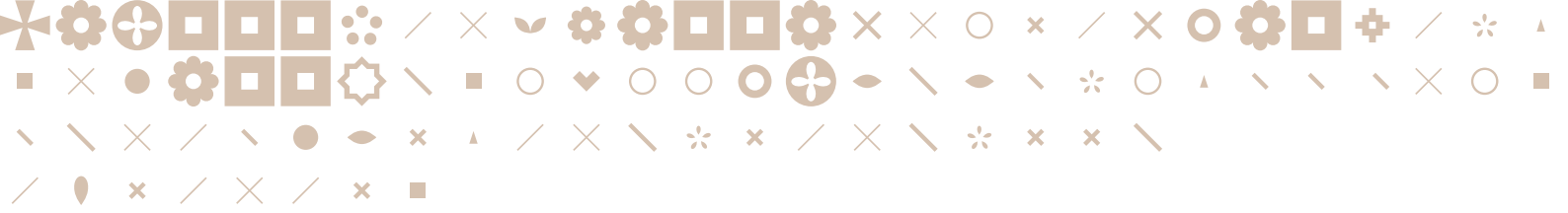


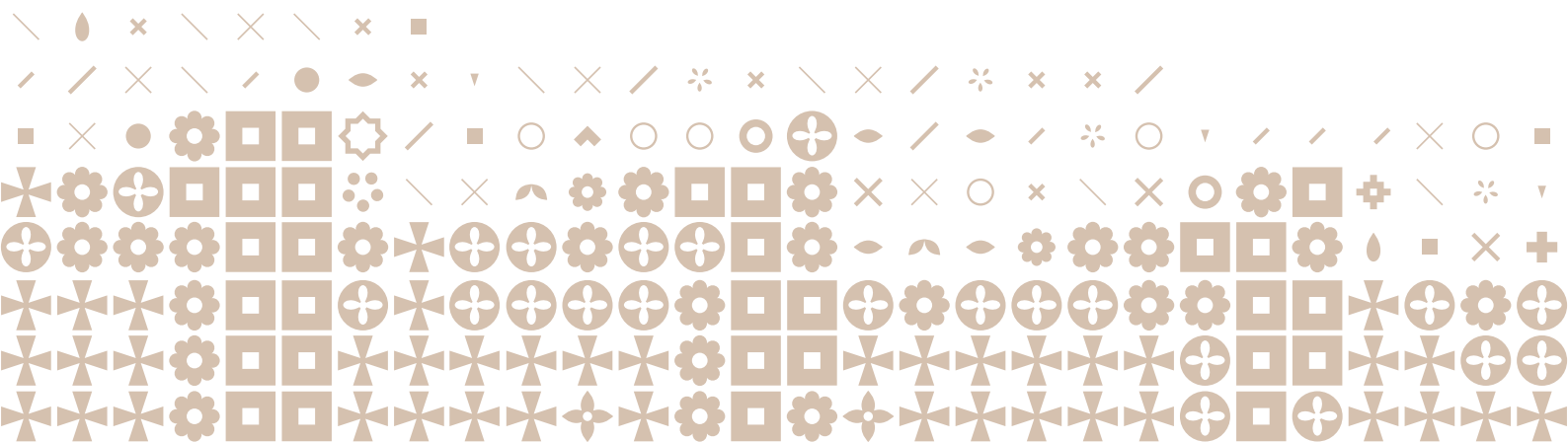
*edp*  
ETHICS  
OMBUDSMAN

ENERGY THAT MAKES A DIFFERENCE  
ANNUAL REPORT 2014



*edp*

# THE SAME PRINCIPLES, THE SAME COMMITMENTS





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

## THE SAME PRINCIPLES, THE SAME COMMITMENTS

To meet the requirements of the Code of Ethics Regulations, this Report outlines the initiatives conducted in 2014 and their outcomes, as well as those following thereon which are underway or planned for 2015 with regard to the management of ethical performance at EDP.

In 2014, alongside the overall improvement in our performance, as shown by the evolution of the benchmarking indicators, some important initiatives were undertaken to endow the ethical performance system with greater maturity and consistency.

With the revision of the Code of Ethics Regulations and the reshuffling of the Ethics Committee, approved by the Executive Board of Directors and the General and Supervisory Board in the last quarter, it is my view, as Ethics Ombudsman, that the EDP Group's ethical performance management system demonstrates a fair degree of maturity and responds to the needs identified and the objectives defined in this area.

It is also our view that the work done opens up new possibilities for action and cooperation, both internally and externally, to strengthen a culture of transparency and responsibility and to prevent the occurrence of unethical practices, fostering the autonomy and responsibility of all those - employees and third parties - who act on behalf of EDP and reducing the risks to reputation and financial risks that such practices entail for the Company.

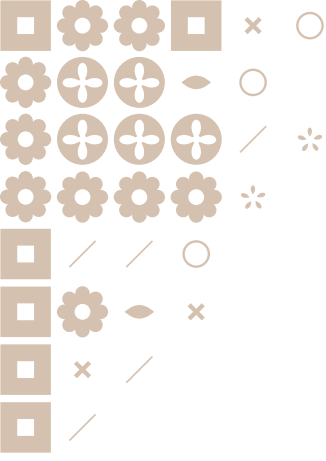
2014 was marked by the adoption and dissemination of the new EDP Code of Ethics in all Business Units. The new Code is now virtually the same across the Group, with only minor differences that contribute to reinforcing or better adapting its content to the local environment. This enabled a training programme to be devised which was, for the first time, identical for the whole Group and for all hierarchical levels.

We also began an ambitious project in 2014 to identify and manage ethical risks, intended to facilitate, in all Business Units, regular assessments of exposure to the different risks arising from unethical practices and the effectiveness of the management tools in place in this context.

In terms of evaluation of our ethical performance, we strengthened the Ethicis corporate index and maintained our recognition by the Ethisphere Institute, being placed for the third consecutive year in the list of the World's Most Ethical Companies.

Looking at the activity undertaken, I would like to formally thank 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 this year, and whose skill and enthusiasm made it possible to achieve the results whose quality, as this Report will show, has been acknowledged internally and externally.

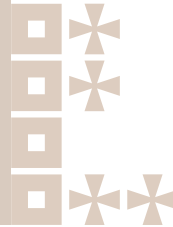
Lastly, I would like to extend a special acknowledgement to Mr. António Pita de Abreu, of the Executive Board of Directors, for his support and personal commitment to the projects we set out to conduct this year.



# HIGHLIGHTS

## JANUARY 2014

The **"Ethical Risk Analysis"** project started. The aim of this project is to identify and assess the main risks of unethical practices and to create an assessment tool for periodic use in the different Business Units.



## FEBRUARY 2014



### Dissemination of the new Code of Ethics

Between February and April 2014, the new Code of Ethics was adopted and disseminated to all companies in the EDP Group.

### Ethisphere "World's Most Ethical Companies" Ranking

EDP was named on the 2014 list of the World's Most Ethical Companies by the Ethisphere Institute (USA) for the third consecutive year as one of the companies with the best ethical performance.



## SEPTEMBER 2014

EDP's Ethics Ombudsman was invited to address the **Europe Ethics Summit**, in London, where he had the opportunity to share EDP's experience in ethical performance management as part of the **"Ethical communication during an era of heightened transparency"** panel.

**EDP Brazil** promoted **training actions on the new Code of Ethics** for employees and service providers.

**ethicsedp**  
we are what we do



## OCTOBER 2014

Training under the **éticaedp programme** began in Portugal and will be extended to the whole Group. This training had a delivery rate of 79% and approximately 80% of the employees rated it as good, very good or excellent.

**The "Consistency between words and actions: EDP Code of Ethics" teaching case**, devised by Católica Porto Business School, was one of the final contenders for the Case Writing Award of the Fórum de Administradores de Empresa (FAE). The case was written following the debate around the process of creation of the Ethicis Index, particularly with regard to the development of indicators on "Culture".

The Executive Board of Directors and the General and Supervisory Board **approved revision 2 of the Code of Ethics Regulations** and the reshuffling of the EDP Ethics Committee.

## DECEMBER 2014

**The Anticorruption Policy of EDP Renováveis was published.**



# ADOPTION AND DISSEMINATION OF THE NEW CODE OF ETHICS

2014 was marked by the adoption and dissemination of the new EDP Code of Ethics in all Group Business Units.

The dissemination of the Code of Ethics took place simultaneously in the Business Units in Portugal and in HC and Naturgas in Spain. The Code was forwarded by the Chairman of the CAE to all employees by email, with an explanation of the reasons behind the revision and the relevance of this document for the Company.

«(...) the EDP Code of Ethics states our conviction that ethics and business are inseparable and, binding as it is on the company, it implies our individual commitment to making this code a guide for responsible and exemplary action in every situation.»

