



The background of the entire page is a photograph of a sky. A large, irregular patch of deep blue sky is visible, surrounded by white, fluffy clouds. The clouds are more dense at the bottom and top edges of the blue patch, creating a frame-like effect. The overall composition is dynamic and visually striking.

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.





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MESSAGE FROM THE CHAIRMAN

To the Shareholders

For the third year running EDP has reported operating profits of more than EUR 1 billion. The EDP business operations were carried out in a year in which the world economy showed signs of recovery, following two successive years marked by major problems with serious social implications. At the end of 2010 the Portuguese economy registered growth in GDP of around 1.4%. The Spanish economy had a slight decrease in GDP but all signs indicate that it is returning to growth. Brazil saw its GDP grow by 7.3% and in the United States of America there was an increase of 2.8%. This positive development in terms of GDP allowed for a recovery in sales of electricity and gas. Sales of electricity in Portugal were up 4.8%. In Spain they were up 3.3%. And in Brazil they were up 7.8%.

Economic growth was not uniform in all parts of the globe. In the Eurozone we witnessed the emergence of situations of sovereign debt, leading to a climate of mistrust in the markets and liquidity problems in the banking system, which in turn inevitably made it more difficult to obtain credit, led to the disappearance of certain forms of credit and affected interest rates and correlative costs. Public account deficits, weak economic growth, huge foreign debts, both public and private, current trade balance deficits and, in some cases, a lack of liquidity and solidity of the banking systems, to which one can add a need for improving competitiveness, all called for exceptional measures to re-balance some of the aforementioned variables. Portugal and Spain, two extremely important markets for the EDP business operations in the generation, distribution and supply of electricity and also

the natural gas business, were both hit by a need to balance their accounts, with the respective governments being forced to adopt strict austerity measures, which would naturally have repercussions for economic activity and the lives of both individuals and business corporations.

Nevertheless, as analysts have pointed out, in important areas of both the electricity and gas business sectors in markets such as Portugal, Spain and Brazil, EDP is relatively well protected by the market regulations in place. In the wind energy business, with the exception of 16% that is subject to market rules, the EDP generation business is protected by administrative tariffs or PPAs negotiated with the electricity retailers. Thus, as reflected in the Management Report, 88% of the global EDP business activities are not exposed to market risk. The EBD became aware of the situation in advance and implemented the measures possible to successfully protect the Group companies. In this task, as in most others, the EBD was always able to count on the advice and monitoring of the GSB. In spite of the improving global economic climate, the political measures aimed at re-establishing macroeconomic stability in the Iberian Peninsula, as well as other competition-related and financial aspects, required of the EDP Group management team all their skills, vision, dedication, determination and commitment to be able to present to the shareholders such reassuring results in a business group which was able to reinforce the balance between growth and solidity.

Of the measures implemented, one associated with the review of 6 May 2010 of the Business Plan of EDP, originally approved on 5 November 2008, deserves to be highlighted. The plan had originally provided for operational investments of EUR 3.074 billion, 1.6 billion of which were earmarked for wind farms. The review led to a reduction of EUR 807 million, of which EUR 374 million related to wind energy. At the end of business year investments amounted to EUR 2.667 billion. This correct action by the EBD, backed by the GSB, reduced EDP's financing needs and financial costs, which, together with considerable success in the OPEX programme and judicious investment choices, including those that will only generate EBITDA in the medium term, such as new dams and power capacity increases in a number of existing hydroelectric power stations, made it possible for EDP to close the year with a sense of tranquillity in relation to the future.

The work of the GSB maintained the same high standards as previous years, carrying out constant monitoring of the work of the EBD. The main companies controlled by the Group – EDP Produção, EDP Distribuição, EDP Renováveis, Energias do Brasil and HidroCantábrico – were scrutinised on a quarterly basis by the GSB, both in terms of the presentation of the Financial Statements and in specific meetings held by the FC and CGSC. At the end of the fifth year in office of the current management team and most of the supervisory team, and with the business plans duly integrated in the strategy agreed upon by the EBD and GSB either executed or in execution, we are once again turning a page in the life of EDP, marked by strong growth, geographic expansion and rationalisation of costs. As it is normal in management, we will soon have to define the major courses of action for a new phase, particularly as it is to be expected that, from 2012 onwards, the Group will be releasing considerable funds.

Despite its young age, the governance model in place has allowed for efficient and harmonious coordination between the management board and supervisory board in an environment of great internal dynamism and increased external changes. All important matters – in which I include the business plans, budgets, divestments, strategic partnerships and investment projects of at least EUR 75 million – were submitted to and extensively debated in the GSB. The EBD provided all the information requested of it and at its own initiative also provided considerable amounts of information that allowed the GSB to permanently monitor its activity, as, indeed, is stipulated in the company's Articles of Association.

The aim of the GSB Report, which covers the outcome of the many meetings held by its specialist committees, is to clarify as much as possible the work it carried out in 2010 in terms of its responsibilities of supervising, monitoring and advising the EBD.

The business year 2011 will perhaps be the most challenging of these first two terms in office, after the adoption of the new governance model in 2006. The environment in both national and international political, economic, financial and technological terms is constantly changing. We are thus facing a complex challenge that will require the strengthening of the culture of flexibility in the face of more uncertainties than certainties and swiftness in adjusting business strategies and plans.

I believe it is my duty, and also something I take great pleasure in, to inform you that life in the EDP Group – dispersed, as it is over 11 geographic areas, working with people from the most diverse cultural backgrounds, with different corporate governance models, with highly skilled persons that are socially and professionally integrated – has always succeeded in establishing calm, achieving consensus in the most complex solutions, and making maximum use of the wealth and diversity of opinions while respecting the will of the majority of shareholders. It was at all times focusing on the interests of the Group and its prestige and image and never towards satisfying personal interests.

In my capacity as Chairman of the GSB, but also personally, I would like to extend words of profound gratitude to:

- The Shareholders for the support they gave the GSB in its work of supervising the EBD in an approach based on attentive cooperation and for helping me perform my duties.
- Mr. António Mexia, who made it possible for us to be able to have vigorous discussions without failing to make our opinions known and always arrive at consensus between peers, and for the interpersonal relationship we have been able to establish whenever it was necessary.
- The other members of the EBD who have never hesitated in helping me perform my duties, treating me with high professional and personal deference.
- My colleagues on the GSB who, on both the professional and personal levels, helped me in a particularly difficult phase of my life. The way they motivated me in analysing and participating in the supervision of the complex matters the EDP Group is involved in was an inspiration that will remain with me.
- And the workers in the GSB support office who, in spite of their short number, were able to maintain an excellent level of analysis and preparation of documents, without which the work of the GSB would have been much more difficult.



António de Almeida
Chairman of the General and Supervisory Board

Lisbon, 3 March 2011

1. EDP'S GOVERNANCE MODEL

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

Since it took office in 2006, the General and Supervisory Board (GSB) and the Executive Board of Directors (EBD) have jointly sought to promote the development of EDP's governance model and enhance its practices. The success or failure of any two-tier model of governance and corporate governance practices depends on how they are implemented in everyday corporate life. In relation to the two-tier model, the sharing of that understanding is of increased weight due to its novelty.

The GSB in the reports of previous years has reported the work carried out, identifying what it considers the strengths of the model as well as those aspects that require particular attention, seeking to improve them. This process has been extremely positive, and several initiatives culminated in 2010 that, from the standpoint of the GSB, have strengthened EDP's commitment to promoting the best governance practices.

The highlights of these initiatives include the approval of the EDP Corporate Governance Manual (the Manual). Underlying this work is the activity of the CGSC, the specialised committee of the GSB with, among other matters, delegated powers in areas of corporate governance. The primary objective of this work was to promote a unifying discussion of existing governance practices in EDP which, based on the recommendations of the CMVM Corporate Governance Code (Code), tried to go a little further, taking the initiative in adopting practices that induce an increased level of exigency.

Thus, an effort was made for continuity of the intention of the EDP shareholders when they decided, on 30 March 2006, to abandon the single tier model that had been in force until then, and establish the two-tier model in the Articles of Association. The aim of this change was to strengthen the quality of corporate governance practices. The adoption of that model was aimed at maximising the synergies resulting from the division of responsibilities within the company, particularly those concerning management, supervision and accounts auditing.

To achieve those goals, the Articles of Association approved by the shareholders establish some important rules for the understanding of EDP's governance model:

- As with the other corporate bodies, the EBD is elected by the GM and not the GSB (Article 11(2)(b) of the Articles of Association).
- The GSB may propose to the GM the dismissal of any member of the EBD and of the Statutory Auditor (Article 11(2)(b) and 22(1)(e) of the Articles of Association).
- Approval of the strategic plan and the performance of certain operations by EDP or subsidiaries require a prior opinion of the GSB (Article 17(2) of the Articles of Association).

- The remuneration of the EBD is fixed by a Remuneration Committee appointed by the GSB, while that of the other corporate bodies is fixed by a Remuneration Committee elected by the GM (Article 11(2)(d) and Article 27(1) of the Articles of Association).
- The GSB has the power to select and replace EDP's EA and instruct the EBD to hire and dismiss the EA (Article 22(1)(q) of the Articles of Association).
- There is an Environment and Sustainability Board elected by the GM, which answers to the EBD and has advisory functions in the definition of the company's environmental and sustainability strategy (Article 28 of the Articles of Association).

For a better understanding of how EDP's corporate governance works, see its Articles of Association and the internal regulations of the EBD, GSB and its committees, at www.edp.pt.

This is the legal and statutory framework in which the governing bodies of EDP are called on to carry out their duties, united by the overriding objective of the pursuit of the EDP company interests. Accordingly, the Manual promoted by the GSB and the EBD intends to be more than a compendium of information on the governance practices of EDP. It is intended as a dynamic instrument of reflection for the continuous improvement of the governance practices of EDP, as well as a starting point for dialogue with shareholders and other stakeholders on such matters.

The Manual is also an important tool for the GSB in order to meet the new demands established by Decree-Law No. 185/2009 of 12 August, concerning the accountability of the supervisory body not only for the information contained in the corporate governance report, but also for its opinion approving or not that report. Accordingly, the supervisory body is required to:

- State whether the disclosed report on the corporate governance structure and practices includes the information referred to in Article 245-A of the Securities Code (embodied by CMVM Regulation No. 1/2010).
- Expresses its agreement or disagreement with the annual management report and accounts.

