



Ethics Ombudsman  
Annual Report  
2018



INDIC

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# 01 CORPORATE ETHICS IN THE EDP GROUP

## A DECISIVE CHOICE FOR A STRONG IDENTITY

From early on EDP has made business ethics one of its essential management areas, for which it has defined a strategy, objectives and means of measuring its action. It has been within this framework that, for more than a decade, it has carried out important actions, based on annual ethical programmes which have involved the creation of organizational structures and management instruments which, along with the demanding challenge of scrutiny from external assessors, have accompanied the construction of a strong ethical culture which nowadays is an asset bringing together all the geographical areas in which the company operates and one of the key factors of its competitiveness.

In 2018 the Group even considered in its Materiality analysis – an analysis that supports EDP in terms of sustainability management and which highlights the issues that are most relevant to the development of its global strategy, both from the point of view of society, and from the business point of view – that business ethics should now receive greater importance in its so-called “materiality matrix”, when considered from the business perspective. This means recognizing the importance of valuing not only what we do in relation to the various management activities carried out throughout the Group, but also how we do them, in other words, to what extent does what we do reflect all our ethical principles and commitments which translate our values and which are reflected in our Code of Ethics.

In the context of the implicit business ethics management model that has been followed, a number of initiatives were promoted in 2018, with emphasis on training and communication activities, with their effect on the promotion of ethical culture being widely recognized, aimed not only at our own employees, but also shared with the employees of the numerous suppliers and service providers who complement the Group's internal knowledge and workforce, making them an integral part of EDP's effort to build a stronger company.

In this way, we are proud of the positive results that we continue to consistently achieve in terms of ethical performance and which are known through the various assessments that we undertake annually: either through internal measurement instruments – the *Ethicis* (EDP Ethical Performance Corporate Index) and the annual survey of ethical performance that we carry out with employees from all geographical areas – or through the *Ethisphere* Institute's annual evaluation through its “Ethics Quotient”, to which we re-submitted ourselves in 2018, with EDP being recognized, for the seventh consecutive year, as one of the “most ethical companies in the world”. These results give us the comfort of doing “what we have to do “well”, and undoubtedly being a company that unequivocally strives, through its ethical management, for human excellence in its organization.

A note on one of the most important functions of the Ethics Ombudsperson: bearing in mind that the practice of signalling concerns about less suitable behaviour towards its established values is an essential element of the company's ethical culture, EDP has maintained its management policy for these type of contacts, registering communications considered of an ethical nature and presented to the Ethics Committee, as was the case in the previous year. In order to strengthen this policy, it is worth highlighting the design, in 2018, of a modern portal to support the process of managing contacts of an ethical nature, which will greatly benefit and optimize their processing, with this certainly being a matter in which transparency, the protection of personal data, appropriate traceability and confidentiality are critical requirements.

With the progress made, in which 2018 forms one more step, we believe that EDP's commitment is real with the understanding that it is necessary to “do the right things and contribute to the society to which we belong”, and that commitment is also a motive for major celebration for all who are involved with it, i.e., all its “stakeholders”.

# 02 2018 ACTIVITY PLAN

## OPERATIONAL AMBITION AT THE SERVICE OF GREATER AND BETTER ETHICAL PERFORMANCE

Taking into account the ethical performance management objectives established by EDP, in particular with regard to strengthening an organizational ethical culture consistent with its underlying values and commitments, as well as with regard to the risk management of bad ethical practices, a set of initiatives was envisaged for 2018, to be carried out by the Office of the Ethics Ombudsperson (GPE), in key areas such as the improvement of the Ethical Performance Management System, the intensification of Training and Knowledge Sharing and Management concerning ethics.

### 2.1 ETHICAL PERFORMANCE – IMPROVEMENT OF THE MANAGEMENT SYSTEM

The EDP ethical performance management system has been assessed for several years by the ETHICIS internal index and by the Ethics Quotient (Ethisphere Institute), with the Group maintaining its position in 2018 in the list of the World's Most Ethical Companies for the seventh consecutive year.

In terms of internal analysis, a survey was once again carried out in 2018 to monitor some important indicators which, in particular, enable us to perceive the employees' confidence in the company's internal ethics management mechanisms.

The implementation of a new complaints registration channel, accessible through the EDP website, with the features appropriate to current management needs and improvement of the registration and handling process of ethical complaints, was one of the important objectives achieved in 2018 in line with the objective of ethical performance improvement, and this was "launched" at the start of 2019.

