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CHANGING TOMORROW NOW

INTERNAL AUDIT REPORT 2020

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LOVE
ROY



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At EDP, we are in the business of innovating. Our 4 decade long track record has turned us into better energy providers and pioneers of the green evolution. Change has been our driver as we deliver an agile network with more efficient, smart and sustainable solutions. As leaders in the energy transition, we see investment in renewables as an active way to engage with future generations, promoting decarbonisation in energy production and consumption. We are playing our part for a more balanced and sustainable world, one that is inclusive, diverse and humane.

We're changing tomorrow now.

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01

Message

Internal Audit Corporate Director

Azucena Viñuela Hernandez

The year 2020 was a challenging one. Given the circumstances enforced by the COVID-19 pandemic which produced a large impact not only in society but also in all organizations. In fact, many important changes occurred in terms of the way work is executed requiring more agile responses to problems and ongoing continuous improvement.

In this context, all teams that compose the department, similarly to the whole EDP organization, shown an enormous capacity to adapt and to give an immediate response to changes that have moulded the way in which work is performed according to the working plans developed. However, this was not a complete surprise, the response given was only possible due to the forecasting capabilities and maturity of the working methods and technologies applied on the overall activities. Additionally, the stability of the organizational structure and the support of EDP's organization were beneficial to the engagement, determination and personal delivery of each collaborator that makes part of the Internal Audit teams across all the geographies.

The several Internal Audit Departments were capable of maintaining focus on the execution of the working plans and adding other works required for the new risks that emerged while showcasing flexibility to answer to the restrictions imposed upon the business given the exceptional environment.

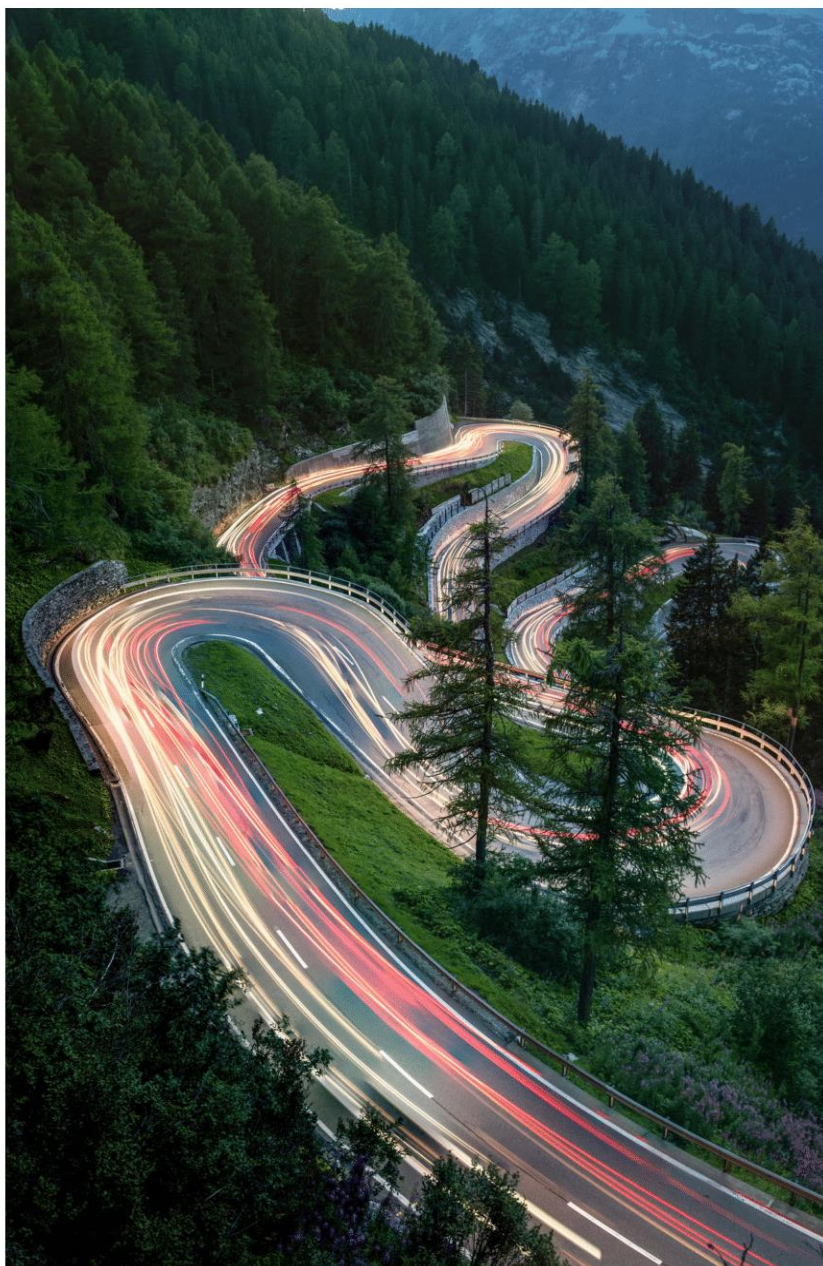
Furthermore, in 2020 the certificate for Internal Audit activities in the EDP Group (Quality Assessment) was renewed achieving the highest qualification possible, confirming the conformity with the International Standards for the Professional Practice of Internal Auditing and of the Ethics Code issued by The Institute of Internal Auditors (IIA). Following the same path, a wide array of initiatives and projects were launched covering the methodology, human resources, tools and quality aspects that are transversal to the Group.

