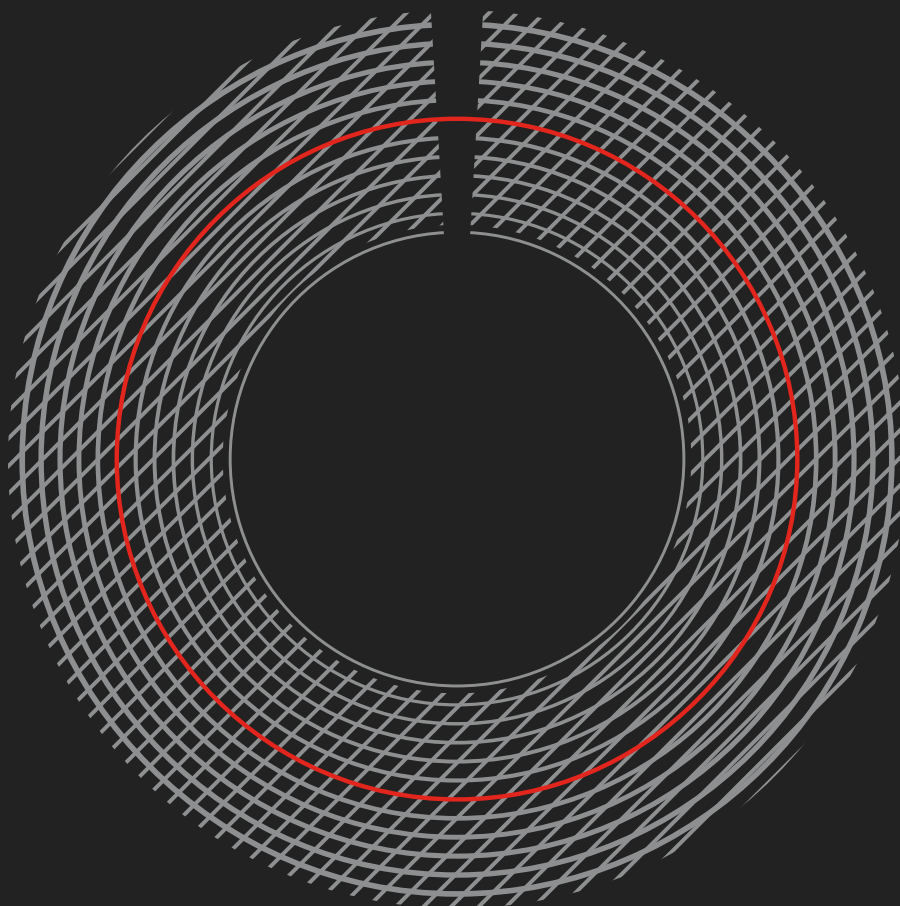


# NEVERENDING ENERGY



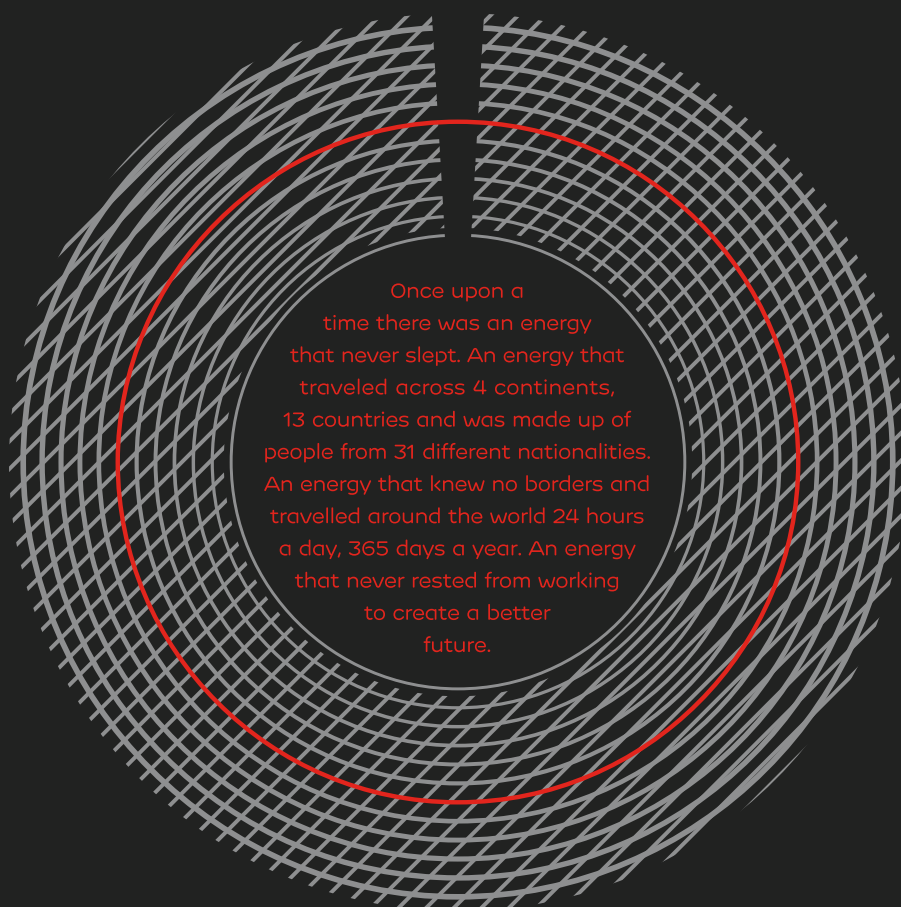
ANNUAL REPORT OF THE GENERAL  
AND SUPERVISORY BOARD

2013

*edp*



# NEVERENDING ENERGY



Once upon a  
time there was an energy  
that never slept. An energy that  
traveled across 4 continents,  
13 countries and was made up of  
people from 31 different nationalities.  
An energy that knew no borders and  
travelled around the world 24 hours  
a day, 365 days a year. An energy  
that never rested from working  
to create a better  
future.

*edp*



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> PORTUGAL  
TORRE DE BELÉM  
Coordinates:  
38°41'30.5"N 9°12'57.6"W  
Time of day: 13 PM



## MESSAGE FROM THE CHAIRMAN



Dear Shareholder,

It is a pleasure to inform the shareholders of the Annual Report of the Activity of the General and Supervisory Board (GSB) for 2013, relative to the second year of our mandate.

In general, the activity of the GSB over 2013 was aligned with the lines of action already identified in the previous year's report, according to the new operating structure defined for the plenary meetings of the GSB and the agenda of the Specialised Committees: Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee; Strategy Committee, and Competitiveness and Performance Analysis Committee.

The GSB, on which as you know the major shareholders are represented, and who are long-term partners and independent members with renowned business and academic experience, worked intensively throughout 2013, as expressed in the report which we present in detail to the shareholders.

2013 was both challenging and demanding. It was a year in which the performance of the statutory roles, the active cooperation between the GSB and the Executive Board of Directors (EBD) and the interconnection with shareholders were all further developed in depth, always with the aim of jointly seeking the best solutions for the company, in a particularly difficult climate.

EDP is a company that operates in various countries and on several continents. Its performance is therefore influenced by developments in the global and sectoral economy across multiple countries.

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The global economic recovery remained modest in 2013. Average annual growth of Gross Domestic Product (GDP) was flat compared with the previous year (average of 3,0%, against 3,1% in 2012), albeit with different paces by regions and countries.

Economic activity in the euro area in 2013 remained in negative territory, but GDP show some recovery from the previous year (-0,4% against -0,7% in 2012). The same was true for the economies of the Iberian Peninsula, where EDP has concentrated the largest relative weight of its assets (about 65%).

The process of adjustment in the Portuguese and Spanish economies continued in 2013, and a lower fall in the pace of contraction of GDP was recorded, compared to 2012. In fact, the variation of GDP in Portugal was -1,4% (-3,2% in 2012) and in Spain -1,2% (-1,6% in 2012).

The economies of Brazil and the USA, on the other hand, where EDP has subsidiaries with significant activity, continued to grow in positive territory in 2013. The GDP of the USA will have grown 1,9% in 2013 compared to 2,8% in 2012. The product growth in Brazil in 2013 was upwards (2,3% growth in 2013 compared to 1,0% in 2012), but it has shown lately some signs of stagnation and inflation risks, with predictable consequences on interest and exchange rates.

This evolution of the macroeconomic context influenced the business of EDP in two ways: consumption of electricity and gas in the main markets, and increased regulatory pressure, especially in the Iberian Peninsula and particularly in the case of Spain.

In Europe, besides the decline of consumption in the energy sector in general, albeit with some signs of recovery from the second half of 2013, there is the excess generation capacity in many countries in the electricity sector and the particular competitive disadvantage in the gas subsector (with implications for the electricity segment) created by the development in recent years of shale gas mining in the USA, which has profound repercussions on the structure of the sector.

The high price of various energy sources in the European Union is repeatedly identified as one of the competitiveness problems of the economies. The price of gas in the EU for industry, according to the data of the European Commission published on January 22, 2014, "Questions and answers on the price report", is three to four times higher than in the United States, India or Russia, 12% more expensive than in China, but similar to Brazil and lower than Japan. This explains in part, that the price of electricity for industry in the EU (before taking account of tax or levy exemptions for energy intensive industries) is, today, also according to the European Commission, more than twice those in the U.S. and Russia, and 20% higher than China's, but 20% lower than that it in Japan.

These structural facts explain the added pressure on the utilities throughout Europe, both in market activities, where the mismatch of energy-environmental policies combined with the economic crisis have led to depressed prices and trends contrary to the objectives of decarbonisation of the sector, and also in regulated activities, where governments prevent the impact of the reality of cost developments on the final price of electricity. The "artificial" solution has been to, in some countries, dampen the inevitable increases in the final price in the short-term through the establishment of tariff deficits, or through a reduction of the normal remuneration for regulated activities. Another solution has been the illegal use of retroactive changes to the defined rules, as happened in particular in the renewable sector in Spain. Moreover, in this country, it is anticipated legal disputes based on the international convention for arbitration of investment disputes between foreign investors and the host countries (International Centre for Arbitration of Investment Disputes).

A recovery trend in electricity demand was observed in the electricity sector in Portugal during 2013, as consumption grew 0,2% in 2013 compared to 2012, being more relevant in high and medium voltage consumption. The reason for this is a certain upturn of industrial activity. In Spain, and on the same basis, the evolution of consumption stood still in negative territory, -2,3% compared to the previous year. Furthermore, Brazil's electricity consumption rose about 3,5%, driven by the residential and commercial segments.

Noteworthy that, some governmental measures to water down the so-called CIEG (costs of general economic interest) were also taken, originating from policy decisions in the past. The Government obtained the understanding of the industry for deferred recovery, in this context. The surprise came from an unexpected tax measure for the various segments of the energy sector to make an extraordinary budgetary contribution, in which a large portion was allocated to EDP.

We hope that the exceptional measures are temporary, as the Government itself set, because they imply negatively with the relative competitiveness of the sector and the need to create an atmosphere of trust essential for attracting investment in the future.

The utilities in Europe have generally shown an erosion in their profitability since 2008-2009, particularly as a result of the external factors described above.

The performance of EDP has placed the company among the group of the sector with better relative performances, although showing a stabilization of the main accounting variables in recent years i.e. The gross operating profit (EBITDA) stood flat: EUR 3.617 million in 2013 (EUR 3.628 million in 2012), as well as net profit: EUR 1.005 million in 2013 (EUR 1.012 million in 2012).

The return on invested capital (ROIC) stood in 2013 at 5,4% compared with 5,5% in 2012. The return on equity (ROE) was 10,4% (10,3% in 2012), being influenced by the relatively high level of "leverage" of the company compared to the sector.

EDP shares have performed resiliently in the capital markets and total shareholder remuneration (change of share price and dividend) was the best in the industry in Europe, among the few companies with a result in positive terrain.



also marked by other important facts that the GSB adequately monitored. I highlight the following:

(i) implementation of the activities planned under the strategic partnership with China Three Gorges Corporation (CTG), in particular the sale of 49% of the shares of the Portuguese subsidiary of EDP Renováveis (EDPR) and the agreements for joint implementation of the new dam projects in Brazil: Jari (373 MW), Cachoeira Caldeirão (219 MW) and S. Manoel (700 MW), the latter was awarded in a tendering procedure held last December, also with investment by the Brazilian company Furnas, in which each partner will hold a third of the capital;

(ii) the contracting by EDPR in the USA of PPA 's (long-term power sale contracts) corresponding to the installation of 1.000 MW;

(iii) monitoring the operation of the second group (360 MW) of the coal-fired power plant of Porto de Pecém I in Brazil, where EDP - Energias do Brasil holds a 50% stake; the stabilisation of its operation has been difficult and a programme of improvement measures is still ongoing, aimed at achieving normal installed production capacity;

(iv) the continuation in Portugal of the implementation of projects to boost capacity at Venda Nova III and Salamonde II, and the works of Baixo Sabor (173 MW) and Ribeiradio - Ermidas (81 MW) expected to come into operation at the end of 2014, and Foz Tua (252 MW) to be completed in 2016;

(v) the strengthening by EDPR, besides the transaction with CTG, of the asset rotation programme through the sale of minority stakes in wind farms in the USA and France to institutional investors, contributing to the fund for new expansion projects;

(vi) continued success on the debt market through the international placement of new 7-year maturity debt emissions, amounting to EUR 1.350 million, and the sale without use of regulatory credits which reached a total of EUR 1.040 million in Portugal and approximately EUR 480 million in Spain.

(vii) the maintenance of a strong political patronage in social and cultural context, by implementing the program of activities of Fundação EDP.

The role of the GSB, through its Chairman, also consisted of ongoing monitoring with the EBD of key strategic and operational variables. In addition to the normal activities of the Plenary and Specialised Committees, as shown in the GSB report, there was additional concern in 2013 for strategic analysis of the challenges and priorities of future years, for the energy sector in general and EDP in particular. The monitoring of policy developments for a coherent redesign of the market also deserved special focus, at the EU and national level.

This is a joint work with the EBD that dovetails with the launch of the next planning cycle. This next cycle will comprise the new business plan 2014-2017, which is to be presented by the EDB during the first half of 2014, forming part of the EDP-2020 strategic vision.

