

*edp*

**ENERGY  
AS  
THE  
NEW  
ART**

**ETHICS OMBUDSMAN  
ANNUAL REPORT  
2016**

**ENERGY**  
**AS**  
**THE**  
**NEW**  
**ART**

# ENERGY AS THE NEW ART

40 years of EDP

It's time to celebrate energy

Over these 40 years, the world has changed and energy has changed with it. Through the art of reinventing, innovating, revolutionizing and transforming the future. Through creativity driven by the engine of technology. Today we look at the past as a gallery of memories that inspires us to create anew.

Energy embodies an infinite narrative built every day as an inexhaustible and inspiring work of art.

Energy as the new Art

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**TRANSPARENCY  
AS THE NEWART**

## Leadership and Example



The world today is characterised by enormous volatility, complexity and uncertainty, arising from an unprecedented rate of change. This means particularly challenging market contexts where the resilience of the organisation and the consistency of the values on which it bases its culture are continually put to the test. In these contexts, the company's reputation, an intangible asset supported by the trust that its stakeholders place in it, assumes a value like never before.

At EDP, ensuring high levels of ethical awareness and demand, minimising the risk of malpractice and maintaining a consistent, trustworthy culture are the established ethical management objectives. These objectives are particularly taxing on the conduct of the leadership, whose example is undoubtedly "the most powerful code of conduct that EDP could have and the best safeguard of its reputation."

Since we understand that our responsibility is not confined to the organisational limits of the Group, we believe the active engagement of our suppliers and service providers to be paramount in achieving the ethical performance management objectives, particularly with regard to compliance, the fight against corruption and the promotion of Human Rights, within the broader framework of sustainable management of the EDP Group supply chain.

Furthermore, the Group's maturity in this area of management makes 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.

These were the main guidelines for the initiatives developed in the EDP Group in this field in 2016, which are summarised in this report.

The evaluation of the different aspects of our ethical performance management system performed by the recipients and partners of the initiatives undertaken during the year has been generally positive. Also positive were the results achieved in Ethicis (EDP's Corporate Ethical

Performance Index), and the fact that, for the fifth consecutive year, EDP is included in the list of the World's Most Ethical Companies drawn up by the Ethisphere Institute.

Looking at the activities undertaken overall, I would like to thank the EBD, the Ethics Committee and the Corporate Governance and Sustainability Committee of the GSB for the support they have provided, and to acknowledge the cooperation of all those who, within their organisational units or in the various working groups formed, participated in the different initiatives launched by the Office of the Ethics Ombudsman, and whose skill and enthusiasm were instrumental for the results achieved.

**José Figueiredo Soares**  
EDP Group's Ethics Ombudsman

## Highlights | 2016

**MARCH**

### 2016 WMEC | ETHISPHERE

EDP was recognised for the 5th consecutive year by the Ethisphere Institute as one of the World's Most Ethical Companies



**NOVEMBER**

### TRAINING AT EDP BRAZIL

Continuing the éticaedp online training plan this training was made available on Campus Online for all EDP Brazil employees.

**MAY**

### OPENING OF THE FILM CYCLE

Screening of short sessions on ethics-related themes on the internal communication channels.



**DECEMBER**

### "ÉTICAEDP | SUPPLIERS"

Training started on supply chain ethics.



**JUNE**

### TRAINING AT EDP RENOVÁVEIS

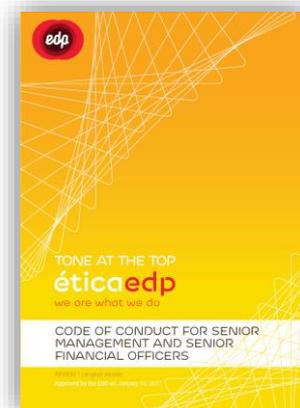
The version of éticaedp training for EDP Renováveis employees was made available on Campus Online.

### Approval of CODE OF CONDUCT FOR SENIOR MANAGEMENT AND SENIOR FINANCIAL OFFICERS

**OCTOBER**

### TONE AT THE MIDDLE

Around 600 middle managers attended the "Tone at the Middle" training.



# 1. Strengthening the ethical culture

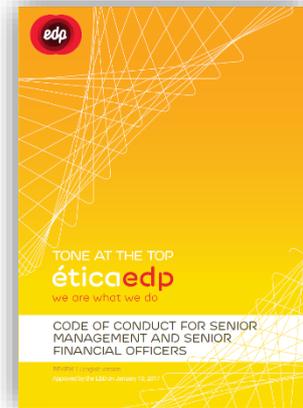
## CODE OF CONDUCT FOR SENIOR MANAGEMENT AND SENIOR FINANCIAL OFFICERS

The Code of Conduct for Senior Management and Senior Financial Officers has been approved. Its aim is to promote alignment and to explain, internally and externally, the current conduct matrix shared by those who, in the different geographies and businesses of the Group, hold authority and assume top management responsibilities.

While it does not replace the EDP Code of Ethics, this document reinforces and complements it, recognising that the example of the leader's performance is the best and most powerful code of conduct the organisation can have and the best safeguard of the Company's reputation.

*(...) "The EDP Group today has a global presence and is directed, worldwide, by men and women of different generations, cultures and behavioural patterns. This diversity is valued and promoted as a factor of wealth." (...)*

Excerpt from the Code of Conduct for Senior Management and Senior Financial Officers



Available at:  
<http://www.edp.pt/pt/aedp/governosocietario/etica/Pages/etica.aspx>

## TIMELY PAYMENT COMMITMENT

As part of its supply chain sustainability development plan, EDP has joined the "Timely Payment Commitment" initiative promoted by ACEGE - the Christian Association of Entrepreneurs and Managers.