The GSB, without prejudice to the opinion legally required on such matters, in accordance with Annex 1, and as it has done in previous years, registers and shares with the shareholders and stakeholders of EDP its main conclusions on its discussion of the adequacy of the two-tier governance model in force in EDP:

- Allows a healthy division of powers between the different corporate bodies: management, supervision and auditing.
- Possesses an adequate level of flexibility, allowing synergies from the division of powers to be optimised.
- Is suited to the corporate organisation of EDP's activity, primarily because it ensures a fair balance between the broad and flexible powers required by management, and the effectiveness

of both general corporate supervision and specific supervision in genuinely sensitive areas.

- Reveals how the functional relationship between the GSB and the EBD was highly positive and effective in the choice of issues addressed, and efficient in how matters were pursued and dealt with., even considering that there is room for improvement.
- Shows how the institutional coordination between the GSB and the EBD, as well as the dedication and effective engagement of members of the GSB, in the most complex subjects handled by the GSB, are necessary to promote high quality governance practices and enable the governance model to be optimised in terms of:
 - * The mechanisms allowing the GSB access to information.
 - * Widening the scope of functions the GSB performs with regard to subsidiaries.
 - * Involvement of the GSB in the preparation of the strategic business plans.

2. GENERAL AND SUPERVISORY BOARD

2.1 COMPOSITION

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

On 15 April 2009, the GM elected 17 members to their current term of office, which runs from 2009 to 2011. With regard to the previous composition of the GSB (at 31 December 2009), the following changes occurred:

- The following members resigned their positions:
 - * On 3 February, Mr. Mohamed Meziane (representative of Sonatrach);
 - * On 17 March, Mr. Khalifa Al Romaithi;
 - * On 21 December, Vasco Maria Guimarães José de Mello.
- The following new members were appointed:
 - * On 10 February, Mr. Farid Boukhalfa (representing Sonatrach);
 - * On 16 April, Senfora has been elected by the GSM and appointed Mr. Mohamed Ali Al Fahim as its representative.

Therefore, pursuant to the decision of 15 April 2009 and including the aforementioned changes, the GSB is composed of 16 members, of whom 9 have independent status:

- António de Almeida - Chairman
- Alberto João Coraceiro de Castro - Vice-Chairman - Independent
- António Sarmiento Gomes Mota - Independent
- Carlos Jorge Ramalho dos Santos Ferreira
- Diogo Campos Barradas de Lacerda Machado - Independent
- Eduardo de Almeida Catroga - Independent
- Farid Boukhalfa (representing Sonatrach)
- Fernando Manuel Barbosa Faria de Oliveira
- José Manuel dos Santos Fernandes - Independent
- José Maria Brandão de Brito (representing Cajastur)
- José Maria Espírito Santo Silva Ricciardi
- Manuel Fernando de Macedo Alves Monteiro - Independent
- Mohamed Ali Al Fahim (representing Senfora)
- Ricardo José Minotti da Cruz Filipe - Independent
- Rui Pena (Chairman of the Board of the GSM) - Independent
- Vítor Fernando da Conceição Gonçalves - Independent

The GSB's committees are exclusively composed of GSB members.

The Annual Report ("EDP Corporate Bodies") contains a summary of the curriculum vitae of each GSB member, including their qualifications, the indication of the professional positions held for at least the last five years, including functions in other companies, as well as the date of appointment and expiry of the term of office.

Also in the Annual Report, in accordance with the applicable laws and regulations, information is provided on the ownership of shares and other financial instruments related to EDP.

2.1.1. INCOMPATIBILITIES AND INDEPENDENCE REGIME

The members of the GSB are subject to a vast number of rules on incompatibilities with their position laid down by law and the Articles of Association. The qualitative rules governing the body's composition also require a majority of GSB members to be independent.

As part of the commitment to adopt only the best governance practices, during the previous term of office a procedure was developed to check compliance with the requirements prohibiting incompatibilities and, where applicable, to ensure the independence of GSB members.

This procedure includes the following elements:

- Acceptance of the role of GSB member is made by means of written statement which also declares:
 - * Adequate knowledge of the rules laid down by law, regulatory mechanisms and the Articles of Association applicable to their activity and that of the Company.
 - * Unreserved acceptance of the provisions set forth in the GSB internal regulations.
 - * The inexistence of any incompatibility with the exercise of duties as a GSB member, pursuant to the law or Articles of Association.
 - * Fulfilment of the requirements for independence, pursuant to Article 8(1) of the IR, if elected as an independent GSB member.
 - * The obligation to report to the CGSB any supervening facts that may create a situation of incompatibility or loss of independence, or, in the case of the Chairman, to report such facts directly to the GSB.
- Within 30 days of the start of each financial year, the members of the GSB should renew their statements confirming the inexistence of incompatibilities and, if applicable, fulfilment of the independence requirements.
- Each year, the GSB conducts a general assessment of its members with regard to the application of the rules on incompatibilities and independence.
- Pursuant to the GSB IR, the existence of an incompatibility automatically terminates a term of office and the member in question should take the initiative to resign with immediate effect.

Immediately after accepting their election, the members of the GSB signed a statement attesting the inexistence of incompatibilities and, where applicable, the fulfilment of the independence criteria.

In January 2011, the members of the GSB submitted a statement confirming the inexistence of incompatibilities and the fulfilment of the independence criteria, where applicable. This document was accompanied by a duly completed questionnaire, which served to support the aforementioned statement.

Thus, according to the internal procedures defined for the purpose and with reference to CMVM Regulation no. 1/2010, the GSB declares, based on the information collected for the purpose, and on the conclusions from the meeting of 27 January 2011, that no situation was found which:

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

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

2.2. DUTIES

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

A complete description of the powers of the GSB is provided in the Corporate Governance Report. The following elements of these duties should be highlighted in light of their particular importance:

- The role of supervising EBD activities should be understood in the broadest sense, with shareholders requiring that this shall be performed on a permanent basis pursuant to Article 22(1)(a) of the Articles of Association, to ensure that all of EDP's shareholders and stakeholders are adequately protected.
- The monitoring of directors' activity is not limited to EDP, but also covers all of its subsidiaries. However, given the large number and different sizes of these companies, the GSB has decided to focus especially on the following:
 - * EDP Renováveis, S.A. (including NEO and Horizon)
 - * EDP – Gestão da Produção de Energia, S.A.
 - * EDP Distribuição – Energia, S.A. (including EDP SU)
 - * EDP Comercial – Comercialização de Energia, S.A.
 - * EDP Gás, SGPS, S.A.
 - * EDP Energias do Brasil, S. A.
 - * Hidroeléctrica del Cantábrico, S.A.
 - * Naturgas Energia Grupo, S. A.
- All materially relevant operations are systematically scrutinised by the GSB by means of the prior opinion procedure, including acquisitions, financing, investments and operations of particular

strategic significance, namely by means of the prior opinion procedure.

- The clarification of issues that by their nature may have implications for EDP's image.

2.3. ORGANISATION AND FUNCTIONING

The GSB is organised as required by law and the Articles of Association. Recommendations on best governance practices for listed companies have also been taken into consideration, in particular the CMVM Code.

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

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

In the exercise of his powers under the law and the Articles of Association, the CGSB is responsible for representing the GSB and organising its activities, as well as striving to ensure the correct implementation of its decisions. Given the broad composition of the GSB, the CGSB is the main intermediary between the activities of the GSB and the EBD, in the same way as the CEBD is exclusively responsible for the EBD's relations with the GSB. It falls to the two Chairmen to stay in direct and permanent, formal and informal contact and inform each other of the main events in the day-to-day management of the company and matters relating to supervision. That contact has been in place since both bodies took office.

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

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

2.4. SPECIALISED COMMITTEES

Given the nature and duties attributed to it, the GSB created specialised committees to deal with issues of particular importance. These committees are composed of suitably qualified, experienced and available members and their main task is to monitor the matters entrusted to them on a permanent basis, in order to facilitate the GSB's decision-making procedures, keep it informed on the specific issues they deal with and initiate certain procedures.

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

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

The Corporate Governance Report presents a description of the composition and duties delegated by the GSB to each of its specialised committees. Detailed information on the committees, as well as their internal regulations (in both Portuguese and English) is also available on the EDP website at www.edp.pt. The mission of each committee and their composition is detailed below.

2.4.1. FINANCIAL COMMITTEE

Mission

The FC, previously known as the Audit Committee, is a specialised committee responsible for supervising the company's financial information and overseeing, on a permanent basis, the work of the external auditor, the internal auditor and the internal control systems. The matters delegated to this committee are detailed in Article 23(2) of the Articles of Association.

Composition

All FC members are independent and they were appointed by the GSB on 7 May 2009:

- Vítor Fernando da Conceição Gonçalves (Chairman)
- António Sarmento Gomes Mota
- Manuel Fernando de Macedo Alves Monteiro

2.4.2. REMUNERATION COMMITTEE

Mission

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

Composition

The RC is composed of three members, two independent, which were appointed by the GSB on 7 May 2009, except Mr. José Maria Espírito Santo Silva Ricciardi, who was appointed to the RC on 27 January 2011, to replace Mr. Vasco Maria Guimarães José de Mello who, on 21 December 2010, resigned as a member of the GSB. Thus today, the RC comprises the following members:

- Alberto João Coraceiro de Castro (Chairman and Independent)
- Eduardo de Almeida Catroga (Independent)
- José Maria Espírito Santo Silva Ricciardi

2.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

Mission

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

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

Composition

The CGSC is composed of nine members, five independent, which were appointed by the GSB on 7 May 2009, except Mr. Mohamed Ai Al Fahim, who was appointed to the CGSC on 6 May 2010, to replace Mr. Khalifa Al Romaiti, who, on 17 March 2010, resigned as a member of the GSB. Thus today, the CGSB comprises the following members:

- António de Almeida (Chairman)
- Alberto João Coraceiro de Castro (Independent)
- António Sarmento Gomes Mota (Independent)
- Diogo Campos Barradas de Lacerda Machado (Independent)
- José Manuel dos Santos Fernandes (Independent)
- José Maria Brandão de Brito
- José Maria Espírito Santo Silva Ricciardi
- Mohamed Ai Al Fahim
- Ricardo José Minotti da Cruz Filipe (Independent)

3. ACTIVITIES OF THE GENERAL AND SUPERVISORY BOARD

The GSB, under its statutory powers, is responsible for advising, monitoring and supervising the activities and decisions of high significance in the day-to-day running of EDP, ranging from models of business organisation and management to eminently operational aspects, and including decisions on new growth opportunities and their implementation (including the necessary forms of financing), as well as the internal and external reporting of results.

