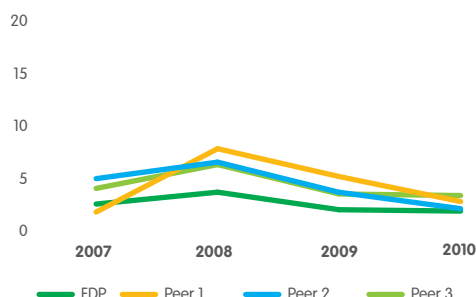
The EDP Group confirmed its low risk profile, given its lower structural exposure to the market risk. However, this advantage will tend to shrink in the future due to the short- to medium-term replacement of thermoelectric power stations at the end of their useful lives protected by PPA mechanisms by market power stations and natural greater exposure to the exchange risk resulting from the growth in businesses outside the euro area. For example, EBITDA at risk, with a 95% probability of not being exceeded, which was assessed for 2011 using the bottom-up method, is 4% of the value budgeted. This is not only a low percentage but it has also remained at this level over a year of simulation and has entered with the established hedging policy and the effects of diversification.

A top-down assessment of EDP’s RaR - Return at Risk in a weekly basis (95% probability of not being exceeded) and also of its assets (here by the ratio Equity / Assets times the RaR of Equity) compared with that of Iberian competitors, confirms that the Group has a business portfolio with a smaller risk profile, even during the general increase in the criticals years 2008 and 2009.

R@R Equity (weekly)

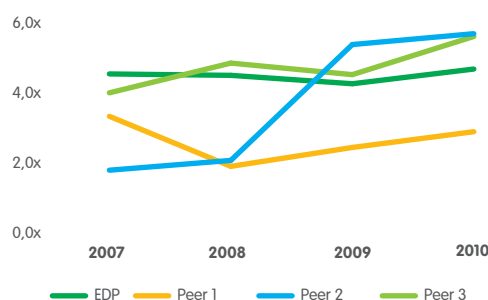


R@R Assets (weekly)

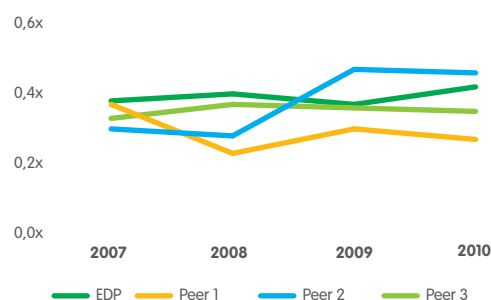


On the other hand, as shown in the graphs below, the Group’s financial leverage – net debt / assets – rose slightly due to investments in expansion projects and investment in regulatory assets (boosted by an increase in the tariff deficit in Spain and payment of taxes resulting from the 2009 sale of the right to receive tariff deficits in Portugal). The structural indicator net debt / EBITDA went up a little and is expected to reach less than 4 in 2012. An ongoing A rating from S&P, which corresponds to a good compromise between the spread of this class on the cost of the debt and the advantage of deduction from taxes of financial costs with the expected borrowing parameters, is still a goal for the EDP Group, although Portuguese public finances are a source of considerable concern when it comes to a possible deterioration in the Group’s rating due to the country’s risk.

Net Debt / EBITDA



Net Debt / Assets



3.6.2.3. RISK MANAGEMENT THROUGHOUT THE VALUE CHAIN – MIBEL

In addition to the management of risks that transversally affect all business units, management of the aforementioned risk factors within the EDP Group is carried out on the basis of the value chain of the individual activities as follows:

ELECTRICITY PRODUCTION AND ENERGY MANAGEMENT:

Electricity price risk: Revenues from production can be influenced by changes in the price of electricity in wholesale markets. The Group has limited exposure to power plants acting on the free market (except in Spain, Ribatejo, Lares CCGT and Alqueva power plants and small hydro in Portugal) because the majority are subject to the adjustment mechanism of CMEC - The Cost for the Maintenance of Contractual Equilibrium (plants that had contracts - Power Purchase Agreements - with REN and now act in the market from July 1, 2007). To mention the exposure to market (price of OMEL) of wind production from EDP Renováveis in Spain (and also in the United States). Furthermore, the Group actively seeks to protect the commercial spread, acting in an integrated manner within the Energy Management and Marketing. In MIBEL the UNGE has a mandate to act on the wholesale market; both for optimization of the supply to the spot market of OMEL like to take advantage of the futures market, OMIP, OTC and arbitration in Spain-France interconnection. The risk of market price higher

in Portugal than in Spain, as a result of market splitting, after exhaustion of interconnection capacity, and the corresponding need in Portugal for using more expensive power plants, is not relevant to the Group, given that its marketing in the free Portuguese market is not dependent on imports from Spain. The UNGE - Energy and Trading Business simulates the behaviour of the system and uses the Iberian MUR - Unified Risk Model (model risk analysis of UNGE - Energy and Trading Business to Iberia) program for the periodic calculation of MaR - Margin at Risk.

Fuel price and CO₂ Risk: This risk is also more present for the power plants in the free market. The UNGE has been entrusted with management of this risk, serving on the purchase of coal and fuel oil and in the operational management of procurement of gas for electricity generation and trading scheme for CO₂, but also in establishing solutions for the hedging of fuel prices and the dollar exchange (the latter in coordination with the Financial Department). As far as supplies of gas are concerned, EDP Gás is responsible for negotiating new contracts, but also the management of positions resulting from momentary excess / deficiency between the Group companies and the market or with other players. The MUR is also used in the risk assessment, making use of its capacity for assessing trends in the prices of fuels and CO₂.

Operational risk for power plants and wind farms: Conventional power plants and wind farms have breakdowns and incidents,

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which can entail a loss of revenue due to outage or downtime. This risk is mitigated by the application of conduction and maintenance methods and safety procedures of the highest standard. Otherwise, the most important insurable risks are associated with generation, which is covered by insurance, managed by EDP Valor's Insurable Risk Management Office.

Environmental risk: Power generation resources are more exposed to this risk due to the use of natural resources, due to emissions and waste that thermal power generation produces and also due to the impact on biodiversity caused by wind production as well as other technologies. The EDP observes a very strict Environmental Policy that comes into force in an Environmental Management System that aims the full compliance with the licensing parameters as well as the introduction of additional measures that will improve the environmental performance as well as minimize possible responsibilities in this area. There is also an environmental liability insurance contract to fulfil the new European requirements in this area. For additional information please see section Contribution to Sustainability, Environmental Management chapter.

Credit risk: In an organized market this is not a significant risk. In OTC market and fuel purchase operations, the UNGE (Energy and Trading Business) minimizes this risk by applying exposure limits in agreement with the limits approved in line with the counterparty rating (defined by an external agency, or internally, if there is not such external information).

MARKET SUPPLY:

Price risk for electricity: This risk is assumed by the UNGE - Energy and Trading Business and internal prices are set after the volume of sales to final consumers by EDP Comercial and HC Energia have been determined, except in situations in which market price - indexed contracts are possible.

Volume risk: Either because of weather and economic situation, or as a result of migration of customers between the free market and the public service regulated tariff, the amount of energy to sell to final customers has always a degree of uncertainty. In principle, this risk is assumed by supply, as it has to make excess or shortages adjustments with the UNGE - Energy and Trading Business at the market price. However, the current transition phase the MIBEL is experiencing, which can lead to significant uncertainty in the share of free market consumption depending on the attractiveness of the public tariffs and competitive dynamics, calls for dynamic management of this risk through integrated and regular intervention by the Prices and Volumes Committee set up for that purpose.

Commercial quality operational risk: In the free market, the criteria for commercial service quality are the entire responsibility of the Group, which has placed great emphasis on the good management of this risk.

Credit risk: This supply-related risk is managed primarily by the contractual criteria that are applied and, secondly, by EDP Soluções Comerciais, the unit entrusted with performing the metering - billing - payment collection cycle (in Spain, HC Energia and Naturgas).

SUPPLY OF LAST RESORT:

Pursuant to applicable legislation, consumers that choose their energy supply in accordance with a regulated tariff are customers of EDP Serviço Universal - the so-called supplier of last resort. As of 1 January 2011, in Portugal this infrastructure will cover only the range of domestic and non-domestic consumers that have not yet moved

to the free market and to which a transition tariff will apply. This is another step towards the extinction of regulated tariffs on final consumption, following a similar transition in Spain.

Regulatory risk: The exercise of this activity is low risk, but the deviations in the estimates made by the Regulator - ERSE for acquisition costs of energy, thus creating a deficit or excess amount, raises concern about the fair remuneration of such volatility. We hope that the gradual disappearance of the regulated tariffs for electricity sales to provide, a knowledge of the mechanisms of competitive balance and a longer follow-up to the reality of the evolution of international prices of raw materials necessary for the production of electricity.

Supply quality operational risk: Whatever the criteria for supply quality of regulated service business (average response time in providing customer services, the percentage of readings of meters of low voltage, etc.), the Group has placed great emphasis on the management of this risk, also to manage the risk of erosion of the brand once the impacts consequences are not negligible.

Credit risk: The management of this risk has been delegated to the EDP Soluções Comerciais and is carried out in accordance with the regulations defined for public service customers (power cuts when bills are not settled within payment deadlines).

ELECTRICITY DISTRIBUTION:

Regulatory risk: The changes of the remuneration criteria may affect the revenue of EDP Distribuição and HC Energia. In addition to the defence of fair valuation of the business, the Group also strives to apply better grid planning, construction, operation and maintenance practices in order to achieve and even surpassing, the efficiency gains implicit in the regulatory objectives.

Technical service quality and losses operational risk: In addition to the regulated criteria for technical quality of service (duration and number of service interruptions, service reinstatement times, etc.) and the incentives to reduce physical losses in the grid, the Group has also placed great emphasis on the management of this risk, as the possible consequences in terms of brand erosion risk management and efficient energy management policy are by no means negligible.

Grid operational risk: The existence of infrastructures in the public domain (e.g. lines, cables and transformer stations) may increase the impact of outages and incidents. This risk is mitigated by means of conduction methods, maintenance and safety procedures in line with the highest international standards. However, the uncommon storms that have raged in Portugal have led to power cuts and substantial damage, which have received considerable media coverage. Response to this type of crisis has improved significantly, however. On the other hand, insurable risks are covered by insurance.

