

A stylized lightbulb graphic with a yellow glow and radiating lines. The text 'THE LIVING ENERGY BOOK' is centered within the glow, with 'THE' and 'BOOK' underlined. 'by edp' is written in a white script font below the main title, with a yellow arrow pointing from the right side of the lightbulb glow towards it.

**THE**  
**LIVING ENERGY**  
**BOOK**  
by edp

ETHICS OMBUDSMAN  
ANNUAL REPORT  
2017

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**THE**  
**LIVING ENERGY**  
**BOOK**

by *edp*



**THE**  
**LIVING ENERGY**  
**BOOK**

by *edp*

We are energy in the journey we make every day.  
Energy that changes, reinvents itself and takes different forms.

Energy that lives within us, that is a universal language, that moves us and takes us further.

A living energy that brings us closer, that innovates and with which, together with simple actions, we create change.

The energy that lives within every one of us is contagious and is everywhere, in a hug, in the lighting of a lamp, in our houses, in the streets or even across them in the sidewalks.

A living energy that together we continue to write in a book that reveals the present and which is also a building block for the future.

The Living Energy Book.

## **THIS REPORT**

The Ethics Ombudsman's Annual Report (EOR) is one of the sectoral reports published in addition to the EDP - Energias de Portugal, S.A. Annual Report, which is provided only in an online version on the EDP Group's website, [www.edp.com](http://www.edp.com).

The EOR annually meets the provisions of the Regulations of the Code of Ethics in reporting on the ethical performance of the EDP Group.

In this context, the EOR not only reports on the activity of the Ethics Committee or the performance of the process for recording and processing ethical complaints, for the period under review - it also seeks to provide an overview of the initiatives making the most

significant contribution to consolidating the Group's ethical culture, regardless of whether or not many such initiatives had their origins in the Office of the Ethics Ombudsman. This cooperation between the Group's different organizational units is mentioned in the text where, whenever appropriate, links to more detailed information are provided, and is made clear in the structure of the Report itself.

Thus, beyond meeting the reporting obligations and commitments, the Ombudsman's Annual Report seeks to make a further contribution to the transparency of EDP's management and, through this, to strengthening the trust capital of our stakeholders.

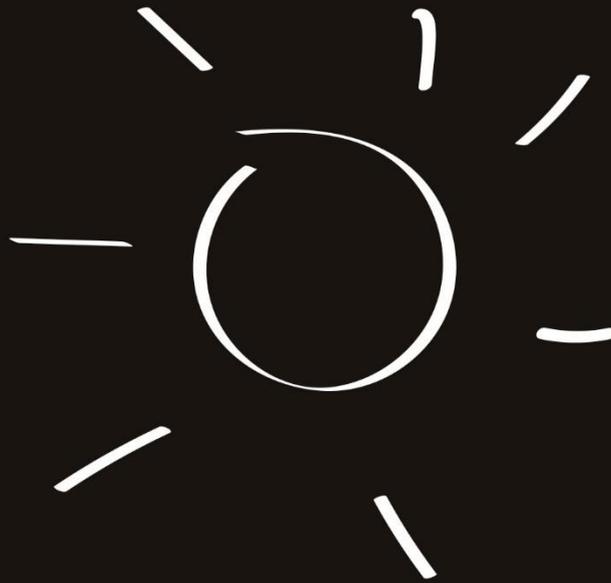


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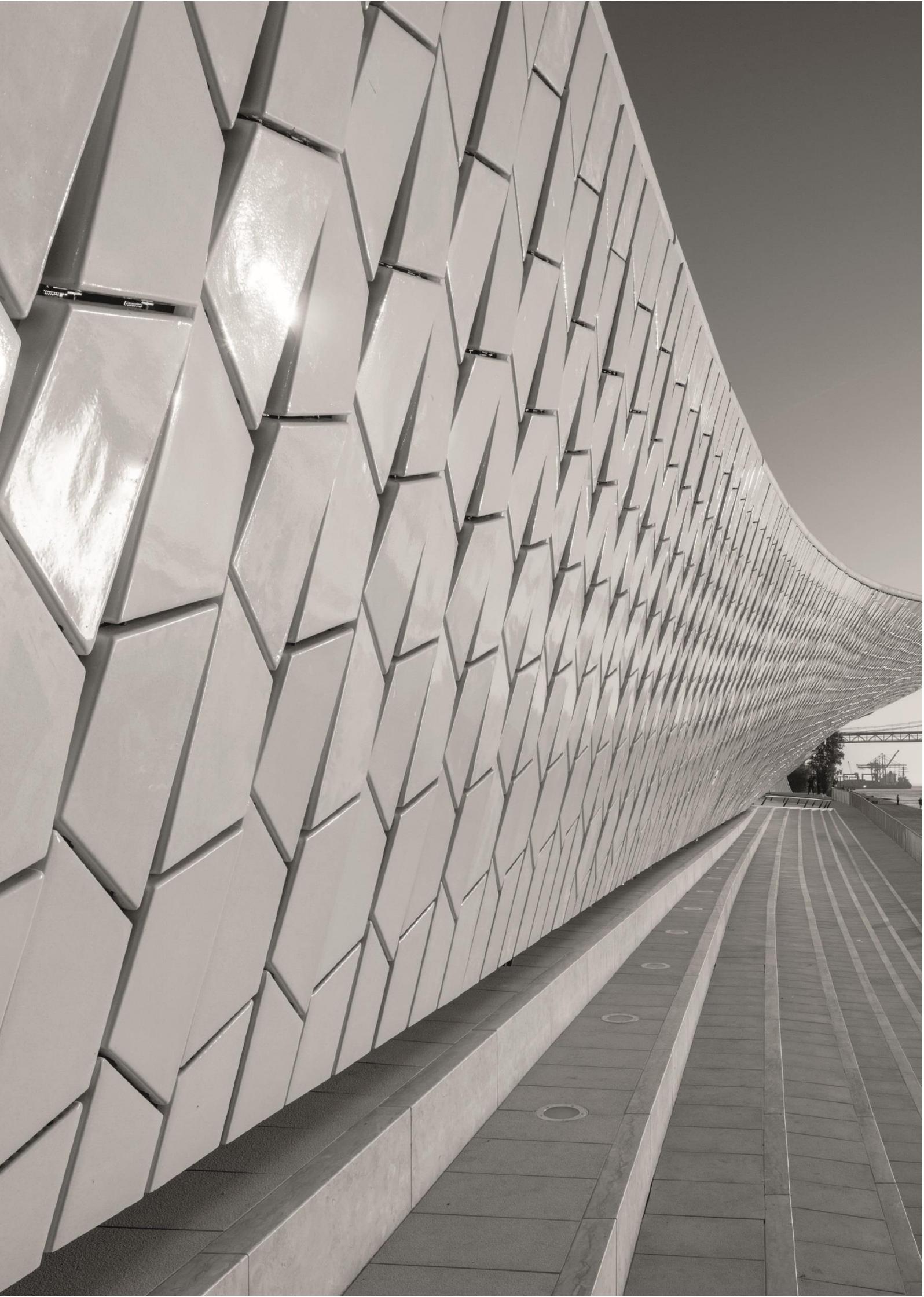
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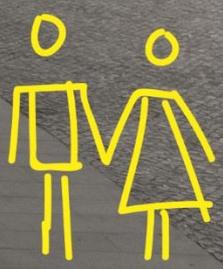
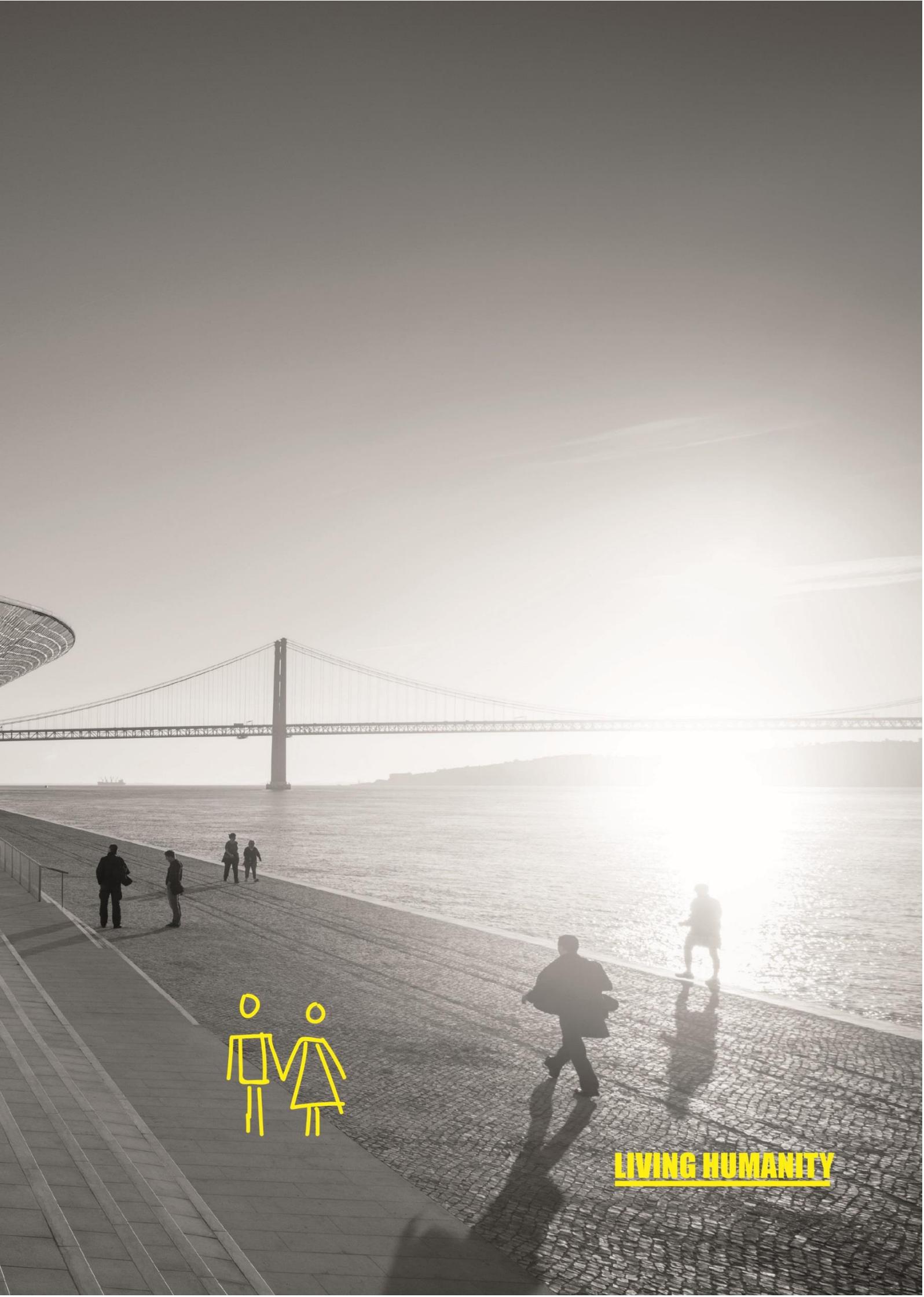
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**LIVING HUMANITY**



**JOSÉ FIGUEIREDO SOARES**  
**ETHICS OMBUDSMAN**



## **TRANSPARENCY, TRUST AND RESPONSIBILITY**

Maintaining a culture that is consistent with the values adopted, generating transparency, trust in relationships and responsibility for the consequences of decisions and acts performed, is one of the three management objectives established by EDP in matters of business ethics.