**António Mexia, Chairman of the Executive Board of Directors**



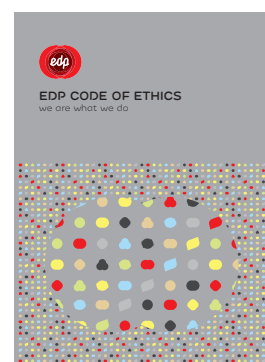
At the same time, it was publicised on the edpON intranet, on the Group's website, and in the ON Magazine, which carried a printed version of the Code as a supplement. This insert was particularly relevant, since the magazine is posted to employees, suppliers and other EDP stakeholders at their homes, providing a wider coverage of our Policy Principles and Commitments.

The new Code was the result of collective reflection involving members of different organisational structures and business units, to meet the need for ensuring greater consistency of the ethical principles and commitments explicitly adopted in the different cultural and market contexts in which EDP is active.

The new Code is now virtually the same across all Business Units, with only minor differences to reinforce or better adapt its content to the local environment.



**Ethics, EDP's  
commitment  
in all  
geographies**





«For the representatives of the Ethics Ombudsman at HC Energía and Naturgas it was especially rewarding to actively participate in the process of revising the EDP Group's Code of Ethics to achieve a single, consensual text among all Group Companies, which culminated in the approval of the new Code in November 2013 and its actual adaptation to each Business Unit in the various geographies during 2014.»

**José Luís Mohedano (HC) and Rafael Careaga (Naturgas)**



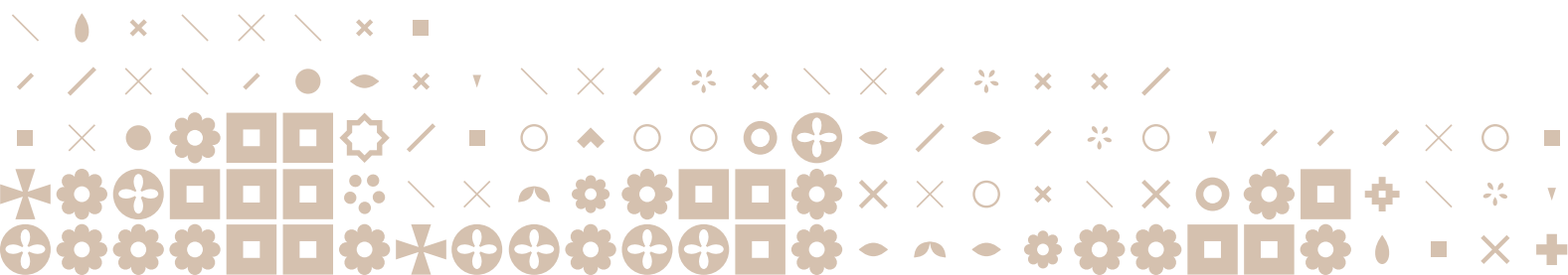
«The drafting process of the new EDP Code of Ethics, with the brainstorming that took place in all EDP Group Business Units, resulted in a consensual document with which EDP Renewables, which operates in various countries, identifies itself completely, therefore making its adaptation occur with virtually no changes.»

**Borja Pérez da Pena (EDP Renewables)**

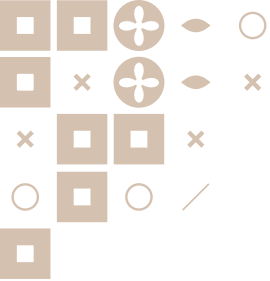


«The revision of the EDP Code of Ethics in Brazil was the reaffirmation of the practice already established and a new look at ethical issues, bringing them in line with the EDP Group's guidelines and maturing the method of application of the Code to the Company's routines.»

**Sónia de Sá and Sónia Cardoso (EDP Brazil)**







The Code of Ethics was launched in April at EDP Brazil, at which time it was also given prominence in the ON magazine, this time with a message from the CEO of Energias do Brasil, Miguel Setas.

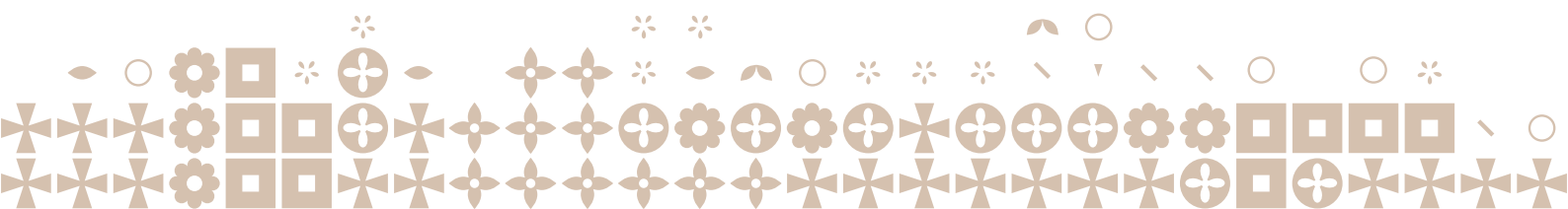
«The Code of Ethics is a reference for what is expected from employees both within EDP and in their relationships with colleagues and external entities. (...) Moreover, the Code of Ethics defines EDP's DNA, i.e. it defines the way we operate and manage the business.»

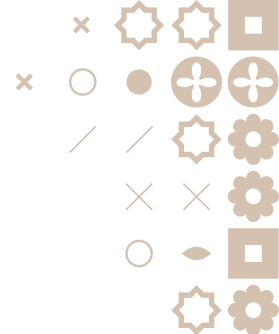
**Miguel Setas, CEO, EDP Brazil**



**ethicsedp**




we are what we do





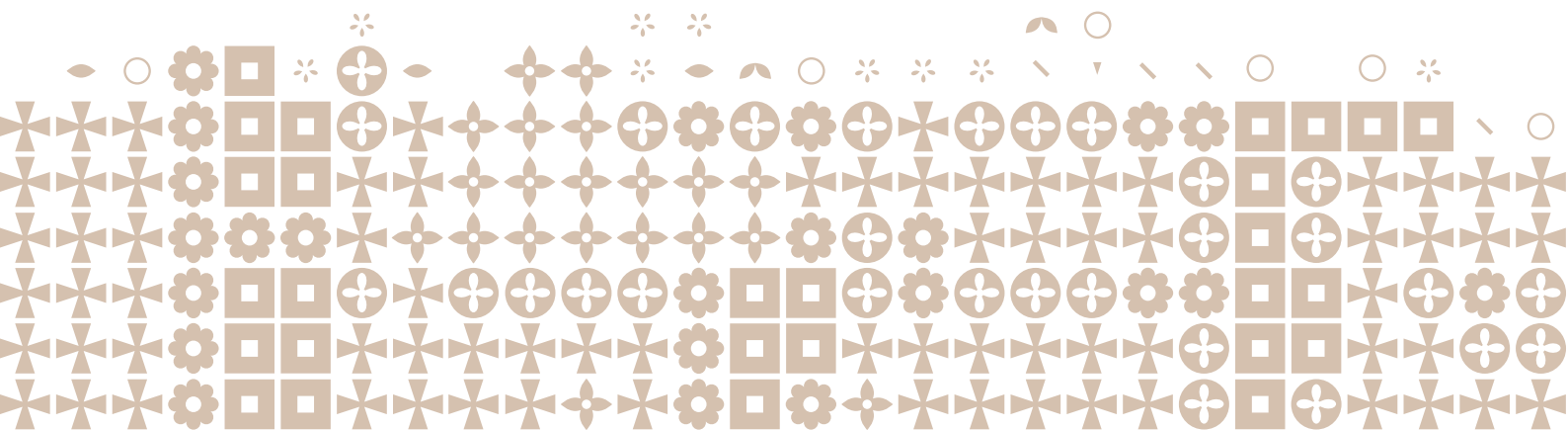
# THE SAME TRAINING FOR THE WHOLE GROUP AND ALL FUNCTIONAL LEVELS

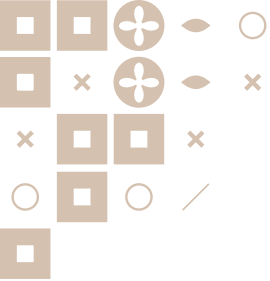
In October, training under the éticaedp programme began, following an eLearning model, with a duration of about 3 hours, divided into three modules:

-  **The importance of business ethics** – for companies and for society;
-  **How ethics is managed at EDP** – an introduction to all the tools (Code of Ethics, Regulations, Ethics Ombudsman) and procedures to manage and evaluate EDP's ethical performance;
-  **How ethics is experienced at EDP** – a module divided into two parts, one of a more reflective nature on our values and the way we experience them within the company, and another of a more informative nature on how the risk of unethical practices is managed.

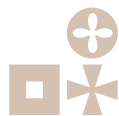
One of the main features of this training was its bearing on reality, fostering reflection through actual facts and, in some cases, real situations in the everyday life of the Group.

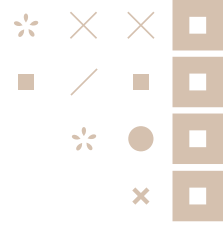
This aim was achieved by using newspaper articles and through the participation of more than 30 employees who agreed to simulate situations or provide input on how different aspects are managed in the company, as well as on the importance and experience of ethics at EDP.