Environmental risk: Although of less relevance than in generation, the problem of overhead power lines and of its impact in birdlife, on the surrounding environment and also in terms of their visual impact is one worth mentioned. Particular attention is given to these questions in the planning and design phase thus minimizing these situations and the infrastructures are made compatible with the birds that use them as resting places or as nest locations. To avoid collisions infrastructures located in migrating paths are signalized. For additional information please see section Contribution to Sustainability, Environmental Management chapter.

RISK MANAGEMENT IN OTHER REGIONS AND ACTIVITIES

Although market conditions and regulatory may differ, the principles and methods listed above apply to gas transport, distribution and supply business units and to Energias do Brasil and EDP Renováveis.

EDP Renováveis has been the main source of growth and geographical diversity of investments in the Group and clearly confirms the change in the Group's generation profile to a portfolio less dependent on CO₂ emissions and therefore less exposed to the risks of greenhouse gas emissions. The size that it has reached requires careful management of the pipeline of projects, flexible hiring of wind turbines and contracting of operating and maintenance conditions in order to avoid operational risks resulting from not launching or timely completion of projects and not achieving the best standards of operating efficiency. The nature of this type of generation means that the results of investments are highly dependent on each country's regulatory and energy policies. This aspect is carefully weighed within criteria of minimum acceptable return. This is how our stake in the United States market, with its huge growth possibilities and a low country risk, asserting the Group as a major world player in renewable energy, has grown less than initially expected, as we are still awaiting the publication of new legislation promoting this type of energy. Exposure to the electricity market price is mitigated considerably by remuneration of generation with fixed tariffs, long-term PPAs (power purchase agreements) or effective hedging strategies. Risk mitigation options depend on the remuneration structure in each country.

TRANSVERSAL RISK MANAGEMENT

Investment risk: The investment assessment and decision-making process has established uniform criteria for defining the discount rates to be used in evaluating the expected cash flows and for the modeling of scenarios (which incorporate different sensitivities, such as, price risk, energy volume risk, and regulatory risk). These criteria help to mark out limits in the Group's appetite for risk, with the capital cost of each business unit / region reviewed on a regular basis. The Investment Committees at the business units and corporate level allow the effective implementation of these mechanisms in the assessment phase and for the monitoring of the execution of the investment, monitoring operational risks in these phases and their potential impact on the expected value.

Financial risk: The Group's financial risks are mainly managed by the Financial Department, which is responsible for the Group's cash management at Iberian level, the debt portfolio and the risk of interest rate and foreign exchange instruments through financial markets. In Brazil, Energias do Brasil follows, under coordination, similar principles.

Liquidity risk: The liquidity risk warranted particular attention. EDP's strong credit profile was reconfirmed in this difficult context for Portugal. There was only one bond issue (one billion euros at five years), which was necessary for the habitual debt rollover and to finance the Group's growth. EDP also successfully negotiated a five-year revolving credit facility of 2 billion euros to replace the previous one for 1.6 billion euros. The liquidity risk has therefore been mitigated thanks to our debt management policy, the contracting of new financing and the availability of lines of credit obtained (underwritten) but not used. Thanks to the Group's financial management policies, there is still a low market risk and a diversified counterparty risk involving highly credible financial entities.

Liabilities resulting from the EDP Group Defined Benefit Pensions Fund and health care benefits in Portugal are fully covered by the Pension Fund assets and specific provisions included in the EDP balance sheet. The calculation of these liabilities is conducted annually by an independent Actuary, using assumptions set out in IAS-IFRS, taking into account various aspects including, inter alia, the Fund's performance, demographics, economic variables and the applicable requirements.

Operational risk: Included in this group are the potential losses resulting from incidents caused by failures or inadequate procedures, staff, equipment or systems or resulting from external incidents (including the risk of failure to comply with legislation and ethical standards, operating loss include economic, non-economic effects and loss of reputation).

For the area of Information Technologies, the Information System Department has been consolidating the complete risk management process. In this area there, they established the necessary redundancies for the DPC – Data Processing Centre), thus continuing and consolidating the Disaster Recovery policy.

The most significant risks that are transferable to the insurance market have to do with industrial facilities. Both for these and for the risk of claims by third parties for material or personal damages and their consequences that may arise from the activities of the Group companies, the Insurable Risk Management Office at EDP Valor has applied the approved Strategic Insurance Plan, which is based on the establishment of joint programs for all Group companies in Portugal and Spain, direct contracting with insurance market and boosting the reinsurance capacity of the Group – Energia RE. This joint policy has made it possible to optimize insurance costs and improve control thereof.

In terms of **legal risks**, both in litigation related to operations, or in respect of licensing procedures for new installations, both as regards the necessary tax compliance and accounting, the Group does not expect any adverse impact on relevant.

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4. SHAREHOLDER STRUCTURE AND EXERCISE OF SHAREHOLDER POSITIONS

4.1. CAPITAL STRUCTURE

The EDP share capital of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares, 2,936,222,980 of which are Category A shares, these being ordinary shares, and 720,314,735 of which are Category B shares, all with a face value of one euro each. The Category A shares account for 80.30% of the share capital and Category B shares account for 19.70%.

Although there are no limits to the transferability of EDP shares, given that, in accordance with the Securities Code, shares traded in the market are freely transferable, the EDP Articles of Association do contain rules limiting the exercise of voting rights that apply to ordinary (or Category A) shares.

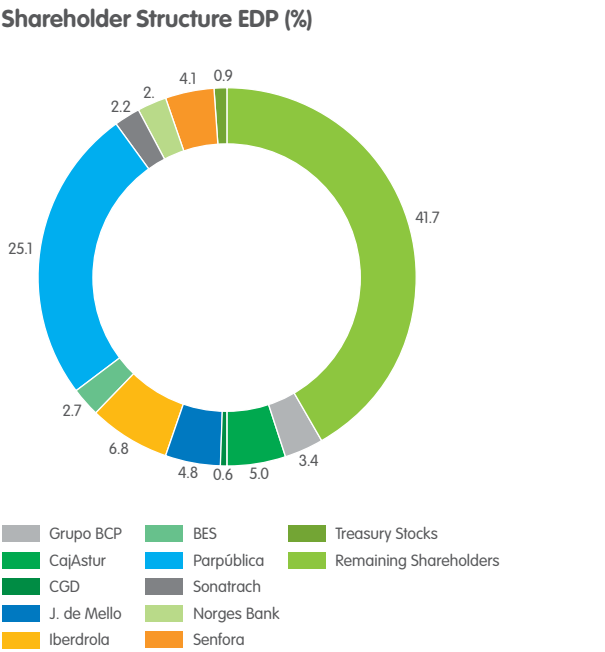
In accordance with the Articles of Association, votes corresponding to Category A shares that are cast by one and the same shareholder on its own behalf or in representation of another shareholder and exceed 5% of the total number of votes corresponding to the share capital shall not be counted.

Category B shares are those to be reprivatised. Their only privilege is that their holders, or those representing them, are not subject to the voting restriction laid down in Article 14.3 of the Articles of Association, in relation to these shares.

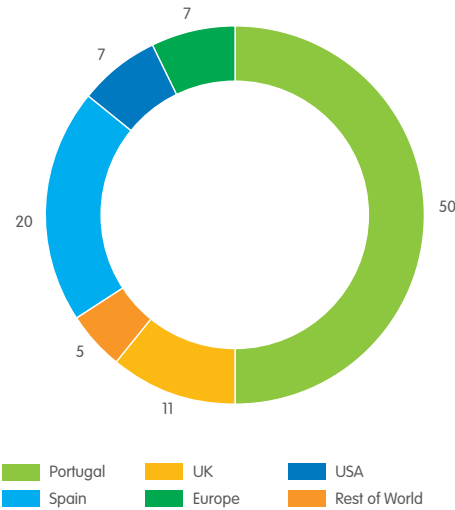
In addition, shareholders who acquire a holding of 5% or more of the voting rights, or of the share capital, must communicate this fact to the Executive Board of Directors within a period of five work days from the date on which said holding becomes effective. They may not exercise voting rights if they have not communicated this fact.

4.2. SHAREHOLDER STRUCTURE

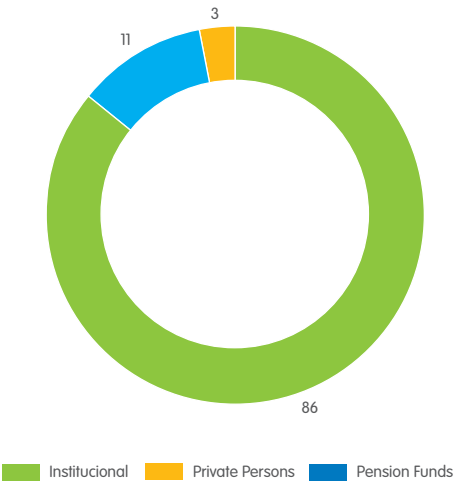
The breakdown of the EDP shareholder structure by region and investor type in 31 December 2010 was as follows:



Geographic Breakdown of Shareholder Structure (%)



Breakdown of Shareholder Structure by Investor Type (%)