Because compliance with the laws and regulations that apply to us is the minimum that we expect of our employees, partners and suppliers, we promote, everywhere we operate, a culture of integrity, transparency, respect and responsibility, to make it possible to mitigate the risk of unethical practices and contribute to a stronger relationship of trust between EDP and its stakeholders.

The EDP Group's ethical culture promotion programme is a cross-cutting initiative involving all Business Units and applying not only to our employees and managers, from recruitment to the end of their careers in the Group, but also to the employees of our suppliers. It is aligned with the business strategies and is supported by global or sectoral training and awareness raising initiatives in which the fundamental role of managers in promoting the Group's ethical culture is paramount.

The efficacy of this programme is measured internally by the "Ethicis" index (EDP Ethical Performance Corporate Index) and externally by the Ethisphere Institute's "Ethics Quotient". Following this most recent evaluation, in 2017 EDP was included in the ranking of the World's Most Ethical Companies. EDP Brazil came third in the list of the 100 companies analyzed by "Transparency International (TI)" as part of the study "Transparency in Corporate Reports - The 100 Largest Companies and the 10 Largest Brazilian Banks".

The growth in the number of ethical complaints recorded in the year, through the different channels available in the Group, is evidence of higher standards and more scrutiny by our stakeholders and demonstrates that these channels are now more accessible and that higher levels of confidence are generated by the communication instruments and the established oversight, control and reporting procedures - which include not only the Ethics Ombudsman and its Representatives in the different Business Units, but also in the Ethical Committees and the Corporate Governance and Sustainability Committee of the GSB.

From an "extended enterprise" perspective, we require our suppliers and service providers to meet our ethical performance management objectives, in particular as regards matters of compliance, combating corruption and promoting respect for human rights. Accordingly, a specific training and awareness programme has been

developed for the employees of service providers working for EDP, based on the guiding principles of action and the commitments assumed in this area, as expressed in the sectoral codes and policies that, using the benchmark of the EDP Code of Ethics, were developed or reviewed in 2017.

In accordance with the commitments assumed and, in particular, the Guiding Principles for Companies, of the Human Rights Council - "Ruggie Framework", EDP maintains, in all its Business Units, the Human and Labour Rights Monitoring Programme, covering companies, facilities, new projects, mergers and acquisitions and the operations identified as at major risk of non-compliance.

As in previous years, the Group's maturity in this area of management has made it possible to widen and foster cooperation partnerships and networks and the co-creation of knowledge in the field of business ethics, fostering innovation and sharing with society.

In summary, in 2017 EDP developed, in the areas of Ethics and Compliance, a wide range of initiatives that this report lists and which, although they often autonomously originate in different organizational units and respond to very diverse stimuli and business objectives, were conducted in a participatory and cooperative manner. Evidencing close alignment with the principles of action and the commitments established in our Code of Ethics, they all represent significant contributions to the promotion and consolidation of the corporate culture, generating transparency, trust and responsibility.

Bearing the activity in mind, I would like to thank the Executive Board of Directors, the Ethics Committee and the Corporate Governance and Sustainability Committee for their support both in the implementation of the various initiatives and programmes and in the management of complaints sent to the Ombudsman. I would also like to acknowledge the cooperation of all those who, within their organizational units or in the various working groups formed, participated in the different initiatives launched by the Office of the Ethics Ombudsman, and whose skills and enthusiasm were instrumental for the results achieved.

José Figueiredo Soares  
Ethics Ombudsman

# **01 STRENGTHENING THE ETHICAL CULTURE**

## **1.1 ETHICS TRAINING**

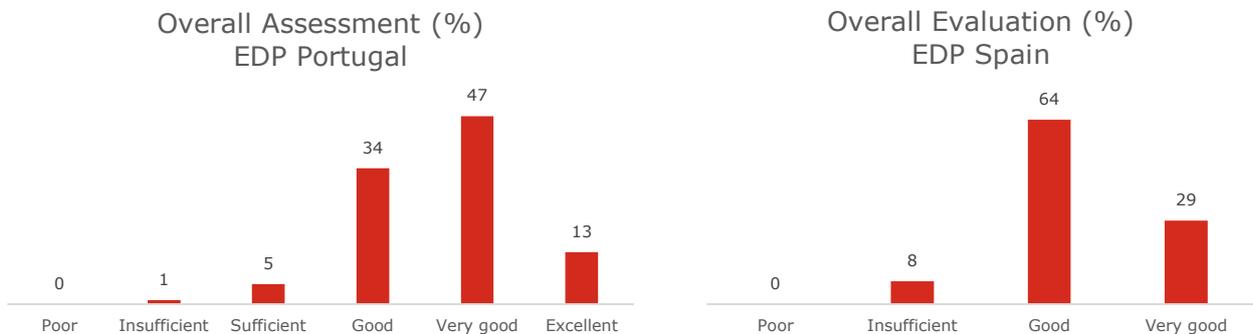
### **"TONE AT THE MIDDLE" FOR MIDDLE MANAGERS | PORTUGAL AND SPAIN**

Continuing the awareness and training programme that has been undertaken in previous years, in 2017 EDP Spain saw the expansion of the "Tone at the Middle" initiative, intended for middle managers with the aim of strengthening the alignment of this segment of employees around ethics issues. In addition to analysing the circumstances that lead to unethical practices in EDP, the importance of integrating day-to-day ethics in work teams and in decision-making was debated. In total around 700 participants were covered.



*[The training contributes to] "clarifying and demystifying the margin of subjectivity that the theme can encapsulate and it launches alerts for this awareness and for the leadership to adopt a "watchful" attitude mainly on the less obvious issues. "Organize sessions with this duration, but repeat throughout the year. It is important to have someone to talk to and share these subjects, someone who identifies and is a peer in the experience of difficulties. "*

(Comment from "Tone at the Middle" participants)



*"Most trainees consider that this training is cross-cutting and important for awareness of ethical behaviour, inviting sharing and reflection among professionals about the EDP Code of Ethics"*

Excerpt from the "Tone at the Middle" Participants' Satisfaction Assessment Report - UEDP



## “ÉTICAEDP ONLINE” | EDP GROUP TRAINING

The “éticaedp online” training was developed in 2014 to cover all employees at all management levels of the EDP Group, and was transposed and slightly adapted to three languages (Brazilian Portuguese, Spanish and English) so that it could be used in EDP Brazil, EDP Spain and EDP Renováveis. Since then, it has been mandatory for all new employees and revisited by many, as it remains permanently available on EDP University’s CampusOnLine web service. In addition to the annual review, with data on ethical complaints, Ethical Performance Corporate Index, or on employee satisfaction survey results, in 2017 there was a comprehensive review and update of the content to provide the latest information and documentation. In 2017, in the EDP Group, the volume of training recorded, in the “éticaedp | online” course, exceeded 3,000 hours.

## ETHICS IN INDUCTION TRAINING | PORTUGAL

In addition to the “éticaedp | online” training, also mandatory for all new employees, in Portugal the face-to-face module on ethics was maintained in the Induction Training. In 2017, this training was organised in six sessions for 248 employees, representing 88% of the employees recruited during the year in this region.

It is planned to review the contents of this training and to extend it to the Business Units outside Portugal.

## AWARENESS AND TRAINING IN INTEGRITY AND COMPLIANCE | BRAZIL

In EDP Brazil, during 2017 and continuing the work developed in previous years, several training and communication campaigns on Compliance were carried out, to transmit values, principles and rules to the main structures of the organization. These actions stand out: Compliance Day; Corruption Combating week, that involved all the EDP Brazil Business Units in a vast and diversified set of activities; online and face-to-face training for the employees of EDP Brazil and its subsidiaries; the implementation of an extended communication plan on Ethics and Compliance issues using internal intranet, television and radio channels; the “Ethics Channel” in EDP Brazil internal events, namely at the Open Day (visit of the Internal Audit and Compliance Department to the business areas of some Group companies operating in Brazil; implementation, consolidation and disclosure of the “Ethics Voice Channel”.

For more information consult the [EDP Brazil Annual Report 2017](#).

## “ETICAEDP | SUPPLIERS” TRAINING | PORTUGAL

A company responsible for the impacts of its activity cannot ignore the impacts caused in and by its supply chain. In this context, EDP has defined a Sustainable Supply Chain Management Policy where, among other things, objectives are set in the area of risk management. Of particular importance are the risks of unethical practices by suppliers acting in the name of the company or working on its premises and seen by the customers and the different *stakeholders* with whom they interact as part of the “extended company”.

On completion of the “éticaedp online” training in 2015, for all Group employees, it was deemed fundamental to extend it to the supply chain, to enable:

- the promotion of behaviour in accordance with the EDP Group’s ethical principles and commitments;
- risk reduction of poor ethical practices, in particular those that might result in non-compliance and reputational damage for the Group.
- understanding of the Code of Ethics, the EDP Supplier’s Code of Conduct and the EDP ethical complaints channel.