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

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

The GSB's activities were based on an annual activities plan and respective budget, that were both approved at the 21 January 2010 meeting.

The GSB's plan of activities for 2010 sought not only to organise and structure its work, including that of its specialised committees, but also to set the priorities and objectives it sought to achieve. The following priority targets were set:

- Improving recurring procedures, in particular those related to issuing prior opinions, by reducing the time taken to provide documents, information, analysis and responses.
- Improving the supervision and monitoring of EDP's activity, with special focus on the relationship with subsidiaries, the positioning of EDP in relation to the competition and the development of strategic partnerships.
- Deepening the GSB's knowledge of EDP's corporate structure and the key issues affecting the Group's activity.
- Improving the effectiveness and efficiency of the activities of GSB and its specialised committees.

Simultaneously, the GSB Budget for 2010 was approved. The main concern in its preparation was reducing the costs associated with operating the GSB and a careful management of the available resources. Information on the implementation of the GSB budget is provided in section 3.6.

In its previous annual reports the GSB has sought to highlight some of the issues that warranted its particular attention and which cumulatively represent specific matters of material relevance,

justifying its autonomous nature in this report. Hence, the empowerment of the work of the GSB is carried out in relation to:

- Work concerning conflicts of interest, including not only the process of handling the transactions reported by the EBD but also the approval of the "Rules on Conflicts of Interest";
- The approval of "EDP's Corporate Governance Manual";
- The approval of the "Rules on the Provision of Services by the Statutory Auditor and External Auditor of EDP".

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

3.1. PERMANENT ACTIVITY

Under the Articles of Association, responsibility for the GSB's permanent activity falls to its Chairman, who is assisted in his full-time duties by the GSBSO.

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

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

One of the most important duties of the Chairman is to represent the GSB at an institutional level, by:

- Monitoring the EBD's weekly meetings, for which the CGSB is now provided the agenda and supporting documents in advance, plus the minutes.



- Maintaining permanent contact with the CEED, as well as the other EBD members, holding a range of meetings to coordinate the work of the two bodies.
- Obtaining and handling information on management policy, business performance and economic operations that are materially relevant to EDP and its subsidiaries.
- Actively participating in important internal and external events in EDP's corporate life.

Within the GSB, the Chairman coordinates its activities by:

- Attending meetings of committees of which he/she is not a member and participating in the discussion of matters that are later decided by the GSB.
- Processing information from the EBD and other sources and circulating it to GSB members.
- Managing the processes for waiving the need for prior opinion, as detailed in section 3.3.

The CGSB, as enshrined by law and the Articles of Association, and in the role of intermediary between the GSB and the EBD, enjoys a series of prerogatives and powers to obtain information on the EDP Group's activity. This function is critical given the broad composition of the GSB, as an atomistic approach to the relationship between the GSB and the EBD would be impractical and upset the balanced relationship that must exist between the two bodies.

3.2. PLENARY MEETINGS

In 2010, the GSB held 7 plenary meetings. The high participation of members deserves special mention, with only occasional absences recorded.

Those meetings as well as the major initiatives undertaken in each one are described below:

- **1st Meeting: Lisbon, 21 January**
 - * Issue a favourable prior opinion on the EDP 2010 Budget.
 - * GSB's Activity plan and budget for 2010.
- **2nd Meeting: Lisbon, 4 March**
 - * Issue a favourable opinion on EDP's 2009 Annual Report.
 - * Assessment of EBD and GSB performance and activity.
 - * GSB's Annual Report 2009.
- **3rd Meeting: Lisbon, 23 April**
 - * Debate on the revision of the EDP Business Plan 2010-2012.
 - * Audit services agreement for 2010.
- **4th Meeting: Lisbon, 6 May**
 - * Issue a favourable opinion on the revision of the EDP Business Plan 2010-2012.
 - * Examine the EDP Accounts for the 1st quarter of 2010.
- **5th Meeting: Lisbon, 29 July**
 - * Issue a favourable opinion on EDP's 2010 Interim Report.

- * EDP's strategic partnerships.

- **6th Meeting: Lisbon, 4 November**

- * Examine the EDP Accounts for the 3rd quarter of 2010.
- * EDP's Corporate Governance Manual.

- **7th Meeting: Lisbon, 16 December**

- * Preliminary presentation of the EDP Budget for 2011.
- * Rules on the Provision of Services by the Statutory Auditor and External Auditor of EDP.

3.3. PRIOR OPINIONS

Article 17(2) of EDP's Articles of Association lists a series of matters requiring a favourable prior opinion from the GSB, which also has the power to set parameters for the monetary or strategic value of operations that must be submitted to it for an opinion.

The following require a favourable prior opinion of the GSB:

- Approval of the company's Strategic Plan,
- Operations by the company or EDP subsidiaries:
 - * Purchasing or selling assets, rights or shareholdings of significant monetary value;
 - * Contracting substantial loans;
 - * Opening or closing establishments or important parts of establishments and substantially extending or reducing business activities;
 - * Conducting other business or operations of significant monetary or strategic value;
 - * Establishing or terminating strategic partnerships or other lasting forms of cooperation;
 - * Planning splits, mergers or restructuring;
 - * Amending the Articles of Association, including changing head office or increasing share capital, when on the EBD's initiative

The GSB approved on 7 May 2009 the current rules for issuing and waiving prior opinion. These rules seek to guarantee the effective exercise of the statutory powers of the GSB and EBD in pursuit of the Company's interests. The mechanism created by the GSB generally has the following characteristics:

- Given the submission of Business Plan and Annual Budgets to the GSB for its prior opinion, and unless otherwise decided, the transactions referred to in these documents, do not require an autonomous prior opinion provided they are individually identified and valued in the Business Plan and/or Annual Budget, when their market value does not differ from their book value by more than 10%, in absolute terms.

- For transactions that do not meet the above mentioned requisites, have been defined several parameters of material relevance that determine whether prior opinion of the GSB is required.
- The EBD may request the waiver of the GSB's prior opinion in cases of exceptional urgency or when the nature of the material warrants such, by making a written request addressed to the Chairman of the GSB. The Chairman will approve that request or not, after mandatory consultation with at least two members of the GSB.
- Definition of specific information obligations regarding the execution of transactions exempted from prior opinion.

During 2010, the GSB had intervention in 21 operations, through prior opinion issued at meetings and waiver of prior opinion by CGSB.

a. Prior opinion at meetings

The GSB was asked to issue prior opinions 8 times and all requests were approved:

Date	Operation
21/Jan	EDP 2010 Budget (EDP)
4/Mar	Put Option Negotiation (HC)
23/Apr	Acquisition Wind Turbines Vestas (EDPR)
23/Apr	Financial Instrument Emission (EDP)
23/Apr	Articles of Association Amendment (HC)
6/May	EDP Business Plan 2010-2012 (EDP)
4/Nov	MoU EDP/CPI (EDP)
4/Nov	Wind Farm Timber Road (EDPR)
Value of Operations*	
Total	EUR 3,237M
Max. Value	EUR 2,100M
Average Value	EUR 1,079M

*Includes only operations with determinable value (3)

b. Prior opinion waiver

The EBD asked for a prior opinion to be waived on 13 occasions and, after checking their procedures, the CGSB did not oppose any of them:

Date	Operation
12/Feb	Wind Farm Kittitas Valey (EDPR)
12/Feb	Wind Farm Top Crop II (EDPR)
25/Feb	Debt Notes Program(EDP)
12/Feb	Wind Farm Meadow Lake III (EDPR)
12/Feb	Wind Farm Meadow Lake IV (EDPR)
14/Jun	New Funding (EDP)
8/Jul	Hidroelectric Power Plant (EDP Brasil)
21/Jul	EVE Put Option (HC)
12/Oct	Selling of DECA (EDP)
12/Oct	Tender competition hidroelectric plants (EDP Brasil)
29/Oct	Revolving Credit Facility (EDP)
15/Nov	MoU EDPR Portugal and Generg (EDPR)
7/Dec	Wind Farm Bright Stalk (EDPR)
Value of Operations*	
Total	EUR 7,004M
Max. Value	EUR 2,000M
Average Value	EUR 584M

*Includes only operations with determinable value (12)

3.4. REPORT OF SPECIALISED COMMITTEES

The activity reports of the GSB committees and their self-assessments are attached as an annex. There follows an appraisal of the activity of those GSB committees, which, under the rules of the GSB, report their work to that body quarterly.

3.4.1. FINANCIAL COMMITTEE

The GSB was made aware of the Financial Committee's Report. It noted, as had been the case in previous years, the diversity of matters that are assigned this committee statutorily and by delegation. The GSB was satisfied with the meetings held by the FC, 14 in total, which allowed the internal reflection of various issues and, in conformity with its duties, produce and present to the GSB the following documents:

- Opinion on the 2009 Accounts and three opinions on the accounts of the first three quarters of 2010.
- Opinion on the independence/assessment of the external and statutory auditors.
- Proposals, based on the drafts prepared by the GSBSO, to the GSB for approval of:
 - * The contract to provide auditing services for 2010;
 - * The draft revision of the rules on the provision of services by the SA and EA of the EDP group;
 - * The method of appointment of the EA for 2011 and subsequent years.

3.4.2. REMUNERATION COMMITTEE

The GSB was made aware of the Report by the RC. It noted, as had been the case in previous years, the complexity of the matters that are assigned this committee statutorily and by delegation. The meetings held by the RC, 4 in total, allowed this Committee, based on the internal discussions it held, as its duties demand, to produce documents on the methods adopted, which it sent to the Chairman of the GSB. It also produced a document on the EBD's remuneration policy that was presented at the General Meeting of 16 April 2010.

3.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The GSB was made aware of the Report by the CGSC. It noted, as had been the case in previous years, the diversity of the matters that are assigned this committee by delegation. The Committee, despite the small number of meetings, 3 in total, achieved high productivity. It produced, based on internal discussion as statutorily required, the following documents to inform the members of the GSB:

- Conclusions of the quarterly review of the EDP Accounts, focusing on the business of generation, distribution and sale of electricity in the Iberian Peninsula, as well as the natural gas business.
- Conclusions on the analysis of EDP's Business Plan 2010-2012.
- Opinion on conflicts of interest (conclusions of the analysis of transactions reported by the EBD).
- Draft Rules on conflicts of interest.
- Proposed development of the EDP Corporate Governance Manual.