At last, one final word of appreciation to all the Internal Audit teams and to the collaborators from the Business Units where the audits were realized, thanks to all the members from the Executive Administration Board (CAE) and to the Financial Matters Committee/Audit Committee (CMF/CAUD) for the effort, dedication, support and availability shown in this difficult year contributing in a major way to the achievement of the established objectives.

ORDER

FROM DISRUPTION
TO EVOLUTION

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02

Relevant facts

January

- Approval of the 2020 Group's Internal Audit Activities Plan by the Financial Matters Committee/Audit Committee (CMF/CAUD) and presentation of the Group's 2019 activities closure.
- EDP Group CMF/CAUD meeting.

February

- Approval of the 2020 Group's Internal Audit Activities Plan by the Executive Administration Board (CAE) and presentation of the Group's 2019 activities closure.

March

- Remote work began to be implemented across all DAI teams due to the Covid 19 pandemic.
- Conclusion of the project for the continuous audit infrastructure upgrade.

April

- Implementation of the Group's monthly Internal Audit Activities Plan monitoring in Power BI.
- Nomination of the new Internal Audit Director for EDP Brazil.

May

- Launch of the new internal communication tool - *Portal DAI*.
- Start of the Cloud migration project for the continuous audit applications, CAGS and GAR.
- Launch of the roll out project AI TI 3.0 in EDP Brazil.

June

- Implementation of the Internal Audit recommendation monitoring in Power BI.
- Launch of the DISC project in DAI.

July

- Approval of the new version of the Basic Standard for the Group's Internal Audit, by the CMF/CAUD and CAE.
- Launch of the Audit Skills Diagnostic project for the Operational Internal Audit teams.

September

- EDP Group CMF/CAUD meeting.
- Beginning of the process for the quality certification in the Group's Internal Audit activities across all geographies (IIA – The Institute of Internal Auditors).
- Beginning the preparation of the 2021 Plan of Activities proposal.

October

- Conclusion of the Audit Skills Diagnostic project for the Operational Internal Audit teams.
- Renewal of the quality certification on the activities done by the Group's Internal Audit.
- Start of the Cybersecurity project (Project Wall).
- Participation on the Internal Auditing Days, "*Jornadas*", given by the Institute of Internal Auditors of Spain.

November

- Elaboration of proposals for the audit plan in Portugal, in EDP Spain, in EDP Renewables and in EDP Brazil for the year 2021

- Project kick-off for the implementation of the new Internal Audit tool.
- Conclusion of the first phase of the Project AI TI 3.0 in EDP Brazil (elaboration of the Pluriannual Plan for IT).