In addition to the Office of the Ethics Ombudsman, EDP Valor’s Global Procurement Unit, Corporate Sustainability Department and EDP University are all involved in the training.

The “éticaedp | fornecedores” training started in 2016, with the design and development of educational content and the launch of the pilot project. In 2017 in Portugal, 16 customized versions were developed, with training provided for all trainers and the first versions launched, covering 270 trainees in online mode and 550 in face to face mode, in a total training volume of nearly 1000 hours. The extended implementation of the other versions and the start of its roll-out to sub-suppliers will take place in 2018.

A summary of this theme was produced in *storytelling* format, named “Building the extended company”, which included the [EDP Sustainability Report 2017](#), is reproduced in Annex I).

## 1.2 CROSS-CUTTING INITIATIVES IN COLLABORATION WITH OTHER BUSINESS UNITS

### “THE WORLD’S SMALLEST FILM CYCLE” | CORPORATE COMMUNICATION OFFICE



Continuing the project started in 2016, as part of the joint initiative of the Corporate Communication Office and the Office of the Ethics Ombudsman, called "The World's Smallest Film Cycle", in 2017 two sessions of small films on topics related to corporate ethics (Multiculturalism in Transnational Corporations and Protection of Personal Data) were shown on internal communication channels. Each session was complemented by a brief questionnaire on the topics covered and their relationship with the reality within EDP. The results of this exercise were used as the topic for debate in each session, for deeper understanding of the theme through sharing of opinions and joint reflection.

From the inception of this project, 8 sessions were produced and screened with more than 10,000 views on the corporate intranet (edpON), reaching all the geographies in which we operate.

### “CINEMA TODAY!” | CORPORATE COMMUNICATION OFFICE

“A good film, a good conversation and some popcorn” are on the bill for this joint initiative of the Corporate Communication Office and of the Office of the Ethics Ombudsman, the films being provided by [Clube Pessoal EDP](#). In 2017, in “Cinema today!”, two sessions were organized, one in Coimbra and another in Porto. The films shown - “Amélie” and “The Intern” were selected by the employees through an online vote.

At the end of each session there was a debate among the participants on the issues raised by the film in question. The session held in Porto was open to external guests and was also attended by Prof. Arnaldo Coelho of the University of Coimbra who shared his ideas on the themes, which greatly enriched the debate.



*“This is an important initiative for EDP. It’s outside the box, it forces us out of our routines and makes us think about other aspects; it allows us to reflect on things we were not expecting that are important to our personal and professional life. These are important times which somehow rekindle certain things we already know. It is important to revisit these concepts and everything that we have been talking about and debating. This is a process of construction and learning and it is all helping us to grow as human and as EDP professionals”.*

António Lebre, EDP Distribuição



**“EDP EXPERIENCE” | DRH AND EDP VALOR**

In a joint initiative between the Human Resources Corporate Office, “Hire 2 Retire” EDP Valor and the Office of the Ethics Ombudsman, the “EDP Experience” project has been developed in order to understand how employees approaching retirement view their experience in the company. Through an online questionnaire, the perception of this employee demographic is gathered on: their professional careers; their leaders; EDP; future expectations.

In 2016 a pilot project was carried out covering 76 people, with 28 responses (36%). The 2017 version was sent to 190 people, with 61 responses (32%).

Some of the results of this survey are sources of indicators used in the Ethicis Index, namely in its "Culture" dimension (cf. 4.1).

These results, together with other management indicators, are being analysed by the organizational units involved to identify strengths and areas for improvement in the context of the development and consolidation of the Group's culture, in particular in its ethical dimension.

**EDP SUPPLIER CODE OF CONDUCT | SUSTAINABILITY CORPORATE OFFICE AND EDP VALOR**

As part of the EDP Group's sustainable supply chain management policy, the [EDP Supplier Code of Conduct EDP](#) was approved in 2017. This Code of Conduct applies to entities that provide or intend to provide goods and services to any of the Group companies. It has become part of all contracts established.

Suppliers now explicitly take on a number of commitments organized into seven themes: Compliance, Ethics, Environment, Labour, Health and Safety at Work, Human Rights, Management. Among these, we focus on Ethical Commitments:

- a) Promotion of and respect for the highest standards in ethics, morality and human integrity, in particular the principles enshrined in the EDP Group Code of Ethics;
- b) Respect for the principles and commitments to customers and communities, whenever they act on behalf of the EDP Group, work in its facilities or its their information;
- c) Informing, through the Ethics Ombudsman or other EDP Group Ethics channels, about possible conflicts of interest, whether they are of a business or personal nature, in relationships with the Group;
- d) Refraining from offering free gifts, goods or services or in any way enticing or conditioning EDP Group employees to influence their business with the Group;
- e) Conveying, truthfully and rigorously, information regarding management practices.



Given that compliance with the principles of the EDP Code of Ethics and strict adherence to the codes of conduct applicable to suppliers are fundamental to the achievement of EDP's business objectives, a brief reference to this new code has already been introduced in the "éticaedp | fornecedores" training, both in the version made available to trainees (online) and in the training for trainers (classroom).

## **CODE OF GOOD CONDUCT FOR PREVENTING AND COMBATING WORKPLACE HARASSMENT | HUMAN RESOURCES CORPORATE OFFICE**

Among the various ambitious commitments taken on by EDP in its Code of Ethics is "observing and promoting respect for employees, ensuring their right to decent work conditions. In particular, EDP seeks to protect its employees and will not tolerate acts of psychological aggression or moral coercion, such as insults, threats, isolation, invasion of privacy or professional limitation aimed at constraining the person, affecting their dignity or creating an intimidating, hostile, degrading, humiliating or disruptive environment."

In practical terms, this commitment, made by EDP several years ago, aimed precisely to draw attention to the importance of the theme "Harassment in the workplace", in its various forms. Law No. 73/2017 of 16 August amended, the Labour Code by stipulating that it is the duty of employers to "adopt codes of good conduct to prevent and combat harassment at work, whenever the company has seven or more workers".

It is in this context that in November 2017, the Executive Board of Directors (EBD) approved [EDP's Code of Good Conduct for Preventing and Combating Harassment in the Workplace](#).

Following up on the commitment assumed in this document, the Office of the Ethics Ombudsman, in collaboration with the Human Resources Corporate Office, drafted a review of the contents of the ethics module of the induction training to be delivered from 2018.

## **PERSONAL DATA PROTECTION | INTERNAL AUDIT AND COMPLIANCE DIRECTORATE**

Also with respect to integrity in the use of information, EDP undertakes, as stated in its Code of Ethics "to manage information so as to ensure that its integrity is protected and the affairs of the company, employees, customers or suppliers remain confidential".

The new regulatory system for the Protection of Personal Data, approved by European Regulation 2016/679 of 27 April, 2016 (General Data Protection Regulation - GDPR), strengthened the rights of data owners by introducing new rules of conduct and obligations for the entities that process personal data, with more severe penalties for non-compliance with these requirements or lack of adequate compliance mechanisms.

In order to meet the new legal privacy challenges and reinforce the importance of the public commitment in its Code of Ethics, a GDPR Adequacy Project, covering the whole EDP Group, was carried out in 2017.

The EDP Ethics Ombudsman, as one entity that deals with personal data, has taken, under its remit and in collaboration with the Internal Audit and Compliance Directorate, the steps to implement the measures necessary for strict compliance with the General Data Protection Regulation

Reinforcing the corporate objective of raising awareness on the subject, and as already described in the previous chapter, one of the sessions of the "The World's Smallest Film Cycle" was dedicated to the subject of "Personal Data Protection". The debate during the session was attended by Pedro Vicente (Compliance Office) and Paulo Moniz (ICT Security and Risk Management).

# 02 ETHICAL COMPLAINTS MANAGEMENT

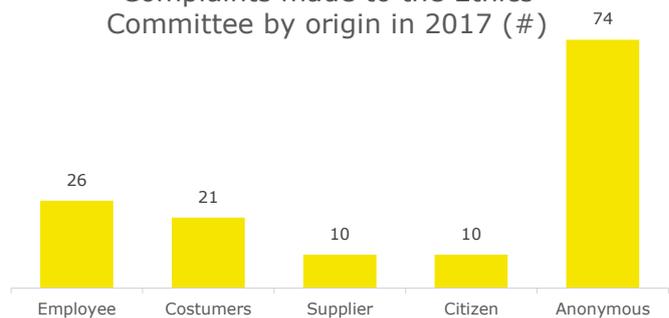
## 2.1. WHO COMPLAINED AND ABOUT WHAT

During 2017, 548 complaints were registered in the various channels available for this purpose within the EDP Group. Of these, 141 gave rise to complaint procedures before the Ethics Committee, and the others were expedited and effectively processed with the Business Units involved.

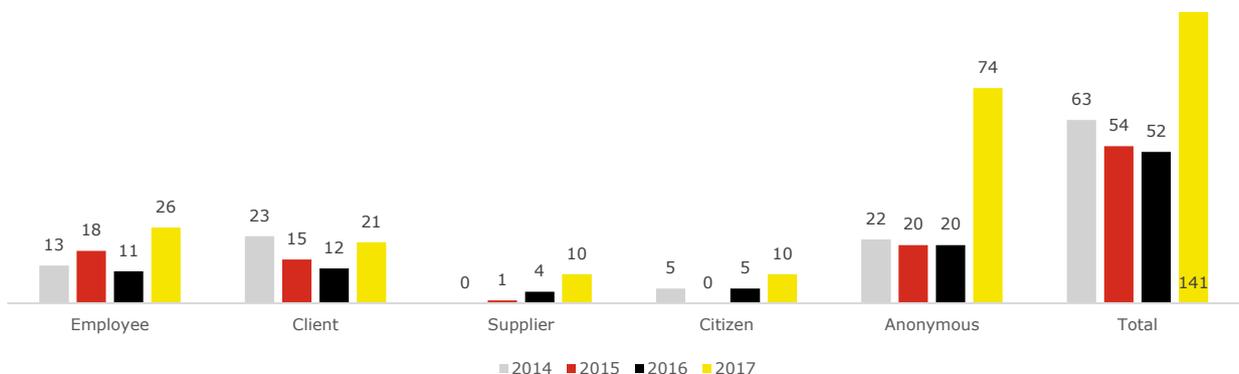
Compared with the previous year, there was a significant increase in the total of new complaints submitted to the Ethics Committee. This is due in large part to the increase in complaints filed at EDP Brazil where, in 2017, a new ethical complaints channel, - the "voice channel" - was implemented, with the specific aim of making it easier for any stakeholder, regardless of their location and literacy, to log complaints of an ethical nature. As a result, this year, the dissemination and reporting, not only of Ethics & Compliance issues, but also of this new complaint channel, were significantly enhanced. On the other hand, Brazil's current social situation has led *stakeholders* and society in general to exercise more scrutiny and adopt more proactive attitudes in reporting situations that they believe may be legal failings or infringements of the ethical principles adopted by companies.