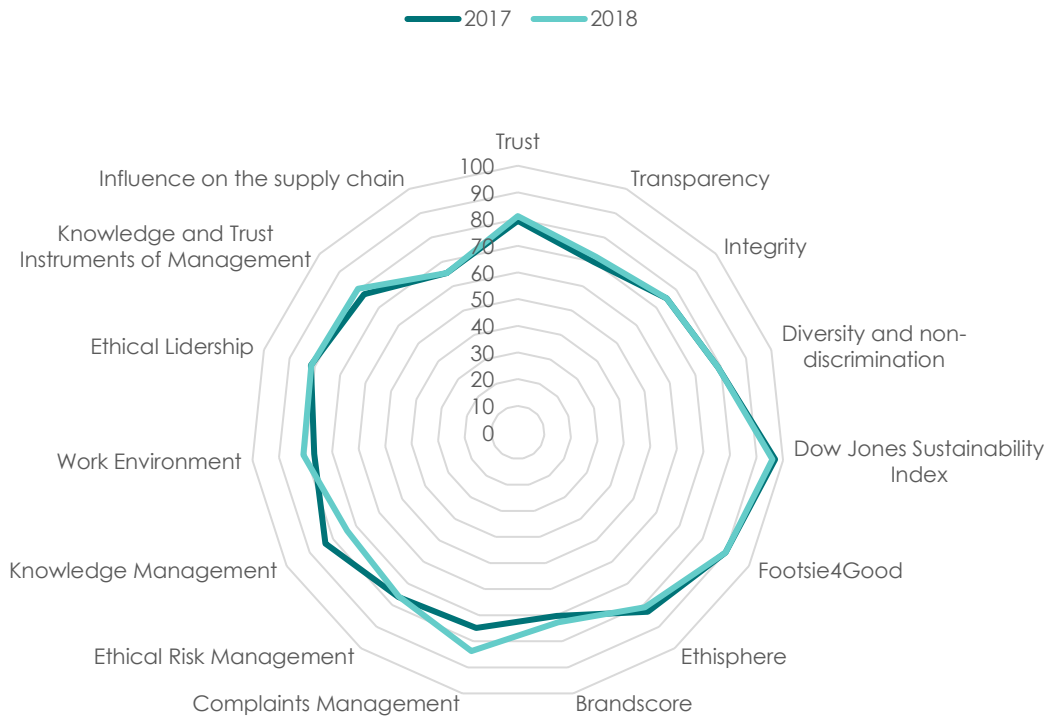
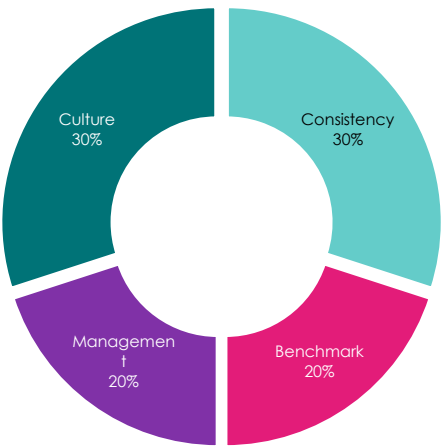
#### 2.1.1 INTERNAL ASSESSMENT: ETHICIS - EDP's Ethical Performance Corporate Index

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

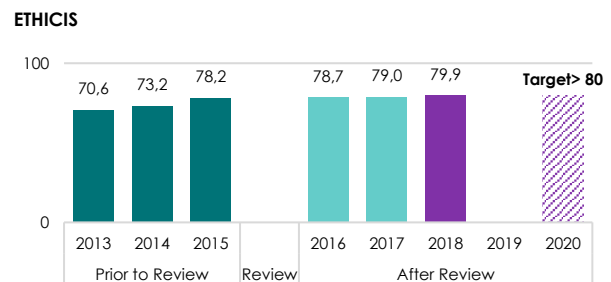
The intention of this "ethics" index is to quantify a significant number of results - the direct or indirect perceptions of the various stakeholders of the Group's ethical performance, the indicators of the effectiveness of relevant processes and the degree of achievement of the initiatives planned in this area - which, properly weighted and consolidated, would enable not just monitoring of the performance achieved, but also the establishment 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 2018 Ethisis showed a consolidated result of 79.9, which represents an increase of 0.9 points over 2017.

The most significant changes recorded in 2018 are in opposite directions, in the Management dimension, in the Management of Complaints and in Knowledge Management, mainly as a result of the intermediate indicator "Effectiveness in responding to complainants" in the positive sense (cf. 3.4) and 3 intermediate indicators regarding Knowledge Management, in the negative sense. Also of note, positively, is Working Environment, with a variation of 0.63 points compared to 2017.



A very significant part of the "Consistency" and "Culture" dimensions of Ethicis 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 shows the evolution of the consolidated values of the Ethicis Index since its inception and indicates the interim target, established for 2020.



## 2.1.2 INTERNAL EVALUATION: "PROCESS" SURVEY | EDP Ethical Performance

The level of knowledge of the instruments of the ethical performance management system, and in particular the trust of employees in the process of recording and handling ethical complaints, are fundamental indicators of the quality of an organization's ethical culture. As a result, since 2014, the GPE has regularly undertaken surveys to monitor these indicators, which have gradually been extended to companies based outside Portugal. Some of the results of these surveys can be consolidated into aggregate indicators, included in the Ethicis - EDP Ethical Performance Corporate Index.

An analysis of the consolidated results of the EDP Group allows us to conclude that the (self-declared) level of knowledge of the Code of Ethics remains very high (93%), with a 3 p.p. increase between 2016 and 2018 in the percentage of employees who claim to know it well, which now stands at 37%. The percentage of employees who state they know how to make an ethical complaint/whistleblowing (66%) shows an increase of 9 p.p.

Trust in the way EDP managers ethical complaints/whistleblowing within the EDP Group remains high (79% in agreement), even though the results of the previous survey showed an increase of 2 p.p. in the percentage of employees who stated that they do not have such trust. The percentage of employees who state that they have not felt pressured to act contrary to the ethical principles and norms of the organization increased (+5 p.p.) to 84%. However, the percentage of employees who report having felt such pressures (7%) or who choose not to answer this question (9%) is not negligible.

Most employees (87%) consider that "their direct line manager provides a good example of ethical conduct", and this is about 20% higher than benchmarking rates. The indicator referring to the inclusion of discussions about "right and wrong" in work meetings reached 44% in the EDP Group, which is lower than the benchmarking rates (54% and 52%, respectively, for the European average and in Portugal).

Regarding training, 60% of the Group's respondents state that they have undergone ethics or compliance training in the last 3 years, a figure that is 21% higher than that of the Institute of Business Ethics benchmarking rates. Of note is that more than 90% of the individuals surveyed consider that the training they attended has helped them to act in accordance with EDP's principles and standards. These results compare very positively (with values of around +30 p.p.) with the European study, providing evidence of the appropriacy of the ethical measures carried out, particularly training actions.

### 2.1.3 EXTERNAL EVALUATION - CORPORATE ETHICS QUOTIENT (ETHISPHERE INSTITUTE)



EDP has been recognised for the seventh consecutive year by the Ethisphere Institute (USA) in the list of "2018 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 "2018 World's Most Ethical Companies (WMEC)" was made up of 135 organisations from 23 countries and 57 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.