The public formalisation of EDP's adherence took place in September during an EDPartners workshop, at which a certificate marking EDP's adherence to this commitment was presented, demonstrating with this gesture EDP's willingness to make a decisive contribution to the success of the Portuguese economy.

## TRAINING AND AWARENESS-RAISING IN ETHICS

### World's Smallest Film Cycle

Throughout the year, in a joint initiative of the Communications Department and the Office of the Ethics Ombudsman, a series of short films was shown via the internal communication channels under the banner "Smallest Film Cycle in the World", on subjects related to corporate ethics (Human Rights in the Supply Chain, Diversity, Prejudice, Volunteering, Individual Responsibility and Moral Fortitude). Each session was complemented by a brief questionnaire on the topics covered and their relationship with the reality within EDP, as well as with a draft activity guide, allowing a deepening of the theme through the sharing of opinions and joint reflection within working teams. The results achieved served as the topic for debates promoted on corporate radio and television.



Debate on the session on "Individual Responsibility"

The "World's Smallest Film Cycle" sessions had more than 5,000 views on the corporate intranet (edpON), and reached all the geographies in which we operate.

## Lead Now Programme

The "Lead Now" training programme, an initiative of the EDP University's Management Development School in partnership with the Human Resources Department, for employees who have recently taken up formal team coordination responsibilities, is aimed at the development of leadership and management skills, aligned with the Amplify model and, from its 4th edition in 2016, started to include an activity in the field of ethical culture development. Participants, were therefore, given the challenge of creating new sessions for the "World's Smallest Film Cycle", addressing the following topics: "Generation Y | Demands of ethical leadership of millennial teams"; "Multiculturalism | Ethical challenges in transnational corporations"; and "Industry 4.0 | Ethical issues arising from the digital economy". These sessions will be screened during 2017.

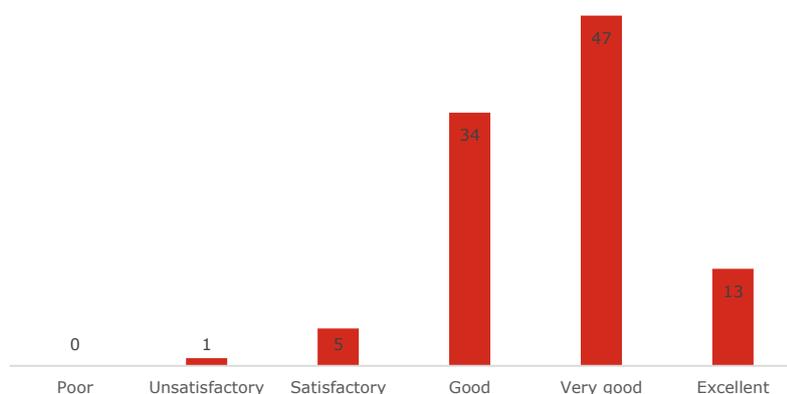
## Tone at the Middle Sessions for Middle Managers

Continuing the extensive awareness and training programme that has been undertaken in previous years, the "Tone at the Middle" initiative was designed and implemented in the business units in Portugal, and directed at middle managers. Its aim was to strengthen 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 this first phase, about 600 participants were covered, in a total of 30 sessions that took place in different parts of the country, addressing the themes "Integrating the team's day-to-day ethics | Talking about ethics: Why? About what? How and when?"; "Reporting bad practices | How to encourage employees to report bad ethical conduct"; "Identifying and preventing retaliation"; and "Integrating ethics into decision making".



One of the questions that was intended to be explored during the reflection promoted in this training was the following: *When leaders themselves think of leaders who have had a positive influence on them, which skills stand out most?* For this, each participant was invited to mention two attributes of the boss that most positively affected them. Of the nearly 1,000 responses we recorded, the top 10 most striking characteristics were: transparent, rigorous, honest, fair, competent, upright, trustworthy, exemplary, coherent, sincere/truthful. It should be noted that the vast majority of attributes identified as related to personal or social leadership skills rather than technical or conceptual characteristics, thus reinforcing the evidence of the need for ethical leadership skills.

Overall Evaluation (%)



"The session promotes a constructive, clarifying debate on the ethical challenges facing the intermediate levels of the company as well as possible approaches to overcoming these challenges."

(Comment from one "Tone at the Middle" participant)

"The majority of the participants evaluated the course positively (>90% as Good, Very Good or Excellent), considering it an excellent opportunity to reflect on ethical issues in decision making, maintenance and development of the culture in terms of the economic, social and environmental performance that underpins EDP's strategic pillar of action.

The most positive highlights are attributed to Structure of Content, Suitability for the Labour Market and Meeting of Defined Objectives, emphasising the practical component, particularly the case studies and the joint discussion of the topics, the systematisation of the contents and the interactive format of the session, as well as the balance between theory and practice. 99% of participants would recommend the course to another EDP employee"

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

### Éticaedp|Suppliers Training

In order to consolidate, in the supply chain of the Group, the knowledge of the principles of action and of the commitments to stakeholders, undertaken by EDP in its Code of Ethics, the "ethicsdp | Suppliers" training was developed. As a first step, this training is aimed at the employees of companies that provide external services (ESP) that represent or act on behalf of EDP, or that work in our facilities. The initiative started in 2016 and will last until 2018 and the aim is to cover more than 12,000 ESP employees in this phase, from around 250 companies working in Portugal and Spain. The training of the first cluster, "Field Service Technicians", had a completion rate of 100%, with 92% of the trainees evaluating it as Good, Very Good or Excellent.

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.

