



HUMAN RIGHTS MONITORING PROGRAM

EDP Group

**Assessment report on the potential impacts of
respecting Human and Labor Rights**

2017



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1. Scope of the report

This report follows previous reports on respect for Human Rights and Work Practices, which have been published since 2015 in accordance with the Ruggie Principles adopted by the Human Rights Council.

This report tracks down the progress on the most relevant issues and outlines our approach for the future.

Includes all Business Units and Companies of EDP Group, subsidiaries and partnerships over which EDP Group has the management control and all its employees and officers, as well as its suppliers.

2. EDP Commitments on Human and Labor Rights

May 2017

Aligned with the Human Rights principles in the Code of Ethics and applying the UN's Human Rights Council guiding principles on business, EDP has declared 11 commitments.

To act in full compliance with the laws and regulations of the regions where the Company operates, with integrity and good governance, by promoting respect for human rights and decent work practices within its sphere of influence and value chain, including its employees, partners, suppliers, and customers.

1. To respect the Universal Declaration of Human Rights, the Conventions of the International Labor Organization, the UN Global Compact, and the Guiding Principles on Business and Human Rights - Ruggie Guidelines.
2. To combat arbitrary detention, torture or execution, and to uphold the freedom of conscience, religion, organization, association, opinion, expression, and the right to privacy and property.
3. Not to employ child or forced labor, nor tolerate such practices by any third party with which EDP has a relationship.
4. To respect freedom of trade union association and recognize the right to collective bargaining.
5. To guide labor policies and procedures so as to prevent unjustified discrimination or differential treatment based on ethnic or social origin, gender, sexual orientation, age, creed, marital status, disability, political orientation, opinion, birthplace, or trade union membership.
6. To prioritize the safety, health and well-being of employees, and to endure the creation of adequate occupational health and safety administration systems;
7. To respect, promote and ensure decent work conditions, and to condemn any acts of psychological violence or moral coercion.
8. To provide employees, partners and the entire value chain (suppliers and customers) with regular information and training on Human Rights and Labor Practices.
9. To maintain a close relationship with local communities in the regions where the Company operates, engaging in regular, open and honest dialogue, seeking to meet their needs, respecting their cultural integrity, seeking to contribute to improving the living conditions of local populations, and recognizing the rights of ethnic minorities and indigenous peoples.
10. To respect precautionary principles when the Company's activities may result in serious and irreversible damage to human life or health or to the environment, even if such damage is uncertain and only scientifically plausible, by taking measures to prevent or mitigate such effects.



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It is also an EDP's public commitment to keep a Human and Labor Rights monitoring program to identify risks and actions in order to avoid, minimize or repair possible negative impacts resulting from its business and activities.

More details on EDP's approach and the respect for Human Rights in:

<https://www.edp.com/en/sustainability/social-dimension/human-rights>

3. Recognition of the transparency of our operations

In 2017, the EDP Group was recognized, for the sixth consecutive year, as one of the most ethical Companies in the world. The Ethisphere Institute's 2017 ranking of the World's Most Ethical Companies listed 124 Companies from 19 countries, with the EDP Group being one of only six representatives from the energy and utilities sectors. Moreover, the EDP Group achieved its highest score ever in the Dow Jones Sustainability Index, keeping the 10th position in the global ranking. In 2017 the EDP Group was also recognized as the first fully integrated Company.

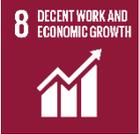
4. 2020 Goals

The sustainability goals and targets presented in the table below reflect the expectations of the EDP Group regarding all those we associate with in the regions where we operate, following the Ruggie Guidelines adopted by the Human Rights Council.