*"Companies operate in an ever-changing landscape. Whether it is new or different regulations or evolving expectations from stakeholders such as shareholders, employees, or customers, companies face new challenges every year in developing and adopting "best practices" in their ethics and compliance programs. As expectations increase, yesterday's leading practices become the accepted practices of today. "*

Source: Ethisphere Institute

### 2.1.4 NEW PORTAL FOR "REGISTRATION AND MANAGEMENT OF ETHICAL COMPLAINTS"

During 2018, and launched on 1 January 2019, an ethical complaints registration portal, called the "Ethics Channel", was developed, to become the main medium for reporting potential violations of the EDP Code of Ethics, or the expression of any doubts or suggestions, by any stakeholder, containing features appropriate to the current management needs and improvement of the registration and handling process of ethical complaints.

The implementation of this channel sought to ensure a better experience for those using it, interacting expeditiously with the Ethics Ombudsperson, ensuring bilateral and informal communication, and allowing the addition of evidence and complementary documentation, whenever necessary, to enable careful investigation of the facts described. This process also seeks to be in strict compliance with the deadlines established by the Code of Ethics regulations regarding the time to respond to the complainant and the issuing of an opinion by the Ethics Committee.

The new channel is accessible through the EDP website (<https://www.edp.com/en/contact-ethics-ombudsman>).



## 2.2

### TRAINING - INTENSIFICATION OF TRAINING ACTIVITY FOR INTERNAL AND EXTERNAL EMPLOYEES

In 2018, in association with other areas of the Group, and in particular with the EDP University (UEDP) and the Corporate Human Resources, Communication and Audit and Compliance Departments, the GPE carried out an important programme of initiatives aimed at intensifying the training activity regarding ethics, aimed at various target audiences and using various methodologies ranging from face-to-face actions to the use of e-learning solutions and the use of internal communication channels such as Workplace (EDP social network) for the dissemination of simple messages related to ethical issues.

Training initiatives are an excellent contribution to consolidating the Group's ethical culture because they promote knowledge and awareness on the topic of ethics, facilitating convergent action aligned with the Group's guidelines in this area.

Of note therefore among the most important actions were the development of specific content to form part of the ongoing training ("éticaedp | online" and the face-to-face ethics module to form part of the onboarding programme for new employees), the development of specific content as part of the training of line managers and also the availability of the online training module, "The Honesty Project" to go with the company's publication of its Integrity Policy.

Below are some of the most significant training initiatives undertaken in 2018.

#### 2.2.1 GENERAL TRAINING FOR NEW EMPLOYEES – "ÉTICAEDP ONLINE"

The "éticaedp online" training was developed in 2014 to cover all employees at all management levels of the EDP Group and has been transposed and slightly adapted to three languages (Brazilian Portuguese, Spanish and English) to be able to be used in EDP Brazil, EDP Spain and EDP Renováveis. Its main objective is to make known the importance of corporate ethics in EDP within the framework of the Group's Code of Ethics and other Policies and Codes of Conduct in force.

This is a training requirement for all new employees during their integration phase, and also revisited by many others, as it remains permanently available on EDP University's CampusOnLine web service. In addition to the annual review, with data on ethical complaints, the ethical performance corporate index, or the employee satisfaction survey results, in 2018 there was a comprehensive review and update of the content to provide the latest information and documentation for all geographical areas.

In 2018, in the EDP Group, the volume of training recorded, in the "éticaedp | online" course, exceeded 700 hours.



## 2.2.2 GENERAL TRAINING FOR NEW WORKERS - ONBOARDING



In addition to the “éticaedp | online” training, which is carried out by all new employees who are admitted to the Group, the face-to-face module on ethics in the Induction and Integration training of these employees was worked on. The main objective of this module is to enable contact with certain ethical dilemmas which have a greater probability of occurrence in the working environment and to call attention to appropriate behaviour in these cases.

In 2018, this training was organized into five sessions and covered about 250 new employees.

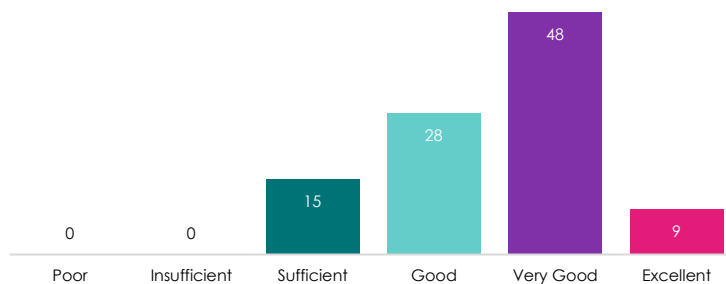
## 2.2.3 TRAINING FOR LEADERSHIP

In 2018, the corporate training for **new line managers** – the LeadNow Programme – started to incorporate a new module dedicated to ethics, which was transposed from a training programme previously developed by the GPE for middle management, “Ton at the Middle”.

In addition to analysing the circumstances that lead to unethical practices in EDP, the module also sought to consider the importance of integrating day-to-day ethics in work teams and in decision-making.

Tone at the Middle  
**éticaedp**  
somos o que fazemos

### OVERALL ASSESMENT (%)



In 2018 this training action was undertaken by 55 line managers, divided into sessions in Porto and Lisbon during the month of November.

According to the UEDP evaluation report, most of the trainees evaluated the course very positively (85%), considering it useful and important, since it provided the possibility of dealing with a topic that is applicable to all, through the presentation of concrete cases and resources to act ethically.

The most positive aspects of note were the “clarity of communication of the teachers, their knowledge about the subject taught and the physical training conditions”.

To complement and reinforce the training, participants subsequently had access, through the UEDP Online Campus, in addition to the materials used during the training, to a set of documents, namely: a) overall results of an activity performed in

the classroom; b) the study “Why do leaders ‘impress us positively’?”; c) the European study “Ethics at Work 2018”; and d) mini case studies for applying EDP’s Code of Ethics.

In 2018, ethics was also included in two UEDP programmes for **other line manager segments with more leadership experience in the Group**. It is in this context of the programmes *LeadingOthers*, that a specific case study was developed to address the issue of harassment and retaliation and the *Global Leadership Program* for which two case studies were designed, one on the leaking of information and another on error tolerance, issues that had been identified as important to the target audiences concerned.