*"Interactivity and dynamics. Brief but essential content";*

*"Ease of understanding";*

*"This training action is very important because everyone who uses the name EDP has a responsibility to ethically comply with the Code"*

(Comments from participants in éticaedp | Suppliers training - Field Service Technicians)



### Ethics in induction training

In Portugal, the face-to-face module on ethics that complements the éticaedp online training has been retained for the induction period. This training, that took place in six sessions for 210 employees, covered 85% of the personnel admitted during the year in this geography. It is planned to extend the training to business units outside Portugal, starting in 2017.

### Integrity and Compliance

At EDP Brazil, several training sessions have been held by the Compliance area, disseminating information on legislation and corporate policies on competition and the fight against corruption, highlighting issues such as: "The most common forms and agents of corruption"; "money laundering"; "insider information"; and "gifts and presents". These sessions covered more than 1,900 employees.

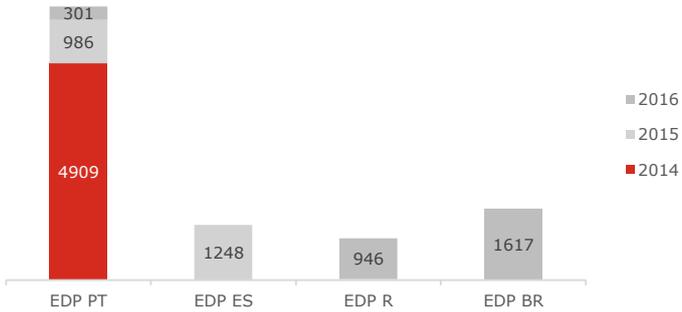
**Éticaedp online training**

In 2016, EDP Brazil and EDP Renováveis also carried out the online training programme "eticaedp", covering a total of 2,563 employees in the two Business Units. This programme began in 2014 and was designed for all Group's employees. It has now been completed.

"The majority of the participants evaluated the course very positively (>85% as Good, Very Good or Excellent), appreciating it as a good reminder that EDP aims at ensuring ethical performance in all circumstances and as an incentive to employees to maintain ethics in decision-making processes, considering the course very informative, interactive and applicable to the work environment."

*("éticaedp" online training programme participants' Satisfaction Assessment Report - UEDP)*

"éticaedp" online training | Participants by year and geography (#)



Would you recommend this training?

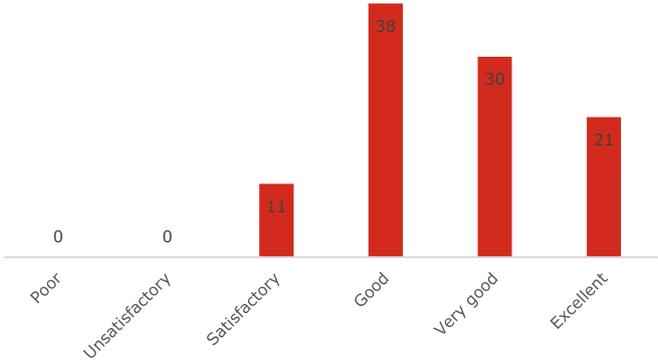
*"Yes, because I feel and wholeheartedly believe that this should be made knowledgeable to ALL, even those who believe they know and understand the ethics code of conduct; reinforcement or to refresh to mind is valuable."*

*"Yes, it provided a lot of information in a non-traditional format."*

*"Yes, it helped me to think about things that you don't stop to think about from day to day."*

(Comments by EDPR participants on the "éticaedp" online training programme)

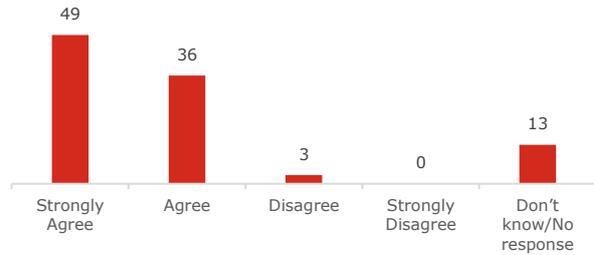
Overall Evaluation - EDPR (%)



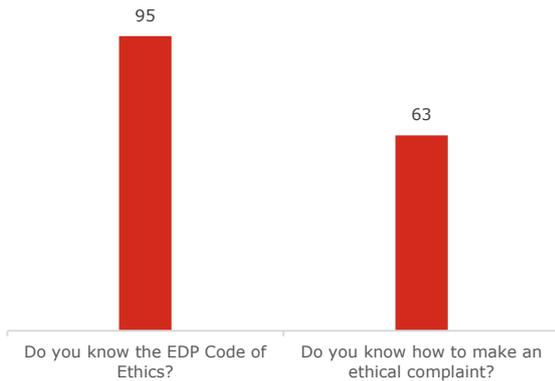
**UNDERSTANDING AND CONFIDENCE IN THE MANAGEMENT OF THE "REGISTRATION AND HANDLING OF ETHICS COMPLAINTS" PROCESS**

A survey was conducted on the ethical performance management system, on the basis of a representative sample of the employees of all the Group's business units. The overall response rate was 40%. Conducting this survey has enabled reference levels to be established in relation to the knowledge of the aspects of this management system - such as the Code, the Regulation and reporting mechanisms - and the trust placed in it by employees.

Trust in the way EDP manages ethical complaints (%)



Knowledge - Code of Ethics and Ethics Channel (%) | 2016



The overall results make it possible to evaluate the effectiveness of the training and awareness actions carried out in the various business units.

Knowledge of the EDP Code of Ethics stands out as being very positive, with 95% of respondents saying that they know it or know it well.

The fact that in one of the business units the survey was conducted prior to the ethics training may justify the result of only 63% of the respondents saying that they know how to make an ethical complaint. The periodic monitoring of this indicator will make it possible to evaluate the effectiveness of actions to advertise the existing ethics complaint channels in the Group and the procedures associated with registering and handling these complaints.