The challenges of the energy sector are many on the global stage. The centre of gravity of global energy demand is changing. 90% of the 2011-2035 increase in consumption will come from emerging countries, according to the International Energy Agency (IEA). It is estimated that consumption in the electricity subsector will grow more than two thirds in that timeframe.

In terms of innovation, progress is constant across all technologies, particularly in the field of renewable energy, the distribution of generation and injection into distribution networks, the development of smart grids, and other areas that impact on the future competitiveness paradigm of the sector.

In this long-term strategic framework, EDP has considered in greater depth some issues related to the management of its portfolio of businesses, technologies and countries, in order to match the fundamental objectives of profitability, risk profile, growth options, and the level of leverage best suited to its medium and long term funding structure.

The challenges are enormous. The threats and opportunities as well. But the skills accumulated in the company in all areas provide the basis for our belief that with the continued support of its shareholders, the EDP Group will continue to be a dynamic component in the major markets where it operates, contributing to the development and internationalisation of the Portuguese economy.



Eduardo de Almeida Catroga  
Chairman of the General Supervisory Board

# 1. EDP'S GOVERNANCE MODEL

The report on corporate governance structures and practices is presented in the EDP Annual Report 2013 and in the statement of compliance with the Corporate Governance Code recommendations published by the CMVM in 2013.

It is important to set down in this document restricted to the activity of the General and Supervisory Board of EDP, how it is that this Board as a corporate body responsible for supervising and monitoring the management undertaken by the Executive Board of Directors, has developed its skills in pursuit of the ultimate goal, i.e. EDP's business interests.

It is now time to take stock, 8 years after the adoption of the two-tier system - which has been implemented in EDP since 2006 - as the third term of the General and Supervisory Board is currently in office. This assessment shall allow the positive aspects of the adopted model to be registered and also serve as a basis for conducting a strategic reflection which, consolidated on the experience of the last 8 years, allows the main challenges of the two-tier model and its implementation in EDP to be identified.

Accordingly, it should not be forgotten that 2012 was a truly sui generis year. Such resulted not only from the investment by China Three Gorges in the share capital of EDP, meaning that the company no longer had the Portuguese State as a reference shareholder, but also the increasing certainty of the existence of an uncertain macroeconomic environment.

Hence, 2012 proved to be a year in which EDP in general and the General and Supervisory Board in particular were required to set up processes that might answer the demands and needs of the new existing framework. This involved the creation of two new specialized committees of the Board: the Strategy Committee and the Performance Analysis and Competitiveness Committee, as well as maintaining a perspective of continuous improvement of existing governance practices in EDP.

2013 was a year of consolidation after the much needed adaptation to the new circumstances. Consolidation of a strategic partnership that was reaping fruit, both in terms of joint business ventures between the EDP and China Three Gorges groups, and through the leveraging of capital and liquidity. Consolidation of the organization and functioning of the General and Supervisory Board, in terms of both the plenary and the specialized committees. Consolidation in terms of maintaining a governance model that favors the adoption of best practices, above all, maximizing the synergies resulting from the division of responsibilities within the Company, without neglecting the common denominator, EDP's business interests.

This consolidation proved to be increasingly relevant as 2013 showed it was even more uncertain than the previous year. While 2012 had already embraced a difficult macroeconomic environment, last year was characterized by the existence of an adverse climate in the various countries where EDP operates, in regulatory and also tax terms.

We believe that although the macroeconomic environment remains unfavorable, the existence of a governance model in EDP that is ruled by the best governance practices with regard to issues such as shareholder structure, governing bodies and committees, internal organization, remunerations and transactions with related parties, enhances the continuous improvement of the current two-tier model in EDP. This model arms the Company with the necessary mechanisms to provide the best possible response to the challenges that the EDP group will face.

The General and Supervisory Board, and without prejudice to the legally required opinion on this matter, as per Annex 1, would like to set out and share with EDP's shareholders and other stakeholders the main conclusions of its appraisal of the adequacy of the two-tier governance model in force in EDP, regarding 2013:

- It ensures that the division of responsibilities between the different corporate bodies - management, supervision and auditing of accounts - is beneficial.
- It is equipped with a high degree of flexibility, which ensures that the synergies resulting from the mentioned division are maximized.
- It is appropriate to the corporate organizational context of EDP, ensuring prudent stability between the necessary amplitude of management powers and effectiveness of the supervision and monitoring of the Company's activity.
- It is demonstrative of the existence of a functional relationship between the General and Supervisory Board and the Executive Board of Directors, with a clearly positive balance, whether concerning the topics covered or as to how they are conducted, although the ambition of continuous improvement remains ever present.
- It promotes higher levels of quality of the governance practices, optimizing the advantages of the governance model in force with regards to the mechanisms of access to information by the General and Supervisory Board, the greater exercise of the duties of the General and Supervisory Board in relation to subsidiaries, and the involvement of the General and Supervisory Board in relation to subsidiaries, and the involvement of the General and Supervisory Board in the preparation phases of multi-year management documents.

## 2. GENERAL AND SUPERVISORY BOARD



### 2.1. MEMBERSHIP

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

On 20 February 2012, the General Meeting elected 23 members of the General and Supervisory Board for the 2012-2014 term of office, 12 of which independent.

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

In 2013, Carlos Jorge Ramalho dos Santos Ferreira resigned from the post of member of the General and Supervisory Board, taking effect from 30 April 2013.

Thus, in the EDP General Meeting of 6 May 2013 two new members of the General and Supervisory Board were elected, Professor Augusto Carlos Serra Ventura Mateus and Nuno Manuel da Silva Amado. The General and Supervisory Board currently consist of 23 members, as indicated below:



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

\* Elected Chairman of the CGSC on 9th May 2013

The specialised committees of the General and Supervisory Board are exclusively composed of members of the General and Supervisory Board.

The EDP Annual Report 2013 contains a short curriculum vitae of each member of the General and Supervisory Board, indicating their professional qualifications and posts held over at least the last five years, including posts held in other companies.

Pursuant to law and regulations, the EDP Annual Report 2013 also provides information on the ownership, by the members of the General and Supervisory Board, of shares and other financial instruments related to EDP.

### 2.1.1. RULES ON INCOMPATIBILITIES AND INDEPENDENCE

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

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

This procedure includes the following elements:

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

Immediately after acceptance of their election, the members of the General and Supervisory Board signed a statement attesting to the fact that there were no incompatibilities and, where appropriate, verifying their independence. This statement was renewed at the start of 2013 and at the start of 2014, where necessary.

Therefore, under the internal procedures established for the purpose, the General and Supervisory Board states that based on the information gathered for the purpose and the appraisal conducted at its meeting of 27 February 2014, no situations were found of:

- Incompatibilities regarding its members.
- Liable to affect the independence of the members identified as such.

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

## 2.2. ROLES

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

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

- The role of supervising the activities of the Executive Board of Directors should be understood in the broadest sense, with shareholders requiring that this be performed on a permanent basis pursuant to Article



22(1)(a) of the Articles of Association, thereby ensuring that all of EDP's shareholders and stakeholders are adequately protected.

- The monitoring of directors' activity is not limited to EDP, but also covers all subsidiaries. However, given the large number and different sizes of these companies, the General and Supervisory Board has decided to focus especially on the following:
  - EDP Renováveis, S.A.
  - EDP – Gestão da Produção de Energia, S.A.
  - EDP Distribuição – Energia, S.A.
  - EDP Comercial – Comercialização de Energia, S.A.
  - EDP Gás, SGPS, S.A.
  - EDP Energias do Brasil, S. A.
  - Hidroeléctrica del Cantábrico, S.A.
  - Naturgas Energía Grupo, S. A.
- All materially relevant operations are systematically scrutinized by the General and Supervisory Board, by means of the prior opinion process, including acquisitions, financing, investments or transactions of particular strategic significance.
- The clarification of matters that by their nature may have implications on EDP's image.

## 2.3. ORGANISATION AND FUNCTIONING

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

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

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

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

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

The Articles of Association confer to the Chairman of the General and Supervisory Board the right to attend the Executive Board of Directors meetings, without voting rights. Similar prerogative is conceded to the Chairman of the Executive Board of Directors, whose presence at the General and Supervisory Board meetings is foreseen in EDP's Articles of Association.

## 2.4. SPECIALISED COMMITTEES

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

The Audit Committee and Remuneration Committee were set up as required by law and the Articles of Association. On the initiative of the General and Supervisory Board, the Corporate Governance and Sustainability

Committee was created in 2006 and, in 2012, the Strategy Committee and the Performance Analysis and Competitiveness Committee were also created.

The General and Supervisory Board, through its Chairman, permanently oversee the work of its committees, which have to regularly report to the GSB on their activities.

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

Following the Extraordinary General Meeting held on 20 February 2012 and due to the need to define the members that would integrate specialized committees envisaged in law, the composition of the Audit Committee and of the Remuneration Committee was defined at the meeting of the General and Supervisory Board dated 21 February 2012.

Subsequently, and after reflection on the functioning of the General and Supervisory Board and its Committees, the Board considered it needed to restructure its specialized committees, which it did on 18 April 2012, with the creation of the Strategy Committee and the Performance Analysis and Competitiveness Committee.

The mission of each of the specialized committees of the General and Supervisory Board and their membership is described below.

## 2.4.1. AUDIT COMMITTEE

### MISSION

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

### MEMBERSHIP

On 21 February 2012, the General and Supervisory Board established the Audit Committee for the 2012-2014 term and appointed as its Chairman the Chairman of the General and Supervisory Board, considering the provisions of Article 23(3) of the EDP Articles of Association. The members of the Audit Committee since 18 April 2012 are:

Member	Position	Independent	Date of 1st appointment	Date of reappointment
Eduardo de Almeida Catroga	Chairman	Yes	21.02.2012	n.a.
Vitor Fernando da Conceição Gonçalves	Vice-Chairman	Yes	13.07.2006	21.02.2012 07.05.2009
António Sarmento Gomes Mota	Member	Yes	07.05.2009	21.02.2012
Manuel Fernando de Macedo Alves Monteiro	Member	Yes	13.07.2006	21.02.2012 07.05.2009
Maria Celeste Ferreira Lopes Cardona	Member	Yes	18.04.2012	n.a.

## 2.4.2. REMUNERATION COMMITTEE

### MISSION

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

### MEMBERSHIP

The General and Supervisory Board established the Remuneration Committee for the 2012-2014 term on 21 February 2012. The members of the Remuneration Committee since 22 May 2012 are:

Member	Position	Independent	Date of 1st appointment	Date of reappointment
Alberto João Coraceiro de Castro	Chairman	Yes	13.07.2006	21.02.2012 07.05.2009
Ilídio da Costa Leite de Pinho	Member	Yes	22.05.2012	n.a.
José Maria Espírito Santo Silva Ricciardi	Member	No	27.11.2011	22.05.2012 21.02.2012
Guojun Lu	Member	No	11.05.2012	n.a.
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Member	Yes	18.04.2012	n.a.

### 2.4.3. CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

#### MISSION

The Corporate Governance and Sustainability Committee is a specialized committee with responsibility for matters relating to:

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

#### MEMBERSHIP

The General and Supervisory Board established the Corporate Governance and Sustainability Committee for the 2012-2014 term on 18 April 2012.

Member	Position	Independent	Date of 1st appointment	Date of reappointment
Carlos Jorge Ramalho dos Santos Ferreira	Chairman	No	18.04.2012	n.a.
Ilídio da Costa Leite de Pinho	Member	Yes	18.04.2012	n.a.
Manuel Fernando de Macedo Alves Monteiro	Member/Chairman	Yes	18.04.2012	n.a.
Maria Celeste Ferreira Lopes Cardona	Member	Yes	18.04.2012	n.a.
Shengliang Wu	Member	No	11.05.2012	n.a.
Vasco Joaquim Rocha Vieira	Member	Yes	18.04.2012	n.a.

In the meantime, given the resignation as member of the General and Supervisory Board by Carlos Jorge Ramalho dos Santos Ferreira with effect from 30 April 2013, at the meeting of the General and Supervisory Board of 9 May 2013, this Board decided to appoint Manuel Fernando de Macedo Alves Monteiro as Chairman of the Corporate Governance and Sustainability Committee. The members of the Corporate Governance and Sustainability Committee are currently:

Member	Position	Independent	Date of 1st appointment	Date of reappointment
Manuel Fernando de Macedo Alves Monteiro	Chairman	Yes	18.04.2012	n.a.
Ilídio da Costa Leite de Pinho	Member	Yes	18.04.2012	n.a.
Maria Celeste Ferreira Lopes Cardona	Member	Yes	18.04.2012	n.a.
Shengliang Wu	Member	No	11.05.2012	n.a.
Vasco Joaquim Rocha Vieira	Member	Yes	18.04.2012	n.a.

## 2.4.4. STRATEGY COMMITTEE

### MISSION

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

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

### MEMBERSHIP

The General and Supervisory Board created the Strategy Committee on 18 April 2012, appointing the following members for the 2012-2014 period:

Member	Position	Independent	Date of 1st appointment	Date of reappointment
Eduardo de Almeida Catroga	Chairman	Yes	18.04.2012	n.a.
Dingming Zhang	Vice-Chairman	No	11.05.2012	n.a.
Felipe Fernández Fernández	Member	No	18.04.2012	n.a.
Harkat Abderezak	Member	No	18.04.2012	n.a.
Jorge Braga de Macedo	Member	Yes	18.04.2012	n.a.
José Maria Espírito Santo Silva Ricciardi	Member	No	18.04.2012	n.a.
Mohamed Ali Al-Fahim	Member	No	18.04.2012	n.a.

On the election, at EDP's General Shareholders Meeting of 6 May 2013, of Augusto Carlos Serra Ventura Mateus and Nuno Manuel da Silva Amado, the General and Supervisory Board considered it appropriate to restructure the composition of the Strategy Committee. The members of this Committee from 9 May 2013 are the following:

Member	Position	Independent	Date of 1st appointment	Date of reappointment
Eduardo de Almeida Catroga	Chairman	Yes	18.04.2012	n.a.
Dingming Zhang	Vice-Chairman	No	11.05.2012	n.a.
Augusto Carlos Serra Ventura Mateus	Member	Yes	09.05.2013	n.a.
Felipe Fernández Fernández	Member	No	18.04.2012	n.a.
Harkat Abderezak	Member	No	18.04.2012	n.a.
Jorge Braga de Macedo	Member	Yes	18.04.2012	n.a.
José Maria Espírito Santo Silva Ricciardi	Member	No	18.04.2012	n.a.
Mohamed Ali Al-Fahim	Member	No	18.04.2012	n.a.
Nuno Manuel da Silva Amado	Member	No	09.05.2013	n.a.
Shengliang Wu	Member	No	09.05.2013	n.a.