4.3. QUALIFYING HOLDINGS

Pursuant to Article 8.1b of CMVM Regulation nº. 5/2008, the following information on qualifying holdings held by shareholders in the EDP share capital in 2010 and the allocation of voting rights in accordance with Article 20.1 of the Securities Code is hereby provided:

| Shareholder | N° of Shares | % Capital | % Vote |
|---|----------------------|----------------|---------------|
| PARPÚBLICA - Participações Públicas, (SGPS), S.A. | | | |
| Privatised shares - Category A | 211,836,047 | 5.79% | 4.84% |
| Non-privatised shares - Category B | 704,141,551 | 19.26% | 19.26% |
| Capitalpor – Participações Portuguesas, SGPS, S.A. | 408,797,735 | 11.18% | 11.18% |
| PARPÚBLICA - Participações Públicas, SGPS, S.A. | 295,343,816 | 8.08% | 8.08% |
| Total | 915,977,598 | 25.05% | 24.09% |
| The company Capitalpor – Participações Portuguesas, SGPS, S.A. Is fully owned by PARPÚBLICA - Participações Públicas, SGPS, S.A. | | | |
| Iberdrola Energia S.A.U. | | | |
| Iberdrola Energia S.A.U. (Iberener) | 248,437,516 | 6.79% | 5.00% |
| Total | 248,437,516 | 6.79% | 5.00% |
| The company Iberdrola Energía, S.A.U. is fully owned by Iberdrola, S.A. | | | |
| CAJA DE AHORROS DE ASTURIAS (CAJASTUR) | | | |
| Cantabrica de Inversiones de Cartera, S.L. | 128,409,447 | 3.51% | - |
| Caja de Ahorros de Asturias (Cajastur) | 54,848,066 | 1.50% | - |
| Total | 183,257,513 | 5.01% | 5.00% |
| The company Cantabrica de Inversiones de Cartera, S.L. is fully onwed by Caja de Ahorros de Asturias (Cajastur) | | | |
| JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. | | | |
| José de Mello Energia, SGPS, S.A. | 176,283,526 | 4.82% | 4.82% |
| Management and supervisory bodies | 57,432 | 0.00% | 0.00% |
| Total | 176,340,958 | 4.82% | 4.82% |
| The company José de Mello Energia, SGPS,S.A. Is fully owned by José de Mello Participações II, SGPS, S.A., which capital in fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A. | | | |
| INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC) | | | |
| Senfora SARL | 148,431,999 | 4.06% | 4.06% |
| Total | 148,431,999 | 4.06% | 4.06% |
| The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government. | | | |
| MILLENNIUM BCP GROUP + PENSION FUND | | | |
| Corporate Bodies | 28,380 | 0.00% | 0.00% |
| Foundation Millennium BCP | 350,000 | 0.01% | 0.01% |
| Banco Comercial Português, S.A. | 573,249 | 0.02% | 0.02% |
| Pension Fund of Group Millennium BCP | 122,289,594 | 3.34% | 3.34% |
| Total | 123,241,223 | 3.37% | 3.37% |
| The management company of the pension fund of Group Millennium BCP exercises independently their voting rights. | | | |
| BANCO ESPÍRITO SANTO, S.A. | | | |
| Company's in a group relationship with BES or exercising control over the company | 98,852,742 | 2.70% | 2.70% |
| Banco Espírito Santo, S.A. | 317,854 | 0.01% | 0.01% |
| Members of the Corporate Bodies | 3,375 | 0.00% | 0.00% |
| Total | 99,173,971 | 2.71% | 2.71% |
| NORGES BANK | | | |
| Norges Bank | 97,247,888 | 2.66% | 2.66% |
| Total | 97,247,888 | 2.66% | 2.66% |
| SONATRACH | | | |
| Sonatrach | 81,713,076 | 2.23% | 2.23% |
| Total | 81,713,076 | 2.23% | 2.23% |
| GROUP CAIXA GERAL DE DEPÓSITOS | | | |
| Privatised shares - Category A | 7,191,932 | 0.20% | 0.16% |
| Caixa Geral de Depósitos | 3,625,065 | 0.10% | - |
| Pension Fund of CGD | 1,709,051 | 0.05% | - |
| Companhia de Seguros Fidelidade Mundial, S.A. | 1,247,394 | 0.03% | - |
| Império Bonança - Companhia de Seguros, S.A. | 51,954 | 0.00% | - |
| Parcaixa, SGPS, S.A. | 558,468 | 0.02% | - |
| Non-privatised shares - Category B | 16,173,184 | 0.44% | 0.44% |
| Parcaixa, SGPS, S.A. | 16,173,184 | 0.44% | 0.44% |
| Total | 23,365,116 | 0.64% | 0.61% |
| CGD holds 100% of share capital and voting rights of Caixa Seguros, SGPS, S.A. which, in turn, holds: i) 100% of the share capital and voting rights of Companhia de Seguros Fidelidade-Mundial, S.A. ; ii) 100% of the share capital and voting rights of Império Bonança - Companhia de Seguros, S.A. CGD Pension Fund is managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A., and of which CGD is an associated company; CGD holds 51% of the share capital and voting rights of Parcaixa, SGPS, SA. | | | |
| EDP (TREASURY STOCK) | 33.324.941 | 0.91% | |
| REMAINING SHAREHOLDERS | 1.526.025.916 | 41.75% | |
| TOTAL | 3.656.537.715 | 100.00% | |

Note: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 5% of the totality of the corresponding votes to the capital stock exceed.

(I) In compliance with the understanding imparted by CMVM to Sonatrach in relation to the effects of a shareholder agreement entered into with Parpública - Participações Públicas, SGPS, S.A. And Caixa Geral de Depósitos, the voting rights corresponding to the stock held by these two shareholders have been assigned to Sonatrach since 11 April 2007, pursuant to Article 20/1 of the Securities Code.

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4.4. HOLDERS OF SPECIAL RIGHTS

Pursuant to Article 4.3 and 4.4 of EDP's Articles of Association, Category B shares are the shares to be reprivated. Holders of these shares or their representatives are not subject to the voting restrictions stipulated for Category A shares, i.e. the fact that votes corresponding to Category A shares cast by a shareholder on its own behalf or in representation of another shareholder that exceed 5% (five per cent) of the total votes corresponding to the share capital shall not be counted (in keeping with Article 20.1 of the Securities Code).

The shares in reprivatisation are Category B shares as long as they are held by public entities. Their transfer to non-public entities determines their respective conversion to Category A shares. This conversion does not require the approval of the respective holders or a decision by any EDP corporate body.

4.5. RESTRICTIONS TO SHARE TRANSFERABILITY

As laid down in the Articles of Association (Article 5.3), Category B shares can only be held by public entities as long as they are not the object of privatisation.

There are no restrictions on the transferability of Category A shares.

4.6. SHAREHOLDER AGREEMENTS

In accordance with Article 7 of the EDP Articles of Association, full information of shareholders agreements relating to the company must be forwarded to the Executive Board of Directors and the General and Supervisory Board by the shareholders that sign them within 30 (thirty) days after the date on which they were entered into.

On the basis of the information provided to the Company by shareholders, the Executive Board of Directors has knowledge of one single shareholders agreement, which was entered into on 11 April 2007 by Parpública - Participações Públicas (SGPS), S.A. ("Parpública"), Caixa Geral de Depósitos, S.A. ("CGD") and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach").

Under the aforementioned Shareholders Agreement, which was the object of public disclosure, Parpública and CGD took on the following obligations:

- To support the permanence of Sonatrach (or the person appointed by it) as a member of the EDP General and Supervisory Board, provided that Sonatrach retains a holding of at least 2% of the EDP share capital and the aforementioned strategic partnership remains in effect; and
- To abstain from promoting, supporting and/or voting favourably on any amendment to the EDP Articles of Association that would prevent the permanence of Sonatrach (or the person appointed by it) on the General and Supervisory Board.

4.7. GENERAL MEETING OF SHAREHOLDERS AND PARTICIPATION IN THE GENERAL MEETING

With the entry into force of Decree-Law No. 49/2010 of May 19, meetings of the General Meeting of Shareholders could now be convened at least 30 (thirty) days in advance. However, EDP's by-laws provide for a 30 days in advance, so in 2011, EDP will continue to apply the statutory rule, and therefore, the meetings

of the General Meeting of Shareholders convened with at least 30 (thirty) days in advance by making explicit mention in their notice of the agenda. Only shareholders with voting rights may attend the meetings, as well as other persons whose presence is considered justified by the Chairman of the Board of the General Meeting.

EDP's shareholders may attend the General Meeting if they hold at least one share on the fifth trading day preceding the date of the General Meeting.

Proof of ownership of shares is provided by forwarding to the Chairman of the Board of the General Meeting, prior to the end of the fifth trading day preceding the date of the General Meeting, a declaration issued, authenticated and forwarded by the financial intermediary entrusted with registration of the shares in an account.

The declaration of the aforementioned financial intermediary must state that the shares in question were registered in the respective account at least five working days in advance of the date of the respective General Meeting and that the blockage of the shares in the account until the date of the General Meeting has been effected.

Participation in the General Meeting also depends on the expression of the shareholders wishes in that regard, which must be sent to the Chairman of the Board of the General Meeting by the sixth trading day preceding the date of the General Meeting.

Even before publication of Decree-Law 49/2010, in the event of suspension of the General Meeting, the best interpretation of the law was understood to be the same as the recommendation, i.e. that it should not be compulsory to block shares until the session was resumed; the time limit of the first session should be sufficient. Decree-Law 49/2010 now forbids the requirement to block shares and so the recommendation no longer makes sense (its adoption is legally imposed).

Shareholders may be represented by persons with full legal capacity. This must be communicated to the Chairman of the Board of the General Meeting by 5.00 p.m. on the second last day prior to the date of the General Meeting at the latest.

4.8. VOTES AND EXERCISING OF VOTING RIGHTS

Pursuant to Article 14.2 of the EDP Articles of Association one share equals one vote.

Votes belonging to Category A shares cast by one shareholder on its own behalf or in representation of another shareholder that exceed 5% of the total votes corresponding to the share capital shall not be counted. This restriction applies in all matters voted on, including those for which the law or EDP's Articles of Association require a qualified majority of the company capital.

Pursuant to Article 14.4 of the EDP Articles of Association, the votes corresponding to Category A shares shall be treated as cast by the same shareholder whenever so considered under the terms of Article 20.1 of the Securities Code, or any legal provision that amends or replaces it.

The EDP shareholders are obliged to provide to the Executive Board of Directors – in writing and in a complete, objective, clear and truthful fashion, and in a form that is satisfactory to the Board – all information that the latter requests on matters relating to them and related with Article 20.1 of the Securities Code. Failure to comply with this duty shall result in prevention of the exercise of voting rights for the shares held by the defaulting shareholder.

In the event that the same limitation of the counting of votes affects more than several shareholders, the restriction shall apply in proportion to the number of ordinary shares held by each such shareholders.