With respect to confidence in the way EDP manages ethical complaints, the consolidated results obtained are positive, with 85% of respondents agreeing with the statement "I have confidence in the way EDP handles ethical complaints." There is, however, a still significant level of "Don't know/No response" answers, whose evolution and dispersion by the various BUs will be duly monitored.

## 2. Ethical Complaint Management

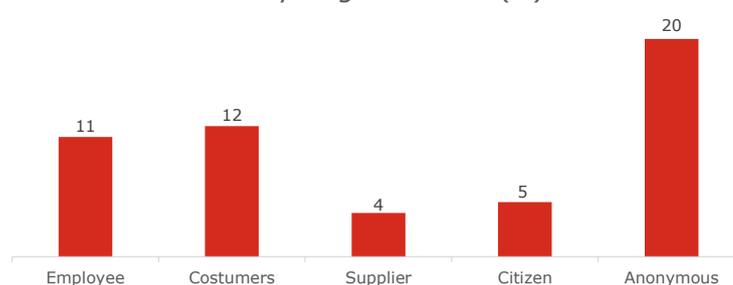
### WHO COMPLAINED AND ABOUT WHAT

406 complaints were registered during 2016 in the various channels available for this purpose within the EDP Group. Of these, 52 gave rise to complaint procedures before the Ethics Committee, and the others were summary treated with the Business Units involved.

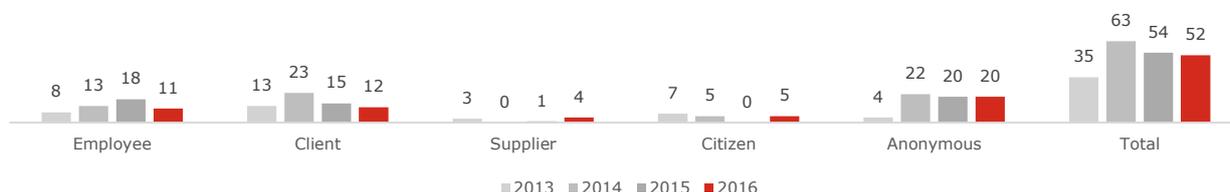
Compared with the previous year, a reduction of 4% is apparent in the total number of new complaints submitted to the Ethics Committee.

In an analysis of complaints by origin, it is found that the complaint channels were used by all stakeholder groups, but particularly by the Client and Employee groups, which together represent about 44% of the total complaints assessed. There is a significant 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 2016 (#)



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



In a multi-year comparative analysis, in the four years of publication of the Ethics Ombudsman's Report, there is a clear prevalence of complaints originating in the Client and Employee groups, of equivalent size and which, together, represent 53% of all complaints registered in the period.

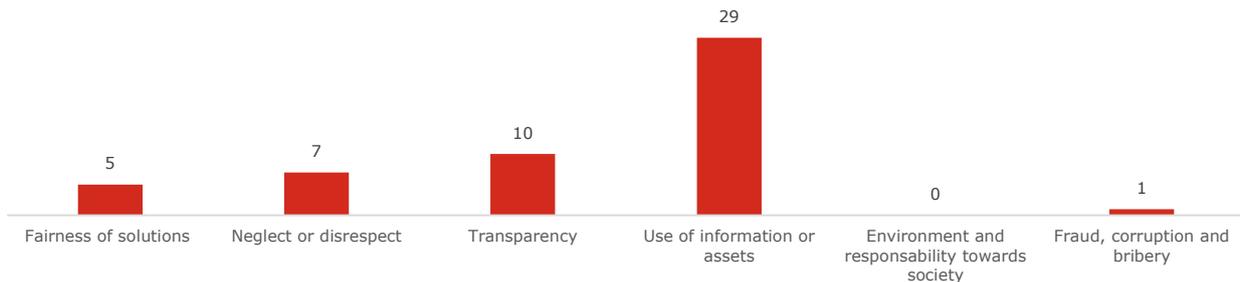
The complaints received by the Ethics Committee are classified according to the different topics in the Code of Ethics, as shown in the table:

### 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

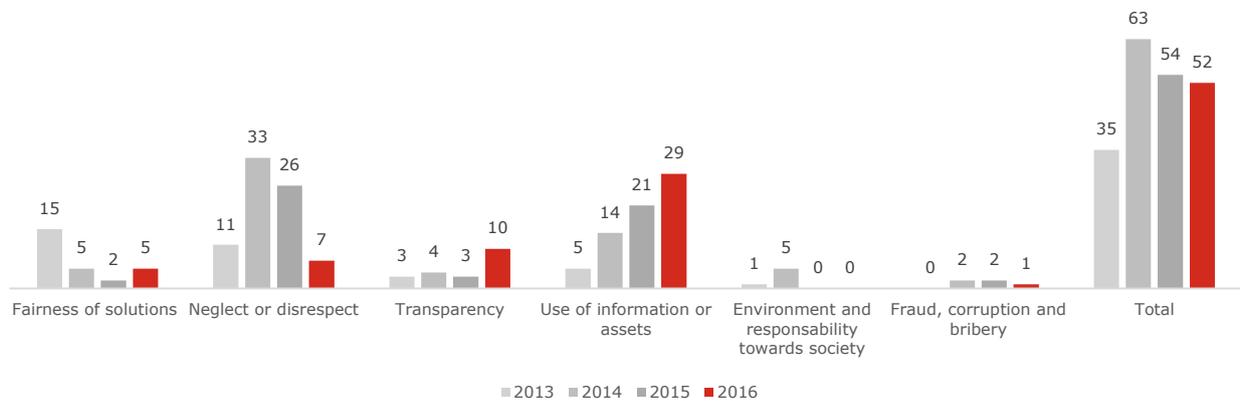
In the analysis by subject, both in the comparison with 2015 and in the multi-annual analysis, we find a reduction in occurrences under the theme "Negligence or Disrespect" which is countered by an increase in the theme "Use of Information and Assets". Although they may be influenced by some variability 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 consideration can be given to the variation observed in 2016 compared to the previous year, on the theme "Transparency".