## 2.4.5. PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

## MISSION

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

- Analyze the business performance of the Company
- Benchmarking the Company's business performance compared to the industry's top companies
- Assessing the competitiveness of the business portfolio of EDP.

## MEMBERSHIP

The General and Supervisory Board created the Performance Analysis and Competitiveness Committee on 18 April 2012, appointing the following members for the 2012-2014 period:

Member	Position	Independent	Date of 1st appointment	Date of reappointment
Luis Filipe da Conceição Pereira	Chairman	No	18.04.2012	n.a.
Ya Yang	Vice-Chairman	No	11.05.2012	n.a.
Alberto João Coraceiro de Castro	Member	Yes	18.04.2012	n.a.
António Sarmento Gomes Mota	Member	Yes	18.04.2012	n.a.
Fernando Masaveu Herrero	Member	No	18.04.2012	n.a.

On the election, at EDP's General Shareholders Meeting of 6 May 2013, of Augusto Carlos Serra Ventura Mateus and Nuno Manuel da Silva Amado, the General and Supervisory Board considered it appropriate to restructure the composition of the Performance Analysis and Competitiveness Committee. The members of this Committee from 9 May 2013 are the following:

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



### 3. ACTIVITIES OF THE GENERAL AND SUPERVISORY BOARD

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

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

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

In 2013, the General and Supervisory Board's activities were based on the annual activities plan and respective budget, documents that were approved at the 6 November 2012 meeting.

The General and Supervisory Board's plan of activities for 2013 was designed to steer the activity of this Board in order to maximize its resources and the availability of its members, focused on two basic types of initiative:

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

The exercise of the referred duties requires that the General and Supervisory Board, directly or through its Chairman, its specialized committees and Support Office, makes the means available to monitor the functioning of the corporate structures and the most relevant activities of the EDP Group's life and it has reasonable and updated overall knowledge of the reality of the Group and of the markets in which it operates.

The result of the direct or indirect action is manifested in the adoption of certain documents, the issue of prior opinions or making recommendations, decided in meetings and based on documents specifically prepared for this purpose.

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

- Routine: Primarily oriented to compliance with duties of a decision-making nature, such as those related to the issue of prior opinions, and non-decision making nature, such as the monitoring of specific issues in the areas of corporate governance or performance of group companies.
- Non-routine: Mainly aimed at improving the knowledge of members of the General and Supervisory Board about the reality of the Group, the markets in which it operates and its activities.

The main routine and decision-making activities are those related to:

- The annual and quarterly accounts and reports;
- The preparation of the 2013 General Meeting;
- The preparation and approval of the EDP budget for 2014;
- The issuance of prior opinions.

The main routine non-decision making activities are those related to monitoring:

- Controlled companies, by monitoring the weekly meetings of the Executive Board of Directors and periodically reporting on the institutional activity of the Chairman of the General and Supervisory Board and the Committees;
- The implementation of activities requiring a prior opinion, in the area of strategic partnerships, investments, debt and financing or others that may prove relevant;
- The development of the regulatory framework in the countries where the Group operates.

Some of the highlights of the non-routine activities in 2013 are the workshops:

- 1st Workshop – “Global forces at work in the energy sector”
- 2nd Workshop – “Technological trends and global business opportunities”
- 3rd Workshop – “Strategic questions for EDP 2020”

The conference by António Costa Silva on 25 July 2013, with the title “A vision of the energy markets: essential features and strategic changes”, was a stand-out event of the initiatives promoted by the General and Supervisory Board.

This conference, fully contextualized in the business of the EDP Group, encompassed relevant issues such as: (i) the structural and strategic changes in energy markets, (ii) a change of paradigm in the energy sector and its consequences, (iii) demand for solutions that address economic, demographic and climate changes, (iv) the role of technology and (v) energy companies in the future.

Regarding the General and Supervisory Board Budget for 2013, which was approved on 6 November 2013, you may find information on its execution in section 3.6.

In previous annual reports, the General and Supervisory Board has highlighted some matters that warranted its particular attention and that have relevant material specificities, which are given special focus in this report. Accordingly, the activity of the General and Supervisory Board on the following accompanied matters is highlighted:

- Conflicts of interest
- Developments of the strategic partnership with China Three Gorges
- Consultation for the Provision of Statutory Audit and External Audit Services to the EDP Group for the 2014-2016 period
- Regulatory framework in Portugal, Spain and Brazil
- Tax framework of the Electricity System in Portugal
- Long term power sale and purchase agreements (1 000 MW) entered by EDP Renováveis regarding new projects
- EDP Renováveis asset rotation program in the USA and France
- Functioning of Pecém I Thermal Plant, in Brazil
- Execution of hydric projects in Portugal (Venda Nova III, Salamonde II, Baixo Sabor, Ribeiradio – Ermida and Foz Tua) and in Brazil (Jari and Cachoeira Caldeirão)
- Placement of new debt issuances on the national and international markets and sale of regulatory assets

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

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NEVERENDING ENERGY

### 3.1. PERMANENT ACTIVITY

The General and Supervisory Board's permanent activity in 2013, according to the Articles of Association, was assured by its Chairman, who performed his role in full-time and was assisted by the General and Supervisory Board Support Office.

Pursuant to the rules of procedure of the General and Supervisory Board, the Chairman shall:

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

One of the Chairman of the General and Supervisory Board's most important duties is to institutionally represent this body. This involves the following tasks:

- Monitor the weekly meetings of the Executive Board of Directors. The mechanism of advance provision of the agenda and supporting documentation to the Chairman of the General and Supervisory Board has been established, as well as the minutes of such meetings. In terms of provision of information, the existence of a "portal" for sharing information between the Executive Board of Directors and the General and Supervisory Board, accessible to all members of such bodies, also needs to be mentioned.

- Permanent contacts with the Chairman of the Executive Board of Directors.
- Obtaining and handling information on management policy, business performance and economic operations that are materially relevant to EDP and its subsidiaries.
- Participating in events of EDP's institutional life.

In the field of internal work of the General and Supervisory Board, the Chairman coordinated the activities undertaken through:

- Accompaniment and advice for meetings of committees on which he does not sit.
- Processing of information from the Executive Board of Directors and other sources.
- Management of prior opinion processes, as described in section 3.3.

In addition to the normal activities resulting from its statutory powers, the Chairman of the General and Supervisory Board has continued to develop a diverse set of initiatives to better understand the challenges of the different business units and motivate their operational teams. The Chairman of the General and Supervisory Board, with this in mind, held meetings and paid regular visits to the organizational units of the EDP Group and some of the key technical infrastructure in 2013. This effort is being conducted in Portugal, but also in other geographical areas where EDP is present. It will continue in 2014.

### 3.2. PLENARY MEETINGS

In 2013, the General and Supervisory Board held 8 plenary meetings. The attendance rate among the members is to be highlighted (78%).

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

No.	DATE	PLACE	MAIN TOPICS
1.	24 Jan.	Lisbon	<ul style="list-style-type: none"> <li>&gt; Information on the Iberian energy market (MIBEL and MIBGÁS)</li> <li>&gt; EDP strategy for the various solar power segments</li> </ul>
2.	05 Mar.	Lisbon	<ul style="list-style-type: none"> <li>&gt; EDP Annual Report and Accounts - 2012</li> <li>&gt; GSB Annual Report 2012</li> <li>&gt; Regulatory changes in Spain</li> </ul>
3.	10 Apr.	Lisbon	<ul style="list-style-type: none"> <li>&gt; Progress report of completed and ongoing investments</li> <li>&gt; Options in relation to the deleveraging objectives established in the 2012-15 Business Plan</li> <li>&gt; Progress report of the EDP-CTG strategic partnership</li> <li>&gt; Hiring the external auditor for 2013</li> </ul>
4.	09 May	Lisbon	<ul style="list-style-type: none"> <li>&gt; Report and Accounts, First Quarter 2013</li> <li>&gt; Key aspects of the National Electricity System</li> <li>&gt; Bonds issue in the US market</li> <li>&gt; Tariff deficit: Assignment of Credits</li> </ul>
5.	25 Jul.	Lisbon	<ul style="list-style-type: none"> <li>&gt; Report and Accounts, First Half 2013</li> <li>&gt; Arbuckle Wind Farm, Headwaters, Waverly and Rising Tree projects</li> <li>&gt; Current regulatory framework situation</li> </ul>
6.	10 Oct.	Lisbon	<ul style="list-style-type: none"> <li>&gt; Taxation of the Electricity Sector</li> <li>&gt; Complaint submitted to the European Commission about possible state aid</li> </ul>
7.	31 Oct.	Lisbon	<ul style="list-style-type: none"> <li>&gt; Report and Accounts, Third Quarter 2013</li> <li>&gt; Regulatory Agenda in Portugal, Spain and Brazil</li> <li>&gt; Selection of the Statutory Auditor and the External Auditor for the 2014-2016 period</li> <li>&gt; EDP Code of Ethics</li> <li>&gt; EDP Business Plan 2012-2015: review of CAPEX</li> </ul>
8.	19 Dec.	Lisbon	<ul style="list-style-type: none"> <li>&gt; EDP's Budget for 2014</li> <li>&gt; EDP/CTG strategic partnership</li> <li>&gt; Exercise of the Put Option of Liberbank relative to Hidrocontábrico</li> <li>&gt; Assignment of credit (portion relative to CMEC 2011 corrections; PRE extra costs)</li> <li>&gt; Eurobond issue</li> <li>&gt; Contextualisation of off-shore wind business in the EDP Group Business Plan</li> </ul>

### 3.3. PRIOR OPINIONS

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

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

- The approval of the Company's Strategic Plan;
- The performance of the following operations by the Company or controlled companies:
  - Acquisitions and sales of assets, rights or shareholdings of significant economic value;
  - Contracting financing operations of significant value
  - The opening and closure of establishments, or important parts thereof, and important increases or reductions in activity;
  - Other transactions or operations of significant economic or strategic value;
  - The commencement or termination of strategic partnerships or other forms of lasting cooperation;
  - Plans for divisions, mergers or transformations;
  - Alterations to the Articles of Association, including moving the registered office and increasing the share capital, if on the initiative of the Executive Board of Directors.

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

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

In 2013, the General and Supervisory Board intervened in 24 operations, some of which involved issuing a prior opinion at meetings and others the waiving of a prior opinion by the General and Supervisory Board Chairman.



### 3.3.1. PRIOR OPINIONS AT MEETINGS

In 2013, the General and Supervisory Board was called on to issue prior opinions 13 times and all requests were approved:

Date	Subject
09 May	Bonds issue in the US market (EDP/EDP BV)
09 May	Assignment of the Deficit of PRE Extra Costs (EDP SU)
09 May	Tariff Deficit: assignment of credits (EDP SU)
25 Jul.	Arbuckle Wind Farm investment project (EDP R)
31 Oct.	Memorandum of Understanding between EDP and Masdar (EDP)
31 Oct.	EDP Business Plan 2012-2015: Review of CAPEX (EDP)
19 Dec.	EDP Budget for 2014 (EDP)
19 Dec.	Labelec/SIDRI Memorandum of Understanding (Labelec)
19 Dec.	Exercise of the Put Option of Liberbank relative to HC (EDP)
19 Dec.	Investment in Project Number 9 (EDP R)
19 Dec.	Assignment of credits portion of CMEC 2011 correction (EDIS)
19 Dec.	Assignment of credits relative to PRE extra costs (EDP SU)
19 Dec.	Private placement € 200M (EDP BV)

### Value of operations \*

Max. Value (EUR million)	740
Average Value (EUR million)	308

\* Only includes quantifiable operations

### 3.3.2. WAIVING OF PRIOR OPINION

In 2013, the Executive Board of Directors asked for a prior opinion to be waived on 11 occasions. The requests for waiving the prior opinion were granted by the General and Supervisory Board Chairman, after checking the respective procedures:

Date	Subject
24 Apr.	Assignment of the deficit of PRE extra costs (EDP SU)
03 May	MoU between EDP and CTG: partnership in Brazil (EDP B)
03 May	Addendum to the MoU between EDP and CTG (EDP)
04 June	Headwaters investment project (EDP R)
11 Jul.	Waverly and Rising Tree investment projects (EDP R)
02 Oct.	Rising Tree South investment project (EDP R)
12 Nov.	Eurobond issue (EDP BV))
05 Dec.	ENEOP MoU and FA developments (EDP R)
05 Dec.	EDP/CTG Partnership – Activity in Brazil (EDP B)
12 Dec.	EDP Brasil bids in A5 auction (EDP B)
12 Dec.	EDP Renováveis Brasil bids in A5 auction (EDP R)



**Value of operations \***

Max. Value (EUR million)	600
Average Value (EUR million)	247

\* Only includes quantifiable operations

### 3.4. REPORTS OF THE WORK OF THE SPECIALISED COMMITTEES

Pursuant to their internal rules, the activity of the specialized committees is monitored by the General and Supervisory Board Chairman and the committees have to provide information to the General and Supervisory Board about their work every six months.

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

### 3.5. SPECIFIC TOPICS OF THE WORK OF THE GENERAL AND SUPERVISORY BOARD

#### 3.5.1. CONFLICTS OF INTEREST

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

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

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

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

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

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

Pursuant to the rules applicable to EDP in matters of relevant transactions between related parties, the General and Supervisory Board examined the 24 cases submitted to it by the Executive Board of Directors during 2013 under section 4.1 of the Rules and it concluded that no cases were detected during the year relating to:

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

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

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

**3.5.1.3. SIGNIFICANT BUSINESS RELATIONSHIPS BETWEEN OWNERS OF QUALIFYING HOLDINGS AND THE COMPANY**

In the course of its activity and irrespective of their relevance, EDP concludes deals and performs operations under normal market conditions for similar operations with different entities, particularly with financial institutions, including owners of qualifying holdings in EDP's share capital and companies related to them.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation came into effect in December 2011, this company (and three other group companies) took a place on EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price global of 368 million euros to a CTG Group company (CITIC CWEI Renewables S.C.A.), a 49% shareholding in EDP Renováveis Portugal and 25% of the loan capital and supplementary capital contributions paid to this company and additional contributions under the rules of additional contributions to this company.