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EDP strategic axis	Index	Target for 2020	Alignment with Sustainable Development Goals (SDG)	with Goals
Improving trust				
Maintain EDP's reputation as one of the most ethical companies in the world	Protecting Human Rights in the supply chain	Stage 4 - Plans for improvement in relevant cases; adjustment of procurement policies		
Evaluating and auditing suppliers	Critical suppliers evaluated under ESG criteria	100%		
	Service providers with ESG risks audited	100%		
Developing our people				
Promoting increased diversity	Female workers	27%		
Achieving 100% OHS certification (including suppliers exposed to high risks)	OHSAS 18001 certification	100%		
	Certified suppliers exposed to high OHS risks	100%		
Managing Climate and Environmental Issues				
Achieving 100% environmental certification for the Group's operational activities (including suppliers exposed to high risks)	Certified suppliers exposed to high environmental risks	100%	 	



5. Progress monitoring

In order to ensure compliance with the above-mentioned commitments, the EDP Group adopts adequate monitoring measures in all its Business Units and new projects or undertakings, including mergers and takeovers, as well as with regard to partners and the entire value chain - suppliers, service providers, joint ventures, agents, and customers.

The purpose of this monitoring process is to examine actual practices; to assess compliance with the undertaken principles and commitments, especially with regard to the groups deemed to be the most vulnerable; to identify potential risks; to adopt the necessary measures to prevent and manage such risks; and, if inevitable, to implement the necessary mitigation measures or promote their remediation and repair.

This monitoring process includes:

- the evaluation of the Company's ethical performance, culminating in an annual report entirely devoted to this matter, where the most important ethics-related initiatives are described and the Group's ethics complaints are assessed. The Ethics Ombudsman's report can be found at: https://www.edp.com/sites/default/files/portal.com/documents/ethics_ombudsman_annual_report_2017.pdf
- the systematic evaluation and analysis of suppliers' risk levels, culminating in the preparation of content presented in the Annual Sustainability Report. This report can be found at: https://www.edp.com/sites/default/files/portal.com/proposal_item_1_-_relatorio_de_sustentabilidade_2017_en_-_vf.pdf
- suppliers' selection and performance evaluation process. Details on suppliers' relationship management can be found at: www.edp.com/en/suppliers/sustainable-procurement/risk-management-in-the-supply-chain/risk-analysis
- the self-declaration of individuals representing companies and activities carried out in all regions, in accordance with the Ruggie Guidelines, adopted by the Human Rights Council as part of the UN's 'Protect, Respect and Remedy' Framework – "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework"; cf. http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf. The results of the analysis of the aforementioned self-declarations are presented in this report and were based on a monitoring questionnaire focusing on respect for Human and Labor Rights.



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6. Human Rights Monitoring Program - 2017 Summary

In 2017, as in previous years, the process of assessing respect for human rights within the EDP Group was based on the Human Rights Monitoring Program launched by the Sustainability and Internal Audit/Compliance Departments.

It was based on an assessment questionnaire focusing on respect for Human Rights and labor practices with regard to:

- ✓ procedures;
- ✓ the following aspects:
 - respect for human dignity and rights and rejection of any form of forced or child labor, persecution, discrimination, abuse, or other kinds of physical and psychological violence.
 - compliance with occupational safety, hygiene and health requirements;
- ✓ the following stakeholders: workers; suppliers; customers, and local communities.

Attached is the questionnaire sent to company representatives of the EDP Group's consolidation perimeter.

7. 2017 Questionnaire Response Analysis

Procedures

With regard to procedures, the representatives of the various companies within the EDP Group stated that it is necessary to improve communication (reporting channels) by investing in training and Human Rights programs.

Temas

The topics covered focused on employees and suppliers' practices, which were examined and settled by the EDP Group Ethics Committee and, when applicable, by the Ethics Committees of the subsidiary companies (EDP Brasil and EDP Renováveis). The Corporate Governance and Sustainability Committee is responsible for supervising these assessments.