Article 15.1 of the EDP Articles of Association sets out that shareholders who, under the aforementioned Article 20.1 of the Securities Code or a legal provision that amends or replaces it, become holders of, or have allocated to them, a share equal to or higher than 5% (five per cent) of the voting rights or the share capital, must inform the Executive Board of Directors of that fact within a period of five working days following the date on which said ownership is effective. They cannot exercise the respective voting rights if they have not made this communication.

EDP has adopted measures aimed at encouraging the exercise of voting rights by the shareholders, namely through the elimination of financial obstacles that may affect the exercise of voting rights. These measures include:

- General dissemination of the notice of the General Meeting, with express reference to the means available for voting, namely through regular publications and the forwarding of mailings to the shareholders;
- Payment of the costs involved in procuring share ownership and blockage declarations for all shareholders that take part in the General meeting (directly or through distance voting);
- Payment of the costs involved in postal voting, including the means for mailing the vote.

4.9. POSTAL VOTING/ELECTRONIC VOTING

EDP shareholders can exercise their postal voting rights on each of the items on the agenda in a letter bearing a signature identical to that on their identity card addressed to the Chairman of the Board of the General Meeting and forwarded by registered mail with recorded delivery to the company's head office. The letter must be delivered at least 3 (three) working days in advance of the date of the respective General Meeting, unless a longer period is referenced on the notice for the meeting, and must also include a legible photocopy of the identity card of the signatory of the letter.

The Chairman of the Board of the General Meeting is responsible for verifying the authenticity and legality of postal votes, in addition to ensuring they remain confidential until the actual vote is taken. Postal votes on motions submitted after the date on which these votes were cast will count as negative votes. Shareholders can find a draft form for postal voting on the EDP website (www.edp.pt).

Pursuant to Article 14.7 of the EDP Articles of Association, voting rights can be exercised by electronic means, in accordance with requirements that assure their authenticity, which are to be defined by the Chairman of the Board of the General Meeting in the notice for the respective General Meeting.

4.10. QUORUM AND DECISIONS

Decisions of the General Meeting shall be reached by a majority of votes cast, unless there is legal or statutory provision requiring a qualified majority.

The EDP Articles of Association do not define any constitutive quorum for the General Meeting (adopting the rule in the Companies Code).

On what concerns the deliberative quorum, the rule adopted in the EDP Articles of Association is that the General Meeting can reach decisions at the first or second convening of the meeting, irrespective of the number of shareholders attending or represented, including decisions on the amendments to the Articles of Association, mergers, demergers or transformation of the company (this means that, with respect to the aforementioned matters, the quorum is lower than that provided for in the law, i.e. the need for shareholders holding at least the shares corresponding to one third of the share capital to be present or to be represented).

In all other cases, the deliberative quorum laid down in the law, namely in Article. 383.2 of the Companies Code, applies.

4.11. MINUTES AND INFORMATION ON DECISIONS

EDP provides extracts from the minutes of its General Meetings, in Portuguese and English, as well as the respective notices, agenda, motions submitted and forms of participation for consultation on its website (www.edp.pt) within 5 (five) days after a meeting.

EDP considers that the information that is materially relevant for investors does not include the whole content of the minutes of meetings. Full provision of the minutes would, indeed, be susceptible to be used for purposes that are not related to the interests of the company, its shareholders, investors and the market in general. Accordingly, EDP publishes on its website an extract of the minutes of General Meetings containing all relevant information relating to the constitution of the General Meeting and decisions taken, including motions submitted and any voting declarations made.

The website provides information to the EDP shareholders on the following: i) the requirements for participation in the General Meeting; ii) exercising postal voting rights; and iii) the information available at the company head office.

Additionally, EDP clarifies its shareholders on the forms of participation in the General Meeting through provision of draft versions of the letter of representation, voting ballot and the instructions for voting by electronic mail.

EDP shareholders can consult all this information on the website, as well as the historic records containing information on the Annual and Extraordinary General Meetings since 2005, which are also available for consultation.

The historic records do not include the attendance lists at the General Meetings, given the personal nature of the data involved.

4.12. MEASURES ON CONTROL AND CHANGES IN CONTROL OF THE COMPANY

EDP has not adopted any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk.

Although the EDP Articles of Association establish a restriction on the exercise of voting rights for Category A shares, according to which the votes for Category A shares cast by one shareholder (pursuant to the terms of allocation of voting rights established in Article 20.1 of the Securities Code) that exceed 5% of the total votes corresponding to the share capital shall not be counted, this restriction is not a measure adopted with a view to preventing the success of takeover bids.

Indeed, the fact that the restriction of voting rights is incapable of preventing a successful takeover bid is a result of the current EDP capital structure and the relative weight of the Category A shares in

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that capital, as well as of the requirement of a deliberative quorum of two-thirds of the votes cast established in the EDP Articles of Association for amendments to the by-laws being in accordance with the provisions of Article 182-A.2 of the Securities Code.

Defensive measures with the aim, or that have the consequence, of causing grave erosion of the EDP assets in the case of transition of control of the company or a change in the composition of the Executive Board of Directors, thus impairing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors, have also not been adopted.

To the knowledge of the Executive Board of Directors, EDP is not party to important agreements that enter into force, are altered or terminated in the event of a change in control of the company following a takeover bid (with the exception of the normal practice in matters of debt issue). Nor is it party to agreements with holders of office on the management body or directors, in the understanding of Article 248-B.3 of the Securities Code, that provide for compensations in the event of dismissal, dismissal without just cause or the termination of work contracts following a successful takeover bid.

5. REMUNERATION

5.1. REMUNERATION OF CORPORATE BODIES

Pursuant to the Articles of Association, payments to the members of the corporate bodies are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

In keeping with the interests that Recommendation II.1.5.2 of the CMVM Corporate Governance Code for Listed Companies seeks to protect, in fixing the remuneration to be paid to the members of the General and Supervisory Board and the Statutory Auditor, the Remuneration Committee of the General Meeting takes into consideration their fixed nature as well as the mandatory rules on determination of the remuneration, in particular the provisions of Article 440(2) of the Companies Code, which defines the criteria for payment of the General and Supervisory Board; Article 374-A of the Companies Code on the remuneration of members of the Board of the General Meeting, and Article. 60 of Decree-Law no. 224/2008 of 20 November on the remuneration of the Statutory Auditor.

The total gross amounts paid to members of the EDP corporate bodies in 2010 were 7,851,247.13 euros.

5.2. REMUNERATION OF THE BOARD OF THE GENERAL MEETING

The Chairman of the Board of the General Meeting receives no remuneration in that capacity, given that the Chairman is a member of the General and Supervisory Board and is remunerated for that office.

5.3. REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The remuneration policy for the members of the Executive Board is defined by the Remuneration Committee appointed by the General and Supervisory Board. The committee has defined the payment to be made to the members of the Executive Board of Directors to reflect the performance of each board member in each year of term of office (annual variable remuneration), as well as performance for the duration of the term of office through the fixation of a variable component that is consistent with maximisation of the long-term performance of the Company (multi-annual variable remuneration).

The Remuneration Committee of the General and Supervisory Board submitted, to the General Meeting of April 16, 2010, a declaration on the remuneration policy to the triennial 2009/2011, that was approved and which contains the following terms:

- Fixed Remuneration – for the Chairman of the Executive Board of Directors remuneration is fixed at EUR 600,000.00 (gross) per annum; the remaining members of the Executive Board of Directors receive 80% of that sum;
- Annual Variable Remuneration – for each of the Executive Board of Directors members, its value can range between 0% and 80% of the annual gross fixed remuneration; the respective amount is determined on the basis of the following indicators for each year of office: relative performance of Total Shareholder Return of the EDP Group vs. Eurostoxx Utilities and PSI-20, the real capacity for creation of shareholder value, Gross Margin growth, Net Profit growth and EBITDA growth;
- Multi-annual Variable Remuneration – likewise, for each of the Executive Board of Directors members this component can be between 0% and 120% of the annual gross remuneration, depending on the annual accumulated assessment of the performance of the directors in achieving the economic sustainability of the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the set strategic objectives have been achieved; these will be assessed on the basis of the performance and comparison with defined strategic benchmarks. More precisely, this payment component is fixed on the basis of the following factors: relative performance of the EDP Group's EBITDA in the term of office; the EDP Group's capacity for creation of value in the term of office; relative performance of the Group's Total return shareholder vs. Eurostoxx Utilities and PSI-20 in the term of office; performance of the sustainability index applied to the EDP Group (DJSI method); EDP Group's image in the national and international markets; capacity for change and adaptation to new market demands; and compliance with strategic goals set for the EDP Group.

The time frame taken into consideration for determining the value of the multi-annual variable remuneration component (3 years), the use of medium-term strategy oriented qualitative criteria

in the company development, the existence of caps for the variable remuneration and the relative weight of that component in the overall payment are decisive elements in fostering performance in the company management that is not concentrated on short-term objectives alone, but includes the medium and long-term interests of the company and the shareholders in its performance.

EDP has not established any system of retirement benefits specifically for its directors. The remuneration determined by the Remuneration Committee of the General and Supervisory Board provides for the subscription to a retirement savings plan type financial product that functions as a top-up of the actual pension

of members of the Executive Board of Directors and is equivalent to 10% of the annual fixed remuneration.

EDP has not entered into any agreement with a director that awards compensation for severance of employment contract without fair cause.

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

No member of the Management Body has entered into any agreement with the company or third parties to mitigate the risk arising from variability in the remuneration earned.

No executive director holds EDP shares attributed through a variable remuneration scheme.

The table below shows the gross remuneration amounts paid to each of the members of the Executive Board of Directors during the year 2010:

| Euros | Remuneration paid by EDP | | Remuneration paid by companies majority held by EDP | |
|--|--------------------------|------------|---|------------|
| | Fixed | Variable | Fixed | Variable |
| António Luís Guerra Nunes Mexia (Chairman) | 703,448.20 | 351,684.00 | | |
| Ana Maria Machado Fernandes | 178,758.58 | 52,234.80 | 384,000.00 | 208,939.20 |
| António Fernando Melo Martins da Costa | 562,758.56 | 261,174.00 | | |
| António Manuel Barreto Pita de Abreu | 546,206.78 | 232,286.40 | 306,653.15 | |
| João Manuel Manso Neto | 562,758.56 | 304,950.00 | | |
| Jorge Manuel Pragana da Cruz Morais | 562,758.56 | 290,358.00 | | |
| Nuno Maria Pestana de Almeida Alves | 527,999.92 | 304,950.00 | | |

Note: Payments to the Chairman and members of the Executive Board include those relating to employee pension savings schemes. The amount of variable payments were based on the tax treatment of the country in which the Administrator had residence for tax. Amounts paid by companies majority held by EDP regards solely the period when they are resident abroad.