Also under this partnership, on 6 December, 2013 EDP Energias do Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), a subsidiary owned 100% by China Three Gorges, setting out the main guidelines of the partnership with a view to future joint investments between EDP Energias do Brasil and which governs the parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 000 million euros to be made by CTG by 2015 (including joint operating investment financing) in ready-to-build operational renewable energy generation projects.

During 2013, and in addition to financial intermediation services rendered by BCP, were sell to this Bank: i) credits in the nominal value of 149 587 500 euros, related to 2012 tariff deficit and ii) credits in the nominal value of 149 824 737 euros, associated to the right of recovering annual adjustment value, referent to 2011, of the compensation due for the anticipated term of energy acquisition contracts (tariff adjustments to CMEC).

To Sonatrach, in 2013, was acquired natural gas within the scope of the long-term supply contracts to EDP Group and to the Soto 4 combined cycle plant, in the amount of USD 325 778 484,73.

At last, it was acquired to Liberbank a participation of 3% of Hidroeléctrica del Cantábrico, SA share capital, in the amount of 106 million euros, subsequently to the exercise of a put option agreed with the referred Spanish institution in 2004.

**3.5.2. DEVELOPMENTS OF THE STRATEGIC PARTNERSHIP WITH CHINA THREE GORGES**

2012 was marked by a profound change in the shareholder structure of EDP. Accordingly, EDP and China Three Gorges formalized a strategic partnership in December 2011, which came into effect on 11 May 2012. The aim of this partnership is joint cooperation in achieving synergies and value creation for both parties. The main goals of this partnership were (i) leverage capital and liquidity for the EDP Group, (ii) explore new investment opportunities and (iii) share capabilities and explore access to technologies.

The most visible results of that partnership were, still in 2012, the agreement on the sale to a company of the China Three Gorges Group of a minority shareholding in EDP Renováveis Portugal, as well as financing of 1 000 million euros granted by the China Development Bank to EDP, in which China Three Gorges took a leading role in the negotiations. This is the first ever loan by China Development Bank to a non-Chinese company.

In 2013, and following the successful work carried out by teams of EDP and China Three Gorges, and as referred on 3.5.1.3., many projects were jointly analyzed by those entities and this work resulted in the signing, with CWE Investment Corporation ("CWEI"), a subsidiary totally controlled by CTG, of a Memorandum of Understanding that establishes the main orientations of the partnership aiming future co-investments between EDP Energias do Brasil and CWEI and rules the participation of the involving parties on the joint projects in Brazil.

More than two years have passed since the formalization of the above identified strategic partnership, and now following an initial assessment of it, there is a mutual trust in relation to compliance with all that has been agreed between the parties to the Framework Agreement. Transactions in Portugal and Brazil have already been entered into, as described above, and others in the international markets in general are under study.

### 3.5.3. CONSULTATION FOR THE PROVISION OF STATUTORY AUDIT AND EXTERNAL AUDIT SERVICES TO THE EDP GROUP FOR THE 2014-2016 PERIOD

Although the General and Supervisory Board decided in December 2010 to holding a tendering procedure for the selection of the Statutory Auditor and External Auditor of EDP at the start of the fourth quarter of 2011, for a term of three years, the third and fourth quarters of 2011 were marked by the eighth stage of privatization of EDP, which led to a significant change in the shareholder structure of EDP. It was commonly accepted that the composition of the governing bodies of EDP for the 2012-2014 period would take into account the conclusion of the referred process.

It was also decided that the members of the General and Supervisory Board appointed by China Three Gorges would only take office after the effective completion of the deal, which took place in May 2012, so it was considered appropriate to defer making a decision regarding the selection of the Statutory Auditor and hiring of the External Auditor.

Accordingly, the General and Supervisory Board decided in March 2012 to (i) select KPMG for the submission of a proposal to the Annual General Meeting of EDP as Statutory Auditor for the 2012-2014 period and (ii) hire KPMG as the External Auditor of EDP in 2012. This proposal was approved at the EDP General Meeting of 17 April 2012, and KPMG was elected the Statutory Auditor of EDP for the 2012-2014 period.

In April 2013, the General and Supervisory Board decided to adopt a solution of continuity, approving the hiring of KPMG for External Auditor of EDP during that year, owing to the need for the General and Supervisory Board in office to obtain greater knowledge of the business activity, performance and independence of the referred entity. Therefore, only in the course of 2013 was the work for selecting the Statutory Auditor and hiring the External Auditor of EDP for the 2014-2016 period resumed. The Board delegated in the Audit Committee the monitoring and structuring of this topic.

In this sense, the Audit Committee prepared a consultation and selection procedure in which it invited the Big Four (Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers) to submit a bid for the provision of statutory audit and external audit services for the EDP Group for the 2014-2016 period, which includes the services of (i) Statutory Audit and Audit Certification, (ii) Assessment of the Internal Financial Reporting Control System (SCIRF) and (iii) Assessment of the Sustainability Data.

The bids submitted as a result of this market consultation underwent thorough analysis by the Audit Committee, which relied on the cooperation of the Executive Board of Directors and the departments of the Corporate Centre, as well as the other Audit Committees of subsidiary companies. It ended with the proposal by this Committee to the General and Supervisory Board that KPMG & Associados SROC, S.A. be selected for the provision of the above-identified services. This proposal was approved at the meeting of the General and Supervisory Board held on 31 October 2013.

### 3.5.4. REGULATORY FRAMEWORK IN PORTUGAL, SPAIN AND BRAZIL

The topic of the regulatory framework of the electricity system not only in Portugal but also in other countries where the EDP Group operates was particularly relevant in 2013, as had already been the case in 2012. The General and Supervisory Board conducted various initiatives in connection with this matter, and we can highlight the various occasions that the Board addressed this issue in the plenary meetings.

In terms of systematization of the approach, it was focused on the various countries where the EDP Group operates and where regulatory issues take on greater importance. Therefore:

- In relation to Portugal, the measures announced by ERSE and its belief that the electricity system is sustainable constitutes an extremely positive message. It is also certain that the need to ensure the elimination of the tariff deficit by 2020 remains valid.
- In Spain, the measures that the Spanish Government has been implementing recently in the energy sector are to be highlighted, given its previously announced intention to eliminate the tariff deficit in this sector within one year; the scope of the new regulatory framework published last July is not yet fully defined, a number of variables are still not specified and need to be defined so that the exact scope of the announced measures can be defined.
- In Brazil, the major risks are the exchange rate risk associated with the volatility of the real, as well as risks related to the evolution of the spot price, the water availability rate as well as the presidential elections expected to occur in 2014.

### 3.5.5. TAX FRAMEWORK OF THE ELECTRICITY SYSTEM IN PORTUGAL

In the context of constraints imposed on Portugal, given the economic adjustment programme agreed with the Troika, 2013 was marked by several events with direct influence on the energy sector.

In the second half of 2013, a news item was published that the Portuguese Government was going to create a levy on the electricity production sector generating additional revenue for the State of about at least EUR 100 million. The General and Supervisory Board, given the importance of the issue, began to permanently monitor this topic and it convened an extraordinary plenary meeting to discuss it.

The announced measure, in different molds, would be included in the proposed State budget sent to parliament - the creation of a new tax to be levied over the entire energy sector in 2014. The Government intends with this measure to obtain EUR 150 million - EUR 50 million of which will be passed on in the tariff - by applying a contribution rate of 0.85% for tangible and intangible assets registered at 1 January 2014 in company accounts, and it is not tax deductible. Preliminary analyses estimate that the impact on EDP is about EUR 45 million.

### 3.5.6. LONG TERM POWER SALE AND PURCHASE AGREEMENTS (1 000 MW) ENTERED BY EDP RENOVÁVEIS REGARDING NEW PROJECTS

In the course of 2013, the General and Supervisory Board analyzed several EDP Renováveis projects, namely regarding the entering into of long term power sale and purchase agreements, which amount 1 000 MW. Some of these projects were subject to the General and Supervisory Board prior opinion, others to the waiver of that opinion but, in any case, the supervisory body has always accompanied them.

### 3.5.7. EDP RENOVÁVEIS ASSET ROTATION PROGRAM IN THE USA AND FRANCE

Regarding EDP Renováveis, and besides the transaction performed with CTG, the General and Supervisory Board was called on operations related to the asset rotation program through the sale of minority stakes to institutional investors in wind farms located in the United States of America and France.

### 3.5.8. FUNCTIONING OF PECÉM I THERMAL PLANT, IN BRAZIL

Although the commission date was subject to modifications (from January 2012 to July 2012), the Pecém I Thermal Plant is currently in operation (group 1 was commissioned on December 2012 and group 2 initiated its commercial operation in May 2013).

### 3.5.9. EXECUTION OF HYDRIC PROJECTS IN PORTUGAL (VENDA NOVA III, SALAMONDE II, BAIXO SABOR, RIBEIRADIO – ERMIDA AND FOZ TUA) AND IN BRAZIL (JARI AND CACHOEIRA CALDEIRÃO)

Through 2013, the General and Supervisory Board had, recurrently, visibility on the development status of the main investment projects in course and associated costs, namely regarding hydric projects in Portugal and Brazil and renewable projects in Europe and United States of America. In what respects hydric projects in course in Portugal, it shall be pointed out the execution repowering projects of Venda Nova III and Salamonde II, and the new plants of Baixo Sabor (173 MW), Ribeiradio – Ermida (81 MW) with commissioning foreseen for the end of 2014 and Foz Tua (252 MW) which shall be concluded in 2016. In Brazil, the General and Supervisory Board has the opportunity to accompany the investments on the hydric projects of Jari and Cachoeira Caldeirão.

### 3.5.10. PLACEMENT OF NEW DEBT ISSUANCES ON THE NATIONAL AND INTERNATIONAL MARKETS AND SALE OF REGULATORY ASSETS

The General and Supervisory Board analyzed several operations on the international placement of 7 years issuances, in the total amount of 1 350 million euros as well as the sale, without recourse, of regulatory assets in the total amount of 1 040 million euros in Portugal and of, approximately, 480 million euros in Spain. Some of these operations were subject to the General and Supervisory Board prior opinion, others to the waiver of that opinion but, in any case, the supervisory body has always accompanied them.

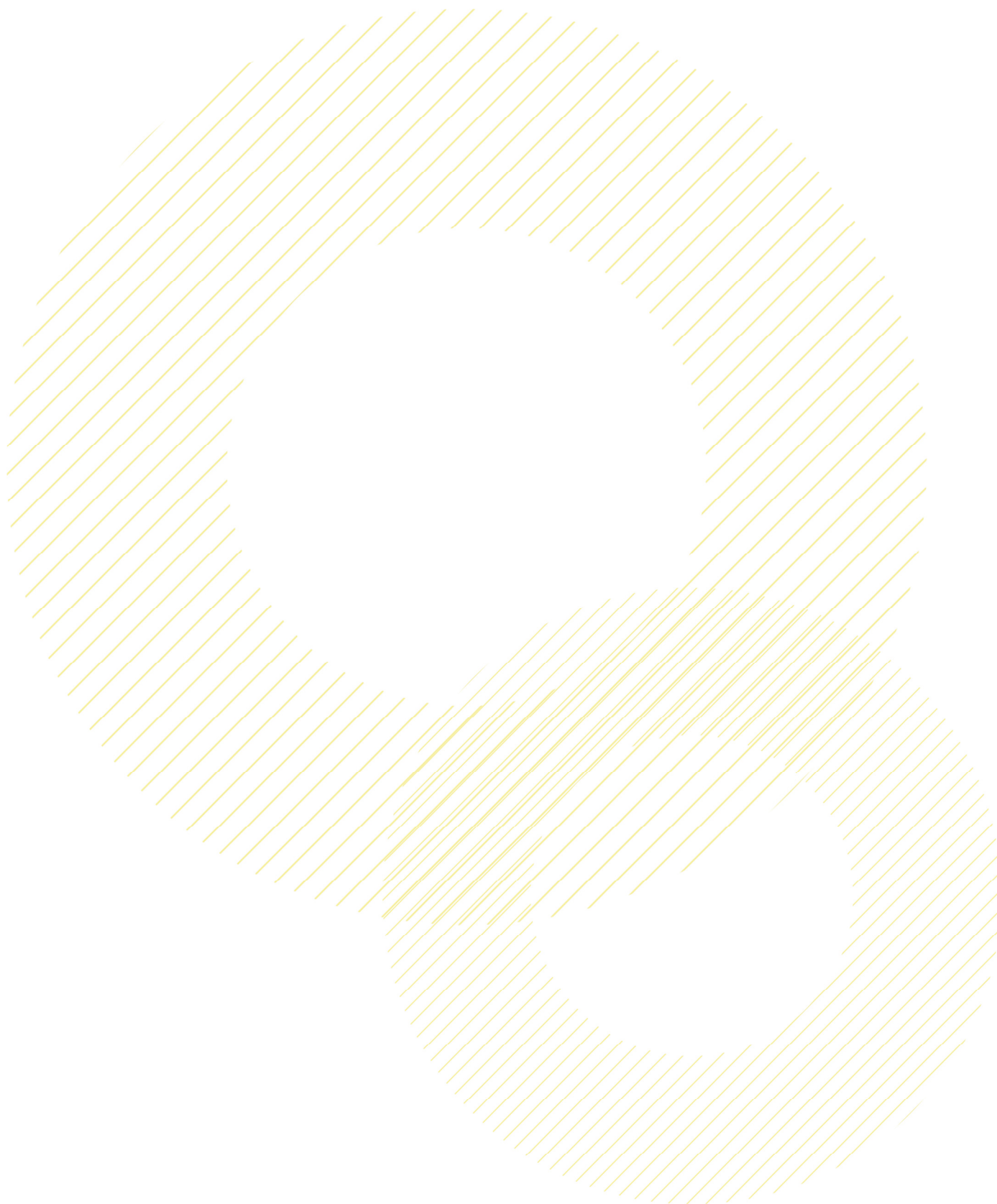
## 3.6. GENERAL AND SUPERVISORY BOARD BUDGET 2013

The budget of the General and Supervisory Board for 2013 was approved at the meeting of 6 November 2012. The budgeted expenses totalled 3.070 thousand euros, 80% of which corresponds to remunerations - 57.4% covers the remuneration of members of the General and Supervisory Board and 22.5% the remunerations of the staff of the General and Supervisory Board Support Office.