Some faces of the  
éticaedp training



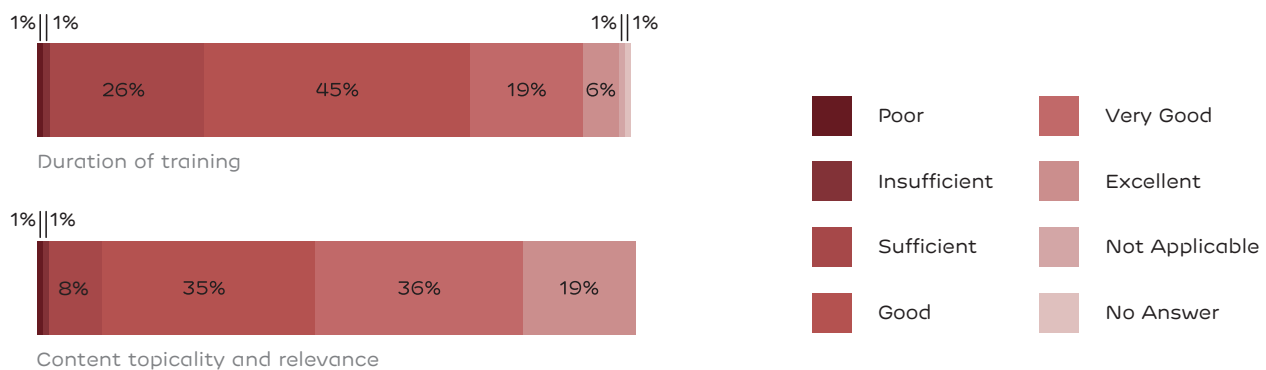


Given the diversity of employees and the duration of the training, there was also a concern with the variety of languages and explaining as clearly and perceptibly as possible the key aspects of the management procedure for ethical complaints, such as the method of submitting a complaint; the way it is received; and how non-retaliation is ensured.

This training was positively evaluated by those employees who answered the Assessment Survey, with 11% rating it as excellent, 36% as very good and 40% as good, a result which, according to the experience of EDP University (UEDP), can be regarded as very positive for online training.

According to the Assessment Report produced by UEDP, the item with the worst rating was the duration of the training, which 29% of trainees rated as sufficient, insufficient or poor. The "content topicality and relevance" item received the best ratings, with 90% of trainees rating it as good, very good or excellent.

FIGURE 1  
TRAINING EVALUATION



Source: UEDP, Training Assessment Report (eLearning) "EDP Ethics"

Confirming this assessment, almost all employees (97%) state that they recommend this training to other colleagues.

«I would recommend this training to other people because it makes us think differently about our professional and personal surroundings.»

«By addressing both simple and complex issues, this training action makes us think about our attitudes towards the company, others and society at large. It clarifies and dispels fears about the steps we should take if we come across serious unethical situations that may harm the Company and, consequently, one of its major assets: the workers.»

«More specifically, I wasn't aware of how this procedure was carried out in relation to EDP, and the examples helped me to learn about, and better understand how it all works, including the Ethics Department. Thank you.»

**(comments from employees in the training evaluation questionnaires. Source: UEDP)**

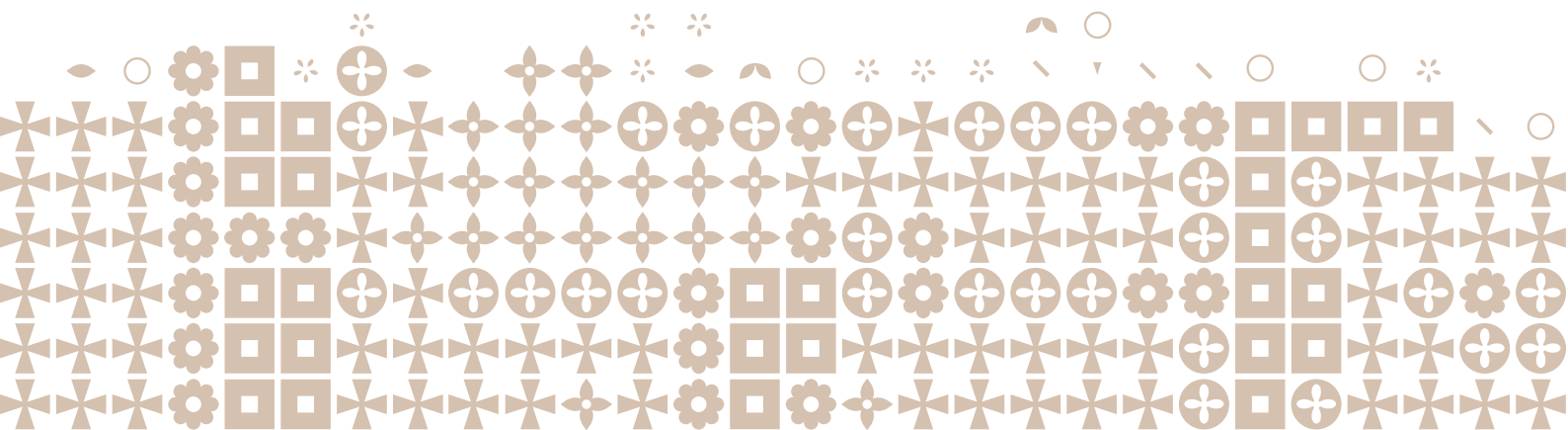




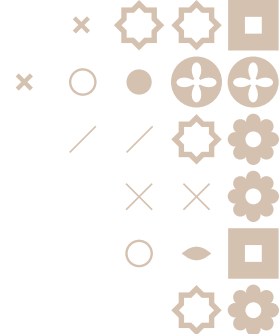
This training action, developed in cooperation with UEDP and part of the Group's Annual Training Programme, was held in Portugal up to the end of 2014, with an attendance rate of about 80% of the population covered. Albeit within the levels for eLearning training, this value falls short of expectations, since the aim, for a subject like ethics, is to reach all employees. The training therefore remains available at EDP's Online Campus, and actions are underway to encourage the participation of those employees who have not yet completed it.

Also in the field of training on ethics and in addition to this overall training across the Group, EDP Brazil, through its Compliance Department, held 17 training actions in September on the new Code of Ethics, which covered over 1,000 employees (38% of the total) and 71 managers of outsourced companies.

### PHOTOGRAPHS OF AN EXTRACT FROM THE EDP ETHICS TRAINING







## COMPLAINTS FLOW IN 2014

During the year, the Ethics Ombudsman, directly or through his representatives appointed by EDP Spain (HC Energía and Naturgas) and the Ethics Committees of EDP Brazil and EDP Renewables, was involved in processing **220 complaints filed through the various complaints channels made available by the Group**, as well as **37 ethical complaint proceedings carried forward from the previous year**.

Of the 220 complaints filed, 63 resulted in new ethical complaint cases brought before EDP's Ethics Committee ("standard cases"), and the others were swiftly processed with the relevant Business Units since they did not qualify as being of an ethical nature ("simplified cases") regarding, for the most part, commercial issues submitted by Clients who misused the ethical complaints channels or simply used them to exert "pressure". The total number of complaints filed in 2014 increased by about 19% compared with the previous year. However, the number of standard cases opened over the period showed a very significant variation of about 80% compared to 2013.

Of the total new cases opened and brought before the Ethics Committee in 2014, 47% originated in Portugal and 53% in Brazil. In the specific situation of the cases related to EDP Brazil, it should be noted that of the 32 new complaint cases opened, 10 referred to the same complaint matter and all were made anonymously. This partially justifies the extent of the total variation in new cases in 2014, as well as the increase in anonymous ones.

There were no complaints giving rise to ethical complaint cases related to EDP Spain and EDP Renewables.

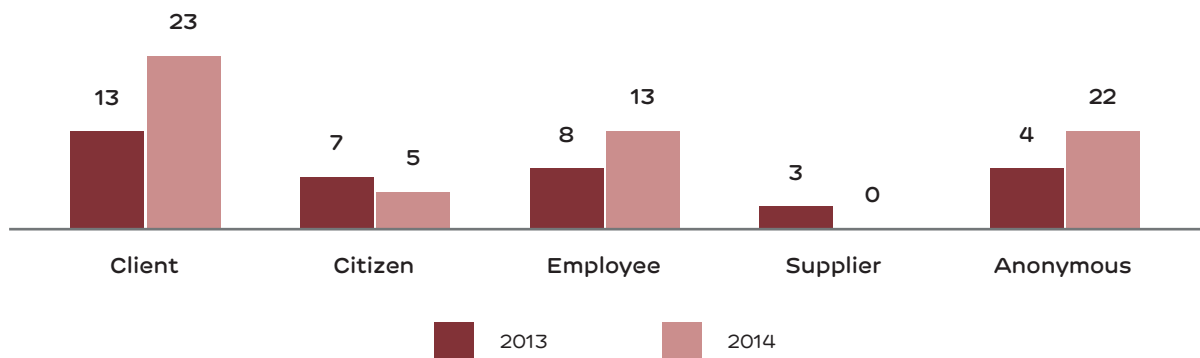
The breakdown of these complaints by subject is shown in **Table 1** which also indicates their correspondence with the items in EDP's Code of Ethics.