In an analysis of complaints by origin, it is found that the complaint channels were used by all stakeholder groups, but particularly by Clients and Employees groups, which together represent about 33% of the total complaints assessed. There is a significant increase in the number of anonymous complaints, most of which originated from EDP Brazil, where this practice is generally more common.

Complaints made to the Ethics Committee by origin in 2017 (#)



Complaints made to the Ethics Committee by origin - 4 years (#)



In a multi-year comparative analysis, 2014-17, there is a clear prevalence of complaints originating in the Client and Employee groups, of equivalent proportion and which, together, represent 45% of all complaints registered in the period.

The complaints received by the Ethics Committee are classified according to the different topics in the Code of Ethics, as shown in the table:

**Classification of complaints according to the Code of Ethics**

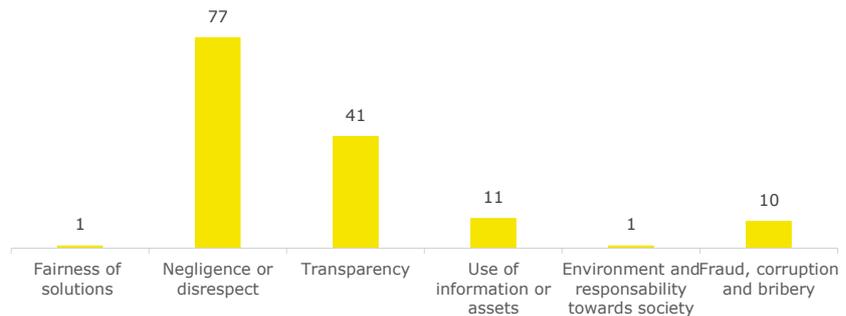
Fairness of solutions	2.2. Conflicts of interest   3. Commitment to stakeholders
Negligence and disrespect	2.1. Legislation   2.3. Human and labour rights   3. Commitment to stakeholders
Transparency	2.4. Transparency   3. Commitment to stakeholders
Use of information and assets	2.2 Use of Information   3. Commitment to stakeholders
Environment and responsibility towards society	2.5. Corporate Social Responsibility   3.5. Community
Fraud, corruption and bribery	2.2. Financial issues   2.2. Corruption and bribery

In the analysis by subject, there is a significant increase, in 2017, in the area "Negligence and Disrespect", which is offset by a reduction in the area "Use of Information and Assets".

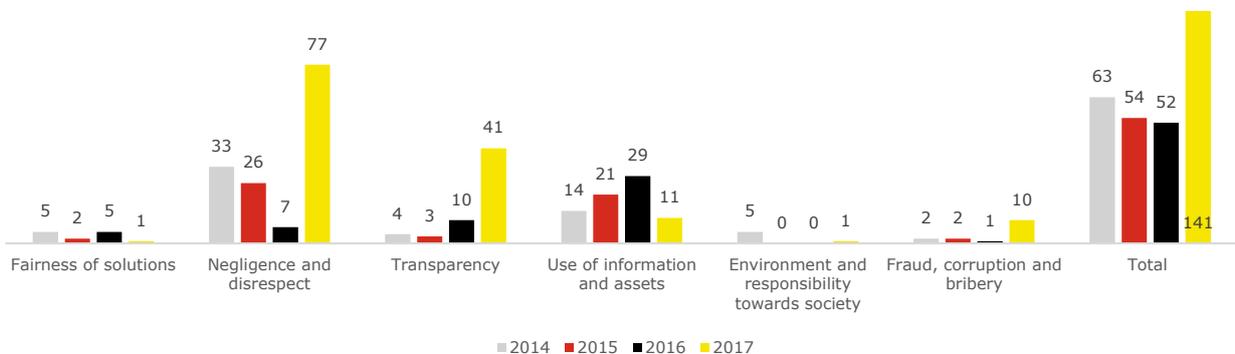
Although they may be influenced by some variability in the application of the classification criteria, these variations may translate into a greater degree of scrutiny and demand on the part of stakeholders, as well as a greater awareness of employees as a result of the training and awareness raising actions carried out since 2014.

The same applies to the variation observed in 2017 compared to the previous year, on the theme "Transparency".

Complaints made to the Ethics Committee, by subject, in 2017 (#)



Complaints made to the Ethics Committee by subject - 4 years (#)





## 2.2. ETHICS COMMITTEE ACTIVITY

In line with changes in the Group's organization, the membership of the Ethics Committee changed over the course of the year, with Sérgio Martins (EDP Brazil), Miguel Amaro (EDP Renováveis) and Paulo Pinto de Almeida (EDP Gas Distribution) leaving.

At the end of the year, the membership of the EDP Ethics Committee was as follows: António Mexia, EBD Chairman; António Martins da Costa, EBD; António Ferreira da Costa, EDP Produção; Azucena Vinuela, Internal Audit and Compliance Corporate Office; Eugénio de Carvalho, EDP Serviço Universal; Henrique Freire, EDP Brazil; João Paulo Costeira, EDP Renováveis; João Torres, EDP Distribuição; José Figueiredo Soares, Ethics Ombudsman, Secretary; José Luis Mohedano, EDP Spain; Manuela Silva, EDP Soluções Comerciais; Nuno Chung, EDP Valor; Paula Carneiro, Human Resources Corporate Office; Pedro Pires João, EDP Comercial.

As planned, the EDP Ethics Committee held four meetings in 2017, with a 81% attendance rate.

## 2.3. COMPLAINTS ANALYSED

According to the Regulations of the Code of Ethics, complaints received are subject to preliminary investigations, carried out by the Ethics Ombudsman. These investigations refer, in particular, to unethical practices identified, to employees or third parties who are potentially involved or who may have relevant information about them, to the risks and responsibilities involved and to the possible need for remediation or correction. The preliminary reports containing the results of these investigations and the opinions of the Ethics Ombudsman are submitted by the latter to the Ethics Committee for consideration. The sources of the complaints are not identified. The Ethics Ombudsman keeps this information secret during the entire process, as long as that secrecy does not hinder the success of any investigation or the development of corrective actions.

In 2017, the Committee analysed the preliminary reports prepared by the Ethics Ombudsman on ethical complaints originating in Portugal and Spain (5 carried forward from 2016 and 14 new complaints filed during the year). All these complaints were investigated and closed, and the relevant "Ethics Committee's Opinion" was issued.

The Committee also reviewed the cases submitted by EDP Brazil's Ethics Committee, and ratified the decisions made on them.

All Files and Opinions issued were sent to the Corporate Governance and Sustainability Committee of the General and Supervisory Board, in accordance with the established procedures.

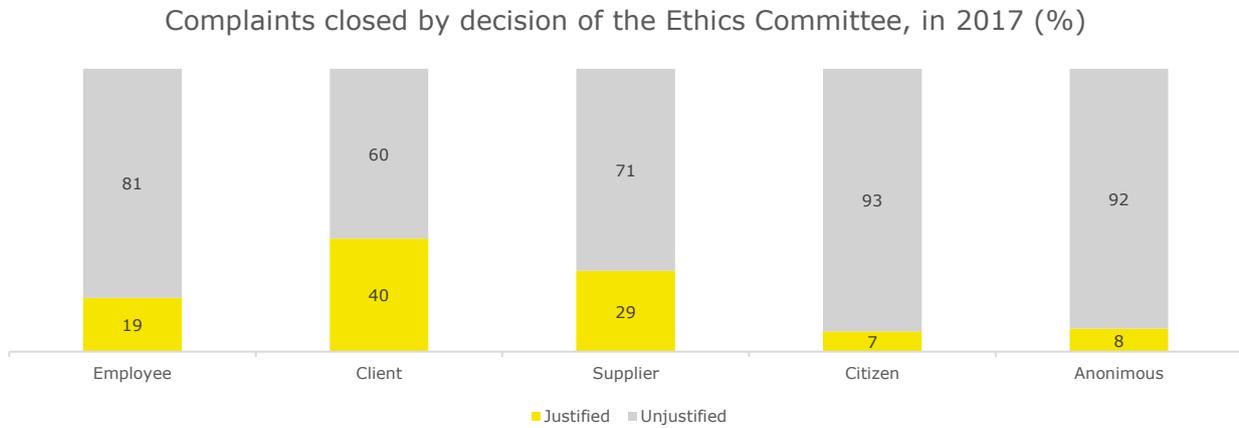
	CARRIED FORWARD FROM 2016	OPENED IN 2017	CLOSED IN 2017	CARRIED FORWARD TO 2018
EDP PORTUGAL	5	13	18	0
EDP SPAIN	0	1	1	0
EDP BRASIL	13	122	101	34
EDP RENOVÁVEIS	0	0	0	0
TOTAL	18	136	120	34

## 2.4. DECISIONS TAKEN AND ACTIONS DETERMINED

Of the complaints submitted to the Ethics Committee, 120 were closed in 2017, 15% were upheld and were considered substantiated and 85% were deemed not substantiated. For the purposes of this statistic, claims for which the facts or responsibilities alleged by the complainants have not been confirmed are considered "not substantiated" as are those where it was not possible to gather sufficient evidence to support a decision.

The percentage of complaints considered substantiated as assessed by the Ethics Committee in 2017 (15%), shows a significant reduction when compared to the previous year's rate of 34%. This change is explained by the large increase in complaints - in particular, anonymous complaints - during the year, in the previously mentioned context (cf. 3.1.).

The breakdown of these decisions by complaint origin is shown in the Figure below.