December

- Elaboration of the Group's Internal Audit Activities Plan for the year 2021.
- EDP Group CMF/CAUD meeting.
- Internal Audit self-assessment and evaluation of the audit work done by CMF/CAUD.
- Nomination of the new Internal Audit Director for EDP Renewables.
- Volunteering action "*Sacolinhas de Natal*" in EDP Brazil.
- Compliance Day participation in EDP Brazil.
- Entry into productive the continuous audit, GACS and GAR in EDP Cloud.

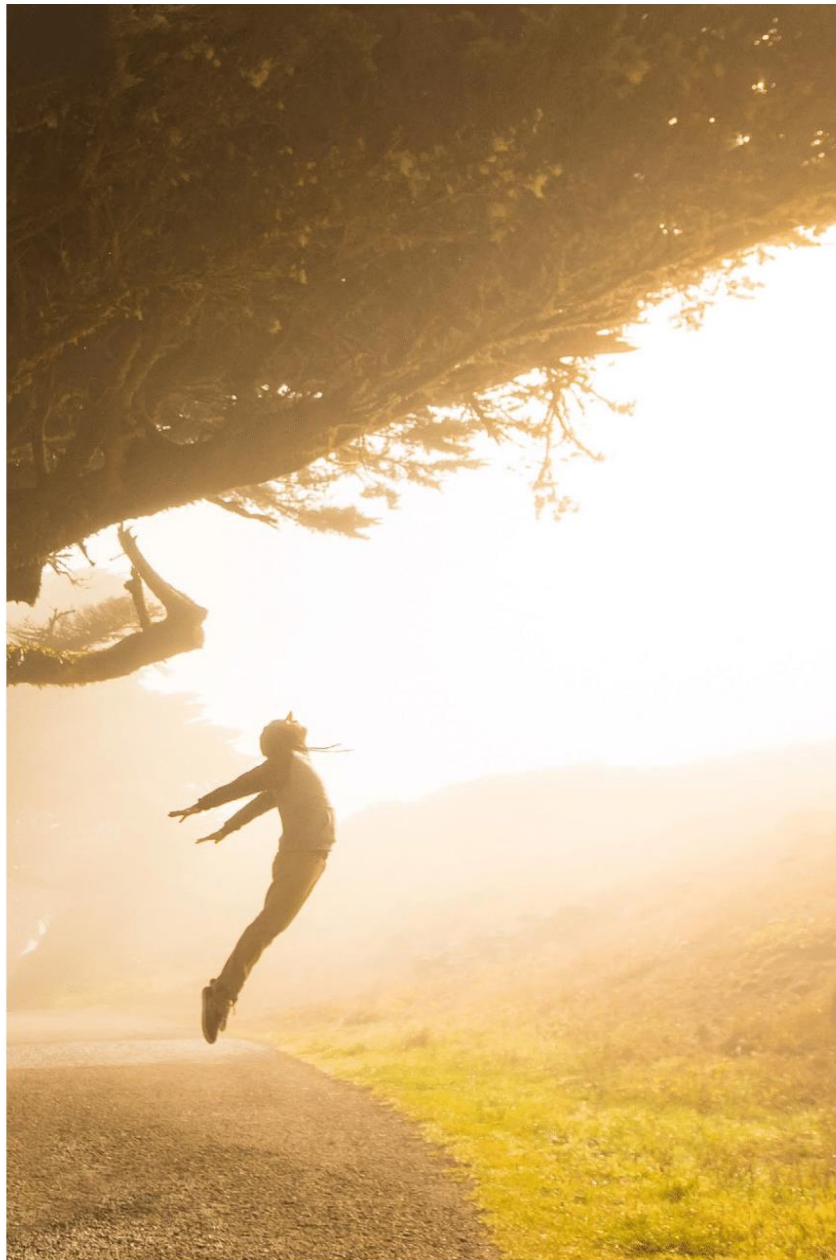
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NOB

FROM TOMORROW TO BEYOND

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03

Performance indicators

DAI's performance, its composition, knowledge, experience level and the development of its employees as well as the level of internal client satisfaction are continuously monitored throughout the year either internally or by the Group's government through the performance indicators presented in the following page. These procedures enable the constant improvement of DAI's activity in accordance with its goals and in line with the Group's strategic priorities.