## 2.2.4 SPECIFIC TRAINING – “THE HONESTY PROJECT”

The approval of the Integrity Policy which cuts across the EDP Group reinforced the commitment that each of the Group’s employees plays a decisive role in the prevention and reporting of bad practices, and that they should be aware of the norms with which they are obliged to comply, as well as, in case of doubt, seeking information from more senior management on how to act, from the Compliance area, the Ethics Ombudsperson or any other area with responsibilities in this matter.



To support better understanding of this Policy, the training activity “The Honesty Project - An Anti-Corruption and Anti-Bribery Game” was launched.

This training activity, in an online format and also using gamification – targeted at Senior technicians, members of the Macrostructure and Managers of all the Group’s Business Units – forms part of the more general training initiatives for Ethics and Compliance which are being developed at EDP. Its main objectives are to know how to identify corruption and bribery practices, to learn about associated concepts, to understand the implications of these practices for oneself, the company and other stakeholders, and to develop prevention strategies in this area.

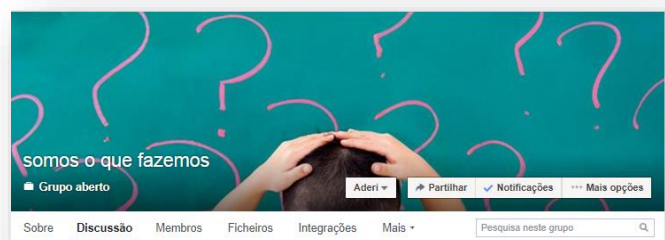
The training activity was completed by approximately 2500 employees, with the majority of trainees evaluating the course very positively, considering it-useful and important.

## 2.2.5 OTHER TRAINING INITIATIVES FOR INTERNAL EMPLOYEES

With the launch in 2018 of “Workplace by Facebook” by EDP, a new opportunity for simple communication of topics such as ethics became available, allowing us to use this as a complement for more formal training activities.

In fact, this new channel, with an interface similar to Facebook, and with the novelty of being accessible outside the EDP network, brings with it the potential to bring together EDP’s employees in Portugal to reflect on the different realities that characterize us and to decentralize the production of information.

In this new corporate social network, any contributor is able to produce content, build their own community and, at the same time, come closer to the EDP world. One of the characteristics of this tool is the possibility of creating specific groups. Given this, the “We are what we do” group was created, which replicates the signing of the “éticaedp” programme and serves as a motto for this space to share and engage in dialogue on ethical issues.





Moreover, within the area of knowledge sharing actions in simpler formats, the project "Every case is unique" was implemented, in cooperation with the Communication Department, in order to implement the application of EDP's Code of Ethics, based on small case studies disseminated and analysed using our internal media.

In "Every Case is Unique", visibility is given to situations with which we may have to deal with in day-to-day work in various business areas.

In this context, a voice is given to employees who agree to share their opinion through "vox pops" recorded for corporate television, as well as presenting the guidelines and justifications applicable in each case, with these "case studies" being disseminated through internal media, with emphasis on the Workplace where polls are conducted to obtain everybody's opinion.

## 2.2.6 TRAINING FOR EXTERNAL SERVICE PROVIDERS

Considering the importance of the services carried out by external entities within the various activities of the Group and for the most varied activities, the extension of ethics training to employees of these entities has also been an objective of the GPE since 2016. This has been implemented in subsequent years, particularly in 2018 in both Portugal and Spain.

To this end, a programme was defined through which the "éticaedp | online" training was adapted to this population, with the name *éticaedp | Fornecedores*" (*éticaedp | Suppliers*), and training sessions were prepared for the trainers of external companies and for specific contexts in which the e-learning format might not be the most effective delivery method.

The objectives of the ethics training for external companies that collaborate with EDP in Portugal and Spain aimed to achieve the following goals:

- 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 Portugal, by the end of 2018, more than 300 companies and about 5,000 trainees had taken part in this programme. The online training involved almost 3,500 participants, divided into 10 customized versions, while the face-to-face training was given to 121 trainers in 11 sessions, who in turn applied the training to more than 1,500 trainees of their companies, distributed into 8 customized versions.

In 2018, training was also prepared and carried out for EDP Spain. It is expected that in the first half of 2019 about 1,500 employees of service providers will be trained through online delivery, spread over 6 customized versions and in face-to-face training, to around 20 trainers, who in turn will apply the training to more than 250 trainees of their companies, spread over 3 customized versions.



## 2.3

### DEVELOPMENT AND SHARING OF ETHICAL KNOWLEDGE

The development and sharing of ethical knowledge continued to be promoted by GPE in 2018, both through strengthening certain important existing partnerships and contributions to the construction and dissemination of information particularly regarding the experience of the EDP Group in this area.

#### 2.3.1 PARTNERSHIPS

##### AESE/EDP Chair of Ethics in Business and in Society

The AESE/EDP Chair of Ethics in Business and in Society was set up in 2011, under a Protocol signed between both institutions.



Based on the experience of the two three-year periods since its creation (2011-2013 and 2014-2016), in 2017 a new Protocol was signed between AESE and EDP, which contains the fundamental guidelines governing the work of the Chair during this period. 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 two research areas: fundamentals of ethics in business and in society; secondly, new management paradigms.

In 2018, the guidelines provided for in the most recent Protocol were maintained, whereby the main recipients of the Chair's activity are participants in AESE Programmes, including Alumni, teachers and EDP staff. At the same time, the Chair promoted a Seminar on Business Ethics and made available, through the VER Portal, a series of articles and interviews. It also maintained an active presence in the academic environment, through participation in three international congresses and the writing of a case study which has already been used in several AESE sessions in Portugal and in Angola.