3.5. SPECIFIC AREAS OF GENERAL AND SUPERVISORY BOARD ACTIVITY

3.5.1. CONFLICTS OF INTEREST

The issue of conflicts of interest in corporate governance has different dimensions, and deserves to be outlined separately in the following sub-chapters:

3.5.1.1. CONFLICTS OF INTEREST IN OPERATIONS BETWEEN RELATED PARTIES

Pursuant to article 22(1)i) of EDP's Articles of Association, the GSB has responsibility for "monitoring and assessing matters relating to the evaluation and resolution of conflicts of interests, including in respect of the company's relations with shareholders, and to issue opinions on these matters." The exercise of this duty was delegated to the CGSC.

In 2008, the GSB created an internal mechanism to prevent, identify and handle potential conflicts of interests ("Framework for handling conflicts of interest"). This area was only addressed independently by the CMVM Corporate Governance Code in 2010.

Experience has shown that, despite some initial hesitation, the path that the GSB has chosen for this matter turned out to be important in the affirmation of good governance practices of the EDP, namely in the Dow Jones Sustainability Index.

On 1 June 2010, the CGSC considered it important to review the "Framework for handling conflicts of interests". On 29 July 2010, the GSB approved the "Rules on conflicts of interest" (Rules), available on the EDP website (www.edp.pt).

Besides the amendments of a formal nature, the main changes are as follows:

- Clarification of the scope of relations and relevant parties for the purpose of applying the rules.
- Broadening of the information that needs to be reported by the EBD in relevant situations.
- Specific rules for reporting relevant deals between EDP and subsidiaries.
- Introduction of a previous opinion mechanism on relevant deals.

In brief, in reporting terms, the Rules require that:

- Within 30 days of the end of each quarter, the EBD must inform the CGSC of transactions with potential conflicts of interest (giving specific information on the transactions).
- Within the same deadline, the EBD must identify shareholders owning a qualifying shareholding of at least 2% in EDP or one of its subsidiaries, calculated pursuant to Article 20 of the Securities Code, and who in the period under review:
 - * Are EDP creditors holding at least 5% of its liabilities.
 - * Customers representing at least 1% of total billing or have generated income of over EUR 5 million.
 - * Suppliers representing at least 1% of the overall value of external supplies and services or from whom services to a value of at least EUR 5 million have been acquired.
- The EBD should give information about the agreements and commercial transactions made between EDP and subsidiaries.

Concerning the mechanism of prior opinion in terms of conflict of interest (not to be confused with the mechanism to prior approval described in section 3.3), the Rules establish the parameters for their enforcement and procedures. The GSB did not identify any situation where it was necessary to trigger the process of prior opinion on conflict of interest.

According to the rules applicable to EDP in terms of relevant transactions between related parties, and given the information provided by the EBD and with the support of CGSC, the GSB analysed the 13 operations reported and concluded that in the course of 2010 none of the following were detected:

- Transactions between related parties that have affected significantly EDP's financial situation or performance.
- Transactions between EDP and related parties that must be communicated in the management report, due to material relevance or because they were concluded outside normal market conditions.
- Evidence that all the potential conflicts of interest derived from operations identified by the EBD may have been settled in a manner contrary to the company's interests.

3.5.1.2 PREVENTION OF CONFLICTS OF INTEREST AT GENERAL AND SUPERVISORY BOARD MEETINGS

Due to its nature and composition, the GSB has resolved and prevented potential conflicts of interest arising naturally from its activity when called upon to issue opinions on matters involving qualifying EDP shareholders who have representatives on this body.

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

3.5.1.3. PREVENTION OF CONFLICTS OF INTEREST IN TRANSACTIONS BETWEEN THE COMPANY AND MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF DIRECTORS

Although this aspect is generally covered by the "Rules on conflicts of interest", the GSB informs that, during 2010, no request was received to authorise business between the company and members of the GSB or the EBD.

3.5.2. EDP CORPORATE GOVERNANCE MANUAL

The drafting of the "EDP Corporate Governance Manual" (the Manual) was complex and demanding, reflecting the importance that EDP devoted to this topic, this being an area in which EDP is renowned for the excellence of its practices. In this sense, the pro-active participation of the GSB and EBD in the public consultation processes concerning the CMVM's recommendations is to be highlighted.

In 2007, the CGSC launched the initiative of creating the Manual. The goals set for this initiative were the following:

- To actively contribute to the development of EDP corporate governance practices.
- To be a compilation of corporate governance standards, recommendations and best practices to be implemented in the EDP Group, and not just a theoretical exercise.
- The final product of the work should consist of recommendations for the GSB and the EBD and, eventually, to other entities.

However, with the end of the first term in office, the project was halted and only resumed in 2010 following the publication of the CMVM's "Code of Corporate Governance".

Following discussion by the GSB in relation to the corporate governance recommendations of the CMVM published in 2010, the CGSC gave its agreement to the Chairman's proposal, on 1 June 2010, to create a Manual following a different structure to that previously envisaged for this project. Based on the CMVM's recommendations, the Manual's core structure would be focused on the following aspects:

- Identification of the targets of recommendations.
- Summary of the main laws, regulations and bylaws relevant to the understanding the recommendations.
- Interpretation of the CMVM recommendations.
- Comparative evolution of the recommendations (compared to the 2007 version).
- An indication to whether or not EDP adopts the CMVM recommendations.
- Proposal for EDP guidelines in relation to matters covered by the CMVM recommendations and other areas, though not covered, are deemed to be good governance practices of EDP.

After the exchange of views by the chairmen of the GSB and EBD on the first working draft, it was deemed that this CGSC/GSB initiative should be transformed into an institutional initiative of EDP, with the participation of the EBD. The objectives of this study were defined as follows:

- To reflect critically on the best practice recommendations set out in the Code in order to make an active contribution to enhancing practices at EDP.
- To select the recommendations deemed most appropriate to EDP's governance model, with special focus on the measures taken and indicating potential measures to be implemented for full adoption of best practices.
- To identify recommendations that are not appropriate to EDP's interest and give reasons for this position and indicate other practices that achieve the goals set out in the recommendations of the CMVM Corporate Governance Code in a different way.
- To help targets of the recommendations to reflect on the best governance practices to be followed at EDP.
- To draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as the annual report required by law.
- To describe EDP's governance practices that are not set out in the Corporate Governance Code of CMVM but achieve the goal shared by the GSB and EBD of developing and furthering the quality of EDP's governance processes.

In this context and following a process of careful reflection and consideration, the GSB and the EBD approved the Manual in November 2010, which is available in electronic format to all employees of EDP, its shareholders and other stakeholders (www.edp.pt).

The publication of the Manual ensures that EDP continues to take a pioneering role and position of excellence in terms of corporate governance practices. It is expected that this initiative may also contribute to enriching the debate on these issues in the general context of the organisation and functioning of the companies, particularly in Portugal.

The Manual, like the recommendations that served as reference, is dynamic in nature and will be periodically reviewed. It will be open to the contribution of all stakeholders interested in improving the EDP corporate governance model.

3.5.3. RULES CONCERNING THE PROVISION OF AUDIT SERVICES BY THE STATUTORY AUDITOR AND EXTERNAL AUDITOR OF EDP

As part of EDP's drive to adopt best practices in corporate governance, specifically with regard to the transparency and consistency of financial information, the GSB approved on 29 January 2009 a set of rules concerning the provision of non-audit services by the SA and EA of EDP.

It was deemed the right time in mid-2010 to reflect on the application of those rules, particularly taking into account section III.17 of CMVM Regulation No. 1/2010 and recommendation III.1.5. of the CMVM Corporate Governance Code. That revision process was undertaken by the GSBSO with contributions from the FC, the GSB Chairman and the EBD, and it was presented to the GSB by the FC on 16 December 2010.

The GSB approved the proposed Rules on that date, which replaced the rules in force since 29 January 2009. The main requisites of the Rules are:

- The need to protect the independence of the SA/EA as a fundamental requirement of the provision of their services in the public interest to EDP, understood in a broader sense than the mere compliance with formalities.
- The prevention, identification and solution for any threats to the independence of the SA/EA, in particular any financial, business, employment relationship or any other kind of relations - including the directly or indirect provision of additional services, between the SA/EA and EDP, whereby an objective, rational and informed third party would conclude that the independence of the SA/EA was jeopardised.

The Rules can be found on EDP's website (www.edp.pt). The amendments to the preceding rules include:

- The creation of a global framework of rules governing the independence of the SA/EA in the provision of services to EDP, whether auditing services or otherwise.

- The establishment of some relevant definitions in terms of classification of the services provided by the SA/EA, seeking to identify substantive criteria instead of merely listing services (which end up being solely indicative).
- The identification of the most relevant aspects governing the independence of the SA/EA in commissioning audit services.
- The establishment of a specific rule for the approval of audit services not provided for in the SA and EA contracts, giving the FC flexibility in defining those services.
- The identification of the requirements of request for authorisation submitted by the EBD in relation to services other than auditing.
- The clarification of the criteria to be used by the FC for approving services other than auditing.
- The formalisation of the annual assessment of the independence of the SA/EA.

One of the core aspects of the Rules concerns the provision of additional audit services. Considering section III.17 of Annex I of CMVM Regulation No. 1/2010, the rules are:

- The commissioning by EDP or subsidiaries of additional services from the SA and EA shall require prior authorisation of the FC.
- Requests from the EBD to commission additional services from the SA and EA must include:
 - * A description of the services and the reasons for commissioning them.
 - * A mention of the procedures followed in selecting the SA and/or EA for this service, such as whether the operation was based on a call for tenders or a direct contract.
 - * In the event of a direct contract, the reasons for this decision.
 - * In the event of a call for tenders, information on the terms of the different bids and reason for the selection.
 - * A statement by the SA and/or EA that it considers that the award of the contract for the additional service does not threaten its independence and, in particular, does not create a situation of self-review or personal interest.
 - * The maximum fees payable for the service.
 - * A draft agreement or terms governing the provision of the service.
 - * Information on the total value of contracts approved in the calendar year in question.
- The FC shall authorise the commissioning of additional services from the SA and EA, if it concludes that:

- * It is not a prohibited additional service, taking account of the interpretative criteria in European Commission Recommendation C (2002) 1873 of 16 May.
- * In accordance with an objective, reasonable, informed third-party standard, the service does not pose any threat to the independence of the SA or EA and in particular does not increase the likelihood of self-review or personal interest.
- * The commissioning of this service does not mean that the annual cost of additional services exceeds 30% of the total value of services provided to EDP by the SA or EA. It is the EBD's responsibility to ensure that the commissioning of such services respects the established threshold.