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Reported cases focused on the following topics by stakeholder group:

EMPLOYEES	SUPPLIERS	LOCAL COMMUNITIES (including indigenous peoples)
<ul style="list-style-type: none"> ✓ verbal harassment (# 33) ✓ sexual harassment (#2) ✓ racial and ethnic discrimination (#1) ✓ lack of training and protection/safety equipment (#1) 	<ul style="list-style-type: none"> ✓ verbal harassment (#3) ✓ wage arrears (#1) ✓ use of non-contract workers (#1) 	<ul style="list-style-type: none"> ✓ No Human Rights violations involving indigenous populations were identified

7.1. Action plans

The complaints submitted to the Ethics Committee which determined corrective measures can be classified as follows:

Actions determined by the Ethics Committee



- Procedures review
- Compensation for damages or losses
- Disciplinary measures
- Training

“The economic value generated by the EDP Group is largely determined by the performance of its suppliers.

We're connected!

Our success is also the success of all those we work and share risks with - risks which we must identify and manage together.”

António Martins da Costa, EBD Member, Sustainability Director

The EDP Group is strongly committed to the dissemination and promotion of compliance with the Code of Ethics, which includes a chapter on Human Rights.

The Code of Ethics was widely disseminated among the Group's employees, through internal communication mechanisms, individual handout, delivery to new employees, and the intranet.

The Code of Ethics is also attached to new employment contracts and submitted for the written approval of new employees when they enter the company.



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It also establishes measures to combat corruption and slave and child labor.

EDP has implemented the new EDP Supplier Code of Conduct for all suppliers, providing a transparent and uniform assessment mechanism capable of applying sustainability principles across the value chain and of promoting the continuous improvement of our suppliers' performance.

Likewise, the main contents of these documents, as well as the existence and functioning of the Ethics Channel, are also explained in the Welcome Presentation which is held every year for new EDP Group employees.

This information is published on the company's Intranet and website.

After providing ethics training to all Group employees in 2015, it was deemed necessary to extend such training to the entire supply chain, in order to: promote behavior in accordance with the EDP Group's ethical principles and commitments; minimize the risk of bad ethical practices, in particular those that may result in defaults or reputational damage to the Group; present the Code of Ethics, the EDP Supplier Code of Conduct, and the EDP ethics reporting channel.

The project began in 2016, with the definition of its framing and architecture and the launch of the corresponding pilot program.

In 2017, all customized versions were created, all trainers were trained and the first versions were launched, covering 270 online trainees and 550 classroom trainees, with an overall training volume of approximately 1,000 hours.

The extended implementation of the remaining versions and the beginning of their deployment to sub-suppliers will take place in 2018, an initiative which is expected to train over 11,000 employees from 400 critical suppliers.

7.2. Compliance

Procurement integrity, customer and supplier relationship management, information management and security, anti-corruption and anti-bribery measures, and respect for human rights are important monitoring, analysis and management areas within the EDP Group, supported by a number of information sources, such as: internal and external audits and questionnaires; complaint analysis; survey results; feedback from training programs; multidisciplinary working groups. Due to the complexity and dynamics of these issues, our policies and procedures are subject to continuous improvements and additional controls under the Financial Report Internal Control System (SCIRF).

7.3. Inclusion of vulnerable groups

The activities most exposed to possible impacts on Human and Labor Rights are those involving the construction of infrastructures that require the displacement of indigenous people and communities. This is a particularly relevant issue in Brazil, where the São Manoel Hydroelectric Plant is in the process of being completed.



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The region where the São Manoel HPP (owned by Empresa de Energia São Manoel) is located covers an Indirect Influence area that overlaps with Kayabi Indigenous Land. The territory is shared by the Apiaká, Kayabi and Munduruku peoples.

In spite of several EDP initiatives designed for the protection of the indigenous communities, the São Manoel HPP was targeted by indigenous protesters from outside the covered area, who were dissatisfied with government policies and occupied the construction site for five days until an agreement was reached with the Funai Presidency, the Federal Public Prosecutor (MPF), Empresa de Energia São Manoel (EESM), and Companhia Hidrelétrica de Teles Pires. In October, the indigenous movement monitoring system flagged mobilization actions for a second occupation.

Following confirmation, the Company initiated the Action Plan for the Mitigation of Invasion Risks at the Construction Site, through which it obtained an injunction from the Federal Justice and the deployment, by the Federal Government, of the National Force and the Federal Police, in addition to representatives of the Presidency of the Republic, Ibama and Funai.