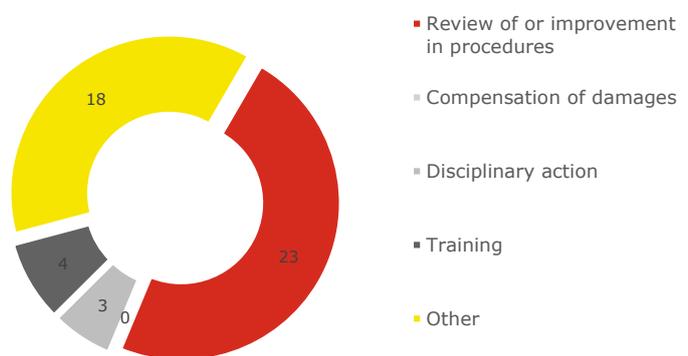


Following the opinions of the Ethics Committee, more than forty follow-up actions were determined.

As in previous years, these actions mostly focused on the review and improvement of procedures, thus promoting better management and control systems in order to prevent the recurrence of unethical practices.

Actions classified as "others" included: the monitoring processes performance, the assessment of the effectiveness of initiatives, and the reporting of events to criminal investigation authorities.

Actions determined by the Ethics Committee, in 2017 (#)



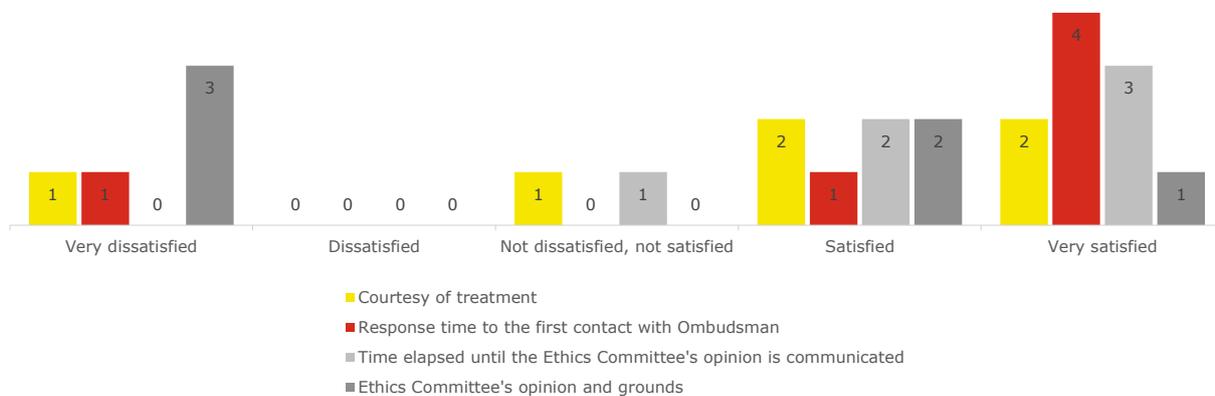
## 2.5. COMPLAINANT SATISFACTION

As part of the monitoring of the process of managing ethical complaints, complainant satisfaction is evaluated annually for complaints originated in Portugal and in Spain submitted to the Ethics Committee. This evaluation was made in relation to the following aspects: courtesy of treatment; response time from first contact; time until the report of the Opinion of the Ethics Committee; and satisfaction with the content of the actual Committee's Opinion and its grounds.

In 2017 there was a response rate of 37.5%.

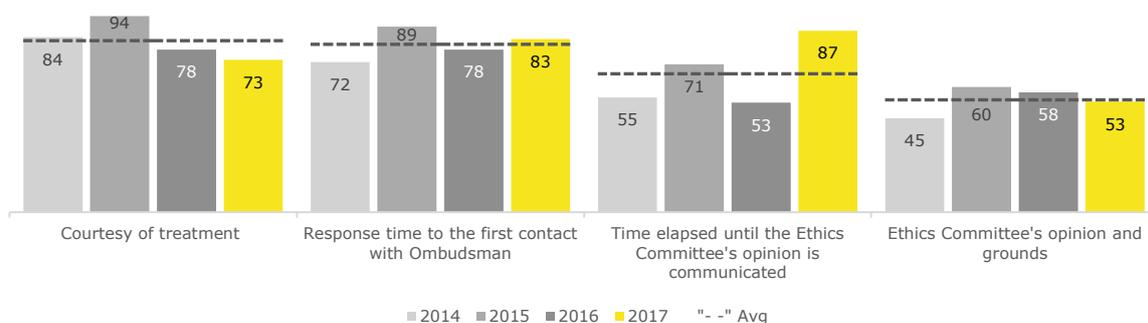
The results of the evaluation remain positive, with most complainants declaring themselves satisfied or very satisfied in the areas analysed.

Complainant satisfaction, in 2017 (#)



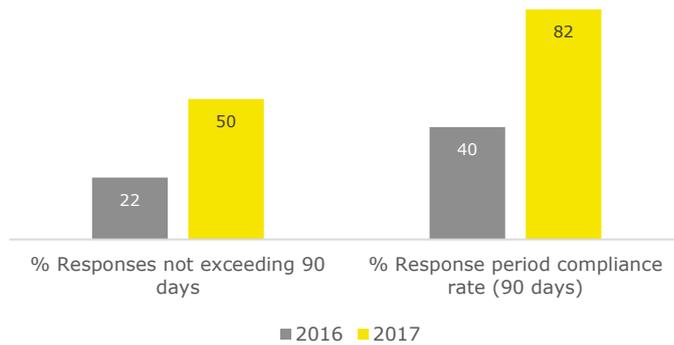
Given the small number of claimants who annually contribute to this sample - only six in 2017 - these results are likely to present great variability and cannot be interpreted according to their absolute value in any given year. Hence their transformation into indicators that enable comparison over a longer period of time.

Level of Complainant Satisfaction (processes closed during the year) - Values of standardised indicators (%)



The above graph compares the results of the four years in which the assessment was conducted, in all aspects analysed. Considering all the indicators - homogenised in accordance with the methodology used for consolidation purposes in the Ethicis Index (cf. 4.1), - one concludes that there was a significant improvement in the indicator "Time until the Committee's Opinion", with the other three indicators remaining relatively stable.

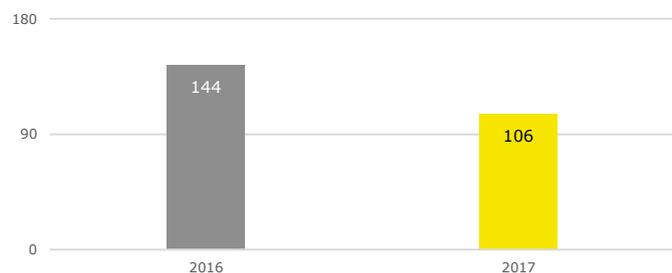
Efficacy of reply to complainants (%)



The improvement now observed in the indicator is in line with the positive change recorded in the year in all indicators related to compliance with deadlines for responding to complainants.

However, although it improved significantly (around -26%) compared to its performance in 2016, the "Average time to respond to claimants" indicator fell short of the target established in the revision of the Code of Ethics Regulations, which took place in late 2015.

Average time taken to respond to complainants (days)



In fact, following this revision, the period for the preliminary assessment of the complaint and the issuance of the opinion by the Ethics Committee was changed from 180 to 90 days from the date of submission of the complaint.

Although the results achieved confirmed the effectiveness of the improvement measures that have been introduced in the process of recording and handling ethical complaints, they were not sufficient to ensure the target levels of performance.

The monitoring of these indicators will continue, in accordance with the targets established within the framework of the overall objective of improving the results of the Ethicis index.



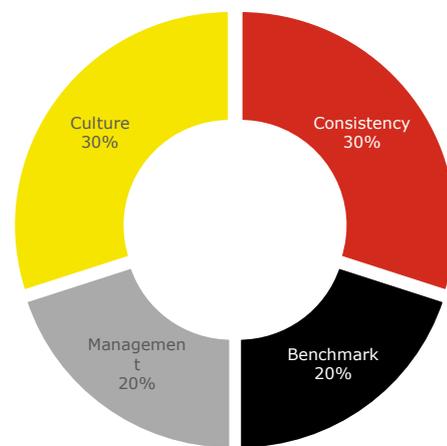
# **03 ASSESSMENT OF ETHICAL PERFORMANCE**

## **3.1 INTERNAL EVALUATION: ETHICIS - EDP'S ETHICAL PERFORMANCE CORPORATE INDEX**

The EDP Group uses the Ethicis index as an internal performance monitoring tool. This index, which has been in use since 2013<sup>1</sup>, provides an integrated, balanced view of the Group's ethical performance, which enables the consistency of management practices with ethical commitments to be evaluated, and is also an effective support for external reporting.

The intention of this index is to quantify a significant number of results - the direct or indirect perceptions of the various stakeholders on the Group's ethical performance, the indicators of the effectiveness of relevant processes and the degree of achievement of the initiatives planned in this area - which, properly weighted and consolidated, would enable not just monitoring of the performance achieved, but also setting of objectives and goals for the future. In this context, EDP has set an interim target for 2020 - to achieve a consolidated index value of not less than 80 points.

In short, the aim was to apply, through an appropriate system of metrics, the saying "what gets measured gets managed" to such an intangible and controversial field as the evaluation of the ethical performance of an organisation<sup>2</sup>.



Within the context of improvement in EDP's management practices and instruments, Ethicis was reviewed in 2016 in order to increase its robustness, clarity and coherence. Slightly modified in its overall structure, the previous "Stakeholder Perspective" dimension has been replaced by "Consistency" and reorganized into four areas: "Trust", "Transparency", "Integrity" and "Non-discrimination". To increase the weighting of this dimension, the relative weighting of the "Benchmark" dimension has been reduced. Likewise, the "Management" dimension, restructured into three main areas - "Management of Complaints", "Management of Ethical Risk" and "Knowledge Management" - has reduced its relative weight, so as to enhance "Culture", now organized in four areas: "Work environment"; "Ethical Leadership"; "Knowledge and Trust in Management Instruments"; and "Influence on the supply chain".