The GSB believes that the approved Rules are a distinctive element of the governance practices of EDP, decisively contributing to the promotion of transparency, objectivity and independence of the service provided by the SA and EA of EDP.

3.6. GENERAL AND SUPERVISORY BOARD BUDGET FOR 2010

The GSB budget for 2010 was particularly concerned with curbing costs. This was achieved thanks to an additional efficiency effort, since the cost structure of the GSB is very rigid - 87% of expenditure corresponds to the remuneration of members of the GSB and staff costs of the GSBSO. On the other hand, we must highlight the fact that the GSB budget only accounts for 0.16% of the operating costs of the EDP Group.

It is to be highlighted in terms of implementation that a significant amount was not used - EUR 529,000 (in a budget of EUR 3 million), mainly by virtue of:

- Limiting the use of consulting services and other specialised services (-EUR 281,000).
- Changing the composition of the technical staff of the GSBSO (-EUR 31,000).

The GSB Budget for 2011 continues the effort to streamline costs, and it too envisages a reduction of expenditure from the 2010 value.



4. ASSESSMENT OF THE ACTIVITY AND
PERFORMANCE OF THE GENERAL AND
SUPERVISORY BOARD AND ITS COMMITTEES

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

- Recurring, in relation to which it has sought to improve the manner and effectiveness of GSB intervention in matters of a decision-making or non decision-making nature.
- Non-recurring, in relation to which it has sought to improve the GSB members' knowledge of the Group, its markets and activities.

With regard to recurring activities and those of a decision-making nature, the GSB's work focused on the following in the exercise of its supervision duties:

- The 2009 Annual Report and Accounts of EDP and the EDP Budget for 2010.
- Issuing or waiving favourable prior opinions on a significant range of operations, the most important being:
 - * Contracting financing (above EUR 4 billion).
 - * Renegotiation of the EVE "Put Option" on Naturgas.
 - * Investment projects (namely wind farms) not initially provided for in the Business Plan or 2010 Budget.
- Examining the quarterly accounts, as well as monitoring budget implementation.
- Monitoring the development of the EDP Group debt and the processes of obtaining the financing necessary to implement the ambitious investment plan.
- Evaluating the draft EDP Budget for 2011.
- Approving the Rules of Conflicts of Interest and the EDP Corporate Governance Manual.

4.1. ACTIVITY IN FIGURES

	2010	2009	Change
Meetings planned (no.)	7	6	+1
Meetings held (no.)	7	7	=
Members' attendance (%)	87	81	+6
CEBD attendance (%)	100	100	=
Items on the agenda (no.)	78	99	-21
Items addressed (no.)	78	89	-11
Items placed on the agenda at the initiative of the CGSB (no.)	42	58	-16
Items placed on the agenda at the request of the EBD (no.)	36	41	-5
Prior opinions (no.)	8	20	-12
Prior opinion waivers (no.)	13	9	+4
Training initiatives/workshops (no.)	0	1	-1
Requests for information from the EBD by the CGSB (no.)	68	64	+4
Support documents prepared by the GSBSO (no.)	57	62	-5

As at 31 December 2010, the table below presents a summary on the implementation of the 2010 activity plan (not including work developed specifically for the GSB meetings):

GSB'S ACTIVITY PLAN 2010

Themes	Fulfillment of goals
I. Recurrent matters	
I.1. Deliberative matters	
Annual Report	Yes
Quarterly Accounts	Yes
I.2. Non Deliberative matters	
Monitoring Subsidiaries activity	Yes
Monitoring of investments worth over € 75 M	Yes
Monitoring of strategic partnerships	Yes
Coordination of Committees' activities	No
Information provided to CGS Members	Yes
II. Non Recurrent Activities	
Visit to a hidroelectric construction site	No
Visit to a Subsidiary Company	No
Workshops	No

4.2. GENERAL AND SUPERVISORY BOARD MEETINGS 2010 – ATTENDANCE

Name	%	21/Jan	4/Mar	23/Apr	6/May	29/Jul	4/Nov	16/Dec
António de Almeida	100.0	P	P	P	P	P	P	P
António João Coraceiro Castro	100.0	P	P	P	P	P	P	P
António Sarmento Gomes da Mota	100.0	P	P	P	P	P	P	P
Carlos Jorge Ramalho dos Santos Ferreira	42.9	P	P	A	P	A	A	A
Diogo Campos Barradas de Lacerda Machado	85.7	P	P	P	P	A	P	P
Eduardo de Almeida Catroga	57.1	P	P	A	P	P	A	A
Farid Boukhalfa ⁽¹⁾	66.7	---	P	A	A	P	P	P
Fernando Manuel Barbosa Faria de Oliveira	85.7	R	R	R	P	A	R	R
José Manuel dos Santos Fernandes	100.0	P	P	P	P	P	P	P
José Maria Brandão de Brito	100.0	P	P	P	P	R	P	P
José Maria Espírito Santo Silva Ricciardi	57.1	P	P	A	P	A	P	A
Khalifa Abdulla Khamis Al Romaihi ⁽²⁾	100.0	P	R	---	---	---	---	---
Manuel Fernando de Macedo Alves Monteiro	100.0	P	P	P	P	P	P	R
Mohamed Ali Al Fahim ⁽³⁾	100.0	---	---	P	P	P	R	P
Mohamed Meziane ⁽⁴⁾	0.0	A	---	---	---	---	---	---
Ricardo José Minotti da Cruz Filipe	71.4	P	P	P	P	P	A	A
Rui Eduardo Ferreira Rodrigues Pena	100.0	P	P	P	P	P	R	P
Vasco Maria Guimarães José de Mello ⁽⁵⁾	57.1	P	P	P	A	A	P	A
Vítor Fernando da Conceição Gonçalves	100.0	P	P	P	P	P	P	P
P&R vs. Total		16/17	17/17	13/17	15/17	13/17	14/17	15/17
%	86.6	94.1	100	76.5	88.2	76.5	82.4	88.2

P = Attendance A = Absence R = Representation

Total of meetings held on 2010 7
Average attendance 86,6%

(1) Designated as Sonatrach representative on February 10th, 2010.
(2) Resigned on March 16th, 2010.
(3) Designated as Senfora representative on April 23rd, 2010.
(4) Resigned as Sonatrach representative on February 3rd, 2010.
(5) Resigned on December 21st, 2010

4.3. SELF-ASSESSMENT OF GENERAL AND SUPERVISORY BOARD ACTIVITY

In 2010, the GSB was able to implement a process of self-assessment of its activity and performance, which translates into a distinguishing practice of EDP in the pursuit of excellence and a milestone of transparency that this Board has sought to integrate into the performance of its duties.

Given the success of this process, it was decided to continue with self-assessment. Thus, in early January, the GSB members were asked to complete a self-assessment questionnaire, covering the following topics:

- Overall activity indicators (execution of the activities plan, productivity, etc.).
- Composition, organisation and functioning of the GSB.
- Compliance with law and the duties set forth in the Articles of Association.
- Relationship with EDP’s corporate bodies.
- Activity of the GSB Support Office.

- GSB communication and image.
- Individual assessment of members.

The aim of the questionnaire is merely intended to provide support for the opinion of self-assessment that the GSB shall submit to the EDP shareholders. Noteworthy is the fact that 15 of the 16 members took part in this process, which greatly enriched the results of self-assessment.

The GSB discussed the results at the 27 January 2011 meeting, based on the responses to the questionnaire.

Thus, in accordance with its rules, approved in line with best corporate governance practices, the GSB aims to publish the following findings concerning the process of self-assessment of its activity and performance in 2010:

- a. The GSB’s general activity was deemed very positive, namely concerning activity plan implementation and the meetings’ productivity.
- b. In relation to the GSB composition, organisation and operation, the assessment:

- Was deemed excellent in terms of:
 - * The effectiveness of mechanisms to verify incompatibilities and independence;
 - * The structure of the specialised committees;
 - * How meetings are scheduled in advance and the means used to distribute supporting documents;
 - * Mechanisms for issuing and waiving prior opinions.
- Was deemed very positive in terms of:
 - * The work developed by the committees;
 - * The preparation of the matters tackled in GSB meetings;
 - * The adequacy of the composition of the GSB to its duties;
 - * The adequacy of the GSB IR.
- c. In terms of the GSB's activity, the assessment:
 - Was deemed very positive in terms of:
 - * The supervisory, follow-up and advisory duties on the EBD's activity.
 - * The relevance and the role of the GSB in relation to the EDP Business Plan and EDP Budget; in dealing with the debt level, the analysis of financial and accounting information, and corporate governance practices.
 - Despite the positive assessment, a further reflection should be made in 2011 on the GSB's participation on strategic issues, conflicts of interest, human resource management and succession plans, the independence of the EA and SA, as well as monitoring EDP subsidiaries.
- d. The relationship between the GSB and the EBD was deemed excellent.
- e. The performance of the GSB Support Office was considered very positive, namely in terms of the quality of the information provided.
- f. The image and communication of the GSB should be the focus of special attention, to raise its effectiveness among shareholders, other stakeholders, EDP staff and external entities.

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

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

The process implemented by the GSB has a scale that deserves to be highlighted, as it represents a reinforcement of EDP's governance practices. This will give EDP national and international prominence and, as it is one of the assessment parameters of the "Dow Jones Sustainability Index".

5. CHALLENGES FACING THE GENERAL AND SUPERVISORY BOARD IN 2011

2011 will entail major challenges for EDP and for the GSB, in particular given the difficult macroeconomic situation of the main countries where EDP operates (Portugal and Spain), which will necessarily entail a degree of added exigency to the management of the EBD and, within the scope of its powers, to the GSB.

This is the backdrop against which the GSB will perform its mission of permanently guaranteeing the monitoring and supervision of the activity of the management of EDP and its subsidiary companies, supporting, simultaneously, the EBD with its advising.

Accordingly, and consistent with its business plan approved on 16 December 2010, the GSB aims to guide its activity in order to maximise its resources and the availability of its members in relation to two fundamental types of initiatives:

- Strengthening the supervision and monitoring of the activity of EDP, structured according to a preliminary selection based on the relative importance of the identified issues regarding the sustainable development of EDP.
- Improving the operational activity of the GSB.