The approved budget focused in particular on curbing costs, although its structure is very inflexible since 80% of costs are related to remunerations.

In terms of implementation, the overall cost of the General and Supervisory Board, including the remuneration of its individual members identified in the Company's Corporate Governance Report, amounted to 2.255 thousand euros, which is a deviation of about 6%, around 185 thousand euros. This divergence was mainly due to higher than initially anticipated costs of hiring specialist strategic consultancy services to support members of the

General and Supervisory Board in the exercise of their duties and in the analysis of the challenges that, in the future, EDP is facing through.





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

The General and Supervisory Board has set its main goals in its activity plan focused on two broad categories of duties:

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

The General and Supervisory Board's intervention in routine and decision-making activities focused on:

- Preparing EDP's 2012 Annual Report and Accounts
- Issuing a favourable opinion on EDP's Budget for 2014.
- Issuing or waiving favorable prior opinions on a significant range of operations, the most important being:
  - Investment projects not initially provided for or individually identified in the Business Plan or 2013 Budget.
  - Finance operations through debt issues or divestment of assets
  - Various partnerships.
- Examining the quarterly and semestrel accounts, as well as monitoring budget implementation.
- Monitoring the development of the EDP Group's debt and the processes of obtaining the financing necessary to implement its investment plan.

### 4.1. INDICATORS OF THE WORK OF THE GENERAL AND SUPERVISORY BOARD

	2013	2012	Change
Meetings planned (no.)	7	8	-1
Meetings held (no.)	8	9	-1
Attendance of members (%)	78	87	-9
EBD Chairman (CEO) attendance (%)	100	100	-
Prior opinions (no.)	13	10	3
Prior opinion waivers (no.)	11	5	6
Training initiatives/workshops (no.)	4	1	3

## 4.2. MEETINGS OF THE GENERAL AND SUPERVISORY BOARD IN 2013 - ATTENDANCE RECORD

Name	24-Jan	5-Mar	10-Apr	9-May	25-Jul	10-Oct	31-Oct	19-Dec	%
Eduardo de Almeida Catroga	P	P	P	P	P	P	P	P	100
Dingming Zhang (representing China Three Gorges Corporation)	P	A	P	P	P	P	P	R	75
Guojun Lu (representing China International Water & Electric Corp.)	A	A	A	R	R	A	R	R	0
Ya Yang (representing China Three Gorges New Energy Co. Ltd.)	A	P	A	P	R	A	P	P	50
Shengliang Wu (representing CWEI (Europe), S.A.)	P	P	P	P	P	P	P	P	100
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)	P	P	P	P	P	A	P	P	88
Luis Filipe da Conceição Pereira (representing José de Mello Energia, S.A.)	P	P	P	P	P	P	P	P	100
Mohamed Ali Ismaeil Ali Al Fahim (representing Senfora SARL)	P	P	P	P	P	P	P	P	100
Carlos Jorge Ramalho Santos Ferreira *	A	P	-	-	-	-	-	-	50
Harkat Abderezak (representing Sonatrach)	A	A	A	A	A	A	A	A	0
José Maria Espírito Santo Silva Ricciardi	A	A	P	A	P	A	P	A	38
Alberto João Coraceiro de Castro	P	P	P	P	P	P	P	P	100
António Sarmento Gomes Mota	P	A	P	P	P	P	P	P	88
Maria Celeste Ferreira Lopes Cardona	P	P	A	P	P	P	P	P	88
Fernando Maria Masaveu Herrero	P	P	P	R	P	A	P	P	75
Ilídio da Costa Leite de Pinho	P	P	P	A	P	P	R	P	75
Jorge Avelino Braga de Macedo	P	P	P	P	P	P	P	P	100
Manuel Fernando de Macedo Alves Monteiro	P	P	A	P	P	A	P	P	75
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	P	P	P	P	P	A	P	P	88
Vasco Joaquim Rocha Vieira	P	P	P	P	P	P	P	P	100
Vítor Fernando da Conceição Gonçalves	P	P	P	P	P	P	P	P	100
Rui Eduardo Ferreira Rodrigues Pena	P	P	P	P	P	P	P	P	100
Augusto Carlos Serra Ventura Mateus **	-	-	-	P	P	P	P	P	100
Nuno Manuel da Silva Amado **	-	-	-	P	P	A	P	P	80

P = Present

A = Absent

R = Represented

\* Resigned with effects on 30th April 2013.

\*\* Elected on 6 May 2013

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

EDP remains one of the few listed companies in Portugal and abroad that has voluntarily established a formal and impartial process to assess its own work. This distinctive practice adopted by the General and Supervisory Board directly contributes to the Dow Jones Sustainability Index evaluation.

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

- Assessment of the adequacy of aspects of a formal and organizational nature;
- Material assessment of the work of the General and Supervisory Board.

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

Based on the answers to the questionnaires, the General and Supervisory Board jointly analyzed these data at the meeting of 27 February 2014, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with best corporate governance practices, the General and Supervisory Board wishes to record the following conclusions on the self-assessment of its work and performance in 2013:

- The General and Supervisory Board considered its overall performance in 2013 to be excellent, and it consider all the aspects it assessed to be satisfactory:
  - Governance model and Articles of Association.
  - Organization and powers of the corporate bodies of EDP.
  - Internal regulatory framework of the General and Supervisory Board and its specialized committees (internal rules of procedure and main framework-decisions of the work of the General and Supervisory Board).
- The material assessment of the work of the General and Supervisory Board was also considered very good or excellent, particularly the activities of:
  - Monitoring and supervision.
  - Monitoring and advising the Executive Board of Directors
  - Monitoring the Business Plan and Budget.

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

The General and Supervisory Board has registered 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 Executive Board of Directors has provided the means, financial and otherwise, that the General and Supervisory Board considers necessary for its activities, and it has adopted the necessary measures to ensure autonomous, independent advice from the General and Supervisory Board;
- The Executive Board of Directors has provided all necessary information for the General and Supervisory Board and its Committees to perform their duties, whether through periodic reporting on its own initiative or on request by the General and Supervisory Board.

## 5. CHALLENGES FACING THE GENERAL AND SUPERVISORY BOARD IN 2014

2013 was the second year of the current mandate of the General and Supervisory Board, during which membership changes occurred in this Board and two of its specialized committees, the Strategy Committee and the Performance Analysis and Competitiveness Committee.

In 2014, which is the last year of the term of office of this General and Supervisory Board, and in accordance with the Board's Plan of Activities approved by the plenary, it will seek to monitor more closely the activity of the management and performance of the EDP Group, particularly in relation to the more challenging topics and in the more demanding sectors and countries, where the regulatory and market contexts have proven to be volatile, with inevitable repercussions on the group's performance.

The General and Supervisory Board and its Strategy Committee major challenge, following the three workshops held in 2013, organized by this Board and involving the senior management of the EDP Group, will monitor during 2014 the development of the different phases of the work of strategic reflection of EDP, in relation to the premises EDP is facing through in the future. As more critical items to reflect on 2014, it shall be stated: business portfolio management, technologies and geographies, in order to conciliate targets such as profitability, risk profile, growth options, and level of leverage more adequate for its financing structure in a medium and a long term.

Through 2014, the General and Supervisory Board will continue to be challenged, with the maximum update, the market and sector trends, as well as the business context, which significantly impact the company's performance, so that this corporate body is able to fulfill its obligations, in EDP superior interests.

The General and Supervisory Board has also approved an ambitious plan for the specialized committees in 2014. The aim will be to enhance the activity of all the committees by regular meetings and at thematic events, in the form of seminars/conferences, which will provide the members of the General and Supervisory Board with a set of tools, information and advice that will greatly contribute to the Committees' improved performance.

The General and Supervisory Board will continue, as part of its supervisory duties, to steer its activities to complying with its role of supervising and advising the executive management and creating conditions for the implementation of the major strategic priorities of the Group. It will also seek to ensure that those are always aligned with the expectations of all shareholders.

The General and Supervisory Board, in view of the current challenges in a particularly complex international environment, expresses its full confidence in the support of EDP's shareholders to continue providing the Company's governing bodies, and the members of the General and Supervisory Board in particular, with all the support and cooperation they need to succeed in the exercise of their powers under law and the Articles of Association.

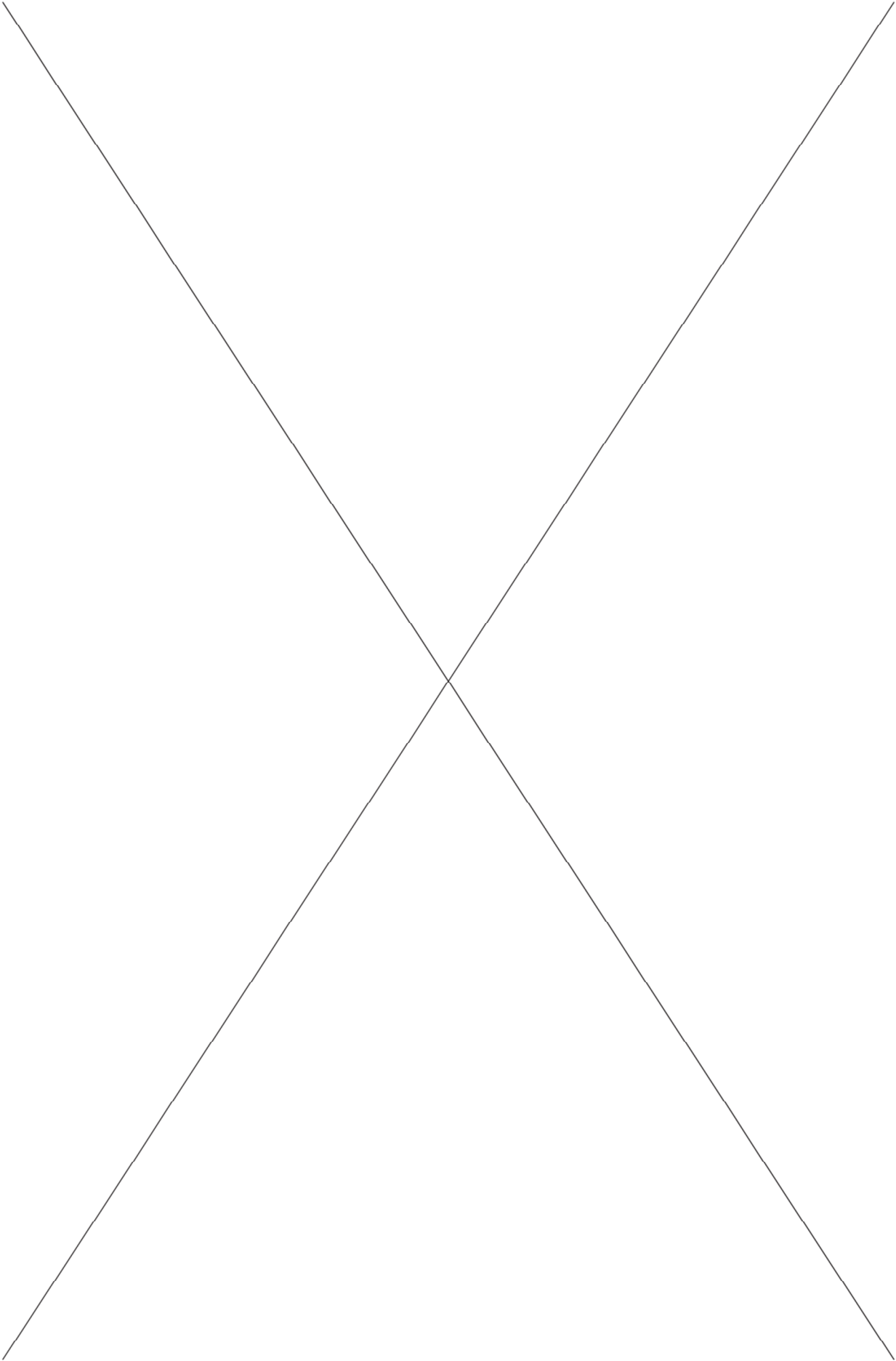
## 6. ACKNOWLEDGEMENTS



The General and Supervisory Board would like to thank to:

- The shareholders, for the trust that they have placed in this supervisory body and for the constant support they have given to its functioning.
- The Chairman and members of the Executive Board of Directors, for the results achieved and their professional participation in meetings of the General and Supervisory Board and its specialised committees.
- The members of EDP's other corporate bodies and those of the companies of the EDP Group.
- The General Secretariat and Legal Department of EDP for the support provided to the work of the General and Supervisory Board.
- To Teresa Moura, former Chief of Cabinet of the General and Supervisory Board Chairman, for the constant support to the Board's activities.
- To Victor Leitão, who passed away so soon, for the dedication and commitment revealed to the Board since it was created.
- All employees of the General and Supervisory Board Support Office for the support provided the General and Supervisory Board and its specialized committees.
- All the employees of the EDP Group, for the manner in which they have contributed to the results achieved.

The General and Supervisory Board also expresses its gratitude to Carlos Santos Ferreira, who resigned as a member of the General and Supervisory Board in 2013, for his cooperation and commitment to the good functioning of the Board.