**TABLE 1**  
**CORRESPONDENCE BETWEEN THE CLASSIFICATION OF COMPLAINTS BY SUBJECT AND THE ITEMS IN THE CODE OF ETHICS**

Fraud, corruption and bribery	Environment and responsibility towards society	Use of Information and Heritage
2.2 Financial Issues 2.2 Corruption and bribery	2.5 Social and corporate responsibility   Commitment to Stk 3.5 Community	2.2 Use of Information 2.2 Use of Heritage   Commitment to Stk 3.1 Employees 3.3 Clients
Transparency	Fairness of Solution	Neglect or Disrespect
2.4 Transparency   Commitment to Stk 3.1 Employees 3.2 Shareholders 3.3 Clients 3.4 Suppliers	2.2 Conflict of interest   Commitment to Stk 3.1 Employees 3.2 Shareholders 3.3 Clients 3.4 Suppliers	2.1 Legislation 2.3. Human and Labour Rights   Commitment to Stk 3.4 Suppliers and other Stk

The evolution of the number of new "standard" cases brought before the Ethics Committee in 2014 is broken down by origin in **Figure 2**.

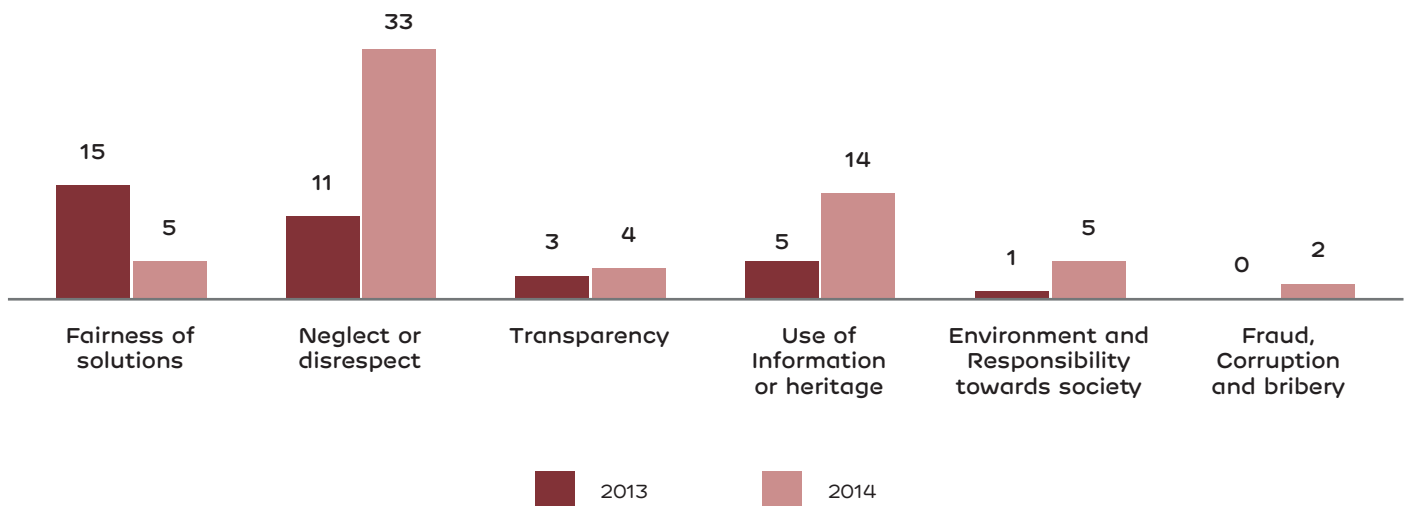
**FIGURE 2**  
**COMPLAINTS MADE TO THE ETHICS COMMITTEE BY ORIGIN (#)**



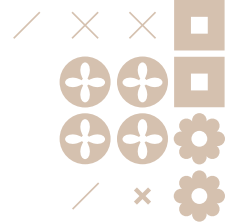
It can be seen that most new cases were brought by Clients, with increases as well in the number of cases brought by Employees and anonymous complaints, even if we consider the abovementioned fact that the subjects of the complaints were only 13.

The analysis by subject (**Figure 3**) shows that the issue "Neglect or Disrespect" is clearly dominant, representing nearly 52% of the total of new "standard" cases opened during the year, mainly brought by the "Clients" segment (53%).

**FIGURA 3**  
**COMPLAINTS MADE TO THE ETHICS COMMITTEE BY SUBJECT (#)**



The significance of the "Clients" segment in the number of ethical complaints cases opened in 2014 could be justified by the speeding up of the liberalisation process of the energy market in Portugal and the consequent changes in operational processes and procedures.



# SUMMARY OF THE EDP ETHICS COMMITTEE'S ACTIVITY

According to the decision by the Corporate Governance and Sustainability Committee of the General and Supervisory Board, the composition of EDP's Ethics Committee was broadened to include representatives of EDP Brazil, EDP Gás, EDP Spain and the Internal Audit Corporate Department.

At the end of 2014, the following members were part of the Committee: António Mexia, Chairman; António Pita de Abreu; António Neves de Carvalho, Secretary; Azucena Viñuela; Eugénio Carvalho; João Paulo Costeira; João Torres; José Figueiredo Soares; José Luis Mohedano; Manuela Silva; Massimo Rossini; Paula Carneiro; Paulo Pinto de Almeida; Silva Filipe; Sónia de Sá.

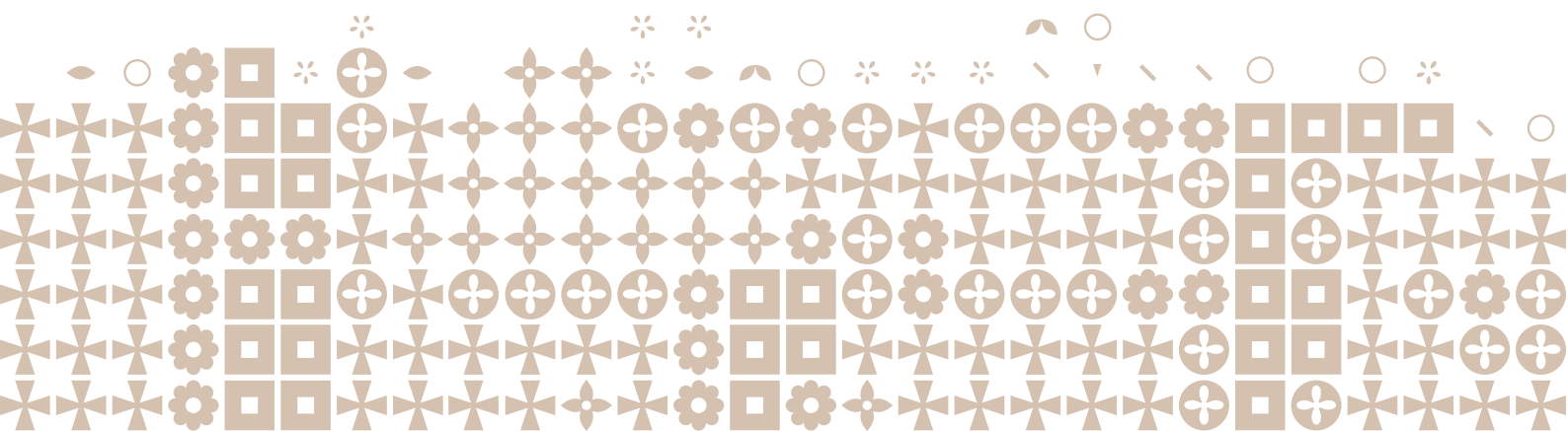
In 2014, EDP's Ethics Committee held four meetings with a 76% attendance rate by its members. The Committee analysed the preliminary reports prepared by the Ethics Ombudsman on the ethical complaints originating in Portugal (12 carried forward from 2013 and 28 new complaints filed in 2014). Of these, 34 complaints were investigated and closed with the relevant "Ethics Committee's Opinion" being issued.

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

All cases 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.