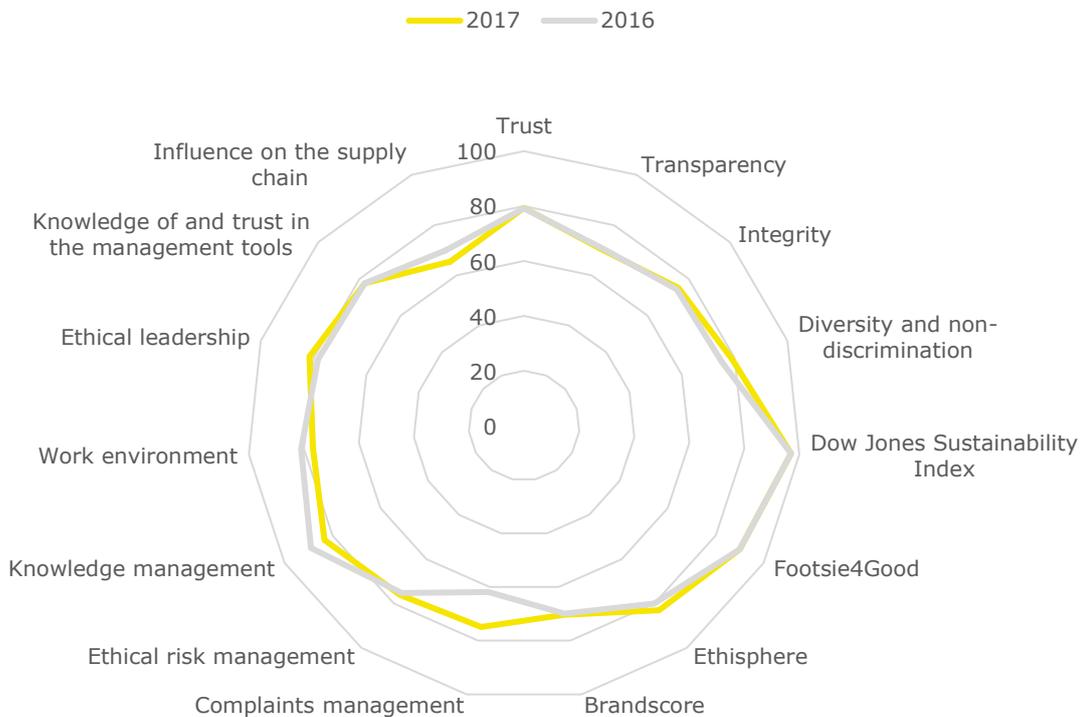
This change highlights the relevance of EDP's ethical performance and the consistency of management practices in this area (which now represent 60% of the overall value of this index). It is also due to the availability of new tools for evaluating and monitoring EDP culture. These include the skills evaluation and development methodology (Amplify) and the "Experiência EDP" exit survey, evaluating, among other things, aspects of the Group's ethical culture, by employees who are leaving for retirement or pre-retirement. Supplier audits are another new source of data that, since 2016, has contributed to the robustness of the Ethicis index.

In 2017 Ethicis showed a consolidated result of 79, which represents an increase of 0.3 points over 2016.

<sup>1</sup> In this regard, see the case study "Ethicis | Índice Corporativo de Desempenho Ético da EDP; A. Roque & H. Gonçalves, 2015, at <https://www.edp.com/en/edp/about-us/ethics>

<sup>2</sup> "What gets measured gets managed", attributed to Lord Kelvin

The most significant changes are, in opposite directions, in the Management dimension, in the Management of Complaints and in Knowledge Management, mainly as a result of the intermediate indicators "Effectiveness in responding to complainants" and "Complainant satisfaction level" in a positive direction (cf. 3.5) and the "Delivery of planned annual training in ethics" in a negative direction.



This last aspect is due, in particular, to the fact that it was not possible in EDP Brazil in 2017 to fully implement the ethics training plan, which was intended to cover all the employees of that business unit, as a result of the need to accommodate extra training projects, with a particular emphasis on the "EDP Culture" project, which was taken to all the regions where EDP Brazil operates. The recovery of this training programme is planned for 2018

In the Culture dimension, there is a slight fall in the partial value of the "Influence in the supply chain" area, which is expected to improve substantially in 2018, as a result of the planned implementation of ethics training (online or face-to-face) for approximately 10,000 employees of EDP's suppliers (see Annex I).

A very significant part of the "Consistency" and "Culture" dimensions of Ethisis is, as of 2016, supported by indicators of stakeholder perception - many of whom are employees - indicators which by their nature reflect positive changes more slowly. This must be taken into account in defining goals and in analysing results. The figure below shows the evolution of the consolidated values of the Ethisis Index since its inception and indicates the interim target, established for 2020.



*The creation of tools such as this index has the merit of measuring the ethical dimension of organisational life and making it more explicit and manageable. Talking about ethics is easy. Measuring it and putting it under the scrutiny of the organisation is not. This index is therefore an explicit, open commitment to one of the most critical dimensions of organisational life: the moral dimension.*

Miguel Pina e Cunha, Nova School of Business & Economics, in Ethisis Case Study, 2015



### **3.2. EXTERNAL EVALUATION - CORPORATE ETHICS QUOTIENT (ETHISPHERE INSTITUTE)**

EDP has been recognised for the sixth consecutive year by the Ethisphere Institute (USA) in the list of "2017 World's Most Ethical Companies (WMEC)".

In assessing the maturity of its ethical performance management system, EDP saw the overall value of its "Corporate Ethics Quotient" improve, and its lead over the average points obtained by companies on this year's list extended.

It is notable that this result was achieved in the context of a higher level of demand and detail of the information requested in each of the five areas under analysis. "Compliance & Ethics Program", "Corporate Citizenship", "Culture of Ethics", "Corporate Governance & Leadership", and "Innovation & Reputation".



A very significant set of benchmarking information is produced for the evaluation carried out by the Ethisphere Institute, which makes it possible to compare internal initiatives in each of the dimensions analysed with the best practices in the organisations that stood out in that year for the management of their ethical performance.

The list of the "2017 World's Most Ethical Companies (WMEC)" was made up of 124 organisations from 19 countries and 52 sectors of the economy, with EDP being one of only 6 in the energy sector and the only Portuguese company to be included in this list.

The Ethisphere Institute is an international organization dedicated to developing best practices in business ethics, social responsibility and sustainability. This ranking distinguishes those companies that lead with integrity and demonstrate the alignment of their management practices with the ethical principles and commitments adopted. Using its own model, the Ethisphere Institute assesses the maturity and performance of ethics and compliance management systems.

## **04 EXPERIENCE SHARING AND SUPPORT TO BUSINESS ETHICS INITIATIVES**

In line with the EDP Group's position in terms of support for the creation and dissemination of knowledge, also in the field of applied ethics in an organizational context, in 2017 it was possible to maintain support and cooperation, both with educational institutions and business associative organizations.

### **4.1 AESE | EDP CHAIR OF ETHICS IN BUSINESS AND SOCIETY**

The AESE/EDP Chair of Ethics in Business and in Society, whose holder is Professor Raul Diniz, was established in 2011 under a Protocol signed by the two institutions. Its second three-year term expired in 2016. Considering the very positive results that have been achieved through the Chair - in the last three years, 439 participants in the Continuity Seminars and Sessions organized by the Chair and distribution of the book "Inspiring Leaders" to 700 Alumni on the occasion of the Assembly and to 1574 participants in several open AESE programs - EDP and AESE have agreed to renew this Agreement for the period 2017 to 2019.

The Chair is an implementation of EDP's commitment to the principle of sharing with Society, focusing on the study and development of theoretical concepts and concrete proposals for action, supported by the following research lines: The basics of ethics in business and in society; and New management paradigms.

The following activities took place in 2017:



#### **Publications:**

"Dilemmas and limitations in minimizing management risks in banking"; Rafael Franco, Marc Jacquinet, Ana Machado

#### **Conferences and Seminars on Business Ethics**

Reputation: Ethics or Aesthetics (May)

Digital Revolution and Corporate Reputation (June)

How to build a leadership profile (October)

Internal Communication and Reputation (December)

#### **Participation in Conferences**

- "The (new) ideal worker"; Ana Machado - 7<sup>th</sup> International Conference of Work and Family

Learn more at:

[http://www.aese.pt/aese/boas\\_praticas/catedra\\_de\\_etica\\_na\\_empresa\\_e\\_na\\_sociedade\\_aeedp/](http://www.aese.pt/aese/boas_praticas/catedra_de_etica_na_empresa_e_na_sociedade_aeedp/)



## **4.2. AGREEMENT WITH CATÓLICA PORTO BUSINESS SCHOOL**

As part of the regular collaboration between EDP and the Católica Porto Business School (CPBS), in March 2013, a Specific Cooperation Agreement was established between the two entities. This agreement involved the provision of specialized services, in support the Office of the EDP Ethics Ombudsman, namely on the areas of: Development of fundamental or applied research; studies of business benchmarking and academic studies; development of case studies; implementation of processes for evaluating and monitoring ethical performance; design and implementation of ethics training programmes.

This Agreement was renewed in 2017, strengthening the links between the Company and the University in an increasingly important field for both business management and for academia.

Under the 2017 Agreement, technical support was provided to the Office of the Ethics Ombudsman in the various projects and initiatives, with an emphasis on two training projects: coordination and monitoring of “Tone at the Middle” face-to-face training for middle managers of the business units in Portugal and Spain; design, coordination and monitoring of training (online and face-to-face) for the supply chain in Portugal and Spain.

For more on this collaboration agreement, see also: <http://www.catholicabs.porto.ucp.pt/pt/cegea-consultoria>

## **4.3 COOPERATION WITH THE UNIVERSITY OF DEUSTO (BILBAO)**

In 2016 a Collaboration Agreement was formally established between EDP and the Deusto University (Centre of Applied Ethics and Deusto International Research School). In addition to the collaboration between the two institutions in terms of business ethics, this Agreement includes the participation of the EDP Foundation in the co-financing of a research project, “Promotion of Ethical Culture in Transnational Companies”. This project is also co-financed by the European Union (Horizon 2020 Research and Innovation Programme of the European Union under the Marie Skłodowska-Curie grant agreement).

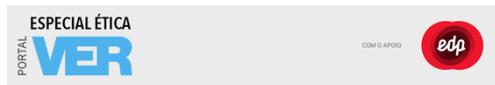
This is an Industrial Doctorate project lasting for three years, whose objectives are: to explore alternatives for qualitative and quantitative evaluation of the consolidation of corporate ethics culture; to propose methodological milestones for the consolidation of ethical culture in transnational organisations; to prepare concrete proposals for the evaluation and consolidation of ethical culture; and to propose strategies for strengthening the management system of the ethical skills of the company and its employees.