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5.4. REMUNERATION OF THE MEMBERS OF GENERAL AND SUPERVISORY BOARD

Remuneration of the members of the General and Supervisory Board is fixed, taking into account the tasks performed.

The remuneration of the Chairman of the General and Supervisory Board was fixed taking specifically into account that it is a full-time position, contrary to the case of the other members of the Board.

At the General Meeting of Shareholders on 16 April 2010, the Chairman of the General Meeting’s Remuneration Committee submitted for consideration the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors for the current three-year period, as follows:

- Merit-based remuneration policy;
- Comparison of remuneration schemes at similar PSI-20 companies and appreciation of EDP’s position in relation to the top of the index;
- The actual way in which the members of each corporate body perform their duties.

The General Meeting’s Remuneration Committee also said that it had oriented its remuneration policy towards fair, balanced restraint. The remuneration policy statement was not, however approved by the shareholders. The payment of the remunerations was based on the values used in the 2009 financial year.

The following table shows the remuneration received by members of the General and Supervisory Board in 2010:

| Euros | Fixed |
|---|------------|
| António de Almeida (Chairman) | 638,965.44 |
| Alberto João Coraceiro de Castro | 60,000.00 |
| António Sarmento Gomes Mota | 65,000.04 |
| Caja de Ahorros de Asturias (Cajastur) | 58,252.60 |
| Carlos Jorge Ramalho Santos Ferreira | 50,000.04 |
| Diogo Campos Barradas de Lacerda Machado | 54,999.96 |
| Eduardo de Almeida Catroga | 54,999.96 |
| Fernando Manuel Barbosa Faria de Oliveira (1) | 0.00 |
| José Manuel dos Santos Fernandes | 54,999.96 |
| José Maria Espírito Santo Silva Ricciardi | 54,999.96 |
| Manuel Fernando de Macedo Alves Monteiro | 65,000.04 |
| Mohamed Ali Ismaeil Ali Al Fahim | 38,543.88 |
| Ricardo José Minotti da Cruz Filipe | 54,999.96 |
| Rui Eduardo Ferreira Rodrigues Pena | 60,000.00 |
| Sonatrach | 44,494.08 |
| Vítor Fernando da Conceição Gonçalves | 84,999.96 |

Note: Remuneration to the Chairman of the General and Supervisory Board includes payments relating to pension savings schemes
(1) Declined payment

During the year 2010, former members of the General Council and Supervisory Board received payment of remuneration as follows:

| Euros | Fixed |
|-------------------------------------|-----------|
| Khalifa Adbulla Khamis Al Romaihi | 11,532.25 |
| Mohamed Meziane | 4,166.67 |
| Vasco Maria Guimarães José de Mello | 53,373.62 |

In addition to the above remuneration, the Chairman of the General Supervisory Board receives a financial product type pension savings scheme that works as a complement to the retirement pension and accounts for 10% of annual remuneration.

5.5. REMUNERATION OF OTHER COMPANY MANAGERS

The remuneration of the other company managers, as defined in Article 248-B of the Securities Code, with the exception of the members of the corporate bodies, follows the scheme applicable to the workforce in general. This remuneration is made up of a fixed monthly amount plus a possible annual bonus based on corporate and individual performance, in accordance with previously defined criteria, namely the achievement of set profitability targets, absenteeism and equity.

5.6. AGREEMENTS REGARDING TERMINATION OF MANAGEMENT OR EMPLOYMENT CONTRACTS

There are no agreements between the company and holders of office on the governing or supervisory bodies or workers that provide for compensation in the event of resignation or dismissal of the former or the resignation of a worker, dismissal without just cause or the termination of work contracts following a successful takeover of the company. Therefore, former directors had not been paid or are due to any compensation for termination of their relationship.

5.7. STOCK OPTION/STOCK PURCHASE OPTIONS PLANS

The only stock options stock purchase options plan currently in force is as follows.

5.7.1. APPLICABLE TO THE MANAGEMENT BODY IN THE 2003/2005 PERIOD

For the variable remuneration for the Chairman of the Board of Directors, the Chairman of the Executive Committee and the members of the Executive Committee in the three-year period of 2003 to 2005 the Remuneration Committee in office during that period provided for the stock option plans in accordance with the qualitative and quantitative assessment for each business year. In accordance with the plans, each stock purchase option can be exercised up to a maximum of 1/3 on each of the anniversaries from the date of allocation of the option plan onwards. Options not exercised become null and void at the end of eight years from the date of allocation.

In 2010 a total of 406,920 options were exercised, as shown in the following table, which also details the total number of stock options allocated in the 2003 – 2005 period.

| Date of option | Nº of Benef. | N.º of Options | Option Price | Date of Commencement | Date of expiry | Nº of Options Exercised | |
|----------------|--------------|----------------|--------------|----------------------|----------------|-------------------------|-----------|
| | | | | | | In 2010 | Total |
| 30/apr/04 | 6 | 760,482 | 2.29 | 30/apr/05 | 29/apr/12 | 0 | 722,206 |
| 30/jun/05 | 6 | 932,328 | 2.21 | 30/jun/06 | 29/jun/13 | 98,404 | 740,070 |
| 02/may/06 | 6 | 1,461,497 | 2.21 | 02/may/07 | 01/may/14 | 308,516 | 1,086,554 |

5.8. REMUNERATION OF THE AUDITOR

KPMG has been entrusted with the independent external auditing of all EDP Group companies in Portugal, Spain, Brazil, the USA and other countries in which the Group presently operates.

In 2010 the recognised specialised costs for fees to KPMG for auditing services and statutory auditing, guarantee and reliability services, taxation consultancy and other services beyond legal revision of the accounts for Portugal, Spain, Brazil, the USA and other countries were as follows:

| Type of Services | Portugal | Spain | Brazil | United States of America | Other Countries | Total |
|--|---------------|-----------|-----------|--------------------------|-----------------|-----------|
| Audit and Statutory Audit of Accounts | 2,542,000 (I) | 1,685,329 | 1,256,339 | 727,908 | 327,211 | 6,538,787 |
| Assurance and Reliability Services | 1,012,711 | 207,890 | 379,318 | 174,197 | 12,950 | 1,787,066 |
| Sub - Total | 3,554,711 | 1,893,219 | 1,635,657 | 902,105 | 340,161 | 8,325,853 |
| Tax Consultancy Service | 364,423 | 17,000 | - | 481,402 | - | 862,825 |
| Other Services unrelated to Statutory Auditing | 54,300 | 175,000 | - | - | - | 229,300 |
| Sub - Total | 418,723 | 192,000 | - | 481,402 | - | 1,092,125 |
| Total | 3,973,434 | 2,085,219 | 1,635,657 | 1,383,507 | 340,161 | 9,417,978 |

(I) Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.

The auditing services and statutory auditing are services required in order to issue opinions on the individual and consolidated financial statements of the parent company and its subsidiaries in Portugal and abroad. These amounts do not include services provided to associated companies or jointly controlled entities.



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6. THE EDP SHARE AND DIVIDEND POLICY

6.1. EDP IN THE CAPITAL MARKETS

The shares representing the EDP share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon (which, at the time, operated under the name Lisbon Stock Exchange) on 16 June 1997. Since then, by means of subsequent reprivatisation phases, more company shares have been admitted to trading in the NYSE Euronext Lisbon market:

| Phases of EDP's Admission to Trading | |
|--|-----------------|
| Admission phase | Date |
| 1st Privatisation phase/ IPO | 16 June 1997 |
| 2nd Privatisation phase | 26 May 1998 |
| 3rd Privatisation phase | 28 June 1998 |
| 4th Privatisation phase | 23 October 2000 |
| 5th Privatisation phase/Capital increase | 7 December 2004 |

In December 2007, Parpública issued exchangeable bonds to shares of EDP, representing 4.144% of EDP's share capital, maturing in December 2014 and with an exercise price of Eur 6.70. In December 2010, Parpública redeemed the exchangeable bonds to shares of EDP issued in December 2005 and with a maturity of five years.

EDP has 2,936,222,980 ordinary shares, with a face value of EUR 1.00 and representing 80.30% of the share capital, admitted to trading in the NYSE Euronext Lisbon market. The free float in 2010 was 63 per cent.

| Shares | |
|----------------------|--------------|
| NYSE Euronext Lisbon | Shares |
| Reuters RIC | EDPLS |
| Bloomberg | EDP PL |
| ISIN | PTEDP0AM0009 |

The EDP shares are also the underlying assets for futures contracts and warrants negotiated in the Lisbon market.