Complaints made to the Ethics Committee by subject in 2016 (#)



It is hoped that, from the diverse set of training, prevention and control actions carried out or under way, there may be a reversal in the tendency shown by the registration of complaints on these themes.

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



## ETHICS COMMITTEE ACTIVITY

In accordance with the decision by the Corporate Governance and Sustainability Committee, of the General and Supervisory Board, the composition of the EDP Ethics Committee was reviewed in 2016 following organisational changes that have taken place. Consequently, the Regulation for the Code of Ethics would also be revised. At the end of 2014, the following members were part of the Committee: António Mexia, Chairman; António Martins da Costa; António Ferreira da Costa; Azucena Viñuela; Eugénio Carvalho; João Torres; José Luis Mohedano; Manuela Silva; Miguel Amaro; Nuno Chung; Paula Carneiro; Paulo Pinto de Almeida; Pedro Pires João; Sérgio Martins; José Figueiredo Soares (Secretary).

The EDP Ethics Committee held four meetings in 2016, with a 90% attendance rate by its members.

## Complaints analysed

In accordance with the Regulations of the Code of Ethics, complaints received are the subject of preliminary investigations, carried out by the Ethics Ombudsman, namely regarding malpractices identified, employees or third parties potentially involved in the facts claimed or who may have relevant information about them, risks and responsibilities and the possible need for remedial or corrective actions. The preliminary reports containing the results of these investigations and the respective opinions of the Ethics Ombudsman are then submitted to the Ethics Committee for consideration; the sources of the reported information are not identified therein and the Ethics Ombudsman maintains this confidentiality throughout the process, provided that such confidentiality does not harm the successful outcome of any investigations or the conduct of corrective actions.

In 2016, the Committee analysed the preliminary reports prepared by the Ethics Ombudsman on ethical complaints originating in Portugal and Spain (7 carried forward from 2015 and 18 new complaints filed during the year). Of these, 21 complaints were investigated and closed, and the relevant "Ethics Committee's Opinion" was issued.

The Committee also reviewed the cases submitted by the Ethics Committees at EDP Brazil and EDP Renováveis, and ratified the decisions made on them.

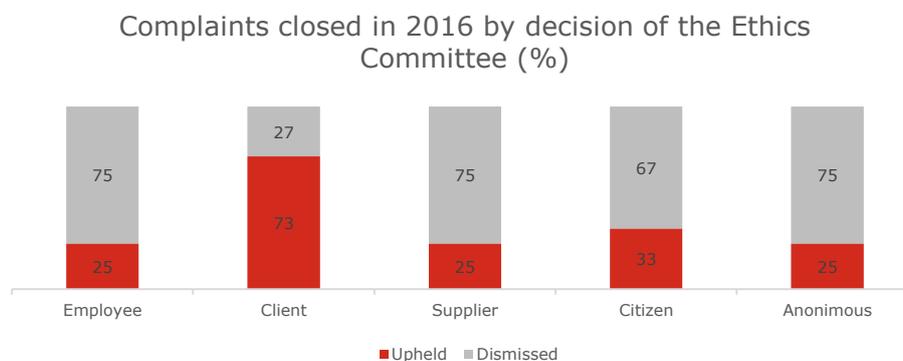
All Reports and the Opinions issued on them were sent to the Corporate Governance and Sustainability Committee of the General and Supervisory Board, in accordance with the established procedures.

	Carried forward from 2015	Opened in 2016	Closed in 2016	Carried forward to 2017
EDP Portugal	6	17	18	5
EDP Spain	1	1	2	0
EDP Brazil	9	33	29	13
EDP Renováveis	0	1	1	0
Total	16	52	50	18

## Decisions made and actions determined

Of the complaints submitted to the Ethics Committee, 50 were closed in 2016, 36% of which were upheld and 64% were rejected.

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

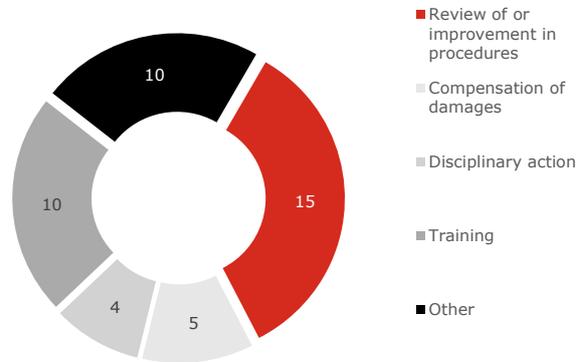


Following the opinions of the Ethics Committee, more than forty follow-up actions were determined.

Like in 2015, 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: monitoring of processes' performance, assessment of effectiveness of initiatives, and reporting of events to criminal investigation authorities.