# 02

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> BRAZIL  
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DE OLIVEIRA BRIDGE  
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23°36'46.3"S 46°41'53.6"W  
Time of day: 9 AM

# 1. general and supervisory board's opinion on edp's annual report and accounts 2013

## 1. Taking into consideration:

- a. The legal and regulatory requirements applicable to the preparation appraisal and publication of EDP's Account and Annual Report, in particular those from the Companies Code, the Securities Code and the CMVM regulations;
- b. The activity developed by the GSB and its Committees during 2013 as recorded in the Annual Report;
- c. The documentation presented for the assessment of EDP's Accounts and Annual Report 2013, provided by the EBD, the Statutory Auditor, the External Auditor, the FMC namely:
  - i. The detailed presentation made by the EBD on EDP's Account and Annual Report 2013, highlighting the main financial indicators, which are reproduced below:

(EUR million)		
Indicators	EDP SA	EDP Group
Gross profit	204	5,551
EBITDA	13	3,617
EBIT	-9	2,085
Net profit <sup>1</sup>	791	1,005
Net assets	20,988	42,650
Total equity <sup>1</sup>	7,033	8,446
Total liabilities	13,955	31,121
Gross debt	10,501	20,161

<sup>1</sup> Attributable to the shareholders of EDP

- ii. The Report and Opinion of the Statutory Auditor through which it proposes that the Annual General Meeting approve the Executive Board of directors annual report and the financial statements for the exercise ending in 31 of December of 2013.
- iii. The legal certification of individual and consolidated accounts and the External Auditor review report presented by KPMG, including the conclusion that, based on work performed:
  - o The consolidated and the individual financial statements present fairly, in all material respects, the financial position of EDP, as of the 31st of December 2013, the results of its operations, cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.
  - o The financial information included in the Executive Board of Directors Report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Securities Code (CVM).
- iv. The presentation made by the KPMG concerning its report on the EDP SCIRF (Financial Information Report Control System), which concluded that its controls were properly designed and operated effectively during the financial year of 2013.
- v. The FMC's opinion on the Accounts that allows for the conclusion:
  - o That FMC appreciates favorably the Management Report and the individual and consolidated IFRS accounts of Group EDP for the exercise ending in 31 December 2013,
  - o That the design and functioning of SCIRF is satisfactory and the operation of the Risk Management Systems minimizes business risks.

2. The GSB has decided unanimously:

- a. To express its agreement in relation to the EDP's Accounts and Annual Report 2013.
- b. To declare, under terms of article 245, no. 1, section c) of the Securities Code, that to its best knowledge the information referred to 2013 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 2013 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.
- c. 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. 4/2013.
- d. To declare that given the information provided by the EBD in the course of 2013 there were no:
  - o Transactions between related parties that have affected significantly EDP's financial situation or performance.
  - o Transactions between EDP and related parties that must be communicated in the management report, due to its material relevance or because they were concluded outside normal market conditions.
  - o 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.
- e. To express its agreement to the Audit Committee opinion on the Statutory Auditor and External Auditor performance and independence, according to which the Audit Committee has assessed positively the work done by KPMG, considering that it has carried out its professional duties with quality , competence, accuracy, impartiality and independence.
- f. To recommend to the EDP Annual Shareholders' General Meeting the approval of the 2013 individual and consolidated Accounts and Annual report, as well as the Executive Board of Directors' proposal for results allocation.



Eduardo de Almeida Catroga  
Chairman of the General Supervisory Board

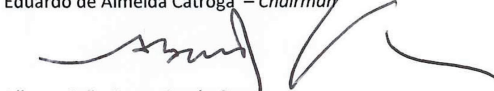
Lisbon, February 27th

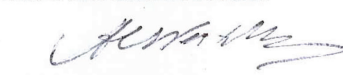
## 2. general and supervisory board's statement on edp's annual report and accounts 2013

Pursuant article 245º n.º 1, paragraph c) of Securities Code (CVM), to the best knowledge of each of the signatories, as Members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (EDP), the information referred in article 245º of CVM (annual management report, annual accounts, legal certification of the accounts and remaining account documents), regarding 2013 exercise, 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 2013 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, 27th February 2014

  
Eduardo de Almeida Catroga – Chairman


  
Alberto João Coraceiro de Castro

  
Augusto Carlos Serra Ventura Mateus


  
Fernando Maria Mazzeu Herrero

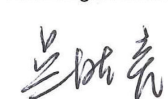
  
Guojun Lu (as representative of China International Water&Electric Co.)

  
José Maria Espírito Santo Silva Ricciardi


  
Manuel Fernando de Macedo Alves Monteiro

  
Mohamed Al Fahim (as representative of Senfora Sarl)

  
Paulo Jorge de Assunção Rodrigues Teixeira Pinto

  
Shengliang Wu (as representative of China Three Gorges International Co.)

  
Vítor Fernando da Conceição Gonçalves


  
Dingming Zhang – Vice-Chairman (as representative of China Three Gorges Co.)


  
António Sarmiento Gomes Mota

  
Felipe Fernández Fernández (as representative of Cajastur Inversiones)

  
Harkat Abderezak (as representative of Sonatrach)

  
Jorge Braga de Macedo

  
Ilídio da Costa Leite de Pinho

  
Luís Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)

  
Maria Celeste Ferreira Lopes Cardona

  
Nuno Manuel da Silva Amado

  
Rui Eduardo Ferreira Rodrigues Pena

  
Vasco Joaquim Rocha Vieira

  
Ya Yang (as representative of China Three Gorges New Energy Co.)



### 3. opinion of the general and supervisory board's financial committee

1. In the exercise of the duties conferred by the articles of association and internal regulation, the Audit Committee (AUDC) presents this Report, based on the information disclosed about the company's business, the financial position, the internal control, the risks inherent in the business activities and the analysis of the information and support documentation provided by the company's Management, by the Audit Committees of Subsidiaries and by the Statutory and External Auditors (SA/EA).
2. Throughout the year of 2013 the AUDC met periodically with the EDP's Board of Directors and the Heads of the corporate departments, namely:
  - i. The Executive Board of Directors that presented the Package IFRS, the Scorecard and the Report and Accounts of the EDP Group;
  - ii. The heads of EDP's corporate departments of Consolidation, Accounting and Taxation and Management Control, responsible for the preparation of the IFRS company's financial statements that presented a file on the scope of consolidation, the accounting policies and criteria, the financial statements and other information relevant to the AUDC, and answered any questions raised by the members of the AUDC;
  - iii. The heads of EDP's corporate departments of Internal Audit of EDP (DAI), Risk Management (DGR) and other internal structures that presented and discussed, respectively, the conclusions of the audit and internal control works performed and the conclusions related to the operation of the Integrated risk management system of the Group EDP;
  - iv. The head of the legal department (SGAJ) which presented and discussed the most relevant conclusions of the processes "litigations" of the EDP Group, focused in the major litigations and other contingencies and review of the provisions, taking into account the assessment risk carried out in accordance with IAS 37.
3. Also with reference to the period ending on 31 December 2013, the AUDC held a meeting with the AUDC presidents of the following subsidiaries, to analyze the most important subjects in the EDP Financial Statements, and received, with reference to the period ending on 31 December 2013:
  - i. From the Audit and Control Committee of Hidroelétrica del Cantábrico (HC), a favorable opinion on the accounting closure procedures adopted, on the financial statements and on the annual corporate governance report of Hidrocantábrico;
  - ii. From the Audit Committee of EDP Renováveis, a favorable opinion on the company's Management Report and on company's consolidated IFRS Financial Statements;
  - iii. From the Audit Committee of EDP - Energias do Brasil, a favorable opinion to the approval of the accounts of the Board and of the Financial Statements of both the company and its subsidiaries.
4. The AUDC also met with the Statutory and External Auditors (SA/EA), to acknowledge and appreciate the conclusions emerging from the audit work, for the period ending on 31 of December 2013, where were presented and discussed :
  - i. The conclusions from the work done on the consolidated financial statements of the EDP group, which include the balance sheet (with a total of 42 650 million euros and a share capital of 8 446 million euros, attributable to shareholders of the EDP group) and the income statement (with a turnover of 16 103 million euros and a net profit attributable to shareholders of EDP Group of 1 005 million euros);
  - ii. The conclusions from the assessment of Internal Control System over Financial Reporting (SCIRF), which include the results of the tests of design and of operating effectiveness, done in different geographies made about 2.000 checks in defined types of controls - Global, Application and IT General Controls;
  - iii. The conclusions from the implementation of policies and systems of governing bodies' remunerations;

As a result of these conclusions the ROC/EA issued, without any qualifications, (1) the Statutory and External Auditor's Reports on EDP individual and consolidated annual accounts and report; (2) the Independent Report on the Internal Control System over Financial Reporting (SCIRF) of EDP Group and (3) the Opinion on the implementation of policies and systems of governing bodies' remuneration.

5. Based on the monitoring of the main aspects of the EDP Group's activity and on the analysis and discussion of the information and documents provided by the company, with the corporate managers at various levels, and, in particular, with the Executive Board of Directors, and the heads of the corporate departments of Management Control, Accounting and Consolidation, Internal Control and Audit and Risk Management, as well as with the Statutory and the External Auditors, the AUDC considers that it has obtained all the clarifications required concerning the issues it raised on the Annual Report and on the IFRS financial statements of the EDP Group, for the period ending on 31 December 2013.



6. Considering the mentioned above and not being aware of any material relevant circumstances which may affect the accuracy of the financial information produced and made available by the company or the appraisal of the quality of the work done by EDP's Statutory and External Auditors or their independence, the Audit Committee:
- i. Issues a favorable opinion on the Annual Report and Individual and Consolidated IFRS Financial Statements of EDP Group for the period ended at 31 December 2013 and on the profits from the operations at that date, by virtue of its understanding that they are in accordance with the applicable accounting principles and legal and statutory provisions in force;
  - ii. Evaluates positively the operation of the Internal Control System over Financial Reporting (SCIRF), whose continuous improvement has helped to ensure greater reliability of financial information produced and disclosed by the company;
  - iii. Considers effectiveness that the operating of the Risk Management Systems is appropriate and ensures the alignment of the management of the risk with the policies and procedures defined in the EDP Group and with the best practices in this area, allowing for the monitoring and mitigation of the risks inherent in the business activities in the business and support processes.

Lisbon, 27 of February 2014.

The Audit Committee (AUDC)

(Eduardo de Almeida Catroga - Chairman)

(Vitor da Conceição Gonçalves – Vice Chairman)

(António Gomes Mota)

(Manuel Alves Monteiro)

(Maria Celeste Cardona)

## 4. general and supervisory board's statement on the assessment and performance of the executive board of directors in 2013

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

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

At the beginning of 2014, the members of the General and Supervisory Board were invited to complete a questionnaire to assess the Executive Board of Directors, which was divided into two major areas

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

The purpose of the questionnaire was to be an impartial support document for the General and Supervisory Board's appraisal with a view to the assessment of the Executive Board of Directors that it has to issue and present to EDP's shareholders to vote on.

Based on the answers to the questionnaires, the General and Supervisory Board jointly analyzed these data at the meeting of 27 February 2014, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with best corporate governance practices, the General and Supervisory Board wishes to record the following conclusions on the assessment of the work and performance of the Executive Board of Directors in 2013.

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The General and Supervisory Board assessed all aspects under evaluation as satisfactory. These being:

- Organization and powers of the Executive Board of Directors (Internal rules of procedure and composition).
- Compliance with the provisions defined by the General and Supervisory Board concerning:
  - The issue and waiving of prior opinions.
  - Handling conflicts of interest.
  - Additional audit services.

The General and Supervisory Board considered the overall performance of the Executive Board of Directors in 2013 to be excellent, with particular emphasis on the following areas of activity:

- Strategy.
- Financing.
- Investment.
- Preparation of financial and accounting information.

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

## 5. committee's annual report

### 1. Meetings

Name	%	18-Jan	1-Feb	27-Feb	12-Apr	3-May	7 Jun	28 Jun	22 Jul	13-Sep	23-Oct	25-Oct	22-Nov	13-Dec
Eduardo Catroga (Chairman)	100	P	P	P	P	P	P	P	P	P	P	P	P	P
Vítor Gonçalves (Vice Chairman)	92	P	P	P	P	P	P	P	P	P	P	P	P	R
António Gomes Mota	92	R	P	P	P	P	P	P	P	P	P	P	P	P
Manuel Alves Monteiro	84	P	A	P	A	P	P	P	P	P	P	P	P	P
Maria Celeste Cardona	84	P	P	P	P	P	P	A	P	A	P	P	P	P

P = Present

A = Absent

R = Represented

TOTAL MEETINGS HELD IN 2013 13

AVERAGE ATTENDANCE 90%

### 2. Introduction

The mission of the Audit Committee of EDP (AUDC), under the powers delegated by the General and Supervisory Board, is to permanently monitor and supervise:

- The Company's financial matters.
- Internal procedures concerning the areas of auditing, accounting practices followed by the Company and the internal control system of financial information and financial reporting, in coordination with the Internal Audit Department.
- Matters relating to the risk management process, particularly the fiscal, legal and financial areas.
- The work and independence of the Company's statutory auditor (SA) and external auditor (EA), with which it should keep close relations.

The members of the Audit Committee by decision of the General and Supervisory Board of 18 April 2012, all of whom are independent, are:

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

### 3. Activities of the AUDC

The AUDC held 13 meetings during 2013. In addition to these regular meetings, the members of the Committee held frequent informal working meetings, as they usually do, and they exchanged information on the most significant matters or those requiring the most urgent settlement, related to the activity of the AUDC.

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

- Attended the meetings of the Executive Board of Directors of EDP that presented and discussed the draft accounts for 2012 and for the 1st and 3rd quarters and 1st half of 2013;
- Invited directors and managers of the services of EDP to take part in the Committee's meetings, whenever it deemed such to be necessary and appropriate, when these perform duties and responsibilities on issues that the Committee considered appropriate to be addressed in greater detail and at a higher level of seniority;

- It ensured that the Statutory Auditor and the External Auditor attended meetings when it required such, including those in which the quarterly, half yearly and annual accounts were analysed.