Under this project, in the final quarter of 2017, doctoral student Rodrigo Dal Borgo spent a period in residence at EDP. Supervised by EDP's Ethics Ombudsman, the doctoral student had the opportunity to experience the corporate environment, participate in meetings and seminars and learn about projects developed with the goal of developing and consolidating the company's ethical culture. Furthermore, as part of a first step in PhD research, he interviewed members of the Group's senior management. During this period, the doctoral student further clarified the scope of his work, established important contacts and relationships for research and participated in the *Connecting Communities* conference, in November in London, with a paper “*Storytelling and forward-looking perspectives to elicit ethical consciousness in organizations*”.

Learn more at:

<http://www.deusto.es/cs/Satellite/deusto/es/doctorado-2/cofund/presentacion-23?cambioidioma=si>

## 4.4 VER PORTAL



“A ética é mais importante do que a lei” - Wynton Marsalis

Prestes a comemorar o seu 10º aniversário, o VER pretende reforçar um dos pilares principais do tripé que o define desde o seu lançamento: o da Ética. Porque consideramos que é cada vez mais relevante dinamizar, divulgar e debater as questões éticas que, de forma crescente, se colocam às empresas, e a toda a sociedade, é nosso compromisso consolidar a aposta nesta área e dar a conhecer a realidade de empresas portuguesas com propósitos similares. Para tal, contamos com o apoio da EDP – que tem vindo a construir de forma consistente um conjunto de políticas e de abordagens de gestão nesta área, reconhecidas como boas práticas a nível nacional e além-fronteiras -, e com a parceria de instituições académicas relevantes, de que é exemplo e já nesta edição, a Católica Porto Business School. A presente newsletter assume-se como o início desta nova fase, em conjunto com o lançamento, a breve trecho, de novas rubricas que visam cumprir os objetivos acima propostos e envolver, de forma mais activa, os leitores que nos seguem.

### ESTA SEMANA



GRANDE ENTREVISTA

“O exemplo é o melhor código de conduta”

POR HELENA OLIVEIRA

In order to develop this common objective of promoting organizational ethics in Portugal, one of the main priorities of the project, EDP supports the specific project "Organizational Ethics in Portugal - Promote, Disseminate, Debate" which aims to achieve the following objectives:

- Emphasizing corporate ethics and the impact of lack of ethics;
- Staying up-to-date on ethics in organizations;
- Disseminating the good practices of Portuguese companies;
- Promoting debate and reflection on ethics in business and academia and dialogue between the two;

This partnership has resulted in a number of articles, interviews and project sharing, for example The World's Smallest Film Cycle that was designed, produced and broadcast on EDP's internal channels and which, through the VER Portal, makes its sessions public with an aligned approach, but a new image.

Learn more at:

<http://www.ver.pt/category/cinema/>

O Ciclo de Cinema Mais Pequeno do Mundo é um convite à reflexão, nas empresas, sobre temas ligados à ética através de um filme, de um 'quiz', de uma proposta de actividade passível de ser feita em equipa e de um pequeno depoimento de alguém com experiência em cada uma das temáticas abordadas. Esta iniciativa foi inicialmente desenvolvida pela EDP para os seus colaboradores, sendo agora adaptada e partilhada com os leitores do VER.



Also resulting from this partnership and in the context of its 10th anniversary, VER, together with ACEGE, held a seminar entitled "The impact of the new harassment legislation on companies", which reflected on the amendments to the General Labour Law, which establish new legal obligations in respect of harassment in the workplace for all companies with more than seven employees. With almost 300 participants, two sessions of this seminar were held in Lisbon and Porto, with Paula Carneiro (Corporate Human Resources Director) and José Figueiredo Soares (Ethics Ombudsman), respectively participating for EDP.

The [December Ethics Special](#) was dedicated to the subject with background articles on the contributions of most seminar participants.



## 4.5 PARTICIPATION IN EXTERNAL EVENTS

Also with regard to the sharing of EDP's experience in ethical performance management and, more generally, to the strengthening of the ethical dimension of organisational culture, the Ethics Ombudsman participated in several Seminars, Conferences and Forums in 2017.

### Business Ethics Forum of the Porto Catholic Business School

Created in 2015, the Ethics Forum of the Porto Catholic Business School has the following main objectives: to stimulate and support thinking on business ethics; to promote sharing of experiences between organizations; to create knowledge in the field of ethics. The Forum currently has about thirty members, with high seniority, representing a highly varied range of business sectors.

Through its Ethics Ombudsman, EDP was a founder of this Forum and has participated regularly in its sessions, sharing its experience in the development of its management system and in the consolidation of an ethical culture and, at the same time, gathering valuable contributions and perspectives from participants regarding the themes analysed.



### DIRETICA Seminars

Under the Agreement signed with the Centre of Applied Ethics of the University of Deusto (Bilbao), EDP has been supporting the DIRÉTICA initiative, Ethical Monitoring of the Managerial Function, whose objectives are to reinforce skills related to the ethical perspective in the processes of ethical analysis and decision-making in the managerial function, at the individual and organizational level, as well as the importance of this perspective in the development of the organization's culture.

The Ethics Ombudsman participated in the Seminar held in May, where he had the opportunity to present EDP's ethical performance management system and discuss with the participants the main challenges and options that the development of such a system poses.



Learn more at:

<https://www.deusto.es/cs/Satellite/deustoresearch/es/inicio/transferecia-3/servicios-expertos-0/la-funcion-directiva>

### Other Involvement

As in previous years, EDP was invited to share its management practices and results in organizational ethics, in higher education institutions and in executive training courses.

In this context, in 2017, the Ethics Ombudsman had participated in the following:

- "Management of ethical performance at EDP" Seminar as part of the "Ethics and Social Responsibility of Organizations" subject on the degree in Management, at the Portuguese University;
- "Consistency between words and acts: the Code of Ethics EDP" seminar as part of the "Seminar on Ethics and Social Responsibility" of the International MBA, Catholic Porto Business School.
- 4th Symposium on Ethics and Social Responsibility Research; Porto

## 05 COMPLIANCE, INTERNAL CONTROL AND COMBATING CORRUPTION

In a wider risk management context and, in particular, in order to mitigate the risk of unethical practices, EDP is developing, continuously and across the various business units, measures and systems of training / awareness raising, prevention, monitoring and internal controls, appropriate to the identified risks of legal and regulatory non-compliance, combating corruption, fraud and money laundering and promoting transparency.

Through the relevant organizational units, EDP has implemented a model for assessing and mitigating the risks associated with unlawful acts, including analysis of existing risks, identification of potential improvements, design of action plans and implementation and monitoring of controls, when necessary. These controls, particularly those that impact financial reporting, are reviewed and monitored by internal teams and are annually certified by an external auditor as a guarantee to all *stakeholders* that risks are mitigated.

With a view to enhancing the effectiveness of the control and reporting systems and reducing the risk of legal non-compliance, in particular the occurrence of corruption and bribery practices and, in the context of the evolution, quality and maintenance of the system, topics related to the analysis of financial risks and fraud in financial reporting were reinforced, bearing in mind the continuous improvement and robustness of the internal control system.

The Internal Audit and Compliance Office is responsible for promoting and coordinating the EDP Group's (Global and Specific) Compliance Programmes, through the provision of tools, methodological support and monitoring of the activities carried out. Throughout the year, a number of initiatives were promoted aimed at implementing various Specific Compliance Programmes.

For more information see the Annual Report 2017, [chapter III Internal Control and Risk Management, paragraph 55](#).

In recognition of the scope and quality of the initiatives developed in a particularly demanding context in relation to anti-corruption practices, EDP Brazil came third out of 100 companies analysed in the study "[Transparency in Corporate Reports - The 100 Largest Companies and the 10 Largest Brazilian Banks](#)", published by the NGO "Transparency International (TI)" that assesses the situation of the largest Brazilian companies in relation to their standards of transparency and prevention of corruption.

As part of collaborative and community sharing initiatives, EDP continued to strengthen the platform "[Gestão Transparente.Org](#) - A Practical Guide to Managing Corruption Risks in Organizations". In 2017, the attention of this project focused above all on the protection of personal data, in the context of promoting and sharing values of integrity, accountability and transparency, and it has also expanded the availability of its contents in Spanish, English, and European and South American Portuguese.

These initiatives were, where necessary, monitored by the Ethics Ombudsman and linked to the initiatives coordinated by his office.



## **06 CHAMPIONING HUMAN RIGHTS**

The Human and Labour Rights Monitoring Programme (HRMP), extended in 2016 to all EDP Group Business Units, covers, among others, companies, facilities, new projects, mergers and acquisitions, as well as operations with a potential impact on Human Rights or materially significant turnover in Portugal, Spain, Brazil and the United States.

The HRMP enables us to assess the conformity of our practices and the impact of our decisions and operations with the principles of EDP and the aims of respect for human and labour rights. EDP's public principles and commitments regarding respect for human rights are reaffirmed and made publicly available on EDP's website ([www.edp.com](http://www.edp.com)> sustainability> social dimension > human rights) and other materials such as the Code of Ethics and the EDP Group's Principles of Sustainable Development. HRMP monitoring also contributes to the systematic practice of ethical risk assessment and compliance with applicable legal, regulatory and ethical standards.

EDP has adopted the principles and values enshrined in the Universal Declaration of Human Rights and international conventions, treaties and initiatives such as the International Labour Organisation Conventions, the United Nations Global Compact and the Guiding Principles for Business of the Human Rights Council - "Ruggie Framework".

EDP is committed to respecting and promoting Human Rights and decent work practices, particularly in its supply chain. The Group's Principles of Sustainable Development assert its commitments to integrate social aspects into its planning and decision-making, to respect and promote respect for human rights within its sphere of influence, to reject abusive and discriminatory practices and to ensure equal opportunities.