Actions determined by the Ethics Committee (#)

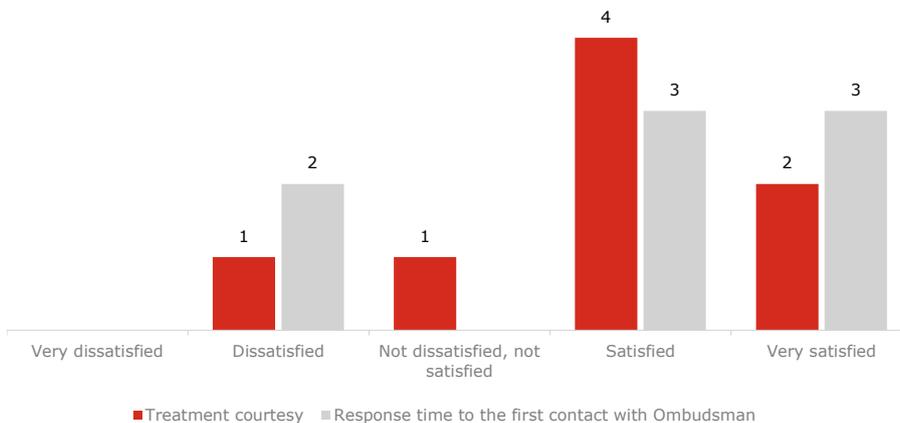


### COMPLAINANT SATISFACTION

With regard to control of the registration and handling of ethics complaints process, complainant satisfaction is evaluated annually for complaints submitted to the Ethics Committee that originated in Portugal or Spain. This evaluation focuses on such aspects as courtesy of treatment and response time to contacts.

18 questionnaires were sent out in 2016, which had a response rate of 44%.

Complainant's satisfaction (#)



The results of the evaluation remain positive, with 75% of complainants declaring themselves satisfied or very satisfied in the aspects analysed.

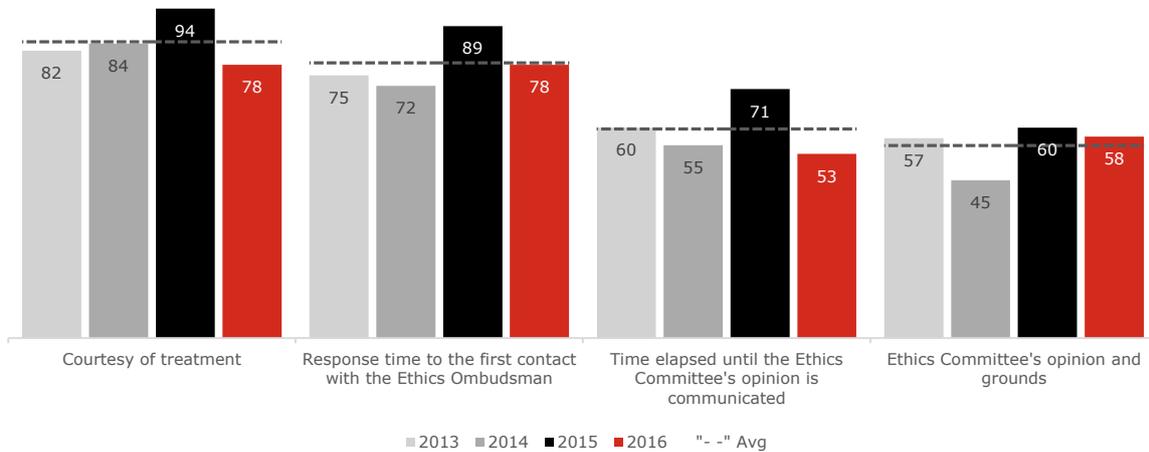
Given the small number of claimants who annually contribute to this sample - only eight in 2016 - these results are likely to present great variability and cannot be interpreted according to their absolute value in any given year. Hence their transformation into indicators that enable comparison over a longer period of time.

The figure below compares the results of the four years in which the assessment was conducted, in all aspects analysed.

All indicators - homogenised in accordance with the methodology used for consolidation purposes in the Ethicis Index - are down when compared to the previous year. In particular, there are values for satisfaction indicators below the average in the period for "Courtesy of treatment" and "Time elapsed until the Ethics Committee's opinion is communicated", with 78/100 and 53/100, respectively.

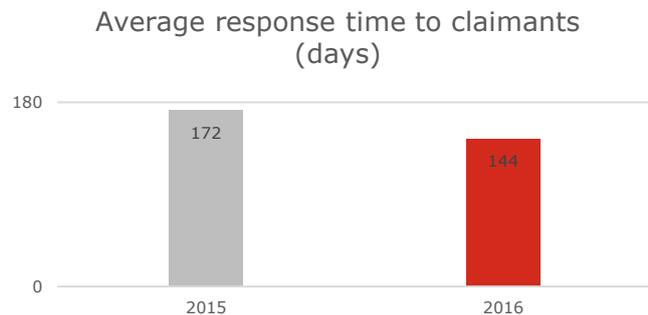
The monitoring of these indicators will continue, in accordance with the targets established within the framework of the overall objective of improving the results of the Ethicis index.

Level of Complainant Satisfaction (Cases closed during the Year) -  
Values of homogenised indicators (%)



Although it improved significantly (around -16%) compared to its performance in 2015, the "Average response time to claimants" indicator fell short of the target established in the revision of the Code of Ethics Regulations, which was done at the end of 2015. 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.

The figures for 2017 will make it possible to assess whether the improvement measures that have been introduced in the process of recording and handling ethical complaints are sufficient to ensure the target levels of performance.

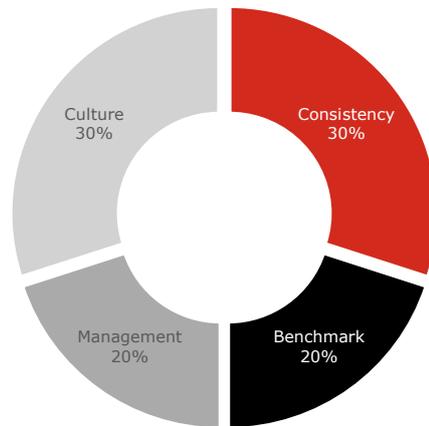


### 3. Evaluation of ethical performance

**INTERNAL EVALUATION: ETHICIS - EDP's Corporate Ethical Performance Index**

The EDP Group uses the Ethicis index as a performance monitoring tool. This index, which has been in use since 2013, 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.