**TABLE 2**  
**COMPLAINTS REVIEWED BY THE ETHICS COMMITTEE IN 2014**

	Carried forward from 2013	Opened in 2014	Total	Closed in 2014	Carried forward to 2015
EDP (Portugal)	12	28	40	34	6
EDP (Spain)	0	0	0	0	0
EDP Renewables	0	0	0	0	0
EDP Brazil	3	32	35	30	5
<b>Total</b>	<b>15</b>	<b>60</b>	<b>75</b>	<b>64</b>	<b>11</b>





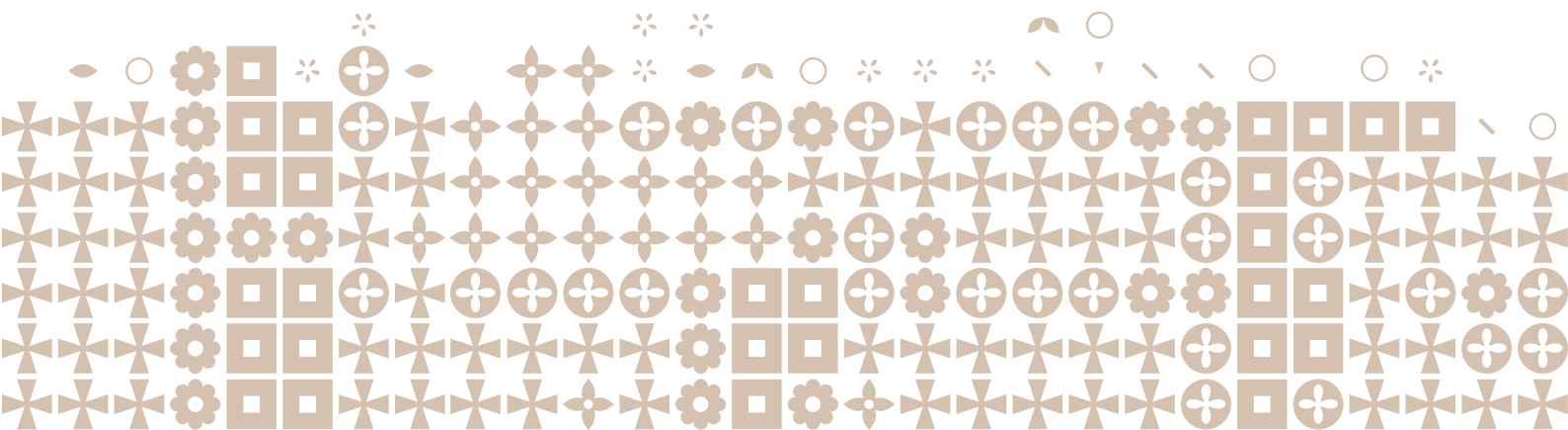
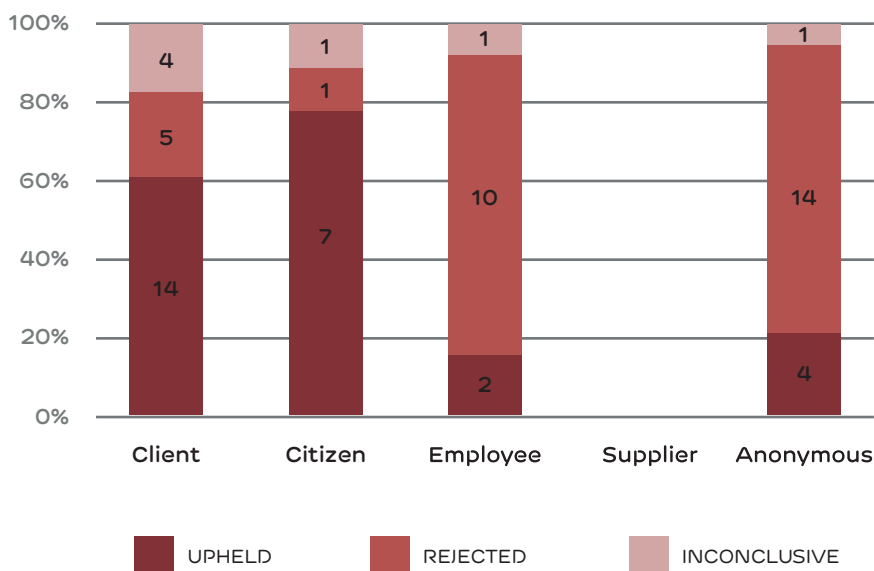


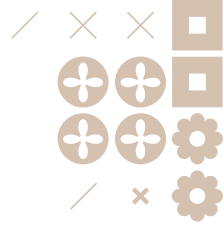
## Decisions made and actions determined by the Ethics Committee

With regard to the total ethical complaints reviewed and closed during the year, 42% were upheld, 47% rejected and 11% inconclusive. The distribution of these decisions by complaint origin is shown in **Figure 4**.

It can be seen that the decisions to uphold complaints were more significant in the "Citizen" and "Client" segments (78% and 60% respectively).

FIGURA 4  
DECISIONS BY THE ETHICS COMMITTEE





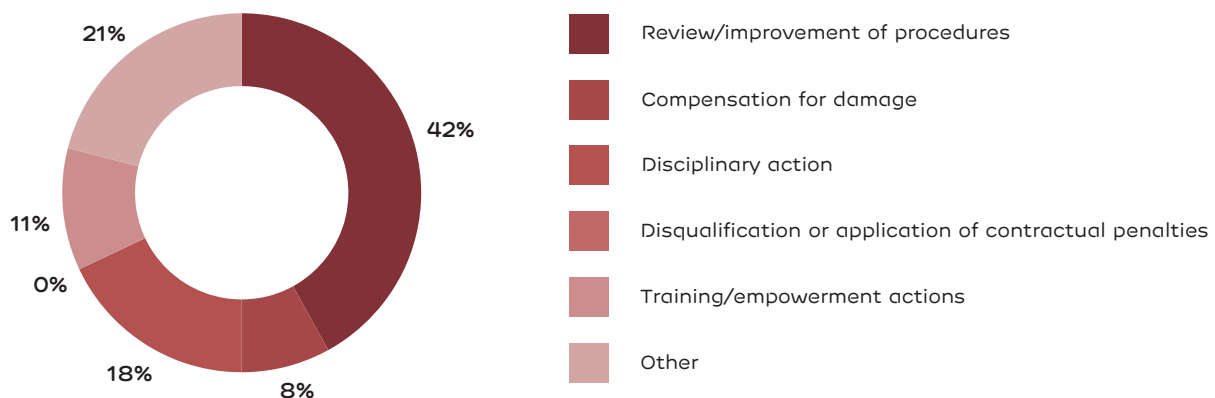
The actions determined by the Ethics Committee on the issues dealt with in the cases closed in 2014 are shown in **Figure 5**.

As in the previous year, these actions were mostly concerned with revising and improving procedures and the training/empowerment of employees and suppliers.

There was also a significant number (21%) of actions classified as "others" which include monitoring of process performance, assessment of the effectiveness of initiatives, reporting to criminal investigation authorities, etc.

The initiatives to review and improve processes and procedures, determined by the Business Units following the opinions issued by the Ethics Committee, are monitored directly by or through information provided to the Ethics Ombudsman.

**FIGURA 5**  
**ACTIONS DETERMINED BY THE ETHICS COMMITTEE**



## ASSESSMENT OF COMPLAINANT SATISFACTION

Following the practice started last year, a satisfaction survey was conducted among the authors of the 34 complaints originating in Portugal, on which decisions were made in 2014. This assessment enables the performance of the ethical complaint filing and processing procedure to be monitored, providing indicators for the Ethicis Index.

The survey was conducted in January 2015 and the overall response rate was 50%.

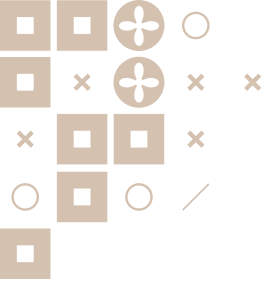
«There is poor public knowledge of the Ombudsman, particularly the Department, and his actual remit.»

**Citizen**

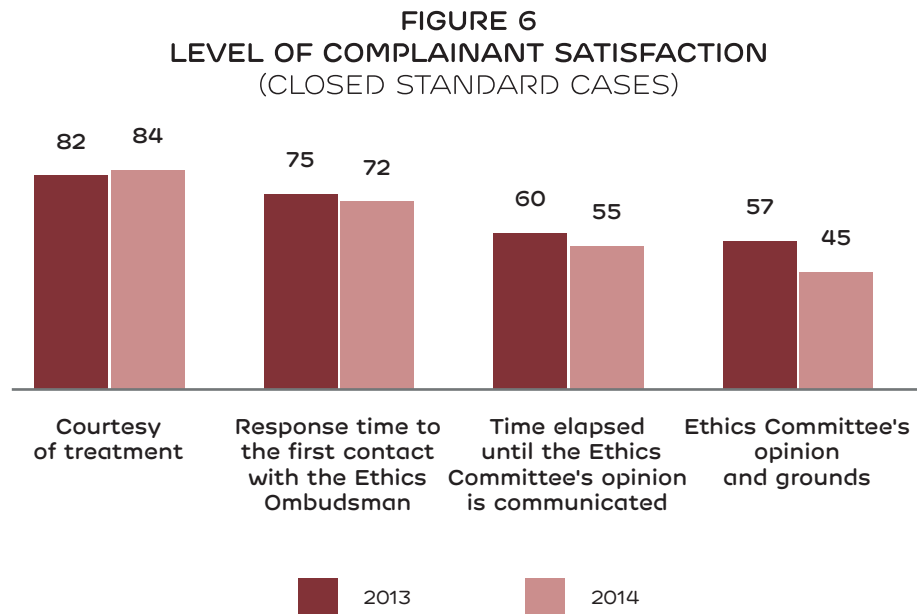
«The Ombudsman's Office should be more publicised so that it can reach out to the community. Sometimes we need to make this kind of report, without which we cannot solve problems.»

"We should complain whenever we are dissatisfied with a service provided or this harms our rights. In my specific case, only the legal and procedural aspects were assessed, no alternative solutions were put forward by EDP so as to not jeopardise my interests (...)"