Performance Indicators

118%

Audit works concluded Vs planned**143**

Number of audit works concluded**938**

Number of recommendations issued**40**

Average age**17**

Average years of professional experience**29**

Average hours spent in training per auditor

Human Resources

Quality and Effectiveness

4,8*

Level of satisfaction with the Internal Audit area
(*scale from a minimum of 1 to a maximum of 5)

TRANSITION

FROM A JUST TRANSITION
TO SUSTAINABLE COMMUNITIES

STORY

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04

Activities completed in 2020

4.1 Internal Audit

In the serious economic, social and sanitary context caused by the Covid 19 pandemic, with a substantial impact on the activities of multinational companies such as the EDP Group, DAI also had the necessity to adapt itself to this new reality, ensuring as a first priority that its collaborators worked in safe conditions by taking full advantage of the resources made available by the Group for the remote execution of the activities.

In this sense, the full execution of the activities planned for 2020 demanded an important effort in dedication and availability not only from the audit teams but also from areas and Business Units covered by the scope of the audits done, allowing the expected objectives for the year to be realized without incidences.

The flexible management of teams, considering the established priorities, was also a key stone for the success achieved in the development of the 2020 activities and in the planning for the 2021 activities as well, allowing DAI to focus its attention and effort into the matters with higher relevance given the singularity of the circumstances created by the pandemic.

In this specific scope, highlighting the fact that beyond executing the audit actions focused in the core areas of business and in the activities with direct or indirect impact on the fulfilment of the strategic objectives, DAI developed an assessment of the main impacts that the pandemic was having on the different areas of activity in the Group by executing a wide array of interviews with the leaders of the major Business Units and Support teams, emphasizing the identification of those impacts, measures and mechanisms implemented to manage and mitigate the effects from it and aiming to evaluate the pandemic's impact on the internal control environment of the Group as well as identifying eventual focus of interest from a learning perspective to extract experience from the lessons learned.

DAI's activity was also affected by the announcement and posterior concretization, during 2020, of large scale corporate operations in terms of investment and divestment, generating impact on the operational level (with the discontinuity and replacement of certain audits programmed which had impact in the activities sold) and on the strategic as well, due to the necessity of placing focus from the audits on the short and medium term in regards to the activities acquired.

Control and management of activities outsourced, compliance with sector regulation and labour standards, the efficiency and effectiveness of the procurement cycle and IT and OT systems security were some of the focus of interest that guided DAI's activity, during 2020, in a perspective fully aligned with the strategic objectives of the Group.

Additionally, in 2020 the evolutions on the methodological ambit in EDP Brazil were introduced. The execution was accompanied by Corporate DAI, with revision and actualization of the criteria followed, to identify priority audits, searching to reinforce in this ambit the characterization and follow-up of the factors with higher preponderance on risk generation as well as considering the work done by the secondary lines of defence existent in the Group.

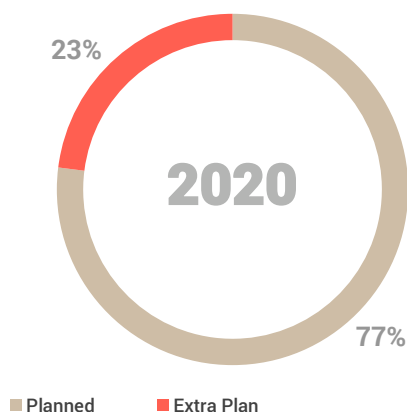
The year was also marked by the implementation of the project to re-evaluate the model and methodology of Internal Audit in IT in DAI Brazil, with the support of the Corporate DAI, complementing the implementation that was realized in Portugal, EDP Spain and EDP Renewables in 2019.