The following EDP bond loans are also listed on stock markets to trading:

| Issue / ISIN | Date | | Coupon | Stock Exchange | Amount | |
|---------------------------------|------------|------------|---------------------------------|-------------------|-------------------|-------------------|
| | Issue | Maturity | | | Issue | Outstanding (2) |
| 2º Issue EMTN (1) XS0126990778 | 28-03-2001 | 11/03/28 | Annual fixed rate EUR 5.875% | London, Frankfurt | 1,000,000,000 | 747,352,000 |
| Issue - Private Placement | jun/10 | jun/11 | Floating Rate EUR | | 500,000,000 | 500,000,000 |
| 12º Issue EMTN (1) XS0256996538 | 12-06-2006 | 12-06-2012 | Annual fixed rate EUR 4.25% | London | 500,000,000 | 500,000,000 |
| 1º Issue 144A/REGS US26835PAA84 | 07/11/02 | 12/11/02 | Annual fixed rate USD 5.375% | London | 1,000,000,000 (4) | 1,000,000,000 (4) |
| 15º Issue XS0413462721 | 09/02/18 | 14/02/18 | Annual fixed rate EUR 5.5% | London | 1,000,000,000 | 1,000,000,000 |
| 9º Issue EMTN (1) XS0221295628 | 22-06-2005 | 22-06-2015 | Annual fixed rate EUR 3.75% | London | 74,839,000 | 74,839,000 |
| Issue - Private Placement | feb/10 | feb/15 | Floating Rate USD | | 1,000,000,000 | 1,000,000,000 |
| 20º Issue EMTN (1) XS0495010133 | 10/03/16 | 15/03/16 | Annual fixed rate EUR 3.25% | London | 500,000,000 | 500,000,000 |
| 13º Issue EMTN (1) XS0256997007 | 12-06-2006 | 13-06-2016 | Annual fixed rate EUR 4.625% | London | 500,000,000 | 500,000,000 |
| 16º Issue XS0435879605 | 09/06/25 | 16/09/26 | Annual fixed rate EUR 4.75% | London | 1,000,000,000 | 1,000,000,000 |
| 6º Issue EMTN (1) XS0152784715 | 09-08-2002 | 09-08-2017 | Annual fixed rate GBP 6.625% | London | 200,000,000 (3) | 200,000,000 (3) |
| 2º Issue 144A/REGS US26835PAB67 | 07/11/02 | 18/02/02 | Annual fixed rate USD 6.00% | London | 1,000,000,000 (4) | 1,000,000,000 (4) |
| 3º Issue 144A/REGS XS0454935395 | 09/09/29 | 19/10/01 | Half-yearly fixed rate USD 4.9% | London | 1,000,000,000 (4) | 1,000,000,000 (4) |
| 10º Issue EMTN (1) XS0223447227 | 29-06-2005 | 29-06-2020 | Annual fixed rate EUR 4.125% | London | 300,000,000 | 300,000,000 |
| 14º Issue EMTN (1) XS0397015537 | 08/11/04 | 24/01/04 | Annual fixed rate GBP 8.625% | London | 325,000,000 (3) | 325,000,000 (3) |

(1) EMTN - Euro Medium Term Notes
(2) Outstanding - Amount owed as at 31 Dec 2009
(3) Amount in GBP
(4) Amount in USD

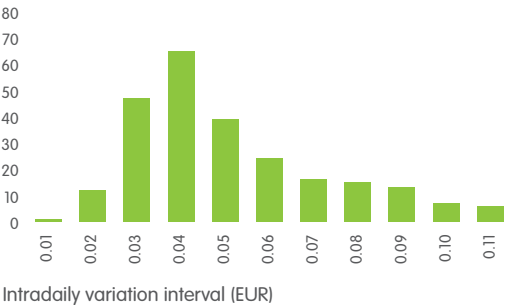
In 2010, EDP was the company with the greatest stock market capitalisation and presented a relative weight in the PSI-20, the NYSE Euronext Lisbon reference index, accounting for 11.6% of said index. EDP is one of the eight Portuguese companies represented in the Euronext 100 index, with a relative weight of 0.558%. EDP shares are also a reference in several European indices, such as the Dow Jones Eurostoxx Utilities, which is based on the stock market performance of the leading and most representative European utilities companies. EDP is also present in the sustainability index of the Dow Jones (Dow Jones Sustainability Index) and is the first Portuguese company to be world leader.

In 2010, EDP shares decrease 19.9% of their value, dropping from EUR 3.108 to EUR 2.491. This decrease in value together with the gross dividend of EUR 0.155 per share (paid on 13 May 2010) resulted in a total negative gross return of 14.9% in the reference period. This performance was in line with the returns provided by the leading benchmark indices, including the Dow Jones Europe STOXX Utilities, which had a negative performance of 14.7% in the period and below the PSI-20 index which only decreased by 10.3 % In 2010

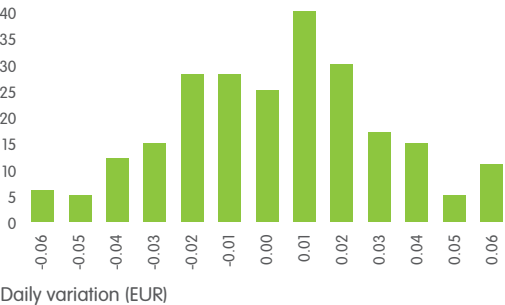
The market value of the EDP Group, based on its stock market capitalisation (no. of shares issued x price per share), amounted in 2010 to EUR 9,108 million, the equivalent of 14.8% of the total capitalisation of the shares that make up the PSI-20 index, which amounted to EUR 61,582 million. The EDP share was one of the most traded shares in the NYSE Euronext Lisbon market in 2009. In this official stock market, approximately 2,367 million EDP shares were traded, which corresponds to a daily average of 9.1 million shares at an average price of EUR 2.655 and to approximately 81% of the total number of EDP shares admitted to trading. In terms of trading volume, EDP shares accounted for 15.9% (EUR 6,292 billion) of the overall volume of shares traded in the PSI-20 index (a total of EUR 39.485 billion).

The following graphs present the daily and intraday variation for the EDP shares in the NYSE Euronext Lisbon market, allowing for the conclusion that, despite the volatile behaviour of the markets in 2010, EDP shares proved to be less volatile.

Histogram – Intradaily Variation
52 Weeks (Jan10-Dec10)



Histogram – Daily Variation
52 Weeks (Jan10-Dec10)

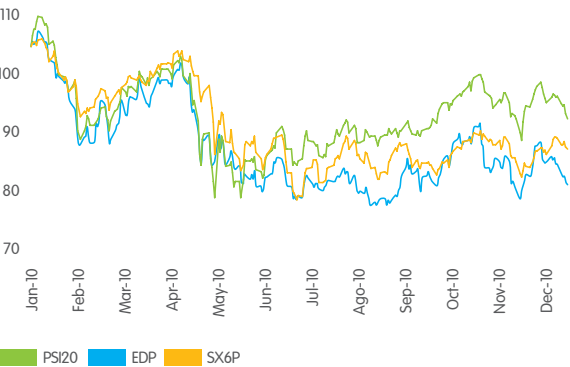


Source: Bloomberg

6.2. FACTORS INFLUENCING CHANGE IN EDP SHARE PRICE

In 2010, equity market performance differed widely between developed regions, like Europe and US, and emergent markets, such as Asia and Latin America. The equity market performance in emergent economies was robust, reflecting steady growth perspectives. EDP is currently present in Brazil through its listed, 65%-owned subsidiary, EDP Brasil. EDP Brasil shares appreciated 15% in 2010 in the wake of a sound operating and financial performance in the period. In turn, US and Europe were affected by indebtedness concerns, namely at Euro zone peripheral countries. In line with this, Portugal was amongst the most punished countries and the PSI20 index lost 10% in 2010. This compares with an 11% rise in the US equity based DJ Industrial average index and an 8% appreciation in the Stoxx Europe 600 index.

EDP vs PSI20 vs DJ Euro Stoxx Utilities



Source: Bloomberg

Sector-wise in Europe, best performers in 2010 were the sectors most exposed to Asia and Latin America, together with those involved in consolidation moves. The worst performers were the banking sector (-12%), penalised by concerns about liquidity and higher risk of non-performing loans, and the utility sector. The Stoxx 600 Utilities index retreated by 9% in 2010, reflecting challenging operating environment and higher regulatory uncertainty. On the operating side, the sector was affected by lower thermal demand arising from growing installed renewable capacity, by an excess of gas situation in the international markets, which resulted in the decoupling between spot gas prices and Iberian long term contracted gas prices (oil price-linked). As a result, Iberian utilities were particularly impacted by low electricity pool prices combined with high fuel costs, and by high pressure from take-or-pay gas contracts. On the regulatory side, public budget and electricity system constrains implied adverse regulatory changes, namely taxes on nuclear capacity in Germany and a cut in subsidies to renewable in Spain. EDP share price retreated by 19.9% in 2010. Since EDP paid a dividend of 0.155 euro per share on May 13th, 2010, representing a gross dividend yield of 5.7% (based on closing price on May 10th), total shareholder return in 2010 was -14.2%.

Over 2010, European countries have tried to emerge from the 2007/2008 international crisis. After several growth stimulus provided by European Governments in 2009, focus in 2010 was put on high public deficits, unsustainable external debt and lower growth prospects. Particularly for the Euro zone peripheral countries (Portugal, Spain, Greece, Ireland), the impossibility to appeal to currency depreciation as to reduce external deficit led to a sharp increase in credit spreads and to the downgrade of sovereign rating. Accordingly, Governments were obliged to adopt several austerity measures which, in turn, reduce short term growth potential.

In Portugal, a sharp increase in 2009 public deficit, to 9.3%, was followed by different austerity packages, in May and September, aiming at complying with European Union requirements through the reduction of the public deficit to 7.3%, 4.6% and 3% in 2010, 2011 and 2012 respectively. Austerity measures implemented involved taxes hikes, lower Public servant wages and lower social welfare support. Even so, Portugal sovereign rating was downgraded by the main rating agencies: in April, 2 notches by Standard & Poor's, in July 2 notches by Moody's, in December by Fitch. Moreover, both Standard & Poor's and Moody's put Portugal's sovereign debt under negative credit watch in December. In spite of all these moves at country level, EDP credit rating was unchanged for most of 2010, being put under negative credit watch by Standard & Poor and Moody's in December. In August 2010, the Portuguese government approved a new bond issue exchangeable by EDP shares which did not ultimately take place in 2010.

Reflecting the sovereign crisis, credit spreads across Europe varied widely: while Germany's bund yields kept at low levels, peripheral countries' rocketed. As a result of much higher credit spreads demanded in Spain and Portugal, the accomplishment of the securitisation of tariff deficit in Spain was dragged and EDP's funding policy became more challenging. Notwithstanding this, EDP was able to reduce its average cost of debt and to secure its cash needs with two years in advance at a competitive cost. In March, EDP issued a Euro public bond in the amount of 1 billion euros maturing in 5 years, with a coupon of 3.25%. In the first half, EDP issued two privately placed floating-rate notes in the amount of 100 million dollars and 500 million euro, with tenors of 5 years and 1 year, respectively. In July, EDP contracted with the European Investment Bank a 140 million euro loan maturing in 15 years. In November, EDP has signed a five year revolving credit facility in the

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amount of 2 billion euros, replacing the 1.6 billion euro-RCF signed in March 2009 and keeping the same purpose: backup credit facility.