More information about this partnership can be found at:

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

##### Agreement with the Porto catholic business school



**CATOLICA**  
**CATÓLICA PORTO**  
**BUSINESS SCHOOL**

PORTO

As part of the regular collaboration between EDP and the Catholic 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 EDP Office of the Ethics Ombudsperson, by the Portuguese Catholic University (Porto), namely: 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 has been reviewed annually, strengthening the links between the Company and the University in an increasingly important field for both business management and for academia.

In 2018, and under the aforementioned Protocol, technical support was provided to the GPE in various projects and initiatives, with emphasis on the design, coordination and monitoring of training (both online and face-to-face formats) aimed at the supply chain in Portugal and Spain.

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

## 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).

More information can be found at: <http://www.deusto.es/cs/Satellite/deusto/es/doctorado-2/cofund/presentacion-23?cambioidioma=si>

## VALUES, ETHICS AND RESPONSIBILITY PORTAL (VER PORTAL)



Also providing support for its initiatives in the field of business ethics, EDP has formalized a cooperation agreement for the 2016-2019 four-year period with the VER (Values, Ethics and Responsibility) Portal.

VER is, at the same time, an online NEWS portal and a community of business leaders gathered around values, ethics and responsibility, which also promotes cooperation between various stakeholders and experts in these thematic areas.

Every week, the VER Newsletter provides different perspectives arising from participation in conferences and seminars, with careful and assiduous research on international subjects, stories and business experiences narrated in the first person and using, whenever necessary, the help of expert organizations and benchmark companies in their different areas of activity. Every month, an "Ethics Special" edition of the Newsletter is sent to all 6,000 subscribers.

This partnership has resulted in several initiatives, of note being the "The World's Smallest Film Cycle", broadcast through EDP's internal channels and the VER Portal.

More information can be found at:

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



### 2.3.2 OTHER SHARING OF ETHICS EXPERIENCE

As part of the sharing of EDP's experience in ethical performance management and, more generally, the strengthening of the ethical dimension of organizational culture, EDP, through the GPE or the Ethics Ombudsperson, participated in several Seminars, Conferences and Forums in 2018 and contributed to the writing of an academic article for an international journal which is in press – "Corporate codes of ethics - The how factor | A case study on the review of a transnational company code" – which describes and analyses the process of revising the Company's Code of Ethics produced in 2013 and its evaluation three years later.

## 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 more than thirty members, all very senior, representing a highly varied range of business sectors.

Through its Ethics Ombudsperson, EDP was a founding member of this Forum and has participated regularly, 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 DIRETICA initiative, Acompañamiento Ético de la Función Directiva (Ethical Monitoring of the Managerial Function), the objectives of which 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.

Learn more at:

<https://www.deusto.es/cs/Satellite/deustoresearch/es/inicio/transferencia-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 2018, the Ethics Ombudsperson had participated in the following:

- "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.
- Seminar "Ethical performance management at EDP" at the Polytechnic Institute of Beja | ESTIG
- Seminar "The Importance of Corporate Codes of Ethics – The Case of the EDP Group", at the University of Évora
- Seminar "*With the hands in the dough: paving the way to the social dimension of research*" | Working session on the Social Impact of Research at the University of Deusto

Also noteworthy is the participation in the 9th Meeting of Quality Researchers 2018 | Quality, Research and Development, held at the Faculty of Engineering of the University of Porto, on 15 June, of the Ethics Ombudsperson with the paper "Building the" extended company: the "éticaedp | fornecedores" (suppliers) Programme.

# 03 ETHICAL COMPLAINT MANAGEMENT

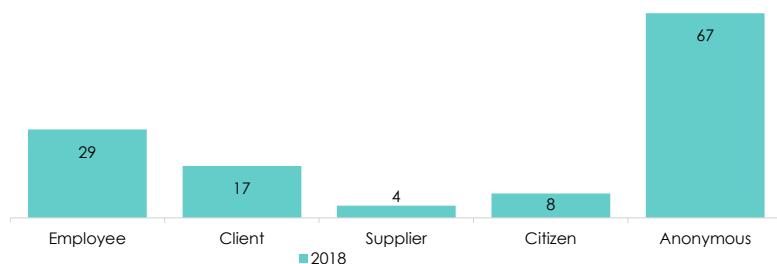
## SIGNS OF "HEALTHY BREATHING" OF THE COMPANY

In 2018, the Ethics Ombudsperson, the Ethics Committee and the Corporate Governance and Sustainability Committee of the General and Supervisory Board of the Group (CGSC) continued the management of the ethical complaints process established in the Regulations of EDP's Code of Ethics. The Ethics Committee, chaired by Mr. António Mexia, held four meetings in 2018, and analysed and provided an opinion, as expected, on the proposals for ethical complaints presented to it by the Ombudsperson and concerning companies in Portugal and EDP Spain. These opinions were then presented to the CGSC, chaired by Mr. Luis Amado, which validated them. The decisions underlying the opinions in question were then forwarded to the respective complainants for their information, and to the Group companies involved for such purposes due to the decisions contained in the opinions in question.

The Ethics Committee and the CGSC also considered the opinions they received on ethical claims regarding EDP Renováveis and EDP Brazil, which they ratified.

### 3.1 WHO COMPLAINED AND ABOUT WHAT

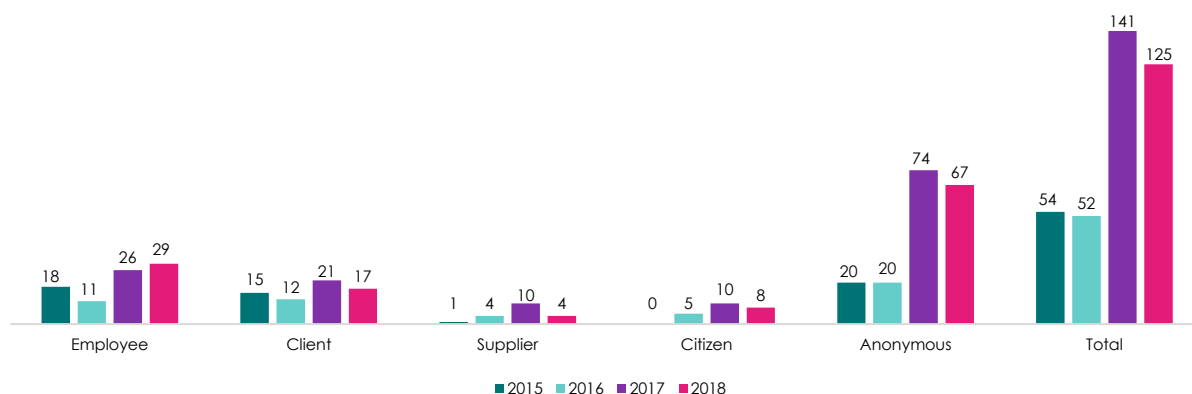
#### COMPLAINTS MADE TO THE ETHICS COMMITTEE BY ORIGIN, IN 2018 (#)