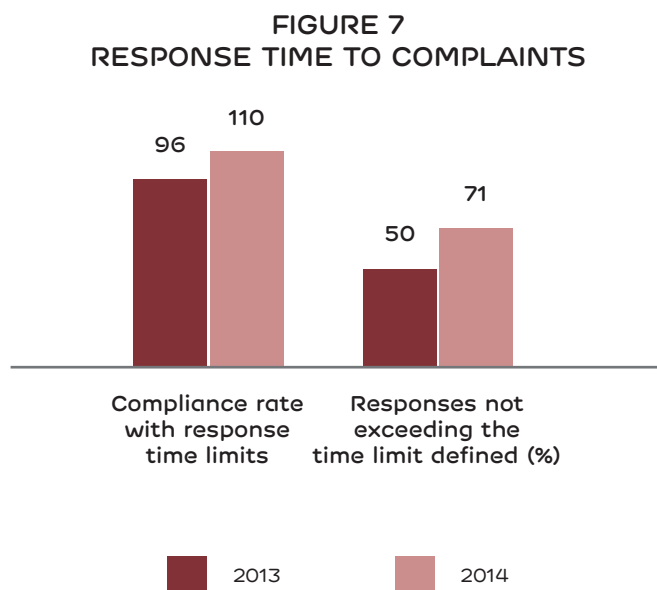
**Clients**



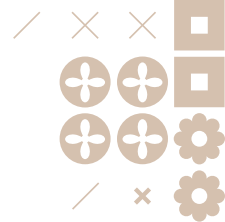
**Figure 6** shows the compared results of the two years in which the assessment was conducted. With the exception of the "Courtesy of Treatment" indicator, which shows a slight improvement, all the other indicators declined, especially the time elapsed until the Committee's opinion was communicated, with its content and grounds.



These are, naturally, the perceptions of the respondents which, in the case of response times, do not correspond to the performance actually measured and are expressed in **Figure 7** by two indicators: the (average) compliance rate with the indicative time limit to communicate the Ethics Committee's opinions to the complainants; and the percentage of responses that do not exceed this time limit. In both cases, positive variations can be observed in relation to last year's values.



The ongoing initiatives on ethical complaints filing and handling procedures should make it possible to continue to improve performance, both in terms of speed in reviewing ethical complaints and issuing the corresponding Ethics Committee's opinions, and making known the role of the Ethics Ombudsman and the mission and remit of his Office, as well as the activities it undertakes.

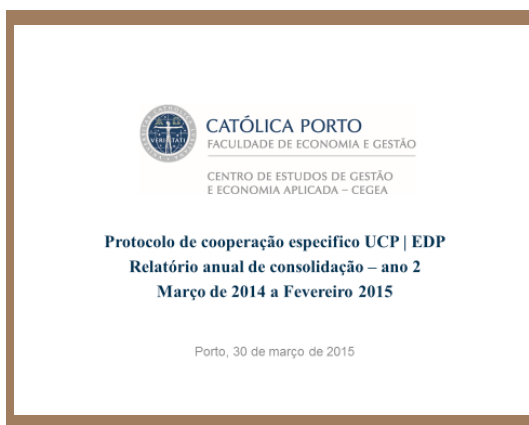


# EXPERIENCE SHARING AND SUPPORT TO BUSINESS ETHICS INITIATIVES

## PROTOCOL WITH UCP | CEGEA

A cooperation agreement was signed in 2013 with the Applied Management and Economics Research Center of the Portuguese Catholic University, with a view to improving EDP's ethical performance management system and mapping and disseminating good practices in the area of business ethics. This Protocol has a medium-term outlook (2013/2015) and strengthens the links between the Company and the University on a very important matter for both the management of the business and for academia.

Technical support on a number of ongoing projects and initiatives was provided to the Ethics Ombudsman's Office in 2014 under the terms of the Protocol, particularly on the design and development of several eLearning training modules, which began in the last quarter of the year, the strengthening of the Ethics index, the project for identification and management of ethical risks, as well as the design and conduct of surveys and the planning and development of content for internal and external communication.



Also in this context, the Católica Porto Business School devised the "Consistency between words and actions: EDP Code of Ethics" teaching case, which would be one of the final contenders in the Case Writing Award of the Fórum de Administradores de Empresa (FAE). The case addresses the debate and creation process of the Corporate Ethical Performance Index - Ethicis, particularly with regard to the development of indicators on "Culture".

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

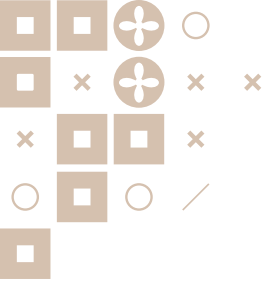
The **AESE/EDP Chair of Ethics in Business and in Society** was set up in 2011, under a Protocol signed between both institutions, with Professor Raul Diniz as its holder.

Currently, the Chair is involved in two lines of research: **The basics of ethics in business and in society; and new management paradigms.** As a result of this research, Professor Fátima Carioca participated in February 2014 in the conference "*Lo sviluppo della persona nelle organizzazioni*", organised by the MCE – Markets Culture and Ethics Research Centre, with a paper on "**Age effects on the relationship between human resource practices and work outcomes**", and in October, Professor Ana Machado delivered an address on "**The Role of the Firm in Society - Differing Employee and Organizational Perceptions**" at the conference on The Impact of Business Ethics on Public Life (Dublin).

The address delivered in December 2014 in Lisbon and Porto by Professor Antonio Argandoña from the IESE Business School on "**Corruption: Joining efforts to fight it**" is a prime example of the approach of the **Chair of Ethics** to its core issues: topical themes, with impact on society, seeking solutions and involving the stakeholders in this process.

**Learn more at:** [http://www.aese.pt/aese/investigacao/centros\\_de\\_investigacao/catedra\\_aese-edp\\_etica\\_na\\_empresa\\_e\\_na\\_sociedade](http://www.aese.pt/aese/investigacao/centros_de_investigacao/catedra_aese-edp_etica_na_empresa_e_na_sociedade)



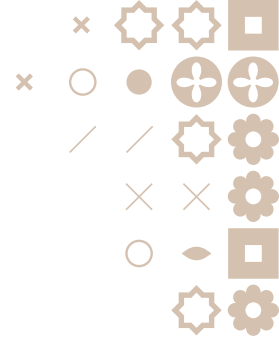


## PARTICIPATION IN EXTERNAL EVENTS

During 2014, the Ethics Ombudsman participated in 3 seminars of the International MBA and Atlantic MBA of the Católica Porto Business School, where the EDP Group's approach to ethical performance management was presented and discussed on the basis of the "éticaedp Programme" case study.

In terms of sharing of experience, also of note was the participation of the Ethics Ombudsman as speaker at the panel "*Ethical communication during an era of heightened transparency*" at the **Europe Ethics Summit** hosted by the *Ethisphere Institute* in London in September. The address, on the theme "*How do you know that your engagement strategy is being successful?!*" was an opportunity to share EDP's experience in measuring and communicating its ethical performance, in particular through the presentation of its Ethicis corporate index and how this was developed.





# MEASURING, ASSESSING AND REPORTING ON OUR ETHICAL PERFORMANCE

## ETHICAL RISK ANALYSIS



«Companies are increasingly recognising that managing ethics and compliance risk holistically is key to fostering and sustaining a strong ethical corporate culture, and that by acting ethically, they have a greater opportunity to outperform their peers and win in the marketplace.»

**LRN | Ethics and Compliance Management, 2007**



Aware that intangible reputation-related assets have a growing influence on a company's value, and unethical practices and non-compliance with legal and regulatory obligations potentially have a strong impact on reputation, EDP launched a project in 2014 on "Ethical Risk Analysis" involving five organisational units (the Office of the Ethics Ombudsman, the Internal Audit Department, the Risk Management Department, the Sustainability Department and the Secretary General and Legal Department) and two business units (EDP Brazil and EDP Spain).

The starting point for the project was the identification of risks on the basis of the aspects laid down in EDP's new Code of Ethics, in COSO 2013, in the evaluation model of the Ethisphere Institute and the GRI4 guidelines, from which a matrix was created encompassing the company's different areas and the various functional levels, under which each risk was classified according to its likelihood and potential impact on the Company or its stakeholders. The "categories of ethical risks" identified are shown in **Figure 8**.