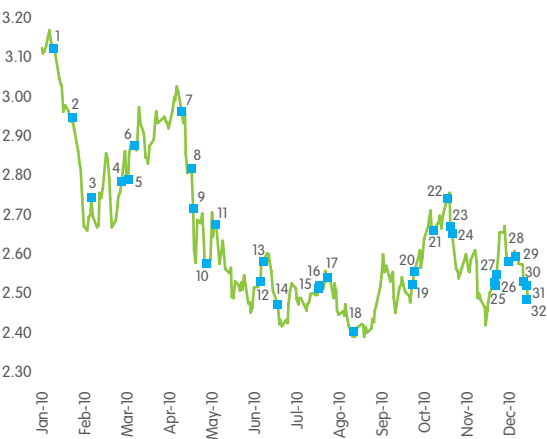
In 2010, the euro currency materially depreciated against US dollar and Brazilian real currencies. In light of EDP’s focus in the US wind market and its strategy to fund its investments in local currency, the 7% depreciation of the euro against the US dollar (5% in average terms) had a significant impact on EDP net debt, namely in June and December. Additionally, the 13% (19% in average terms) appreciation of the Brazilian real against euro had a particularly positive impact on EDP consolidated EBITDA, namely in the half of 2010.

On the regulatory landscape, the year of 2010 was marked by uncertainty. In US, the approval of the Energy bill was postponed and the Investment Tax Credit (“ITC”) cash reimbursement under the Department of Treasury’s Section 1603 program was extended by one year in December. In a low-price environment, this dictated sluggish conditions in PPA market throughout the year. In Spain, measures to balance the electricity system were awaited for 2010, but only in December did the Government approve a positive set of changes.

In light of regulatory and market landscape, EDP attained flexibility as a key success factor. In terms of gas supply, EDP kept a diversified portfolio of gas sources and long term contracted volumes below its gas needs. In terms of investment, EDP closed a contract with Vestas, for the delivery of 1,500MW of wind turbines with the necessary flexibility clauses in terms of volume, time and location of delivery. As a result of this agreement, EDP was able to adjust its investment programme to regulatory landscape, opting in May for a cut in its 2011-12 annual investment target from 3 billion euros to 2.4 billion euros. In November, EDP announced a further cut in total expected investment, to an average 2.1 billion euros in 2011-12.

In 2010, corporate activity in the utility sector was driven by the companies’ focus on deleveraging through asset sales (Enel, Gas Natural, Iberdrola, Endesa, EDP), balancing financial leverage (GDF-Suez, Verbund) and compulsory disposals (Gas Natural). In July, EDP agreed to reinforce its position in Naturgas, through the acquisition of 29.4% from Ente Vasco for 617 million euros, payable in three annual tranches. Also in July, EDP completed the sale of its transmission assets in Spain, to REE (58 million euros). In October, EDP sold its 21% stake in Distribución Eléctrica CentroAmérica Dos (DECA) for 127 million dollars.

Main Events Affecting the EDP Share Price in 2010



| # | Date | Description | Price |
|----|--------|--|-------|
| 1 | 13/jan | EDP signs construction contract for Venda Nova III new hydro plant | 3.130 |
| 2 | 27/jan | EDP Renováveis enters in the italian wind market through the acquisition of 520 MW to be developed | 2.955 |
| 3 | 10/feb | Replacement of representative of Sonatrach in the General Supervisory Board | 2.751 |
| 4 | 4/mar | Disclosure of the 2009 financial results | 2.795 |
| 5 | 9/mar | EDP issues EUR 1 billion 5 year bond | 2.800 |
| 6 | 12/mar | Pictet Asset Management reduced its participation in EDP's share capital | 2.884 |
| 7 | 16/abr | EDP's Annual General Shareholders Meeting | 2.970 |
| 8 | 23/abr | Appointment of representative of Senfora in the General Supervisory Board | 2.826 |
| 9 | 26/abr | EDP Renováveis awards Vestas a procurement contract to deliver up to 2.1 GW of wind capacity | 2.726 |
| 10 | 6/may | Disclosure of the financial results for the first quarter of 2010 | 2.585 |
| 11 | 13/may | Payment of gross dividend of EUR 0.155 per share for the 2009 financial year (net dividend of EUR 0.124) | 2.685 |
| 12 | 15/jun | Moody's maintained EDP's long term 'A3' stable credit rating | 2.539 |
| 13 | 17/jun | Fitch maintained EDP's long term 'A-' stable credit rating | 2.589 |
| 14 | 28/jun | EDP Renováveis fully closes Vento III institutional partnership structure through the sale of the remaining stake amounting to USD 141 million | 2.480 |
| 14 | 28/jun | Blackrock decreases participation in EDP | 2.480 |
| 15 | 28/jul | EDP reinforces control over Naturgas | 2.520 |
| 16 | 29/jul | EDP agrees to sale electricity transmission assets in Spain to REE | 2.530 |
| 16 | 29/jul | Disclosure of the financial results for the first half of 2010 | 2.530 |
| 17 | 4/aug | Aneel approves the 2010 tariff reset for EDP Escelsa | 2.550 |
| 18 | 23/aug | Attribution of capacity payment for electricity generation in Portugal | 2.413 |
| 19 | 6/oct | Parpública and Caixa Geral de Depósitos change participation in the share capital of EDP | 2.531 |
| 20 | 7/oct | Aneel approves a 10.70% tariff increase at EDP Bandeirante's annual tariff readjustment process | 2.564 |
| 21 | 21/oct | EDP sells its stake in DECA II | 2.670 |
| 22 | 29/oct | Standard & Poor's affirms EDP's long term 'A-' stable credit rating | 2.749 |
| 23 | 3/nov | EDP signed credit facility of €2,000,000,000 | 2.676 |
| 24 | 4/nov | Disclosure of the financial results for the third quarter of 2010 | 2.662 |
| 25 | 7/nov | EDP and CPI sign memorandum of understanding for a possible partnership | 2.570 |
| 26 | 3/dec | Standard & Poor's placed EDP on creditwatch negative after similar action on Portugal | 2.537 |
| 27 | 6/dec | Norges Bank notifies significant shareholding in EDP | 2.529 |
| 28 | 7/dec | Iberdrola transfers shareholding in EDP | 2.555 |
| 29 | 16/dec | ERSE sets electricity tariffs in Portugal for 2011 | 2.590 |
| 30 | 21/dec | Moody's placed EDP on review for possible downgrade after similar action on Portugal | 2.602 |
| 31 | 27/dec | Resignation of member of the General and Supervisory Board | 2.538 |
| 32 | 29/dec | Fitch considers that EDP's ratings is not affected by Portugal's downgrade | 2.530 |
| 33 | 31/dec | Parpública and Caixa Geral de Depósitos change participation in the share capital of EDP | 2.491 |

CAPITAL MARKET INDICATORS

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---------|----------|---------|----------|----------|
| EDP Shares on Euronext Lisbon (euros) | | | | | |
| Opening price | 3.108 | 2.695 | 4.470 | 3.84 | 2.60 |
| Closing price | 2.491 | 3.108 | 2.695 | 4.47 | 3.84 |
| Peak price | 3.185 | 3.218 | 4.760 | 5.00 | 3.86 |
| Minimum price | 2.376 | 2.340 | 2.062 | 3.79 | 2.58 |
| Variation in share price and reference indices | | | | | |
| EDP Shares | (19.9%) | 15.3% | (39.7%) | 16.4% | 47.7% |
| PSI20 | (10.3%) | 33.5% | (51.3%) | 16.3% | 29.9% |
| Dow Jones Eurostoxx Utilities | (14.7%) | 15.2% | (38.1%) | 18.0% | 35.6% |
| Euronext 100 | 1.0% | 25.5% | (45.2%) | 3.4% | 18.8% |
| Liquidity of EDP shares on the markets | | | | | |
| Volume on Euronext Lisbon (EUR million) | 6,291.8 | 4,969.7 | 9,710.1 | 21,256.5 | 12,812.5 |
| Mean daily volume (EUR million) | 24.3 | 21.8 | 37.9 | 83.4 | 50.2 |
| Number of shares traded (million) | 2,367.2 | 1,722.3 | 2,761.1 | 5,079.7 | 4,080.9 |
| Total number of shares issued (million) | 3,656.5 | 3,656.5 | 3,656.5 | 3,656.5 | 3,656.5 |
| Privatised shares at the end of the year (million) | 2,936.2 | 2,936.2 | 2,936.2 | 3,096.2 | 3,096.2 |
| % of capital already privatised | 80% | 80% | 80% | 85% | 85% |
| Number of own shares held (treasury stock) as at 31 Dec (million) | 33.3 | 34.2 | 35.7 | 15.5 | 7.1 |
| Annual rotation of capital (privatised shares) | 80.6% | 58.7% | 94.0% | 164.1% | 131.8% |
| EDP Market Value (EUR million) | | | | | |
| Market appreciation at the end of the financial year | 9,108.4 | 11,364.5 | 9,854.4 | 16,344.7 | 14,041.1 |
| Total shareholder profitability | | | | | |
| Annual variation in share price | (0.62) | 0.41 | (1.78) | 0.63 | 1.24 |
| Gross dividend distributed per share in the year | 0.155 | 0.140 | 0.125 | 0.110 | 0.100 |
| Total shareholder profitability | (14.9%) | 20.5% | (36.9%) | 19.3% | 51.5% |
| Dividends | | | | | |
| Dividend per share | 0.17 | 0.155 | 0.14 | 0.125 | 0.11 |
| Dividend yield | 6.8% | 5.0% | 5.2% | 2.8% | 2.9% |