It was thus possible to prevent the occupation and conduct peaceful negotiations with the natives, who spent the night on the banks of Teles Pires river, outside the construction site, and visited funeral urns rescued by Companhia Hidrelétrica de Teles Pires, which are sacred to the Munduruku ethnic group. Meetings were also held between Federal Government members and the natives.

By occupying nationally relevant facilities such as HPP São Manoel, these indigenous movements seek to draw media and Government attention to a number of demands involving the delimitation and homologation of indigenous lands. In these cases, however, there were no specific complaints against the São Manoel HPP project.

8. Conclusions

In 2017, the due diligence process conducted within all EDP Group companies and suppliers did not identify any Human Rights violation. However, it is recommended to maintain the 2020 goal - to protect Human Rights in the supply chain - by implementing the fourth stage of the Plan¹.

¹ The Plan comprises 4 stages: 1st Stage - Impact study; 2nd Stage - Supplier Code of Conduct; 3rd Stage - Suppliers evaluation from a Human Rights perspective; 4th Stage - Improvement plans for relevant cases; adjustment of procurement policies.



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Appendix: EDP Group 2017 Human and Labor Rights Monitoring Questionnaire



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2017 EDP Group Human and Labor Rights Monitoring Questionnaire/Report

Business Unit name:	
Person answering the questionnaire:	

A - Procedures

Do the implemented procedures need improvement?	No	Yes
Computerized management systems		
Internal standards		
Risk assessment and management		
Audits		
Complaint and report channels		
Training		
Other		

Improvement proposals

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Have any occurrences been reported in 2017 in any of these domains?

B - Employees (including controlled company employees)

Reports of non-compliance involving:	Si	No
Wage arrears/non-payment		
Excessive overtime hours		
Excessive continuous work hours		
Violation of the right to weekly rest/vacation		
Wages below the legal/contractual minimum		
Inhibition of collective bargaining/association rights		
Child labor		
Youth work in hazardous activities		
Lack of training and protection/safety equipment		
Violation of the right to medical leave		
Violation of the right to care for one's family		
Forced labor situation		
Use of illegal workers		
Use of non-contract workers		
Inadequate conditions for posted workers		
Violation of personal data		
Gender discrimination in wages and duties		
Racial/ethnic discrimination		
Sexual harassment		
Verbal harassment		
Physical violence		
Others		

Explanation of occurrences:	Number of cases	Resolution status



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Have any occurrences been reported in 2017 in any of these domains?

C - Suppliers working with EDP (EDP facilities, equipment, customers)

Reports of non-compliance involving:	Yes	No
Wage arrears/non-payment		
Excessive overtime hours		
Excessive continuous work hours		
Violation of the right to weekly rest/vacation		
Wages below the legal/contractual minimum		
Inhibition of collective bargaining/association rights		
Child labor		
Youth work in hazardous activities		
Lack of training and protection/safety equipment		
Violation of the right to medical leave		
Violation of the right to care for one's family		
Forced labor situation		
Use of illegal workers		
Use of non-contract workers		
Inadequate conditions for posted workers		
Violation of personal data		
Gender discrimination in wages and duties		
Racial/ethnic discrimination		
Sexual harassment		
Verbal harassment and/or blackmail		
Physical violence		

Explanation of occurrences:	Number of cases	Resolution status



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Have any occurrences been reported in 2017 in any of these domains?

D - Customers

Reports of non-compliance involving:	Yes	No
Unjustified power cuts		
Power cuts involving chronic, electricity-dependent patients		
Violation of personal data/privacy		
Violation of private property		
Physical violence		

Explanation of occurrences:	Number of cases	Resolution status

E - Local communities (including indigenous peoples)

including indigenous peoples:	Yes	No
Customs and routines of local communities		
Usurpation of private property		
Non-restitution of rights		
Physical violence		

Explanation of occurrences:	Number of cases	Resolution status