The meetings held covered the topics envisaged in the Activity Plan of the AUDC for 2013, with the main goal being to obtain information and analyse the matters of most relevance, with particular focus on the following:

- i. Supervision of financial reporting and the business of EDP – Appraisal and discussion of relevant financial information contained in the Condensed Financial Statements and in the Management Reports, changes in the consolidation perimeter, the accounting principles and policies adopted and other situations of interest to the AUDC, tasks that involved the participation of corporate managers of EDP (Consolidation, IFRS Report and Tax Department and Planning and Control Department);
- ii. Monitoring the activity of the Internal Audit Department (DAI) - Approval of the proposed Activity Plan for 2013; Supervision of the implementation of the annual audits plan and monitoring of the audit reports issued, (Portugal, HCE, EDPR and EDP Brasil), the evolution of improvement initiatives arising from the SCIRF project and the implementation status of the recommendations made by DAI, with reference to 2012 and the first three quarters of 2013, tasks in which the Manager of the DAI Department assisted. The AUDC also assessed the activity and performance of the Corporate Internal Audit of the EDP Group, for the year 2012;
- iii. Monitoring the activity of the Risk Management Department of the EDP Group (DGR) - Analysis of the work of the Risk Management Department in terms of management of business risk, operational risk, financial risk and reporting risk. The relevant corporate manager of EDP assisted with this task (the CRO – Chief Risk Officer);
- iv. Monitoring litigation cases of the EDP Group – Supervision of information and documentation in the ongoing litigation folder of the EDP Group relative to 2012. The relevant corporate managers of EDP assisted with this task (General Secretariat and Legal Office and Financial Department);
- v. Monitoring the situation of the EDP Group Pension Fund - Analysis of information and relevant documentation on the evolution of the activity of the Fund in 2013. The relevant corporate manager of EDP assisted with this task (financial Department);
- vi. Monitoring the contractual relationship with the SA and the EA, and their work and evaluation of the impartial conditions of their independence - Appraisal and approval of the Proposal to contract statutory audit and audit services for 2013; Appraisal and Approval of Requests for the authorization of audit and additional services to be provided by the SA/EA, requested by DCF Corporate Centre for the year 2013; Assessment of the methodology and approach of the SA/EA for the audit process in the EDP Group; Appraisal of the reports of the conclusions regarding the financial statements of EDP and EDP Finance BV, relative to the year 2012 and the 1st and 3rd quarters and 1st half of 2013; Appraisal of the report on the conclusions and opinion on the Internal Financial Reporting Control System (SCIRF) of the EDP Group for the year ended 31 December 2012; Supervision of the performance of the audit and additional services contracts; Analysis of information on the conditions for the independent exercise of the duties of the SA/EA.

The Committee, in its monitoring of these matters, was able to rely on the participation of the SA and representatives of the EA, whenever necessary, in particular the partner responsible for the audit services provided to EDP;

- vii. Market consultation for the provision of statutory audit and external audit services to the EDP Group, for the period 2014-2016 – Preparation of the bidding and selection process for the SA/EA, in cooperation with the Executive Board of Directors and the other audit committees of EDP's subsidiaries, which ended with the AUDC proposing to the General and Supervisory Board the selection of KPMG & Associados-SROC S.A, for the provision of statutory and audit services; Assessment of the Internal Financial Reporting Control System (SCIRF) and Assessment of the sustainability data of the EDP group, in the 2014-2016 period;
- viii. Monitoring of Whistleblowing - Analysis of complaints received and report on the conclusions drawn, with reference to the closing of 2012 and complaints received in 2013. None of the complaints had an impact on accounting, finance, internal control and audit matters. Although the whistleblowing reports of irregularities received did not fall within the jurisdiction of the AUDC, it always requested from the competent services of EDP, where applicable, the follow-up and reporting of the results of any action taken, when such ended.
- ix. Relationship with the Audit Committees of subsidiaries of other EDP geographical areas - Monitoring the work, agendas and minutes of the meetings and the reports/opinions issued by the audit committees of Hidroelectrica del Cantabrico (HC); EDP Renováveis (EDP R) and EDP Energias do Brasil (EDP Brasil), on the financial statements for the financial year ended on 31 December 2012 and the first three quarters of 2013.

The FC, pursuing this goal, prepared and organized in São Paulo, Brazil, between 13 and 15 May, the 3rd Meeting of the Audit Committees of the EDP Group, which was attended by representatives of the Corporate Internal Audit Departments and of the subsidiaries of EDP, the External Auditor of the EDP Group and the CVM of São Paulo. This meeting again permitted a healthy exchange of experiences and knowledge, as well as the definition of procedures that improve the articulation and communication of the AUDC with the other Audit Committees of the EDP Group.

The AUDC sought, through the work performed, to always strengthen the knowledge of the mechanisms and procedures in place, to prevent or detect the occurrence of any events which affect the capacity of the EDP Group, with the aim of:

- Producing, analysing and disclosing relevant information that gives a true and appropriate picture of EDP's financial and economic situation;
- Minimising the risk of intentional error in financial information and the improper use or misappropriation of EDP resources.

The conclusions drawn from the work and tasks undertaken provided the basis for the Committee to issue reports and opinions on the Accounts of EDP and EDP Finance BV for the 2012 financial year and the 1st and 3rd quarters and 1st half of 2013.

Lastly, the AUDC approved the Activity Plan for 2014 at the end of the year. This Plan is a work tool containing the main activities to be undertaken by the Committee in each month of the calendar year. This document not only contributes to greater efficacy and efficiency of the functioning of the Committee in the future, but also places its work in line with internationally accepted best corporate governance practices in force.

#### 4. Assessing the work and independence of the statutory auditor (SA) and external auditor (EA)

The AUDC paid special attention to the nature and scope of services provided by the company that provides the statutory audit and external audit services (KPMG) to the EDP Group, in order to assess its independence and compliance with the principles and good practices governing the activities of audit companies and their representatives at the companies they audit. The analysis of the information collected and processed in 2013 by the Committee for this purpose gives no indication of conflicts of interest or situations affecting the independence of the statutory auditor/external auditor to provide professional services to the EDP Group, as per Annex 6.

The Committee positively assesses the work of the Statutory Auditor/External Auditor, noting it performed consistent and systematic work and held an appropriate relationship with this Committee.

#### 5. Assessment of the work of the Audit Committee and its Members

As usual, the AUDC carried out a self-assessment, which is based on two main objectives: i) to provide each of the members and the Committee as a whole, a space for reflection on its performance, particularly how it tackled the topics listed on the Annual Action Plan, as well its performance in relation to the duties it is responsible for performing, according to law, the articles of association, the rules of procedure of the Committee and other documents of EDP governing the matters that the AUDC should pay attention to; and ii) allow the Committee to adopt, where appropriate, measures to improve its procedures and how it acts, with a view to making it more efficient in the future.

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

#### 6. Difficulties found in carrying out its work

The duties that the AUDC is to pursue are demanding, at the technical level and in relation to the general knowledge required of the subjects that are handled by it, as well as knowledge of the many aspects of the businesses that are conducted within the corporate perimeter of EDP, and the availability that the running of the Committee requires of its members.

The Committee notes that it did not face any situations that could have created undue difficulty, jeopardizing the requirements on which its action should be based - freedom of analysis and making judgements, freedom of appraisal and investigation and the autonomy to discuss and inquire, at all levels, on matters which it feels should deserve its best attention. Likewise, no situation restricted its independence or freedom to act.

## 6. Assessment Report of Activity and independence of the Statutory Auditor (SA) and External Auditor (EA) of the EDP Group, for 2013

AUDC has paid special attention to the nature and scope of the Statutory Audit and External Audit services rendered to EDP by KPMG & Associados- Sociedade de Revisores Oficiais de Contas, S.A., hereinafter KPMG, in order to assess its independence and the compliance with legal, regulatory and contractual provisions and the principles and best practices governing the activities of audit firms and their representatives to the audited, taking into account the compliance:

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

The assessment process began with the analysis of the answers given by AUDC members on the internal questionnaire evaluation system of SA / AE and Checklist to monitor the implementation of the provision of audit services concluded between EDP and KPMG, and completed the analysis of the information reported by KPMG, with reference to the activities undertaken in 2013.

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

Also note, that the analysis of information provided by KPMG (SA / EA) to this Committee, with reference to the year 2013, does not indicate the existence of conflicts of interest or situations affecting the independence of KPMG, in providing professional services to the EDP Group, as follows:

- i. the amount of total fees charged in different geographies to EDP Group (8 004 thousand euros) is less than 0.5% of the volume of business of KPMG in Portugal, Spain, Brazil and the USA;
- ii. the fees billed to EDP in Portugal (3 765 thousand euros) represent about 5% of KPMG Portugal turnover;
- iii. the fees charged by KPMG to EDP Group, other than audit and statutory audit (834 thousand euros) services represented approximately 10% of total services provided in different geographies;
- iv. auditors' independence was confirmed by KPMG, pursuant to and in accordance with the independence rules of the Order of Statutory Audit, the Commission of the Securities Market and KPMG Group, including those defined by the 8th Directive of the European Commission, as well as those defined by the application of International Standards on Auditing issued by the International Federation of Accountants;
- v. auditors' independence was also monitored through an intranet system KPMG itself (Sentinel), which determines the authorization of the Global Lead Partner responsible for the customer, the provision of any office of the KPMG network services.

Furthermore, the interaction that AUDC developed with SA / EA, throughout 2013, in meetings or through correspondence and provision of varied contributions and clarifications, allowed the collection of information on their action, diligence, competence, availability and attitude.

Based on all the above, AUDC believes that KPMG (SA / EA) performed his duties with quality, competence, accuracy, impartiality and independence.



Without prejudice within this assessment, is the intention of AUDC to continue to develop, in conjunction with the SA / EA, a reflection, in order to identify areas of operation that may require improvement of operation and provision of services in a process of continuous improvement of the audit activity and the supervision of EDP.

Lisbon, 27th February, 2014.

**The Audit Committee (AUDC)**

(Eduardo de Almeida Catroga - Chairman)

(Vitor da Conceição Gonçalves – Vice Chairman)

(António Gomes Mota)

(Manuel Alves Monteiro)

(Maria Celeste Cardona)

## 7. remuneration committee's annual report

### 1. Meetings

Name	%	22-Feb	26-Mar	28-May	17-Oct
Alberto João Coraceiro de Castro (Chairman)	100	P	P	P	P
Ilídio da Costa Leite de Pinho	25	P	A*	A*	A*
José Maria Espírito Santo Silva Ricciardi	50	A*	A*	P	P
Guojun Lu	100	P	P	P	P
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	100	P	P	P	P

P = Present

A = Absent

A\* = Absence approved, having met in advance with the Chairman of the RC

TOTAL MEETINGS: 4

AVERAGE ATTENDANCE: 75%

### 2. Introduction

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

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The RC was composed of 3 members up to 2012. In 2012, following the completion of a review of the composition of the Committee, the General and Supervisory Board considered that it was justified to increase the number of members of the RC, which came to pass in the course of that year. The Committee currently has five members:

- Alberto João Coraceiro de Castro (Chairman)
- Ilídio da Costa Leite de Pinho
- José Maria Espírito Santo Silva Ricciardi
- Guojun Lu
- Paulo Jorge de Assunção Rodrigues Teixeira Pinto

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

### 3. Activities

The RC held four ordinary meetings in 2013, attended by an average of 75% of its members. In addition to the ordinary meetings, the Chairman of the Committee held several working meetings involving one or more members of the RC, particularly in cases where it was known in advance that those members could not attend scheduled meetings. This allowed the Chairman to take into account the views of those members regarding the work of the RC. Besides the informal working meetings, there was also the exchange of written information on relevant issues under the scope of the RC.

The main topic of the first meeting, on 22 February 2013, was the "Variable remuneration policy of the Members of the EBD." At this meeting, the members of the RC undertook a detailed examination of each of the main aspects of the remuneration policy and of how the indicators selected would, or would not, ensure the provision of a competitive remuneration package. Also analyzed was the extent to which this resulted in a system of incentives that could be considered a paradigm in aligning the activity of executive management with the interests of shareholders and partners of the company, from the perspective of economic and financial sustainability.

After several interactions between members of the RC, no reasons were found to change the basic principles that have guided the definition of remuneration, namely maintaining a variable component with twice the weight of the fixed part, and where multi-year performance factors are weighted more heavily than those relating to annual performance.

At the second meeting, on 26 March 2013, the RC unanimously approved to submit to the approval of shareholders at the Annual General Meeting, the annual statement on the remuneration policy vis-à-vis the members of the EBD, which enshrines the guidelines stated above.

At the third meeting, on 28 May 2013, the main concern was based on previously approved guidelines, and appreciated at the General Shareholders' Meeting, determining and ratifying the annual variable remuneration for the 2012 financial year and the multi-year remuneration of the members of the EBD attributed to that financial year. As always, but especially for this purpose, the RC was able to rely on the collaboration of the members of the General and Supervisory Board Support Office.

At the fourth meeting, on 17 October 2013, the Committee further focused on the concept of some performance indicators of the variable remuneration policy of the Chairman and Directors of the Executive Board of Directors and it analyzed and debated the respective remuneration policy by comparison with market practices, particularly PSI 20 and Euro Stoxx Util 600 Companies, for which, always as necessary and required, the Committee had the competent and dedicated collaboration of the General and Supervisory Board Office, support hereby acknowledged.

## 4. Evaluation of the work carried out

As part of its regulatory powers, the RC should undertake an annual self -assessment of the work carried out.

Accordingly, and based on the methodology developed for assessing the work of the General and Supervisory Board and other specialized committees of the Board, the members of the RC were asked to complete a questionnaire in January 2014 to assess the work undertaken by the Committee in 2013, divided into three major areas:

- Organization, composition and functioning
- Work performed in 2013
- Individual assessment

The members of the Committee reflected on the answers to the self-assessment questionnaire at the meeting on 26 February 2014, concluding that, globally, the Committee performance was excellent. Nevertheless, on a continuous improvement perspective, it was possible to identify several areas to be improved, namely regarding the antecedence of the support documentation distribution, as well as the productivity of the Committees' meetings.

## 8. corporate governance and sustainability committee's annual report

### 1. Meetings

Name	%	4-Mar	23-Jul	1-Nov
Carlos Santos Ferreira* (Chairman until 30/04/13)	100	P		
Manuel Alves Monteiro** (Chairman)	33	P	P	P
Ilídio Pinho	66	P	A	R
Maria Celeste Cardona	100	A	P	P
Shengliang Wu	100	P	P	P
Vasco Rocha Vieira		P	P	P

P - Attendance  
A - Absence  
R - Represented

\* Renounced to the office of Member of the General and Supervisory Board and, consequently, to the office of Chairman for the Corporate Governance and Sustainability Committee with effects from 30th April 2013.

\*\* Elected Chairman of the Corporate Governance and Sustainability Committee in 9th May 2013.

TOTAL MEETINGS: 3  
AVERAGE ATTENDANCE: 80%

### 2. Introduction

The Corporate Governance and Sustainability Committee (also designated CGSC) was created in 27th July 2006, being currently composed by five Members, as follows:

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

The competences of the Corporate Governance and Sustainability Committee are established in the Internal Rules (available at [www.edp.pt](http://www.edp.pt)) of the referred Committee.

### 3. Work performed

The Corporate Governance and Sustainability Committee is responsible for permanently monitoring and supervising matters relating to:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Assessment systems and the resolution of conflicts of interest, particularly with regard to relations with Shareholders of the Company;
- The definition of appropriate selection criteria and responsibilities to be observed in the structures and internal bodies of the Company or its subsidiaries and assessment of their impact on composition;
- Preparing succession plans.