6.3. DIVIDEND DISTRIBUTION POLICY

Since the EDP shares were initially admitted to trading in the Lisbon Stock Exchange (now NYSE Euronext Lisbon), EDP has made careful and judicious annual distribution of dividends based on principles of prudence and creation of value for its shareholders. In accordance with these principles, the dividends distributed by EDP since 1997 are as follows:

| Year | Approval Date | Payment Date | Gross Dividend | Net Dividend | |
|----------|---------------|--------------|----------------|--------------|------------|
| | | | | Residents | Non-Resid. |
| 1997 (1) | 17/04/1998 | 18/05/1998 | € 0.648 | € 0.534 | € 0.534 |
| 1998 (1) | 11/05/1999 | 28/05/1999 | € 0.698 | € 0.620 | € 0.620 |
| 1999 (1) | 12/05/2000 | 31/05/2000 | € 0.698 | € 0.611 | € 0.611 |
| 2000 (2) | 10/05/2001 | 31/05/2001 | € 0.140 | € 0.119 | € 0.119 |
| 2001 (2) | 10/05/2002 | 6/06/2002 | € 0.113 | € 0.099 | € 0.093 |
| 2002 (2) | 22/05/2003 | 18/06/2003 | € 0.090 | € 0.079 | € 0.074 |
| 2003 (2) | 31/03/2004 | 30/04/2004 | € 0.090 | € 0.083 | € 0.079 |
| 2004 (2) | 31/03/2005 | 29/04/2005 | € 0.092 | € 0.085 | € 0.081 |
| 2005 (2) | 30/03/2006 | 28/04/2006 | € 0.100 | € 0.090 | € 0.090 |
| 2006 (2) | 12/04/2007 | 4/05/2007 | € 0.110 | € 0.099 | € 0.099 |
| 2007 (2) | 10/04/2008 | 8/05/2008 | € 0.125 | € 0.100 | € 0.100 |
| 2008 (2) | 15/05/2009 | 14/05/2009 | € 0.140 | € 0.112 | € 0.112 |
| 2009 (2) | 16/04/2010 | 13/05/2010 | € 0.155 | € 0.124 | € 0.124 |

(1) Values converted fromEscudos to Euros rounded to the third decimal place. The gross value per share referenced in the legal tender at the time oy payment of the dividend was PTE 129,587 in 1997 and PTE 140,00 in 1998 and 1999.
(2) After a stock split in which each share was substituted by five shares each with a nominal value equal to one-fifth of the pre-stock split value.

With regard to 2009, the EDP Executive Board of Directors submitted to the approval of the General Meeting of Shareholders held on 16 April 2010 a proposal for the appropriation of EUR 630.0 million in net profits (POC), of which EUR 566.8 million was earmarked for distribution to shareholders in the form of dividends. The proposal was unanimously approved by the General Meeting, with a gross dividend of EUR 0.155 per share being paid out on 13 May 2010.

In keeping with the legal provisions in force, the EDP Articles of Association require that profits for a business year be allocated to:

- Covering losses from previous years;
- Constituting or increasing legal reserves or other reserves determined by law:
- Constituting or increasing other reserves established by the General Meeting;
- Distributing dividends to shareholders;
- Awarding bonuses to company directors and employees as part of a profit-sharing scheme, in accordance with criteria defined by the General Meeting; and
- Making a donation to EDP Foundation to be used to sponsor worthy initiatives in accordance with a programme to be submitted to the General and Supervisory Board as part of the EDP Group corporate citizenship and sustainable development policy; the donation is to be the equivalent of up to 0.1% of the consolidated business volume.

In accordance with the accounting principles generally accepted in Portugal, profits to be distributed in the form of dividends are those calculated after deduction of losses brought forward from previous



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years and a provision of 5% to increase the legal reserves until this amounts to one fifth of the share capital, taking into consideration all other applicable legal and statutory limitations.

“Dividend Payout”

EDP has followed a sustained policy of dividend distribution that seeks to reconcile, on the one hand, strict compliance with the relevant legal and statutory provisions and, on the other, the sharing with all its shareholders of a significant portion of the value created by the Group, in keeping with the specific situation of the company and the market conditions. The pursuit of this policy is intended to enable shareholders to obtain an adequate return on their investment without compromising the company’s value.

Outlook

EDP believes that a transparent relationship with investors and the market involves the definition of clear criteria and reasonable objectives for the dividend distribution policy, as the growing demands of the investor community, faced with the instability of the capital markets in recent years, have made clear.

To this end, at the last Investor Day, held on 20 May 2010, with national and international investors and analysts, the objective of increasing the annual gross dividend per share by 1.5 euro cents over the value paid out for the previous year was reconfirmed.

7. RELATIONS BETWEEN THE COMPANY AND THE MARKET

7.1. GENERAL INFORMATION DUTIES

Access to information on the company activities for investors and potential investors is one of the pillars of EDP policies and operations. Indeed, correct understanding of the strategy and financial, accounting and assets situation and the significant events in the life of the company, is only possible through promotion of transparency and easy access to quality information.

In this context, EDP created, in 1997, a support department - Investor Relations Department - with a view to guaranteeing appropriate relations between the company and the shareholders. The department guarantees permanent contact with the market, respecting the principle of shareholder equality and preventing imbalances in access to information by investors.

EDP thus aims to guarantee, in a permanent and transparent manner, a close relationship with all market agents, providing investors with information that can help them in making decisions on investments (or divestments) in an informed, clear and concrete fashion.

7.2. EDP INVESTOR RELATIONS DEPARTMENT

The primary function of the Investor Relations Department is to act as a liaison link between the EDP Executive Board of Directors and investors and the financial markets in general. As part of its normal activities, it is responsible for all information provided by the EDP, including privileged information and other market communications as well as the publication of regular financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information these request, while observing the applicable legal and regulatory provisions.

The company representative for relations with the market is the Executive Board of Directors member, Mr. Nuno Alves. The EDP Investor Relations Department is coordinated by Mr. Miguel Viana and is located in the company’s head offices at:

Praça Marquês de Pombal, nº 12, 3º Piso

1250-162 Lisbon

Telephone: +351 21 001 2834

Fax + 351 21 001 2899

E-mail: ir@edp.pt

Website: www.edp.pt

The table below shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

| CHANNELS | In Person | www.edp.pt | E-mail | Phone Number DRI (5) | By Mail (2) | www.cmvm.pt | Media |
|--|-----------|--|--------|----------------------|-------------|--|-------|
| Elements required by law or regulation (3) | | | | | | | |
| Notice of meeting | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Board of Directors' proposals | ✓ | ✓ | - | ✓ | - | - | - |
| Amendment of the Articles of Association | ✓ | ✓ | - | ✓ | - | ✓ | - |
| Other proposals | ✓ | ✓ | - | ✓ | - | - | - |
| 2009 Annual Report (4) | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ |
| Management and supervisory positions held in other Group companies by company officers | ✓ | - | - | ✓ | - | - | - |
| Additional information provided by EDP | | | | | | | |
| Ballots for voting by proxy | ✓ | ✓ | ✓ | ✓ | ✓ | - | - |
| Ballots for voting by mail | ✓ | ✓ | ✓ | ✓ | ✓ | - | - |
| Ballots for voting by e-mail | ✓ | - | ✓ | ✓ | ✓ | - | - |
| Clarification of any issues | ✓ | ✓ | ✓ | ✓ | ✓ | - | - |
| EDP Articles of Association and Regulations | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Results of voting on proposals | ✓ | - | - | ✓ | ✓ | ✓ | - |

(1) At the EDP head office.
(2) Additionally, at EDP’s initiative: Information from the Chairman of the Board of Directors relating to participation in the General Meetings of 2006, 2007, 2008, 2009 and 2010, press release from the Chairman of the Executive Board of Directors divulging information on the economic and financial activity and indicators at the end of each business year and press releases whenever important developments in the life of the company take place.
(3) Companies Code (Article 289) and CMVM Regulation no. 1/2010.
(4) Annual report, individual and consolidated accounts, Statutory Auditing and opinion of the Statutory Auditor and Annual report and opinion of the General and Supervisory Board.
(5) Investor Relations phone line: +351 21 001 28 34

7.3. ACTIVITIES OF THE INVESTOR RELATIONS DEPARTMENT

EDP’s policy on communication with the market consists of disclosing information in a clear, transparent and comprehensive manner so that it can be understood by stakeholders and whole financial community.

EDP’s financial reporting has been guided by a policy of transparency and accuracy of the information disclosed to investors and analysts and in a continuous effort to clearly explain the dynamics of a complex business such as EDP’s. These guidelines have allowed us to build trusting relationships with

analysts and investors. In 2010, twenty five institutions elaborated researches on EDP, most of them with positive recommendation: 16 buy, 5 hold and 4 sell.

As a result of this policy, we have been considered the best global company in terms of financial disclosure procedures and one of the best companies in terms of Corporate Governance according to “2010 IR Global Rankings”.

During 2010, EDP has participated in several events with investors for the purpose of transmitting an overview of the Group’s strategy and profile business in terms of operational and financial performance. Thus, we organized several events including roadshows, presentations to analysts and investors, meetings, conference calls and investor conferences in Europe and United States. In May 2010, EDP held an Investor Day with domestic and foreign investors and analysts presenting its strategy, outlook and follow-up of our business areas. In 2010, EDP held over 300 meetings with analysts and investors and made 58 press releases to the market.

7.4. COMPANY INFORMATION ON THE EDP WEBSITE

In addition to the Investor Relations Department and in compliance with CMVM regulations, the EDP website (www.edp.pt) also provides all information on legal or corporate governance matters, updates on company activities and a complete set of financial and operational information with a view to facilitating access to and consultation of information by shareholders, financial analysts and other interested parties.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group’s shareholder structure, documentation for preparing General Meetings, historical development in EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department, as well as other information on the Group of potential interest. The EDP website enables all interested parties to consult, or request, the financial statements and accounts for any accounting year since 1999.

Printed on paper made with ECF – Elementary Chlorine Free – cellulose with ISO 9001, Environmental Management ISO 14001 and forestry FSC certification. Paper from forests subjected to a sustained scientific reforestation process.

PUBLICATION EDP - Energias de Portugal, S.A.
Brand and Communication Office
Praça de Marquês de Pombal, 12
1250-162 Lisboa

DESIGN happy brands

PRINTING Dilazo - Artes Gráficas, Lda

PRINT RUN 550 units

LEGAL DEPOSIT

April 2011