As party of the HRMP, a set of actions and improvement plans were recommended, with special emphasis in 2017 on:

- Activities related to the construction of infrastructures with impact on the displacement of people and indigenous populations. This issue is particularly relevant in Brazil, in relation to the São Manoel Hydroelectric Power Plant project. (For more information see EDP's Sustainability Report 2017, in particular chapter "02 Ethics and Human Rights");
- The evaluation and monitoring of the risks in the supply chain, having concluded that there is greater exposure among indirect suppliers to the risks of failing to respect Human and Labour Rights. Accordingly, monitoring and awareness-raising for suppliers in relation to contractual commitments in this area, and penalties for non-compliance, which may include disqualification, will be improved. (For more information see EDP's Sustainability Report 2017, in particular chapter "07 Management of Suppliers");

It should be noted that compliance with the prohibition of recourse to illegal workers and child labour is an explicit requirement for the qualification of suppliers, which is contractually established and is subject to verification through operational inspections, and is also addressed under the Compliance function of the Supply Chain Sustainability Programme and of the HRMP.

Relevant HRMP procedures and documents - Commitments, UN Guiding Principles for Business, Monitoring Guide, Reports - are published at [www.edp.com](http://www.edp.com)> sustainability> social dimension> human rights.

The channel for complaints, reporting and queries to the EDP Group Ethics Ombudsman is the preferred means of contact on matters of HRMP, including the supply chain.

## **07 OUTLOOK FOR 2018**

The activity planned for 2018 will focus on four main lines of action, which maintain the commitment to the management objectives for ethical performance established by EDP, in particular with regard to management of the risk of occurrence of unethical practices, and strengthening an organisational culture consistent with the values adopted:

### **7.1. IMPROVEMENT IN THE ETHICAL PERFORMANCE MANAGEMENT SYSTEM**

#### **Performance monitoring**

Monitoring of performance indicators considered as priorities, within the framework of the guidance set by the Executive Board of Directors, and reinforcing national and international benchmarking actions in this area.

Improving the ethical performance of the Group, as assessed by the ETHICIS internal index and by the *Ethics Quotient (Ethisphere Institute)*, in the latter case maintaining the Group's position in the list of the *World's Most Ethical Companies*.

#### **Risk management**

Strengthening the integration of the management of the risk of unethical practices in the Group's risk management models and procedures, and conducting a high level evaluation in this area by an external entity.

#### **Registration and handling of ethics complaints**

Implementation of a new complaints registration channel, accessible through the EDP `website, with the features appropriate to the current management needs and improvement of the registration and handling process of ethical complaints.

### **7.2 CULTURE**

#### **Encouragement of informal internal cooperation networks within the Group**

The activity and scaling-up of the group of éticaedp Representatives and Focal Points will be encouraged, so that they can act as multipliers for initiatives launched at central level and as conveyors of opportunities and needs in the different organisational and business units.

Strengthening and enlargement of the informal network of internal partnerships to capture synergies in the promotion and consolidation of the Group's ethical culture.

### **7.3 AWARENESS RAISING / TRAINING / KNOWLEDGE CREATION**

#### **Awareness raising**

Implementation, in collaboration with the Corporate Communication Office, of the project "Every case is a case", in order to prosecute the application of the EDP Code of Ethics, based on small cases disclosed and analysed in the internal *media*.

**Internal Training**

Development, in collaboration with the Human Resources Corporate Office and the EDP University, of specific content to be integrated in the leadership training programmes.

Provision of the online training module, "The Honesty Project", on bribery and corruption.

**Training for service providers and suppliers**

Coordinate the implementation of the éticaedp|fornecedores ethics training programme, in collaboration with the organizational and business units involved, in Portugal and Spain.

**Knowledge creation and sharing**

Support for the production of knowledge with a view to the publication of two new case studies on elements of the management and ethical culture development system in the EDP Group.

Sharing experience and ethical performance management practices, with the Academy and with Society in general.

**7.4 COMMUNICATION**

In liaison with the Corporate Communication Office, continuing the work of restructuring and improvement of the ethics pages on the internal and external websites in order to promote transparency in the relationship with stakeholders and to strengthen their trust in the use of the complaint channels provided and the handling process of these complaints.

# ANNEX I - GOOD PRACTICES

## BUILDING THE "EXTENDED COMPANY"

More than ten thousand employees of EDP service providers will receive training on ethics, similar to the training provided internally

### Why?

A company responsible for the impacts of its activity cannot ignore the impacts caused in and by its supply chain. In this context, EDP has defined a [Sustainable Supply Chain Management Policy](#) where, among other things, objectives are set in the area of risk management. Of particular importance are the risks of unethical practices of suppliers acting in the name of the company or working on its premises and seen by the customers and the different *stakeholders* with whom they interact as part of the "extended company".

*"The value that the EDP Group generates is also determined, in large part, by the performance of its suppliers. We are connected! Our success is also the success of all those with whom, directly or indirectly, we work and share risks that together we must identify and manage."*

António Martins da Costa Member of the EDP EBD  
(in the "éticaedp|fornecedores" training welcome message)

Following the completion in 2015 of the "éticaedp online" e-learning ethical training addressed to all the Group's employees, it was considered fundamental to extend it to the supply chain, in order to: promote behaviour in accordance with the principles and ethical commitments of the EDP Group; reduce risk and poor ethical practices, in particular those that might result in non-compliance and reputational damage for the Group; publicize the Code of Ethics, the EDP Supplier Code of Conduct and EDP's ethical complaints channel.

### How?

#### A diverse and motivated internal team

Based on a coordinating unit consisting of the Office of the Ethics Ombudsman, EDP University, the Sustainability Corporate Office and the Global *Procurement* Unit of EDP Valor, an internal team was set up involving the Business Units (BU) and the offices with responsibility for the management of service contracts in areas considered priorities, namely: service providers acting for EDP; service providers working at EDP's facilities; and service providers who have access to clients' and / or EDP's business data. During the process, about thirty people representing EDP Comercial, EDP Soluções Comerciais, EDP Distribuição, EDP Imobiliária and the Corporate Information Systems Office were invited to join the team. The work resulted in the identification of approximately 400 suppliers and 11,000 trainees.



Having identified the recipients, it was necessary to segment the different types of activities developed, in order to determine the number of customized versions needed, i.e. versions adapted to trainee groups. This was a complex task: the activities could involve services as varied as cleaning, accounting, reading, commercial, building and maintaining networks or even systems management. The training to be designed also had to consider the different types of service providers, from large enterprises to micro-enterprises and even individual entrepreneurs.

The starting point was the "éticaedp online" training developed for all EDP employees. Reduced from 90 to 45 minutes, it maintained the structure of the first two modules - the importance of business ethics and how ethics are

managed at EDP - so that suppliers would know not only our code of ethics but also the aspects related to receiving and handling complaints.

The biggest difference in terms of content is in the third module - Acting ethically. For each customized version, in addition to a video message from the manager of the contracts relevant to the trainees in question on the main risks involved, three practical cases are presented to illustrate everyday situations, with alternative decisions to be supported in the Code of Ethics. All these cases were presented in "Photo Comics" format, with real photos and frames, to make them more realistic.



**Positive supplier participation**

In addition to the need for the BUs to be involved in risk definition and content development, the diversity of the activities and the characteristics of the trainees required positive participation of suppliers in the process of co-creation of educational content.

This involvement occurred in 2016, at the EDPartners meeting, where the project was presented and indicated EDP's willingness to ensure this involvement, in content design and validation and in the definition of the dynamics of implementation.

Following this, in the first phase, senior managers and trainers were invited as a first step to a meeting to present the project in more detail together with the content planned for online training, to be adapted for face-to-face training. In the second phase, work sessions were scheduled to identify the following in detail: areas of activity; content to be adapted; practical cases; the training implementation plan, in particular with regard to trainers' training. To facilitate contributions, a preformatted sheet was sent to each company, for the identification of themes / situations representative of the most common ethical issues and with the greatest impact on its area of activity - for the design or adaptation of cases.



This work led to the definition of 16 customized versions, two types of training (online and face-to-face), and the need to train trainers was identified, not only at the service providers, but also, in some cases, at EDP.

**Supported implementation**

While for the online mode, provided through the EDP CampusOnline, it was enough to adapt the existing access and control mechanisms, for the face-to-face mode, much greater supplier involvement was required, with several trainers training sessions, to discuss the need to adapt the mechanics to the target audience (number and literacy) in each session and to validate the training kit. For both modes, monitoring, effectiveness evaluation and control mechanisms were established with the suppliers and business units involved. The same methodologies and mechanisms were defined for cases where suppliers must guarantee the deployment of training to their sub-suppliers.

*"While business ethics may be influenced by cultural or organizational aspects, the fact is that it depends heavily on the behaviour of the individual. It was therefore with great surprise and satisfaction that we accepted the EDP group's invitation jointly to adapt a course in business ethics, which is a factor in the daily life of any company. Effective interaction with the entire supply chain has provided evidence of a real effort to create a link for collective progress. We grow better together".*

*Rui Vieira, Company Manager **Cargomix – Transportes Lda***

**Where are we?**

The project began in 2016, with the definition of its scope and architecture and a pilot launch. In 2017 all the customized versions were developed, with training provided for all trainers and the first versions launched, covering 270 trainees in online mode and 550 in face-to-face mode, in a total training volume of nearly 1000 hours. The extended implementation of the other versions and the start of its roll-out to sub-suppliers will take place in 2018.

We know that ethical risk in the supply chain is not eliminated through a training programme, even if, as is the case, its target audience is strongly involved. However, we can say that this is a fundamental project in strengthening ethical culture in "The extended EDP", the most effective way to minimize the risks involved. Furthermore, we believe that the project contributes significantly to enhanced relationships and greater trust with the suppliers involved.

**"éticaedp|fornecedores" in numbers:**

**2 formats (online and face-to-face); 100 people involved (35 in-house and 65 from suppliers); 400 suppliers; 11,000 trainees; 100 trainers; 350 hours' trainers' training (hxt); 16 customized versions; 40 case studies; 150,000€ invested**

# **ANNEX I – ETHICS OMBUDSMAN REPRESENTATIVES AND "EDP ETHICS FOCAL POINTS" IN 2017**

## **Representatives:**

Emílio Garcia-Conde Noriega, EDP Renováveis  
José Luis Martínez Mohedano, EDP Spain  
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João Paulo Mateus, EDP Brazil

## **Focal points:**

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Carlos Vaz, DRC  
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Pedro Vitório, DRIS  
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