In view of the powers described above, the Corporate Governance and Sustainability Committee monitors with particular attention in the performance of its duties:

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

As a consequence of the renounce presented by Mr. Carlos Santos Ferreira to the office of Member of the General and Supervisory Board it was necessary to proceed with the election of a new Chairman for the Committee, and the GSB, on the meeting held in 9th May 2013, has designated Mr. Manuel Alves Monteiro for that office. With the beginning of functions of the new Chairman, it were introduced certain modifications to the organization and functioning of the Committee, namely in what regards the definition of its plan of activities and the treatment conferred to the nuclear items to be treated by the CGSC.

In the three meetings held by the CGSC in 2013, the most important issues addressed in those meetings were the following:

- Analysis of EDP sustainability politics and strategies
- Succession plans accompaniment
- Accompaniments of Ethic Ombudsman Cabinet activities
- Accompaniment of Client Ombudsman Cabinet activities
- Report of relevant transactions within the scope of Conflict of Interests

It is to be noted that the Corporate Governance and Sustainability Committee, as a specialized Committee with the function of advising the General and Supervisory Board on all issues above described, has played a key role in the preparation and systematization of the information to report to the General and Supervisory Board. The highlights in this area are: (i) the assessment and monitoring of internal procedures for matters relating to conflicts of interest, as well as the effectiveness of the assessment systems and resolution of these conflicts and (ii) the support provided in defining the policy of the Company and subsidiaries in terms of standards of conduct, the adoption of best practices and courtesies to the highest standards of ethics.

Equally relevant was the accompaniment, in coordination with the Executive Board of Directors, of the definition of the necessary criteria and competences in the structures and internal organs of the Company and its subsidiaries, considering the functions attributable to the CGSC in what refers to succession plans.

#### 4. Assessment of work

This exercise intends to proportionate to each Members of this Committee and to the CGSC itself, a reflexion on its performance, namely, in what regards its composition and the way under which it is organized, as well as on the functions it shall perform, as per the Internal Rules of the referred Committee approved by the General and Supervisory Board. This is a relevant exercise for an approach of continuous improvement that shall be implemented in the functioning of the Committee.

In general terms, Members of the CGSC considered the respective composition, organization and functioning adequate, without prejudice of the need of introducing several punctual adjustments that promote, even more, the full execution of the competences given to the referred Committee. Regarding the activity and functions of the Corporate Governance and Sustainability Committee, the assessment performed is quite positive. In what respects the global balance of the activity, the Members of the CGSC considered that their Committee executed, practically in full, its Plan of Activities for 2013, which demonstrates the productivity of the meetings occurred and the availability of the Members for the matters allocated to the Committee, contributing for an overall assessment highly satisfactory.

## 9. strategy committee's annual report

### 1. Meetings

Name	%	14-Jan	11-Apr	25-Jul	31-Oct	18-Dec
Eduardo de Almeida Catroga (Chairman)	100	P	P	P	P	P
Zhang Dingming (Vice-Chairman)	80	P	P	P	P	A
Augusto Mateus*	100			P	P	P
Felipe Fernández	40	A	P	A	A	P
Harkat Abderezak	0	A	A	A	A	A
Jorge Braga de Macedo	60	P	A	A	P	P
José Maria Ricciardi	0	A	A	A	A	A
Mohamed Al-Fahim	80	P	P	P	A	P
Nuno Amado*	67			P	A	P
Wu Shengliang*	100			P	P	P

P – Present

A – Absent

R – Represented

\* Took office on 9 May 2013

TOTAL OF MEETINGS HELD IN 2013: 5

AVERAGE ATTENDANCE: 75%

### 2. Introduction

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

The role of the SC as well as its mission and duties are set down in its Internal Rules (available at [www.edp.pt](http://www.edp.pt)), which were approved on that same date.

### 3. Activities developed

The reason for the establishment of the SC was for the General and Supervisory Board to permanently monitor, through a specialized committee, the following matters relating to the business of the Company:

- i. Long-term scenarios and strategies.
- ii. Strategic implementation and business planning.
- iii. Major investments and divestments.
- iv. Debt and financing.
- v. Strategic alliances.
- vi. Evolution of markets and competitiveness.
- vii. Regulation.

In terms of specific functions assigned to SC, these are:

- i. The appraisal of the strategic plans of the Company, by analyzing the different development scenarios on which they are based and implementation in the different markets and activities in which the Company operates;
- ii. The appraisal of business plans and annual budgets as regards strategy alignment with the Company;
- iii. The analysis of investment, divestiture, merger, acquisition and business restructuring projects of significant value, in terms of the strategy of the Company;
- iv. Monitoring financing operations and the evolution of the company's capital structure, including analysis of the evolution of the debt of the Company, encompassing all variables with significant impact in this area;



- v. The monitoring of strategic alliances entered into by the Company and the specific actions arising therefrom, in terms of the strategy of the Company;
- vi. Monitoring the change of variables which impact on the development of business activity in the various markets in which it operates;
- vii. The monitoring of regulatory environments in which the Company has operations, evaluating the regulatory risk of the Company and expected impact on the company profits;
- viii. The appraisal of requests for a prior opinion submitted by the Executive Board of Directors when such is deemed relevant by the Chairman of the General and Supervisory Board.

The work of the SC, considering the above-described powers and duties, focuses not only on EDP but also on its subsidiaries, which is why in the second year of work of this Committee it had the goal that all its Members were informed on the main strategic units of EDP Group, as well as the strategic priorities, risks and associated results.

In 2013, the SC held five meetings. The themes analyzed were the following:

- EDP Distribuição – Business Plan 2012-2015
- Liberalized commercialization: Portugal and Spain – Business Plan 2012-2015
- Impact of the non-conventional gas on the international gas market and of the competitiveness of renewable energies
- Approval of SC plan of activities – 2012
- Reanalysis of Investment Pluri-Annual Plan of EDP Renováveis 2012-2015
- Presentation of Sustainability Model of the Electric Sector in Portugal (2020)
- Presentation of EDP Energy Outlook 2013
- Framework Agreement with CTG and results obtained in the several components of the agreement
- Strategic Partnership and MoU, specially from EDP Internacional
- CEM strategic partnership
- Relevant technical investments finalized and in course (2013 first semester)

In 2013, it was also realized three workshops organized by the General and Supervisory Board within SC and involving EDP top management, in order to obtain a strategic reflexion on energy sector, the technologies, challenges and opportunities the Company is facing in the future. These events were participated by internal and external guests, and the items approached were the following:

- 1<sup>st</sup> Workshop – “Global forces at work in the energy sector”
- 2<sup>nd</sup> Workshop – “Technological trends and global business opportunities”
- 3<sup>rd</sup> Workshop – “Strategic questions for EDP 2020”

It is a purpose of this Committee to, along 2014, accompanying EDP strategic reflexion phases as well as EDP Group business plan and the several business plans for the strategic units, as well as monitor the investments and/or divestments, debts and strategic partnerships items.

The activity to be conducted in 2013 allows to conclude that the mechanisms of articulation of the respective activity with the Companies and subsidiaries business units have been implemented, which have resulted in the definition of procedures that allow the accompaniment of the several themes in analysis and the presentation of the same in the GSB meetings always it is justified.

## 4. Assessment of work

This exercise aims to provide each Member of the SC and to the Committee as a whole, a reflection on its performance, particularly in relation to its composition and the way it is organized, as well as the duties it has to perform, under the Internal Rules of the SC approved by the General and Supervisory Board. This exercise is important for a continuous improvement approach, which is intended to be implemented in the functioning of the Committee.

In general, the members of the SC consider its composition and organization to be adequate. They believe there is an improvement potential regarding the accompaniment of financing operations and in the evolution of the Company structure capital. The Members of the SC considered that their Committee executed, practically in full, its Plan of Activities for 2013, which demonstrates the productivity of the meetings occurred and the availability of the Members for the matters allocated to the Committee, contributing for an overall assessment highly satisfactory.

# 10. annual report of the performance analysis and competitiveness committee (pacc) of the general and supervisory board

## 1. Meetings

Name	%	4-mar	11-apr	8-may	24-jul	25-sep	30-oct	12-dec
Luís Filipe da Conceição Pereira (Chairman)	100	P	P	P	P	P	P	P
Ya Yang (Vice-Chairman)	43	P	A	A	A	P	P	A
Alberto João Coraceiro de Castro	100	P	P	P	P	P	P	P
António Sarmento Gomes Mota	71	P	P	A	P	P	A	P
Fernando Masaveu Herrero	43	P	P	A	A	A	A	P
Nuno Manuel da Silva Amado*	75	-	-	-	P	P	A	P
Shengliang Wu*	75	-	-	-	P	A	P	P

P = Attendance  
A = Absence

\* = Functions initiated on the 9th May 2013

TOTAL OF MEETINGS HELD IN 2013: 7  
AVERAGE ATTENDANCE: 72%

## 2. Introduction

The PACC was established on 18 April 2012 and was initially composed by five Members. On the 9<sup>th</sup> May 2013, and subsequently to the approval, on EDP's General Shareholders' Meeting held on the 6<sup>th</sup> May 2013, of the proposal regarding the election of two new Members, in face of the resignations presented by Parpublica and by Mr. Carlos Santos Ferreira, the GSB resolved to increase the number of Members of the PACC, which passed from five to seven Members, as follows:

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

The role of the PACC as well as its mission and duties are set down in its Internal Rules (available at [www.edp.pt](http://www.edp.pt)).

The creation of the Performance Analysis and Competitiveness Committee (PACC) had, as main purpose, to allow the General and Supervisory Board to have a specialized committee that accompanies, in a permanent way, the following matters:

- Analysis of the corporate performance of the Company and its subsidiaries;
- Benchmarking of the corporate performance of the company in face of the top companies operating in the same sector;
- Assessment of EDP's business portfolio competitiveness.

The PACC has the following specific functions:

- Monitoring and advising in the process of defining key performance indicators for the Company in articulation with the EBD;

- The selection and prioritization of the key strategic issues for monitoring of the Company, according to its strategy;
- The preparation of performance analysis information of the Company for the General and Supervisory Board, on a regular basis, focusing on the themes previously defined and prioritized, and submitting to the General and Supervisory Board Chairman conclusions and recommendations to be approved by the General and Supervisory Board plenary;
- Analysis of the Company's corporate performance, using suitable tools for this purpose, particularly in terms of assessment metrics, reports prepared by the Company's management control and strategy bodies and research reports from third parties;
- Conduct performance benchmarking of the company against the top companies of the sector and comparable best international practices;
- Assess the competitiveness of EDP's business portfolio in terms of business areas and geographical region;
- Monitor the implementation and results of large investment projects.

### 3. Work Performed

During 2013, PACC held seven meetings which had an average participation of 72% and in which were present, always it was considered relevant, external elements, namely members of the board of directors and head of officers of the Company and its subsidiaries.

On the referred meetings, the following themes were approached:

- Performance of EDP Group Business Unit 2012
- Main projects of operational efficiency improvement in course
- EDP Brazil performance
- Performance of EDP Group Business Unit 1Q 2013
- Relative performance of EDP Group – comparison with Iberian congeners
- Performance of EDP Group Business Unit 1S2013
- Performance of EDP's shares no markets capital 1S2013
- Consolidated performance of Business Units on electricity Production and Commercialization in Portugal and Spain
- Efficiency and productivity study of EDP centrals in Portugal and Spain
- Consolidated debt clients and by Business Units
- Performance of EDP Group Business Unit 3Q2013
- Performance of gas business in Portugal and Spain
- Comparative study of financial performance of distribution companies (Portugal, Spain and Brazil)
- EDP's Budget for 2014 – preliminary draft

The activity conducted in 2013 by this Committee allows to conclude that the necessary mechanisms of articulation of the respective activity with the Company's – and its subsidiaries - corporate bodies and services, are implemented, where it results the definition of procedures that facilitate the accompanying of several themes in analysis and the presentation of the same, at the GSB's meetings, always it is justified, considering its relevance.

At its meeting of 25<sup>th</sup> September 2013, the PACC approved its Work Plan for 2014, which corresponds to a framework of the main activities to be undertaken, taking into account the duties defined in the Committee's Internal Rules.

The PACC is assisted in its work by staff of the General and Supervisory Board Office.

### 4. Assessment of Work

Part of the duties of the PACC, as established in its rules, are to undertake an annual self-assessment of its work.

Accordingly, and based on the methodology developed for assessing the work of the General and Supervisory Board and other specialized committees of the General and Supervisory Board, at January 2014 the PACC Members were asked to complete a questionnaire to assess the work undertaken by the PACC in 2013, which was divided into three major areas:

- Composition, organization and functioning
- Activities and competences
- Individual assessment

Considering the responses to the questionnaire, on the meeting held on the 26<sup>th</sup> February 2014, the Members of the Committee reflect on the self-assessment questionnaire results, and concluded that, globally, the performance of the Committee was higher than the expectations. On a continuous improvement perspective, it were identified areas of improvement, namely regarding the antecedence of the support documentation distribution.

## ACRONYMS AND ABBREVIATIONS

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

**GM** - General Meeting

**EA – External Auditor**

**ECB** - European Central Bank

**EBD** - Executive Board of Directors

**Cajastur** - Caja de Ahorros de Asturias

**PACC** - Performance Analysis and Competitiveness Committee

**GSB** - General and Supervisory Board

**CGSC** - Corporate Governance and Sustainability Committee

**SC – Strategy Committee**

**FC – Financial Committee**

**CTG – China Three Gorges**

**RC** - Remuneration Committee (GSB)

**CVM** - Portuguese Securities' Code

**CMVM** - Portuguese Securities Market Commission

**CSC** - Portuguese Companies' Code

**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.

**IMF** - International Monetary Fund

**GSBO** - GSB Support Office

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

**Naturgas** - Naturgas Energía, S.A.

**NGOs – non-governmental organisations**

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

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

**AR – EDP's Annual Report and Accounts 2013**

**IR** - Internal Rules of Procedure

**SA – statutory auditor**

**Subsidiaries** - companies in a control or group relationship with EDP pursuant to Article 21 of the CVM

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

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



TO BE CONTINUED...

*edp*