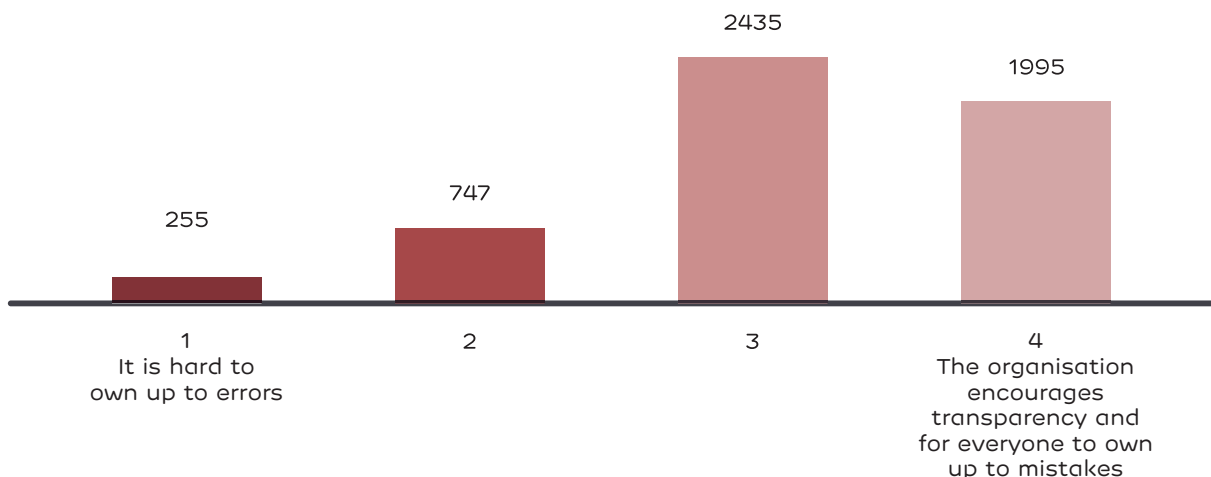
This phase was followed by the gathering of internal and external evidence and a quantification effort for those risks identified as more significant, a phase that is still underway. Two surveys on the perception of the risk of unethical practices were included in the training delivered in the third quarter for all employees in Portugal, which, although not mandatory, had a high participation rate: over 6000 responses.

Although the answers to these surveys cannot be directly interpreted for purposes of risk analysis, they are nevertheless valid indicators of the employees' perception of this area.

### Survey 1 - Tolerance to error

Considering that one of the undisputed factors in compounding unethical practices is the fear of owning up to error, employees were asked whether they thought it difficult to own up to a mistake at EDP. The answers point to a perception that EDP is a company with a good tolerance to error.

FIGURE 9  
TOLERANCE TO ERROR AT EDP

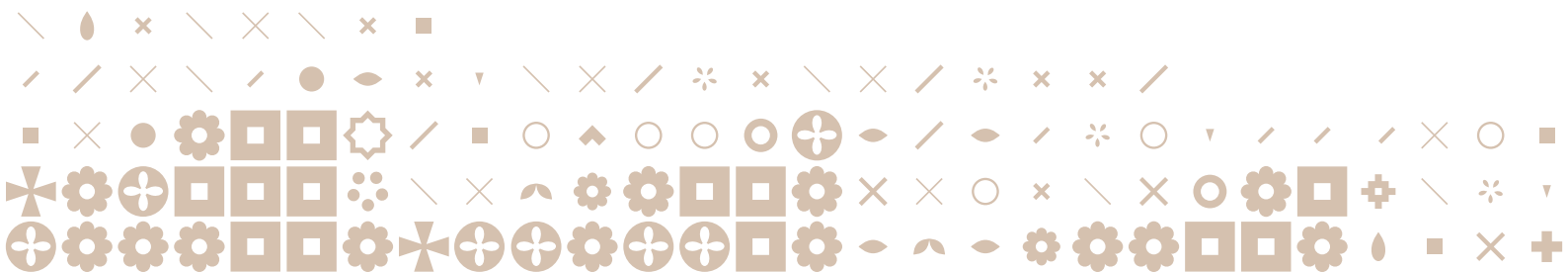


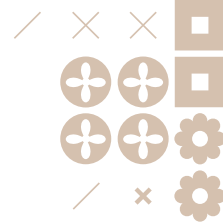
### Survey 2 - Perception of risk

Employees were presented with a list of unethical practices and were asked to rate them according to their perceived likelihood of occurrence at EDP.

The results point to a perceived low probability of occurrence of the practices listed, with no unethical practice being considered, on average, as of high probability.

The ongoing project to identify and analyse ethical risks is intended to contribute to identifying priority risks to address at the face-to-face training stage, planned for 2015, and to achieve a final outcome that enables an ethical risk analysis tool to be developed and periodically used across the Group's Business Units.





# ETHICIS – CORPORATE ETHICAL PERFORMANCE INDEX



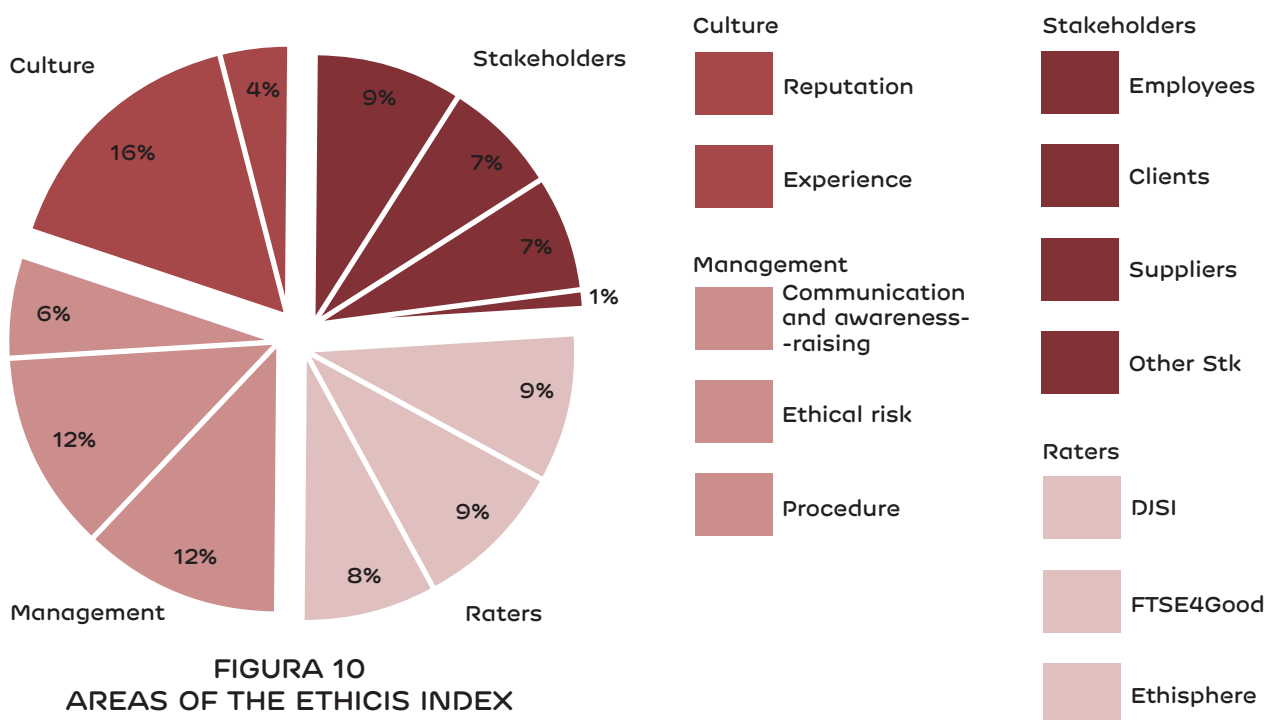
«Ethics is a complex, and contested, phenomenon. 'Measuring' [ethics] will provoke controversy. It is important to acknowledge both the controversy and the complexity of the subject.»

**Moorhead et al. (2012), Designing Ethics Indicators for Legal Services Provision**

EDP has been monitoring and evaluating its ethical performance since 2013 through the Ethicis Index. The development of ethical performance management indicators is not an end in itself, but mostly a means to establish policies focused on corporate and individual ethical performance and to achieve the management goals defined in the matter. The reflection and debate around ethics at EDP by the main stakeholders will generate a common denominator of topics to uphold and strengthen the Group's ethical culture.

The Ethicis Index is organised into four areas: Stakeholder Perceptions; Raters; Management; and Culture, in turn divided into twelve assessment strands as shown in **Figure 10**.

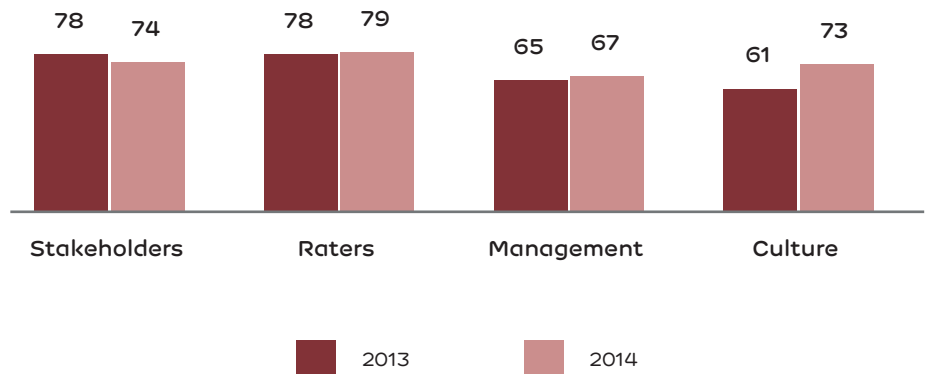
Employees' perception has a direct input into three of the Index areas: "Stakeholders"; "Management" and "Culture". The "Risk", "Experience" and "Reputation" strands which were under development in 2013, are now strengthened with more indicators, and this has led to a substantial increase in the confidence that our ethical performance management index gives us and, consequently, its worth as a management tool.