Since 2011 is the final year of the current term of office and considering that most members will complete two terms of office, the GSB and its Committees should prepare the transition to the new mandate that will start in 2012. It will ensure this through guideline documents for the implementation of its main tasks, including guidelines for possible improvements in the exercise of its powers.

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



6. ACKNOWLEDGEMENTS

The GSB would like to express its thanks to:

- The shareholders, for the trust that they have placed in this supervisory body and for the constant support they have given to its functioning.
- The government, for the efficient, unconditional, and transparent manner in which it has resolved issues related to the energy sector and, in particular, the emphasis that it has always placed on analysing and resolving issues relating to EDP.
- The Chairman of the EBD for his dedication and cooperation with the GSB, without which the functioning of this corporate body would have been significantly hindered.
- The members of the EBD, for their excellent work, the results they have achieved and their professional participation in meetings of the GSB and its committees.
- The members of other EDP corporate bodies and the corporate bodies of EDP's subsidiaries.
- All the employees of the EDP Group, for their contributions for the results achieved.
- The staff of the GSBSO, which managed to support the GSB, its Committees and Chairman in a very satisfactory manner in spite of its reduced number.

Special gratitude is also conveyed to the former members of the GSB who concluded their duties in 2010, for their effort, dedication and contribution to the good performance of the GSB:

- Mohamed Meziane, GSB member from 6 November 2007 to 3 February 2010, designated by Sonatrach.
- Khalifa Al Romaihi, GSB member from 10 April 2008 to 17 March 2010, designated by Senfora/IPIC.
- Vasco Maria Guimarães José de Mello, GSB member from 30 June 2006 to 21 December 2010.





GENERAL AND SUPERVISORY BOARD’S OPINION
ON THE EDP’S 2010 ACCOUNTS AND ANNUAL
REPORT

Taking in consideration:

- The legal and regulatory requirements applicable to the preparation, appraisal and publication of EDP’s Accounts and Annual Report, in particular those resulting from the Companies Code, the Securities Code and the CMVM regulations;
- The activity developed by the CGS and its Committees during 2010 in respect to monitoring, advising and supervising the management of EDP and Subsidiary Companies, as recorded in the Annual Report;
- The documentation presented for the assessment of EDP’s Accounts and Annual Report 2010, provided by the EBD, the Statutory Auditor, the External Auditor, the CMF, the CGSS and the GSB Chairman;

At its 3rd March meeting, the CGS:

1. Registered:

- The detailed presentation made by the EBD on EDP’s Accounts and Annual Report 2010, highlighting the main economic and financial indicators, which are reproduced below:

(EUR million)							
Indicators	EDP Group	Relevant Subsidiaries					
		EDP P	EDP D	EDP C	EDP Br	HC ⁽¹⁾	EDP R
Gross profit	5,404	1,181	1,225	29	973	883	841
EBITDA	3,613	982	558	1	674	583	713
EBIT	2,063	695	310	-12	505	271	290
Net income ⁽²⁾	1,079	400	242	-10	247	96	80
Net assets	40,541	8,033	4,181	217	5,843	7,976	12,835
Total equity ⁽²⁾	10,785	2,163	486	9	2,909	2,766	5,394
Total liabilities	29,756	5,870	3,695	208	2,934	5,210	7,441
Gross debt	17,892	3,880	2,300	85	1,472	2,639	3,307
Net debt	16,345	3,797	1,471	85	964	2,612	2,848

(1) – HC’s electric business.
(2) – Attributable to the shareholders of EDP.

- EDP’s 2010 individual and consolidated financial statements prepared in conformity with “International Financial Reporting Standards” (IFRS).
- The legal certification of individual and consolidated accounts and the SA and EA review report presented by KPMG, including the conclusion that, based on work performed:
 - * The financial statements and consolidated accounts give a true and fair view, in all material respects, the financial position of EDP on 31 December 2010, the results of its operations, cash flows and changes in equity and income statement in the year 2010, in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the information contained therein is complete, true, accurate, clear, objective and lawful.

- * The information contained in the Annual Report is consistent with the financial statements and the corporate governance report includes the elements required under Article 245. °-A of the Securities Code.
- The presentation made by the KPMG concerning its report on the EDP SCIRF (Financial Information Report Control System), which concluded that in all materially relevant aspects its controls were properly designed and operated effectively during the financial year of 2010.
- The FC’s opinion on the Accounts presented by the Committee Chairman, that allows for the conclusion:
 - * That the design and functioning of SCIRF is satisfactory and the operation of the Risk Management Systems minimize business risks,
 - * That CMF appreciates favorably the Management Report and the individual and consolidated IFRS accounts of Group EDP.
- The support documents presented by the Chairman of the GSB on:
 - * The Annual Accounts;
 - * The evolution of EDP debt;

- * The External Auditor conclusions report;
- * The main themes of the Annual Report;
- * The report on corporate governance;
- * The report on conflicts of interest;
- * The donation for EDP Foundation.
- The letter presented by the KPMG regarding the implementation of remuneration policies and systems.

2. The GSB has decided unanimously:

- To express its agreement in respect of Legal Certification/Audit Reports, prepared by KPMG & Associados, SROC, SA, individual and consolidated basis, on the EDP's Accounts and Annual Report 2010.
- To express its agreement in relation to the CMF's opinion on the EDP's Accounts and Annual Report 2010.
- To declare, under terms of article 245, no. 1, section c) of the Securities Code, that to its best knowledge the information referred to 2010 and foreseen in article 245, no. 1 section a) of the Securities Code (annual report and accounts, legal certification of the accounts and all other financial documents) was prepared in conformity with applicable accounting rules, giving a true and appropriate image of assets and liabilities, financial situation and financial results of EDP and of companies in control or group relationship with EDP, and that the 2010 annual report presents fairly the business evolution, the position and the performance of EDP and of companies in control or group relationship with EDP, and describes the main risks and uncertainties faced.
- Pursuant article 420, no. 5 of the Companies Code (ex vi article 441, paragraph 2), to confirm that the report on EDP corporate governance includes the elements required by article 245 -A of the Securities Code of the Securities and CMVM Regulation No. 1/2010.
- According to rules applicable to EDP in terms of relevant transactions between related parties, and given the information provided by the EBD and with the support of the activity developed by the CGSC, to declare that, in the course of 2010, there were no:
 - * Transactions between related parties that have affected significantly EDP's financial situation or performance.
 - * Transactions between EDP and related parties that must be communicated in the Annual Report, due to its material relevance or because they were concluded outside normal market conditions.
 - * Evidence that all the potential conflicts of interest derived from operations identified by the EBD, have been resolved in ways contrary to the company's interests.
- To issue a favorable opinion on EDP's Accounts and Annual Report, both individually and consolidated as of 31 December 2010, having concluded that these documents:
 - * Give a true, fair and clear image of the business development, the performance and economic and financial position of the company and describe the principal risks and uncertainties that it faces.
 - * Adequately reflect the Group's organization and governance model adopted and activity developed, which is consistent with the strategy and budget approved.

- * Comply with regulatory requirements, particularly those relating to financial and corporate governance reporting.

- To express its agreement to the FC opinion on the SA and EA performance and independence, according to which the CMF has assessed positively the work done by KPMG, considering that it has carried out its professional duties with quality, competence, accuracy, impartiality and independence.
- To recommend to the EDP Annual Shareholders' General Meeting the approval of the 2010 individual and consolidated Accounts and Annual report, as well as the Executive Board of Directors' proposal for results allocation.
- To congratulate the Executive Board of Directors, the management boards of Group's subsidiaries and all their workers for the excellent results achieved despite the economic and financial difficulties faced during the course of 2010.



António de Almeida

Chairman of the General and Supervisory Board

Lisbon, 3 March 2011

STATEMENT OF THE GENERAL AND SUPERVISORY BOARD ON EDP'S 2010 ANNUAL REPORT



STATEMENT OF THE GENERAL AND SUPERVISORY BOARD ON EDP'S 2010 ANNUAL REPORT

Pursuant article 245º, n.º 1, paragraph c) of Securities Code (CVM), to the best knowledge of each of the signatories, **members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (EDP)**, the information referred in article 245º, n.º 1, paragraph a) of CVM (management report, financial statements, accounts legal certification and remaining accounts reporting documents), **in 2010**, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of EDP and subsidiaries included in the consolidation perimeter, and that the annual management report faithfully states the trend of the business, the performance and position of EDP and subsidiaries included in the consolidation perimeter, and contains a description of the principal risks and uncertainties faced.

Lisbon, 3rd March 2011

[Signature]

António de Almeida – Chairman

[Signature]

António Sarmento Gomes Malta

[Signature]

Diogo Campos Boradas de Lacerda Machado

[Signature]

Faia Boukhalfa (appointed by Sonatrach)

[Signature]

José Maria Brandão de Brito (appointed by Cajamar Inversiones, SA)

José Manuel dos Santos Fernandes

[Signature]

Mohamed Al Fahim (appointed by Sertora S.r.l)

[Signature]

Rui Eduardo Ferreira Rodrigues Pena

[Signature]

Alberto João Coracelmo da Costa – Vice-Chairman

[Signature]

Carlos Jorge Ramalho dos Santos Ferreira

[Signature]

Eduardo de Almeida Catroga

[Signature]

Fernando Manuel Barbosa Faria de Oliveira

[Signature]

José Maria Espírito Santo Silva Ricciardi

[Signature]

Manuel Fernando de Macedo Alves Monteiro

[Signature]

Ricardo José Mhottli da Cruz Filipe

[Signature]

Vitor Fernando da Conceição Gonçalves

FINANCIAL COMMITTEE'S OPINION ON THE EDP'S 2010 ACCOUNTS AND ANNUAL REPORT

1. In the exercise of the duties conferred upon it by the Articles of Association and internal regulations, the Financial Committee (FC):
 - Appraised the Annual Report and individual EDP and consolidated EDP Group IFRS Accounts for the financial year ending on 31 December 2010, based on the knowledge it gained of the company's business, financial situation, risk control, risks inherent in its activities and of the analysis on the information and support documentation provided by the company's management, Statutory and External Auditors.
 - With reference to the Accounts for the financial year ending on 31 December 2010 and other related subjects, the Committee met with:
 - * The Executive Board of Directors (EBD), where IFRS accounts (management information) and other financial and management information were presented and discussed in detail;
 - * The head of the Consolidation, Accounting Control and Taxation Department (DCF), where accounting, financial and management information was presented and discussed in detail, in particular the consolidation perimeter, accounting policies and procedures, important or extraordinary transactions, the IFRS consolidated financial statements, results and other factors deemed of interest to the Financial Committee, for the period ending on 31 December 2010;
 - * The head of the Internal Audit Department (DAI) and Risk Management (DGR), where the results of the work performed on the internal audit and control system and risk management were presented and discussed;
 - * The Statutory and External Auditor, to gain knowledge of and appraise the conclusions of their work on the EDP Group's IFRS consolidated financial statements and on the evaluation of the EDP's Financial Reporting Internal Control System.
 - Also with reference to 31 December 2010, the Committee received:
 - * From the Hidroelétrica del Cantábrico Control and Audit Committee, a favourable opinion on the accounting closure procedures employed and the financial statements produced by the HC Group;
 - * From the EDP Renováveis Audit Committee, a favourable prior opinion on the company's consolidated accounts;
 - * From the EDP - Energias do Brasil Audit Committee, a favourable opinion on the approval of the Board's accounts and the financial statements of both the company and its subsidiaries.