During the 2018 financial year, 465 complaints were registered in the various channels available for this purpose within the EDP Group. Of these, 125 gave rise to ethical complaint procedures presented to the Ethics Committee, and the others were quickly and efficiently processed with the relevant Business Units.

Compared to the previous year, there was a slight decrease in complaints received by these channels (548 in 2017, i.e., 83 less), but a small increase in the number of complaints considered to be ethical and, for that reason, presented to the Ethics Committee: the percentage of complaints considered ethical out of the total complaints received in these channels rose from 25.7% in 2017 to 26.9% in 2018.



**COMPLAINTS MADE TO THE ETHICS COMMITTEE BY ORIGIN - 4 YEARS (#)**

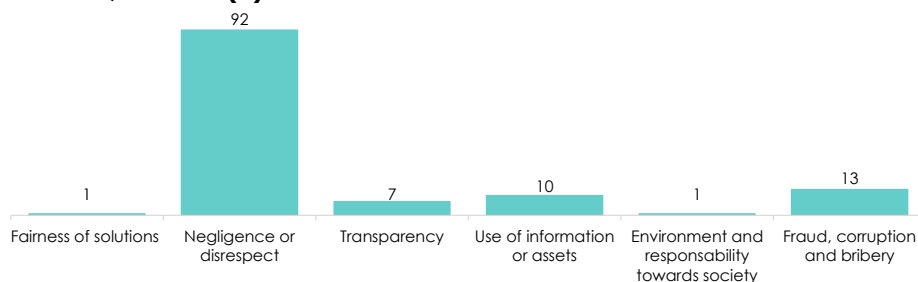
In an analysis of complaints by origin, it is found that the complaint channels were used by all stakeholder groups, but particularly by the Client and Employee groups, which together represent about 37% of the total complaints assessed. There was a decrease in the number of anonymous complaints, most of which originated from EDP Brazil, where this practice is generally more common.

In a multi-year comparative analysis, in 2015-18, there is a clear prevalence of complaints originating in the Customer and Employee groups, of equivalent size and which, together, represent 40% 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**

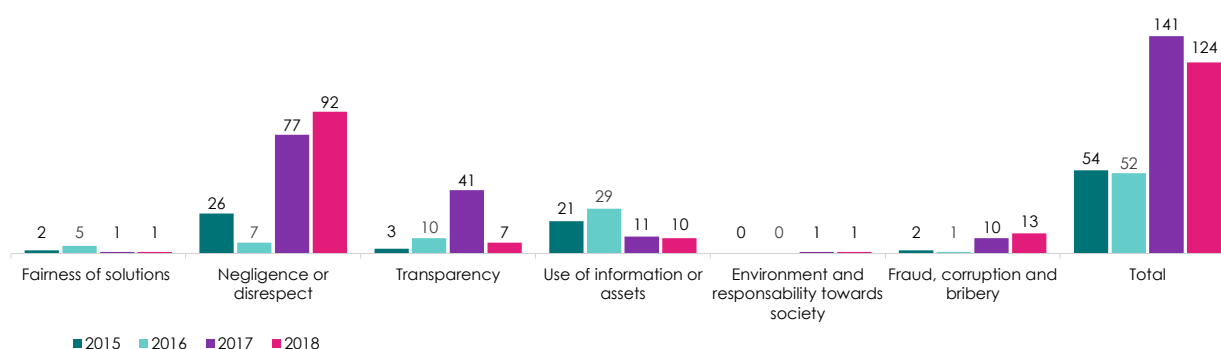
Fairness of solutions	2.2. Conflicts of interest   3. Commitment to stakeholders
Negligence and disrespect	2.1. Legislation   2.3. Human and labour rights   3. Commitment to stakeholders
Transparency	2.4. Transparency   3. Commitment to stakeholders
Use of information and assets	2.2 Use of Information   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

**COMPLAINTS MADE TO THE ETHICS COMMITTEE, BY SUBJECT, IN 2018 (#)**

In the analysis by subject, in 2018 there was a significant increase of occurrences in the area "Neglect and Disrespect", which was offset by a reduction in the area "Transparency".

Although these may have been 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 in previous years.

### CLAIMS BEFORE THE ETHICS COMMITTEE, BY SUBJECT (#)



## 3.2 COMPLAINTS ANALYSED

According to the Regulations of the Code of Ethics, complaints received are subject to preliminary investigations, carried out by the Ethics Ombudsperson. These investigations refer, in particular, to bad 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 the possible need for remediation or correction. The preliminary reports containing the results of these investigations and the opinions of the Ethics Ombudsperson are submitted by the latter to the Ethics Committee for consideration. The sources of the complaints are not identified. The Ethics Ombudsperson 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, and is only raised following the consent of the claimant.

In 2018, the Committee analysed the preliminary reports prepared by the Ethics Ombudsperson on ethical complaints originating in Portugal and Spain (none carried forward from 2017 and 14 new complaints filed during the year). Only one of these complaints was not closed in 2018, and all the rest were investigated and closed with the relevant "Ethics Committee's Opinion" being issued.