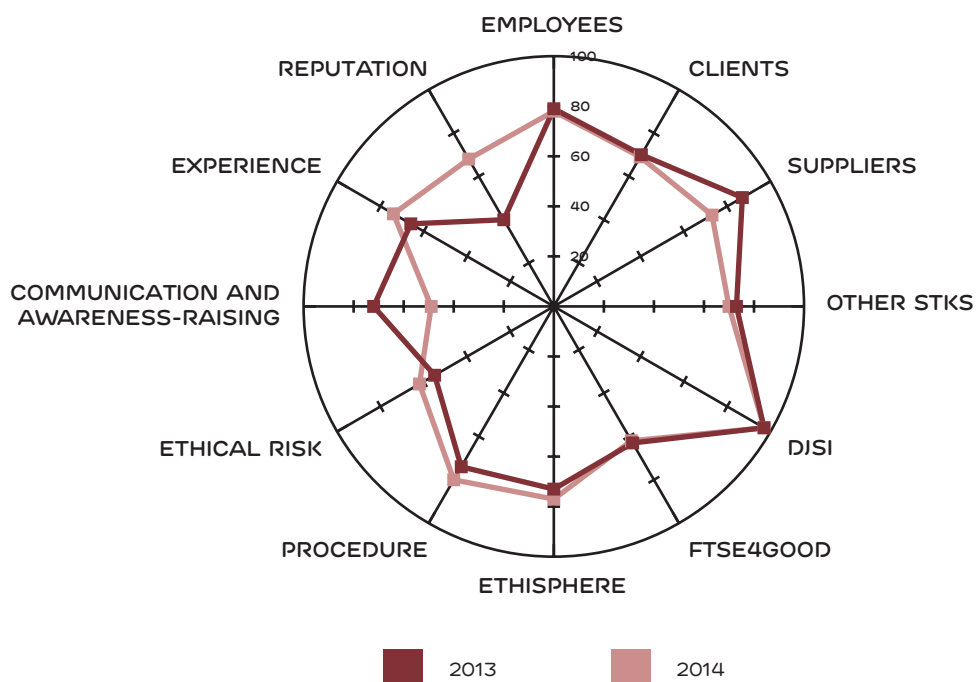
Overall, the Ethicis Index achieved a value of 73.2 in 2014, an increase of about three points compared to last year's value. This rating was achieved despite the significant increase in the sample size of surveyed suppliers and the addition of more indicators, which enabled us to identify new opportunities for improving performance. The variation in the assessment of the FTSE4Good was not considered in 2014 in relation to the "Codes of Conduct" and "Bribery & Corruption" items, since the assessment methodology used underwent significant changes and the use of the new value determined would cause an unjustified increase in the Ethicis final value. Therefore, for the purpose of calculating Ethicis|2015, the variation calculated by the FTSE4Good between 2014 and 2015 will be considered.

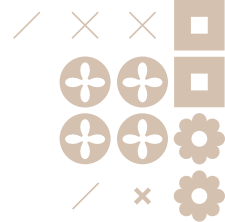
**FIGURA 11**  
**ETHICIS: OVERALL VALUES AND VALUES BY AREA**  
2013 - 70,6 | 2014 - 73,2



**Figure 12** shows the comparative values for 2013 and 2014 for each of the twelve assessment strands considered. As can be seen, the results for the "Suppliers" and "Communication and Awareness" strands decreased, in the former case by virtue of the larger sample surveyed, and in the latter, due to the fact that, although communication efforts related to the dissemination of the new Code of Ethics were intensified, the set of training indicators was strengthened, particularly with the creation of an indicator on the achievement rate of the ethics training plan for new managers, under a commitment undertaken in 2014 which will only be implemented from 2015.

**FIGURA 12**  
**ETHICIS**  
2013 - 70,6 | 2014 - 73,2





# PROSPECTS FOR 2015

In 2015, the consolidation strategy of the EDP Group's ethical performance management system will continue through a number of initiatives structured in six main strands:

## 1. Ethical Risk Management

Consolidation of the corporate risk matrix and development methodologies and procedures for periodic self-assessment of the risk of unethical practices and the relevant prevention and mitigation measures, notably through the development of an assessment tool to be used by the various Business Units. A project team has already been set up to this end.

## 2. Code of Conduct for Managers and Leaders

The creation of a Code of Conduct for these positions derives from the acknowledgement of their role as promoters of an ethical culture within the Company and the fact that these functions are, in some aspects, identified as those carrying the greatest ethical risk. The Code will be developed with the input of all.



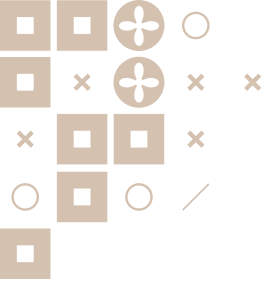
«In terms of Corporate Human Resources and with regard to Integrity and Transparency-related competence, 2014 was marked by reflection and the preparation of what, in our view, should be the skills of Employees and Leaders within the EDP Group. Since many employees are nearing retirement age in the coming years, some of whom are in managerial positions, it is essential to ensure that new managers are well prepared and the passing down of the Group's values and culture, of which ethics is naturally a key part.

The training of our leadership from 2015 will include content to help the new managers to communicate with their teams about ethics and promote ethical values and compliance, including ethics in decision-taking, while encouraging employees to report misconduct and to learn how to deal with this kind of situation.

Another skill we want to develop in leaders is the ability to identify and prevent retaliation, strengthening the climate of trust and the experience of the principles and commitments expressed in our code of ethics. We are in the course of developing the EDP Group's Competences Framework, in which factors such as the promotion of respect for others, the thorough application of ethical and deontological procedures and standards and the transparent reporting of conduct at the various organisational levels are decisive for the Group's culture.»

**Paula Carneiro, Corporate Director of Human Resources**





### 3. Training/Awareness-raising

In addition to the continuation of the training programme in ethics in Portugal (face-to-face component) and the development of the full blended learning programme in the Business Units based in other geographies, new content will be devised for specific training programmes (e.g. SCIRF - Internal Control System over Financial Reporting, induction for new leaders, etc.).

### 4. Organisational Culture

Explaining ethics as a key element in the Group's organisational culture, through the inclusion of assessment criteria of "ethical skills" suitable for the different functions in the new individual performance assessment model for adoption in 2015.

### 5. Group of Representatives and Focal Points

The activity of the group of representatives of the Ethics Ombudsman and "éticaedp focal points" will be stimulated and their number enlarged, so that they can leverage the initiatives launched at corporate level and act as conveyors of opportunities and needs in the different OUs/BUGs.

### 6. Participation in events and external cooperation

Sharing of EDP's experience and practices in business ethics will continue, both in terms of guest appearances at events and training actions (e.g. UCP's MBA, Lisbon MBA, Europe Ethics Summit) and in the support to the AESE/EDP Ethics Chair.

Also in this context, the publication is planned of two case studies on the development of EDP's ethical performance management system.



Like in 2014, all these initiatives will be developed with the support and active contribution of a wide number of business and organisational units, thus leveraging its appropriation by as many people as possible within the Group.





# ANNEX I - LIST OF REPRESENTATIVES OF THE ETHICS OMBUDSMAN AND "FOCAL POINTS ÉTICA EDP " IN 2014

NAME	BUSINESS UNIT/ ORGANISATIONAL UNIT
REPRESENTATIVES	
Ángela Saenz	EDP Renováveis
Borja Pérez da Pena	EDP Renováveis
Emilio Garcia-Conde Noriega	EDP Renováveis
José Luis Martínez Mohedano	HC Energía/Naturgas
Rafael Careaga Arlunduaga	HC Energía/Naturgas
Sónia de Sá	EDP Brasil
FOCAL POINTS ÉTICA EDP	
Américo Fernandes	EDP Gás
António Marrachinho Soares	EDP, Direção de Sustentabilidade
António Ribeiro dos Santos	EDP Distribuição
Carlos Manuel Carvalho	EDP Produção
Isabel Botelho	EDP Comercial
Isabel Infante	SÁVIDA
Joana Dinis	EDP Comercial
José Queirós de Almeida	EDP Energias do Brasil
Leonilde Simões	EDP Valor
Margarida da Glória	EDP, Direção de Marca e Comunicação
Maria Ana Guedes	EDP, Direção de Recursos Humanos
Maria Ester de Carvalho	EDP, Direção de Auditoria Interna
Natália Leite	EDP, Direção de Marca e Comunicação
Paula Moniz	EDP, Direção de Sistemas de Informação
Ricardo Ferreira	EDP, Direção de Regulação e Concorrência
Rita Monteiro	EDP, Direção de Relações Institucionais
Rui Jerónimo	EDP, Direção de Gestão do Risco
Rui Matos Cunha	Fundação EDP
Verónica Pinto	Universidade EDP