Ethicis was subject to a thorough review in 2016, with the aim of increasing its robustness, clarity and coherence. The index is structured in four dimensions: Consistency, Benchmark, Ethical Management and Culture. The weight of these dimensions was modified, increasing the weight of the Culture dimension (from 20% to 30%) and reducing Ethical Management (30% to 20%) and Raters/Benchmark (25% to 20%).



The change in weights highlights the importance attributed to the Ethical culture and to Consistency of management practices in this field for the ethical performance of EDP, and also results from the availability of new tools for the evaluation and monitoring of culture in EDP, which includes Amplify, the skill evaluation and development methodology, and the "EDP Experience" surveys, aimed at evaluating, amongst other things, aspects of the Group's ethical culture by employees who are leaving for retirement or pre-retirement. Another new source of data that contributed to the increase in robustness of Ethicis in 2016 was the Supplier Audits.

In 2016 the Ethicis index showed a consolidated result of 78.7, which represents an increase of 2.9 points over 2015, recalculated according to the more demanding methodology now adopted.

**Ethicis | Results 2016**



## EXTERNAL EVALUATION -the Ethics Quotient (Ethisphere Institute)

EDP has been recognised for the fifth consecutive year by the Ethisphere Institute (USA) in the list of "2016 World's Most Ethical Companies (WMEC)". In assessing the maturity of its ethical performance management system, EDP improved the overall value of its "Corporate Ethics Quotient", and increased the distance from the average scoring of the companies on this year's list. 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", "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 "World's Most Ethical Companies" (WMEC) 2016 list was made up of 131 organisations from 21 countries and 53 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.

## 4. Experience sharing and support to business ethics initiatives

The sharing of our experience in the management of ethical performance, both with the academic world and with other companies, continued in 2016 to guide EDP's action. Similarly, support was maintained for the development of knowledge in the field of applied ethics in the business context.

### AGREEMENT WITH THE BUSINESS SCHOOL OF THE CATHOLIC UNIVERSITY, PORTO

A Cooperation Agreement was signed in 2013 with the Católica Porto Business School (CPBS), with a view to improving EDP's ethical performance management system and mapping and disseminating good practices in the area of business ethics. This Agreement was renewed in 2016, strengthening the links between the Company and the University in an increasingly important field for both business management and for academia.



Under the Agreement, 2016 saw technical support being provided to the Office of the Ethics Ombudsman in the various projects and initiatives, with particular emphasis on training projects: follow-up of online ethics training held at EDP Renováveis (EU and NA platforms) and EDP Brazil; development of training (online and on-site) directed at the supply chain in Portugal and Spain; and the design, coordination and monitoring of the "Tone at the Middle" training addressed to the middle managers of the business units in Portugal and Spain.

The "Tone at the Middle" training sessions resulted in the writing and publication of the article "Why do leaders have a 'positive influence' on us?" which shows that personal leadership skills (e.g. honesty, integrity, courage, conscientiousness) and social/relational skills (e.g. respectful,

supportive and encouraging behaviour towards those being led) are the most cited, not only by about five hundred EDP executives, but also by about five hundred students on executive courses at the CPBS, when asked about the

characteristics of the leaders who most positively influenced them. This paper found that the evidence corroborates academic literature and suggests that the technical and intellectual skills of leaders need to be enhanced by social/relational skills and personal leadership.

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

## AESE|EDP CHAIR OF ETHICS IN BUSINESS AND IN 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.

The Chair focuses on the study and development of theoretical concepts and concrete proposals for action, supported by the following research axes: The basics of ethics in business and in society; and new management paradigms. The following activities took place in 2016:



### Ongoing Research Projects

- Ethical Climate in Companies
- Strategic Alignment in a Dynamic Context
- Limits of Management Control Systems

### Conferences and Seminars on Business Ethics

- Business ethics: From Theory to Practice (February)
- Talent Leadership and Retention (October)
- Power Strategies and Language Distortions (November)

### Participation in Conferences

- "Management Control Systems and Ethics: How is it in Banking?"; Rafael Franco, Marc Jacquinet, Ana Machado - 19th Symposium on Ethics, Business and Society, Barcelona
- "Mobilization of the Civil Society to Integrate Families and Refugees – The Portuguese Experience: Refugee Support Platform"; Ana Machado - 5th International Colloquium on Christian Humanism in Economics and Business, Berlin

Learn more at:

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

## **PARTNERSHIP WITH THE UNIVERSITY OF DEUSTO (BILBAO)**

Following earlier bilateral contacts and initiatives, a Collaboration Agreement between EDP and the University of Deusto (Centre for Applied Ethics) was formally established in 2016. 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 competencies of the company and its employees.

Within this project, two coordination meetings involving the relevant teams of both parties took place, as well as a first visit to EDP by the winner of the international competition for this PhD scholarship.

Learn more at:

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

## **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 and Conferences in 2016, namely: Deloitte Ethics Directors Conference; Ethics Forum at CPBS; the 6th edition of the CPBS Atlantic MBA and the 12th International MBA (CPBS).

# **5. Combating corruption**

## **SELO PRÓ-ÉTICA**

The "Selo Pró-Ética" is an initiative of the Brazilian "Ministério da Transparência, Fiscalização e Controladoria-Geral da União" that promotes the public recognition of companies committed to preventing and combating corruption and striving to promote greater integrity and a more ethical and transparent corporate environment. This recognition was obtained by EDP Brazil for the third consecutive time, and the company was one of the first four Brazilian companies to obtain it. The target for EDP in the coming years is to achieve the maximum score.

## **ONLINE TRAINING ON CORRUPTION**

In 2016, market research was completed with the aim of providing online training on corruption and bribery. The chosen solution uses a "gamification" approach and is being adapted to the needs of EDP.