This and other methodological evolutions developed by DAI, in a continuous improvement perspective into the scope of the Quality Assurance and Enhancement Program, conjugated with the respect on the work executed daily and on the fulfilment of the international audit standards, contributed to the of the certificate from the Internal Audit Institute for the practice of Internal Auditing in EDP Group on the last quarter of 2020, achieving the highest grade possible, confirming the conformity with the International Standards for the Professional Practice of Internal Auditing and with the Ethics Code (IIA – The Institute of Internal Auditors).

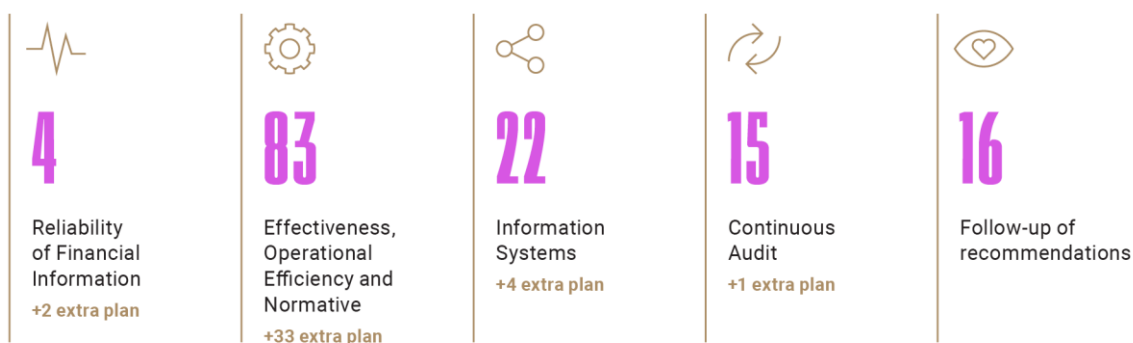
Audit works

The Internal Audit Plan for 2020 which included 140 audit works suffered some modifications majorly due to the pandemic situation. In fact, it was not possible to realize a set of audit works in the year and 40 audits were included which were not initially planned. As of December 31, 2020, 155 audits have been concluded or in the conclusion phase, and the achievement percentage of the objectives set for the year was 118%.

Audit works by type



The fulfilment of the plan encompassed 34 Entities/Business Areas audited in the different geographies where EDP Group is present and were executed a set of important audit works aligned with the Group's Strategic Plan for 2019-2022.



Recommendations

The 143 audit works concluded during 2020 resulted in the emission of 938 recommendations which resulted in implementation plans elaborated by the key contacts in the audited area and supervised by the respective Administrators/Corporate Centre Directors and accompanied by DAI through trimestral follow-up.

The table below details the recommendations issued by type.

Type of the recommendations issued in 2020

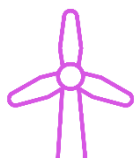
TYPOLGY	EMITTED IN 2020	%
Operational effectiveness and efficiency	560	60%
Compliance with internal policies and standards	167	18%
Safety and security	82	9%
Compliance with legislation and legal norms	75	8%
Reliability and integrity of fiscal information	25	3%
Application	14	1%
Integrity of assets	10	1%
Infrastructures	4	0%
Service	1	0%
Total	938	

Areas covered by Internal Audit works



Portugal & Spain

- operationalization of corporate divestments
- management and construction of large investment projects
- entry into new geographies and new activities/solutions
- compliance with labour standards
- fuel procurement and management
- hiring and management of derivatives with energetic subjacent
- credit risk management in commercial scope
- power-plants deactivation processes
- transactions with related parties
- operation and maintenance of technical assets and other operational processes in the scope of the network business
- service contracts
- procurement processes within different scope (core, digital...)
- administrative cycle of purchases
- intragroup transfer pricing
- health, security and environmental management
- management and monitoring travel expenses
- personal data protection regulation (RGPD) compliance
- IT processes and systems
- OT physical and logical security
- IT cybersecurity processes
- continuous auditing on areas with commercial and personal data access, critical security events, management of authorizations/access profiles/segregation of duties, power changes and treasury movements