The Committee also reviewed the cases submitted by the Ethics Committee of EDP Brazil and EDP Renováveis, and ratified the decisions made concerning them.

All Files 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 2017	OPENED IN 2018	CLOSED IN 2018	CARRIED FORWARD TO 2019
EDP PORTUGAL	0	11	11	0
EDP SPAIN	0	3	2	1
EDP BRASIL	34	110	51	59
EDP RENOVÁVEIS	0	1	1	0
TOTAL	34	125	65	60

### 3.3

## DECISIONS TAKEN AND ACTIONS DETERMINED

Of the complaints submitted to the Ethics Committee, 65 were closed in 2018, 48% were upheld and were considered justified and 52% were deemed unsubstantiated. For the purposes of this statistic, claims for which the facts or responsibilities alleged by the complainants have not been confirmed are considered "unsubstantiated" as are those where it was not possible to gather sufficient evidence to support a decision.

The percentage of complaints considered justified as assessed by the Ethics Committee in 2018 (48%), shows a significant increase when compared to the previous year's rate (15%).

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

**COMPLAINTS CLOSED BY DECISION OF THE ETHICS COMMITTEE, IN 2018 (%)**

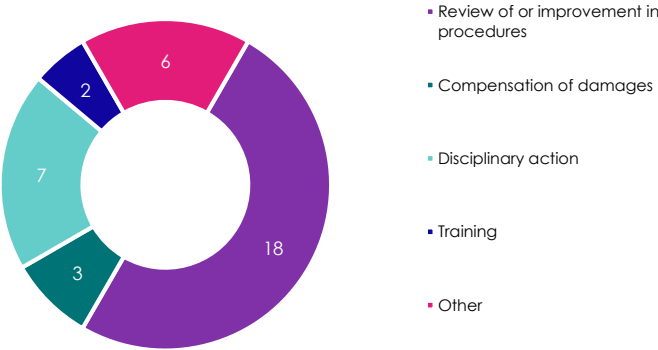


**ACTIONS DETERMINED BY THE ETHICS COMMITTEE (%)**

Following the opinions of the Ethics Committee, around 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 of performance processes, the assessment of the effectiveness of initiatives, and the reporting of events to criminal investigation authorities.



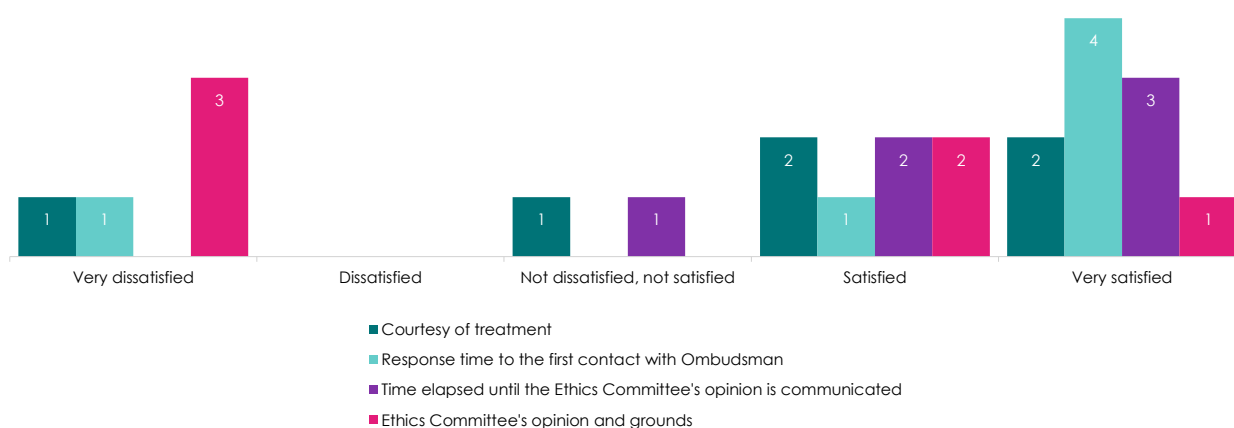
## 3.4

### COMPLAINANT SATISFACTION

With regard to control of the management process of ethical complaints, complainant satisfaction is evaluated annually for complaints submitted to the Ethics Committee that originated in Portugal or Spain. This evaluation was made in relation to the following aspects: courtesy of treatment; response time from first contact; time lapsed until the reporting of the Opinion of the Ethics Committee; and, as well, satisfaction with the content of the actual Committee's Opinion and its grounds. In 2018 there was a response rate of 45.5%.

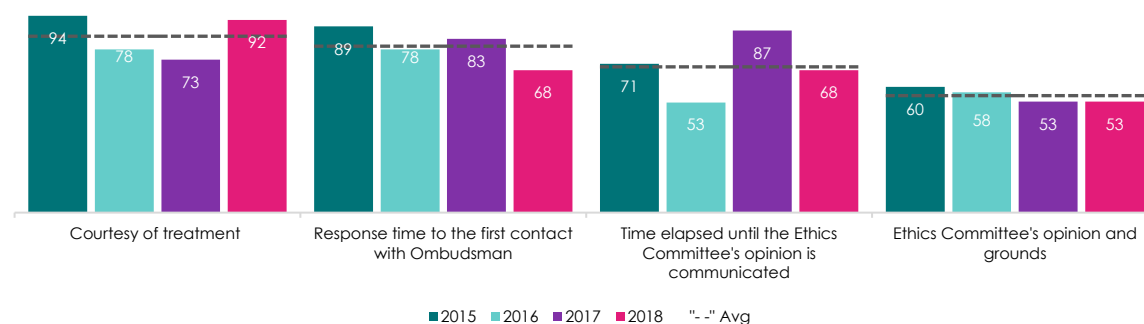
The results of the evaluation remain positive, with most complainants declaring themselves satisfied or very satisfied in the areas analysed.