2. Based on the monitoring performed of the main aspects of the EDP Group's activity, and on the analysis of the documents provided and the subsequent discussion of these with the EDP Group's management at various levels, in particular the Group's Executive Board of Directors; the Director of Consolidation, Accounting Control and Taxation; the Internal Audit Department; the Risk Management Department, the Statutory Auditor; and the External Auditor, the FC considers that it obtained all the clarifications it required concerning the issues it raised and on the individual EDP and consolidated EDP Group IFRS Financial Statements for the financial year ending on 31 December 2010.
3. In light of the above and not being aware of any materially relevant circumstances compromising the compliance of the procedures adopted with current accounting policies and good practices, or any situations affecting the appraisal of the quality or independence of the work done by the statutory or external auditors, the FC hereby:
 - Assesses satisfactorily the operation of the Financial Reporting Internal Control System (SCIRF) and of the Risk Management System, considering that the practices are aligned with policies and procedures defined in the Group and minimize risks to business and its support processes;
 - Issues a favourable opinion on the Management Report and individual EDP and consolidated EDP Group IFRS Financial Statements for 31 December 2010 and on the profits from operations at that date, by virtue of its understanding that they are in accordance with the applicable accounting principles and legal and statutory provisions in force.

Lisbon, 3 March 2011

The Financial Committee



(Vítor Fernando da Conceição Gonçalves - Chairman)



(António Gomes Mota)



(Manuel Fernando de Macedo Alves Monteiro)

**GENERAL AND SUPERVISORY BOARD'S
DECLARATION ON THE EVALUATION AND
PERFORMANCE OF THE EXECUTIVE BOARD OF
DIRECTORS IN 2010**

In 2010, based on a methodology applied by the Corporate Governance and Sustainability Committee (CGSC), the GSB carried out an assessment of the work and performance of the EBD in 2009, marking a distinctive practice of EDP in its quest for excellence and as a sign of the transparency that this Board has endeavoured to follow in its operations. Accordingly, the process was repeated for the work and performance in 2010.

The evaluation process is based on individual assessment questionnaires that are filled out in confidentiality by the GSB members. At a subsequent meeting, the GSB debates the main conclusions drawn from the responses to the questionnaire and issues its opinion report.

Given that it guarantees objectivity and independence in assessing the EBD's work and performance, the process implemented by the GSB is a consolidation of the corporate governance practices at EDP, whereby the Dow Jones Sustainability Index is one of the rating parameters.

One should highlight the fact that all the GSB members answered the questionnaire in the EBD assessment process, which of course enhances the quality of the assessment. **Thus, in accordance with the respective rules, at its meeting on 27 January 2011, the GSB recorded the following conclusions for the assessment of the work and performance of the EBD in 2010:**

- The composition and organisation of the EBD, namely in terms of the distribution of responsibilities, were considered to be fully adequate for its tasks.
- In terms of the quality of the EBD's work, positive scores were awarded for the following areas: i) strategy; ii) financing; iii) cost control; iv) investment; v) risk management; vi) human resource management.
- With respect to assessment of the focus given by the EBD to critical aspects of its work:
 - * excellent scores were awarded in matters of: i) sustainability and the environment; ii) organisational culture; iii) communication and image;
 - * very positive ratings were given in relation to: i) preparation of financial and accounting information; ii) management control; iii) corporate governance practices; iv) conflicts of interests; v) compliance with provisions on independence of the statutory auditor and external auditor.
- As far as the relations between the EBD and the GSB are concerned:
 - * excellent ratings were given for: i) the type of relations implemented; ii) the adequacy of the technical and material resources the EBD makes available to the GSB;

iii) satisfaction of requests for information submitted by the GSB, the quality of the information provided and the presentations made at meetings; iv) the EBD's availability for participating and becoming involved in actions initiated by the GSB;

- * very positive marks were awarded for: i) the speed with which the EBD provided information to the GSB on EDP activities; ii) compliance with the rules laid down by the GSB with respect to issuing and foregoing prior opinion reports and on the information to be provided on human resource management and succession planning; iii) how relevant conflicts of interests were dealt with.
- in terms of projection of the EDP image and the relations with the relevant economic agents:
 - * Grades of excellence were given to: i) the reputation of the EBD and EDP in the relevant markets; ii) the effectiveness of the EBD's communication policy; iii) investor relations;
 - * Positive marks were given to the relations with the shareholders, EDP workers and other stakeholders.

On the basis of this analysis, at the aforementioned meeting **the GSB decided to classify the overall work of the EBD during the business year 2010 as excellent.**



António de Almeida
Chairman of the General and Supervisory Board

Lisbon, 3 March 2011

FINANCIAL COMMITTEE ANNUAL REPORT

1. MEETINGS

Name	%	13 Jan	03 and 04 Feb	19 Feb	25 Feb	12 Mar	9 Apr	30 Apr	2 Jun	30 Jun	26 Jul	27 Sep	29 Oct	2 Dec	15 Dec
António Sarmiento Gomes da Mota	100,0	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Manuel Fernando de Macedo Alves Monteiro	100,0	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Vítor Fernando da Conceição Gonçalves	100,0	P	P	P	P	P	P	P	P	P	P	P	P	P	P
P&R vs. Total		3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3	3/3
%	100,0	100	100	100	100	100	100	100	100	100	100	100	100	100	100
P = Attended A = Did not attend R = Represented															
Total of meetings	14														
Average attendance	100%														

2. ACTIVITIES

The aim of the FC meetings in 2010 was to obtain relevant information and analyse the various issues required to exercise its duties, with particular emphasis on the following:

- Financial and business information (scorecards), to issue reports and opinions on the accounts for the 2009 year, the 1st and 3rd quarters of 2010, and the 1st half of 2010;
- Risk management process relative to business undertaken by the EDP Group;
- Litigation process in the Group, with emphasis on the quantity, value, internal handling and accounting relevance of legal disputes in progress, with particular focus on setting up provisions;
- “EDP Pension Fund” process (Portugal) – development of return and value of fund assets.
- Rules, monitoring and reports made through the whistle-blowing system;
- Activities of the Internal Audit Department (IAD) – Approval of the activity plan for 2010;
- Monitoring the implementation of the annual internal audit plans, the evolution of improvement measures of the SCIRF Project and the implementation status of the recommendations made; Process of evaluation of the activity of the IAD for the year 2009.
- Activity of the SA and EA - Evaluation of the activity and independence of the SA and EA in relation to the year 2009; Analysis and discussion of the proposal for contracting audit services (KPMG) for the year 2010; Appraisal of the conclusion reports and the opinion on the individual and consolidated financial statements of EDP; Analysis and approval of requests by the DCF to authorise KPMG “Non-audit services”, and monitoring the work carried out and the fees contracted and charged by KPMG to the EDP Group;

- Relations with the Audit Committees of other EDP geographical areas – Holding the 2nd Meeting of Audit Committees of the EDP Group; Know the agendas and minutes of meetings of the Committees of other geographical regions and the reports/ opinions on the interim and annual financial statements of the corresponding subgroups;
- Make proposals to the GSB regarding the approval of the auditing services contract for 2010, the draft revision of the Rules on the provision of services by the SA and EA of the EDP Group and the contracting of the External Auditor for 2011 and beyond;
- Preparing the workshop to be held in the first quarter of 2011 on risk management in the EDP Group.

The FC sought to define the established mechanisms and procedures to prevent or detect situations affecting the EDP Group’s capacity to:

- Produce, analyse and disclose relevant information that gives a true and appropriate picture of EDP’s financial situation;
- Minimise the risk of intentional error in financial information and the improper use or misappropriation of EDP resources.

To that end, and taking into account the compliance with objectives, the FC:

- Attended the EBD meetings that discussed the annual accounts for 2009 and the accounts of the 1st and 3rd quarters, and the 1st half of 2010;
- Invited the managers of EDP’s main departments to speak at Committee meetings.

In 2010, the Committee analysed the information generated by reports made though the whistle-blowing system. The main conclusion in this regard is that there were no complaints with any relevant impact on accounting, finance, internal control or auditing matters. Thus, eight of the eleven reports made during 2010 were analysed, answered and clarified by the company’s services and three were forwarded to the Internal Audit Department for analysis, information and reporting of the results obtained.

The FC paid special attention to the nature and scope of services provided by the SA and EA (KPMG) to the EDP Group, in order to assess its independence and compliance with the principles of good practices governing the activities of auditing companies and their representatives at the companies they audit. The analysis of the information provided by KPMG to the Committee for this purpose gives no indication of conflicts of interest or situations affecting the auditors' independence to provide professional services to the EDP Group.

The FC gives a positive assessment of the work carried out by the SA/EA, registering more consistent, systematic and comprehensive work carried out to adequate depth in its relationship with this Committee.

3. EVALUATION OF THE WORK CARRIED OUT

The FC has carried out annual self-assessment since its establishment. The result of this procedure was that the Committee deemed its performance in 2010 to be quite positive, concluding that it fulfilled its remit and the duties it is assigned in an efficient manner.

Although the FC constantly aims to improve its performance, the Committee knows that, taking into account the knowledge it has of practices in comparable national and international companies, the standards of conduct which guide it are very high. Those standards are also in harmony with the recommended best practices in the areas that fall within its spectrum of action. Accordingly, the FC will remain committed to ensuring its activities are guided by accuracy, transparency and independence. It shall hold a perception of auditing not as merely the sum of actions aimed at policing and enforcing rules and procedures, but as a tool that the company can use to induce a culture of accuracy and transparency to serve stakeholders and the sustainability of the company in the creation of value.