Renewables

- review of investment processes follow-up
- review of transfer pricing calculation methodology
- review of the financing model in the EDPR group
- analysis of the IT internal control level
- review of the divestment process
- review due diligence processes in North America
- analysis of the business development process in the new geographies
- operation and maintenance of Eolic power plants
- continuous audit of access management and purchases life cycle



Brazil

- administrative-financial process and donations of Instituto EDP
- federal tax clearance
- compliance to federal standard (MP 950) for the billing process
- transfer process of debits/credits
- damage compensation request process
- billing process
- benefits process – people management
- conclusion of the construction process and management of contracts
- health, security and environmental process
- purchase and supplier management process
- billing process for the projects about energy efficiency
- IT processes and systems and OT logic and physical security
- automatization of processes (Robotic)
- process of collection, billing and estimated losses in doubtful debts
- management process of contractual guarantees
- continuous audit in the commercial area

4.2 Other activities and projects

In 2020, other projects and activities were developed, such as:

- migration to the Cloud of a set of applications that support internal audit activity.
- consolidation of the processes still in execution for continuous audit in matters such as access management, critical security events, credits and debits transfer indicators and development of continuous audit processes in the purchase area.
- revision of several normatives for the internal audit activity.
- development and implementation of reports in Power BI to monitoring recommendations and the internal audit activities plan.
- development and implementation of an application as a mean of communication and sharing information/knowledge to all the DAI's teams in the Group.
- skill diagnostic of the auditor of the future for the operational audit teams in all geographies, aiming to enhance the plans for individual development.
- participation on the audit days, "*Jornadas*", from the Internal Audit Institute of Spain.

4.3 Internal quality indicators

According to what's defined in the Internal Audit Manual of the EDP Group, audit works concluded are subject to a quality assessment done either by the Business Units or by the audited areas, through the answer to a questionnaire which classifies the quality and satisfaction level attributed to the audits respectively.

The level of quality and satisfaction of internal clients was on average 4,8 (on a scale from 1 to 5) within the Group.

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DIVER STAY

FROM DIVERSIFICATION
TO VALUE CREATION

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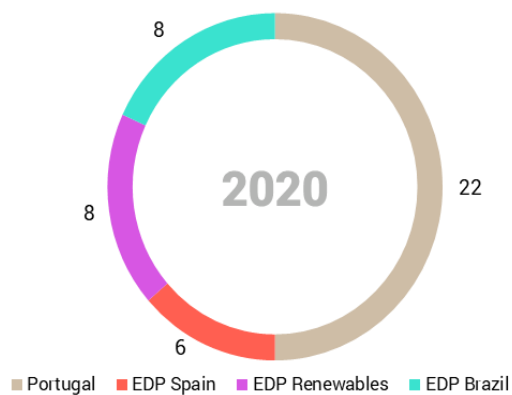
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Human resources

5.1 Number of employees

In 2020, the Internal Audit Department had a total of 44 employees, a 2% decrease in relation to 2019 (45 employees), with an average age of 40 years. The employee distribution across the Group's geographies is represented in the chart below:

Number of employees per geography



Throughout the year of 2020, 8 new employees were recruited, and 9 employees departed, whose distribution by geography and by recruitment sources/destinations is illustrated below.

Additionally, during 2020, the Internal Audit area in Portugal kept its policy of giving recently graduated students the opportunity for their first contact with the real business world resulting in the hiring of some interns from outside the Group.

NEW EMPLOYEES



+3 Portugal

0 EDP Spain

+4 EDP Renewables

+1 EDP Brazil

SOURCES OF RECRUITMENT



EMPLOYEE DEPARTURES



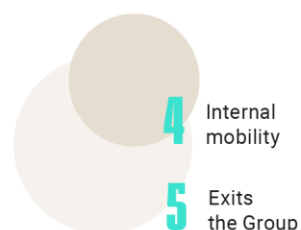
-4 Portugal

-1 EDP Spain

-3 EDP Renewables

-1 EDP Brazil

DEPARTURE DESTINATION



5.2 Professional qualifications

Annually, DAI designs and/or updates an internal training program for each of its employees, with mention to participation in national or international seminars and/or other training events relevant for the work performance of each member. Additionally, it's important to highlight the continuous training/learning component, on the job, from the participation in each audit work.