## GESTÃO TRANSPARENTE.ORG

As a founding member of the collaborative initiative "Gestão Transparente.Org - A practical guide to the management of the risk of corruption in organisations", EDP continues to promote this community-based platform by carrying out activities to prevent corruption, promote transparency, and widen its dissemination and number of members and users. In the main, a web-based, free-access tool is made available with an organisation profile simulator and a corruption risk indicator. A set of measures and information aimed at enhancing prevention is also available, including the sharing of good practices amongst the founding companies and the public commitments of the member organisations. The Gestão Transparente.Org Project also focused on the protection of personal data in 2016, 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.

## COMPLIANCE

In May 2016, EDP formally adopted a Corporate Compliance Management System to monitor the main risks inherent in legal and regulatory compliance and to strengthen and systematise its compliance management practices. The Internal Audit and Compliance Department 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, certain initiatives were carried out aimed at implementing various Specific Compliance Programmes.

In particular, in EDP Spain and EDP Renováveis, in view of the recent changes in the Spanish Criminal Code regarding Legal Corporate Liability - a legal framework in which the responsibility for a range of potential offences (corruption, fraud, money laundering, influence peddling, crimes against the environment, crimes against public health, amongst others) may also be attributable in certain circumstances to companies - a review of the models of crime prevention already implemented has been carried out in order to define a control benchmark that can reinforce a set of policies, guidelines and internal procedures, systematising a Compliance Programme required by the current legislation. This work also aims to promote the identification of best practices that can be adopted in the short term, across the EDP Group.

At EDP Brazil, during 2016, several Compliance training sessions were held in order to transmit values, principles and rules to the main organisational structures, reinforcing internal topics such as the Code of Ethics, EDP Culture, risk tolerance, norms and internal procedures, and also addressing issues related to the legislation in force, such as the fight against corruption, the defence of competition and Human Rights, and others.

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

## SYSTEM OF INTERNAL CONTROL AND FINANCIAL REPORTING

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 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.

These initiatives were, where appropriate, monitored by the Ethics Ombudsman.

## **6. Championing Human Rights**

The Human and Labour Rights Monitoring Programme (HRMP), extended in 2016 to all EDP Group Business Units, covers companies, facilities, new projects, mergers and acquisitions, as well as operations with a materially significant potential impact on Human Rights or 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 its 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.pt](http://www.edp.pt)> sustainability> Approach to Sustainability> Ruggie Principles) and other media 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 the 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.

In 2016, the self-diagnosis carried out identified no significant risks of adverse impacts on Human Rights, but a set of actions and improvement plans are nevertheless recommended, as well as their expansion throughout our supply chain, particularly in the entities who act on behalf of EDP. 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, is contractually established and is subject to verification and operational inspections, and is also addressed under the Compliance function by the Supply Chain Sustainability Programme, the HRLP and self-diagnosis.

Relevant HRLP procedures and documents - Commitments, UN Guiding Principles for Business, Monitoring Guide, Reports - are published at [www.edp.pt](http://www.edp.pt)> sustainability> Approach to Sustainability> Ruggie Principles.

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

## 7. Prospects for 2017

The activity planned for 2017 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:

### 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 ETHICIS and 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.

#### **Ethics Complaint Channel**

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

### 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. Specific initiatives will be undertaken to promote reflection on and strengthening of the ethical culture within the Group.

### COMMUNICATION

In liaison with the Communications Department, continuing the work of restructuring and improvement of the ethics pages on 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.

### TRAINING/AWARENESS/KNOWLEDGE CREATION

#### **Internal Training**

Continuation of the training programme in Portugal and Spain (face-to-face component) for Macrostructure and middle management, and collaboration in the design and development of face-to-face training in EDP Brazil and EDP Renováveis.

In collaboration with the Human Resources Department, the development of specific content to be integrated in the training programmes for new managers.

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

Production and launch of a face-to-face awareness-raising action in the ethics field, aimed at employees of the business units in Portugal.

#### **Training for service providers and suppliers**

Completion of the development of online and face-to-face training supports, and coordination of the implementation of the éticaedp|Suppliers training programme, in collaboration with the organisational and business units involved.

## ANNEX I - LIST OF REPRESENTATIVES OF THE ETHICS OMBUDSMAN AND "EDP ETHICS FOCAL POINTS" IN 2016

### Representatives:

Emílio Garcia-Conde Noriega, EDP Renováveis  
José Luis Martínez Mohedano, EDP Spain  
Rafael Careaga Arlunduaga, EDP Spain  
Sérgio Martins, EDP Brazil

### Focal points:

Ángela Saenz, EDP Renováveis  
Américo Fernandes, EDP Gás  
Borja Perez Dapena, EDP Renováveis  
Carlos Manuel Carvalho, EDP Produção  
Carlos Raposo, EDP Valor  
Carlos Vaz, DRC  
Fernanda Maria Távora, EDP Soluções Comerciais  
Francisco Vasconcelos, DRIS  
Isabel Botelho, EDP Comercial  
Isabel Infante, Sãvida  
Joana Dinis, EDP SG-Legal Advisor  
José Chorão, EDP Distribuição  
Marcio Jose Fonseca, EDP Brazil  
Maria Ana Guedes, DRH  
Maria Ester Carvalho, DAI  
Marrachinho Soares, DSA  
Nuno de Brito, EDP Comercial  
Paula Patarrana, DC  
Paulo Moniz, DSI  
Queirós Almeida, EDP Soluções Comerciais  
Ricardo Ferreira, DRC  
Rui Jerónimo, DGR  
Rui Matos Cunha, EDP Soluções Comerciais  
Salvador Peres, EDP Foundation  
Sónia Baleiro, Labelec  
Sónia Cardoso, EDP Brazil  
Verónica Pinto, UEDP

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THE  
NEW  
**ART**

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