The FC notes that it was not faced with requests that generate additional difficulties, questioning the requisites on which its activity must be based: freedom of analysis and reaching a conclusion, freedom to assess and to investigate and the autonomy to talk and make enquiries at various levels, in regards to matters which it felt deserved its further attention. Likewise, no situation restricted its independence to act.



Vítor Fernando da Conceição Gonçalves
Chairman of the Finance Committee

Lisbon, 3 March 2011

ANNUAL REPORT OF THE REMUNERATION COMMITTEE

1. MEETINGS

Name	%	11 Feb	21 Apr	29 Apr	11 Nov
Alberto João Coraceiro de Castro	100.0	P	P	P	P
Eduardo de Almeida Catroga	100.0	P	P	P	P
Vasco Maria Guimarães José de Mello ⁽¹⁾	100.0	P	P	P	P
P&R vs Total		3/3	3/3	3/3	3/3
%	100.0	100	100	100	100

P = Attended A = Did not attend R= Represented

(1) Renounced to his mandate at 21 December 2010, having been replaced by Dr. José Maria Espírito Santo Silva Ricciardi, designated by GSB at 27 January 2011.

Total of meetings: 4
Average attendance: 100%

2. ACTIVITIES

In 2009 the General and Supervisory Board (GSB) returned to office the members of the Remuneration Committee (RC), which reports to the former, without making any alteration to its composition. The committee’s main responsibility is to define the remuneration policy for the members of the Executive Board of Directors (EBD). As confirmed in the report for 2009, the main guidelines in that policy follow a logic of continuity in relation to the policy followed in the preceding three-year period. The GSB was informed of these guidelines in 2010, which were accepted without disagreement by the members of that body.

Pursuant to Law 28/2009 of 19 June, the RC must submit a declaration on the remuneration policy for EBD members annually for approval by the General Meeting of Shareholders (GM). In this context, in the first quarter of 2010, the RC gave priority to drawing up a document that would explain, in a clear and not necessarily technical way, the basic pillars of the EBD remuneration policy. This document was made known to all shareholders and was approved at the GM on 16 April 2010. Following this decision, the RC was able to proceed with putting the remuneration policy into operation, a task to which it immediately dedicated itself, with a view to defining the variable component of the salary of the EBD members. As referred to in the preceding annual report, that variable component is indexed to a number of indicators that not only reflect the short-term performance of the company but also take medium and long-term prospects into account, whereby remuneration for the latter components is only made at the end of the term of office and if the performance for the whole three-year period surpasses the set targets. In line with recommendations issued by the European Commission and the Portuguese Securities Market Commission (CMVM), the relative weight of the variable remuneration components reflecting short-term results was decreased, while the medium-term component was increased. In any case, the methodology applied reflects EDP’s performance both in absolute and in relative terms, using a set of domestic and international companies of similar size or with similar business operations as benchmarks. The remuneration policy in all its diverse aspects is described in the Corporate Governance Report, in compliance with the requirements for disclosure established in Law 29/2009 and Regulation 1/2010 of the CMVM.

Having completed this work phase, given that the EBD submitted a revision of the Business Plan to the GSB, the RC considered that it was its duty to analyse to what extent the alterations in question could affect the adequacy of some of the predefined indicators and targets, namely with respect to risk-sharing between shareholders and the executive management. As it was not possible to clarify this matter unequivocally in advance, the RC notified the GSB of this concern, reserving the right to re-analyse indicators in the event that any doubts as to their continued adequacy remained.

Finally, the RC drew up its work plan for 2011. Part of that work is made up of what can be considered routine activities, namely drawing up the document on the remuneration policy to be presented to the GM and gathering the data on and calculating the variable component of the EBD members’ remuneration. In addition to this, given that 2011 will be the current Committee’s last year in office, and it is not obvious that its members will be returned in office, the work plan includes drawing up a critical analysis of the work carried out that can serve as a means of ensuring a seamless transition to the new committee.

One should also note that in December, for reasons explained to the GSB, Mr. Vasco de Mello resigned from the GSB and, accordingly, from the RC and was replaced by Mr. José Maria Ricciardi in early 2011.

3. EVALUATION OF THE WORK CARRIED OUT

For the purpose of achieving an evaluation of the work carried out by the Committee, its three members individually answered a short questionnaire. This resulted in a unanimous opinion, with the following aspects being classified as very positive: i) organisation of meetings; ii) overall work of the RC; iii) execution of the RC work plan; iv) preparation of the matters dealt with the RC; v) the availability of the RC members for the work to be carried out and productivity of meetings. The RC members did not sense any restrictions to their work and considered the composition of the committee to be adequate.

Generally speaking, while it cannot be considered perfect, the RC members were of the opinion that their work had met the standards required by a company such as EDP. For 2011 they expect to overcome minor problems so as to be able to ensure a seamless transition to the committee to be appointed in 2012.



Alberto João Coraceiro de Castro
Chairman of the Remuneration Committee

Lisbon, 3 March 2011

CORPORATE GOVERNANCE AND SUSTAINABILITY
COMMITTEE ANNUAL REPORT

1. MEETINGS

Name	%	1 Jun	4 Nov	24 Nov
António de Almeida	100.0	P	P	P
António João Coraceiro de Castro	66.7	P	P	A
António Sarmento Gomes da Mota	33.3	A	A	P
Diogo Campos Barradas de Lacerda Machado	66.7	A	P	P
José Manuel dos Santos Fernandes	100.0	P	P	P
José Maria Brandão de Brito	100.0	P	P	P
José Maria Espírito Santo Silva Ricciardi	0.0	A	A	A
Mohamed Ali Al Fahim ⁽¹⁾	100.0	P	R	P
Ricardo José Minotti da Cruz Filipe	33.3	P	A	A
P&R vs Total		6/9	6/9	6/9
%	66.67	66.67	66.67	66.67

P = Attended A = Did not attend R = Represented

Total of meetings: 3
Average attendance: 66,7%

(1) Designated Member on May 6th, 2010.

2. ACTIVITIES

Despite the reduced number of meetings, the CGSC was able to achieve the goals that had been set for 10 initiatives from a total of 16. Among the initiatives completed:

- **Corporate governance guidelines applicable to EDP**, which culminated in the adoption of the EDP’s Corporate Governance Manual by the GSB and the EBD.
- **Quarterly Accounts detailed analysis**, whose methodology has been tested and successfully implemented, representing a remarkably positive development in the treatment of EDP’s financial information.
- **EDP’s Debt monitoring**, activity that has become particularly important in the present macroeconomic framework.
- **Conflicts of interest**, which is a field in which the EDP continues to distinguish in terms of corporate governance practices. The GSBS promoted also the review of the applicable rules on this matter.

Among the initiatives not addressed by the CGSC in 2010, mainly by virtue of the reduced number of meetings, the following deserve special attention:

- **Investment projects** – This is a fundamental aspect of the CGSC activity, in terms of preparing the GSB opinion’s on

investment projects and monitoring their execution. In 2011, it is justified that, at least at one meeting, the CGSC discussed this issued and analyze the current status of the implementation of the major investment projects approved by the GSB.

- **Social and environmental responsibility** – This area, for various reasons, has not had the proper treatment by the Committee. In 2011, a significant effort will be made to bridge this gap.
- **Internal codes of ethics and conduct** – During the first mandate, it was possible to launch some initiatives in this area, but they ended up not having the desired continuity. It is important that, during 2011, the CGSC reflect on ways to ensure effective involvement of the GSB in this domain.

Finally, there were two initiatives not foreseen in the 2010 Activity Plan, but that were discussed in the CGSC meetings:

- **Highlights of the EDP Business Plan 2010-2012** – After the GSB’s opinion, the CGSC developed a detailed examination of the options set on the business plan, which allowed a comprehensive view of EDP’s objectives for the period, marked by demanding challenges in terms of value creation.
- **Pending Litigation** – Although it has not taken any formal process, it has been launched the discussion on possible alternative ways to monitor this issue, evaluating legal risk in terms of EDP’s sustainability and image.

3. EVALUATION OF THE WORK CARRIED OUT

For the second year, the CGSC has developed a self-assessment process based on a questionnaire that was filled by its members in order to provide qualitative evidence for the conclusions reached on its activity.

Based on the responses obtained from the questionnaire, the CGSC registered:

- Items classified as “Excellent”: i) Organisation of meetings; ii) Quality of information provided by the GSB Staff.
- Items classified as “Very Good”: i) CGSC global activity; ii) Execution of CGSC Activity Plan for 2010; iii) Preparation of the themes discussed at the CGSC meetings; iv) Quality of the information made available to the CGSC by the EBD; v) Availability of the Members for the CGSC activities; vi) Productivity of the CGSC meetings.

Also based on the answers to the questionnaire, the CGSC registered that:

- The number of CGSC Members is adequate for the Committee duties ;
- The work of CGSC been properly planned;
- The CGSC identified and requested information to the proper performance of its duties;
- The deliberative processes were properly structured and decisions were prepared adequately;
- The CGSC activity contribute positively for the activity developed by the EBD;
- There is no need to introduce amendments to the CGSC internal rules;
- No obstacles were identified that could materially limit or restrict the exercise of the powers by the Committee.

Overall, the CGSC had a positive performance in 2010. It was possible to identify aspects that will be improved to ensure greater effectiveness and efficiency of the CGSC in the exercise of its duties.



António de Almeida

Chairman of the Corporate Governance and Sustainability Committee

Lisbon, 3 March 2011

ACRONYMS AND ABBREVIATIONS

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

BCP - Banco Comercial Português, S.A.

BES - Banco Espírito Santo, S.A.

Cajastur - Caja de Ahorros de Asturias

CC - Company Code

CEBD - Chairman of the Executive Board of Directors

CGSB - Chairman of the GSB

CGSC - Corporate Governance and Sustainability Committee

CMVM - Portuguese Securities Market Commission

EA - External Auditor

EBD - Executive Board of Directors

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

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

EDP R - EDP Renováveis, S.A.

EDP SU - EDP Serviço Universal, S.A.

FC - Financial Committee/Audit Committee

GM - General Meeting of Shareholders

GSB - General and Supervisory Board

GSBSO - GSB Support Office

HC - Hidroeléctrica del Cantábrico, S.A.

IR - Internal Regulations

Naturgas - Naturgas Energía, S.A.

RC - Remuneration Committee (of the GSB)

SA - Statutory Auditor

SC - Securities Code

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

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

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

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