The total number of training hours, from internal and external sources, for DAI employees in all geographies (Portugal, EDP Spain, EDP Renewables and EDP Brazil) in 2020 was 1.205 hours versus 1.629 hours in 2019. The average number of training hours per employee was 29 hours in 2020 and 39 hours in 2019. The number of training hours has suffered a reduction by virtue of the decrease in face-to-face training sessions due to the pandemic situation experienced in 2020 causing all geographies to practice confinement measures and remote work.

Training summary table 2020

TRAINING FIELD	TRAINING AREA	TOTAL	%
BEHAVIOURAL		260	21%
	Interpersonal relationships and communication	144	
	Leadership	81	
	Emotional intelligence	35	
MANAGEMENT		12	1%
	Finance	12	
ORGANIZATIONAL		189	16%
	Institutional	88	
	Welcoming sessions	67	
	Ethics	25	
	Human resources	9	
TÉCNICA		744	62%
	Microsoft Office	274	
	IPAI/IIA	108	
	Information systems	106	
	Energy	64	
	Compliance	59	
	Internal audit	57	
	Family responsible company certification	20	
	Languages	13	
	Others	43	
TOTAL		1.205	

DAI is composed in its majority by superior ranks, with base training in widely diverse areas from finance, economics, management, auditing, accounting, engineering, computer science, mathematics, having some collaborators additional complementary training, namely:

Professional qualifications summary table 2020

QUALIFICATION	EMPLOYEES
MBA	Concluded: 7 employees In training: 1 employee
MASTER OR POST-GRADUATE	12 employees (mainly in management and finance)
CIA CERTIFICATE	Concluded: 5 employees Close to conclusion: 1 employee
ADDITIONAL CERTIFICATES	CISA: 3 employees “EFR” model: 3 employees ISO 27001 Lead auditor: 2 employees COSO: 2 employees ROC: 2 employees ITIL Foundations: 2 employees Certified accountant: 2 employees CISM: 1 employee

CISA: *Certified Information Systems Auditor* | ROC: Revisor Oficial de Contas (Official account reviewer) | EFR: Family responsible company certification | CISM: *Certified Information Security Manager*

GRHA

FROM MORE TO BETTER

NOISE

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06

Perspectives for 2021

The DAI's activities plan for 2021 encompasses the main priorities derived from the context that we are currently living in as well as from the strategic objectives of the Group, aiming to maximize in this way the utility and added value from the audits, endowing management with valuable information into the decision-making process.

In line with the key objective of DAI of giving coverage and to mitigate the core risks of the Group in the scope of internal control, the year 2021 will serve, amongst others, to tackle matters of the present such as preventive management and credit risk detection, the mechanisms implemented to ensure the continuity of the business, the control and data management in the condition of being a valuable asset or the measures that are being taken by the Group to reinforce its position in the ESG scope.

In terms of information systems, the activities plan is aligned with the cloud strategy from the EDP Group and with the continuous concern with the topics about information security and continuous improvement of IT processes implemented in the EDP Group.

The audit plan in the information systems area also includes the initiative of integrated analyses of the OT realities in the different Business Units of the Group and the consolidation of the methodology and technics of auditing used in this

context. The objective is to acquire a transversal view upon the OT world, as well as to identify the areas with improvement needs in a transversal way.

On the other hand, 2021 will also be a key year in the incorporation and/or consolidation of the dynamic in the internal audit upon Viesgo activity, one of the largest investments made, as well as for business that are in fully on the scale-up phase such as the solar business or the electric mobility.

In this sense, the positive experience withdrawn from the remote work, should allow during 2021 to build synergies between the advantages of that mode of work with those that are inherent from working on site, leveraging this way, amongst others, the results of the audits where the realization of travels to centres or geographical areas bring additional value.

Finally, 2021 will be an exercise where DAI wants to keep contributing in the best way possible to the concretization of the always demanding compromises assumed by the Group with its stakeholders.

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