#### COMPLAINANT SATISFACTION, IN 2018 (#)

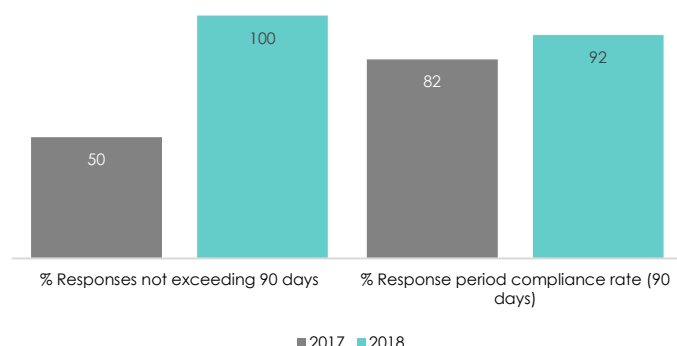


Given the small number of claimants who annually contribute to this sample – only five in 2018 – these results are likely to present great variability and cannot be interpreted according to their absolute value in any given year. Hence their transformation into indicators that enable comparison over a longer period of time.

#### LEVEL OF COMPLAINANT SATISFACTION (PROCESSES CLOSED DURING THE YEAR) - VALUES OF STANDARDISED INDICATORS (%)

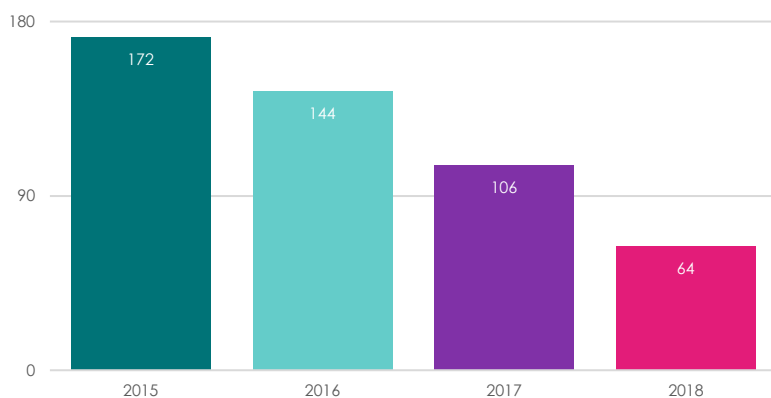


The above graph compares the results of the four years in which the assessment was conducted, in all aspects analysed.

**EFFICACY OF REPLY TO COMPLAINANTS (%)**

Analysing all the indicators - homogenised in accordance with the methodology used for consolidation purposes in the Ethicis Index (cf. 2.1), there was a decrease in the indicators related to response times, namely "Response time to the first contact with Ethics Ombudsperson" and "Time until the Committee's Opinion", with the other two indicators remaining relatively stable.

For both indicators there was an improvement in the effectiveness of response times, with the average time for the response period being less than 90 days (regulatory), which translates into a value of 100%.

**AVERAGE TIME TAKEN TO RESPOND TO COMPLAINANTS (DAYS)**

In relation to 2017, there was a significant improvement in the average period in responding to the complainants (around - 40%) and this indicator was below the target established in the revision of the Code of Ethics Regulations, which took place 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 results achieved confirmed the effectiveness of the improvement measures that have been introduced in the process of recording and handling ethical complaints, thus ensuring the target levels for 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.

# 04 PERSPECTIVES

## THE CONSOLIDATION OF THE TRUST OF THE “STAKEHOLDERS” AS ONE OF EDP'S MAIN OBJECTIVES FOR COMPETITIVENESS



Ethics in business - along with ethics in our lives, both as individuals and as essential elements of society – is nowadays inescapable. It is increasingly clear – and many studies are seeking to prove this objectively – that the material value of companies is inextricably linked to the trust that all stakeholders have in them. Nowadays, therefore, customers, workers, partners, investors, indeed all those connected to companies, choose or support them based on the experience of the consistency and dignity they provide, and are fully attentive to incidents of trust which can blemish this experience. Furthermore, these incidents are, as we know, more transparent and more visible in the digital world we live in.

It is in this context that EDP has considered the consolidation of the trust of its stakeholders as one of its important goals, in a future in which it intends to remain competitive and being certain that growth and profitability are no longer sufficient conditions for this.

And it is to support such a challenge that the Ethics Ombudsperson, who took office in January 2019, and in the context of her mission to support the company's management bodies and the Ethics Committee of the Group, presented an ethics programme for the 2019-2021 period that addresses two strands of action: a strand aimed at strengthening ethical “building”, which presupposes the updating of policies and codes of conduct, the consolidation of ethical risk management mechanisms, the practice of a

training policy supported by a solid model of guiding principles and guides based on best practices, among other initiatives; and another strand, which has been designated as “substance ethics”, which aims to make ethics come “alive” in every activity, every important decision making action, making each and every one absolutely conscious of the impact of our actions on the company's success.

The message of the company's CEO in our Code of Ethics is therefore pertinent when he mentions that “(...) decisions are taken in context, in the face of each new situation we face, and therefore constitute a responsibility and a challenge for which each one of us has to constantly rise to the challenge. (...)”.

This is therefore a major undertaking that the EDP Group is aware of, and one that it is certainly right to address. It remains for us to get to work!

# 05 ACKNOWLEDGEMENTS

For the work carried out on business ethics in 2018, the support of the Executive Board of Directors, the Ethics Committee and the Corporate Governance and Sustainability Committee of the General and Supervisory Board of the Group was decisive, bodies for which the Ethics Ombudsperson wishes to record her sincere thanks.

Thanks are also due to all those who have cooperated throughout the Group towards the good results achieved in terms of ethical performance in 2018: these are your results.

Equally important and deserved is the recognition due to all the employees of the Office of the Ethics Ombudsperson, its internal team and partners, without which the quality of all the work carried out would certainly be less.

A final word of thanks should be addressed to Mr. José Figueiredo Soares, who served as EDP's Ethics Ombudsperson for the past six years and who was responsible for all the important ethical activity in the Group during this period.

Lisbon, June 2019

*Manuela Silva*

**Ethics Ombudsperson**

*edp*

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