



Internal Audit Report 2022

We Choose Earth



Our Purpose

Our energy

Speaks of our stamina, our track record and what drives us to continuously deliver green energy

and heart

Highlights our people and their key role in delivering our commitment to our clients, partners and communities

drive a better

Reflects our ambition and leadership in making change happen

tomorrow

The reason why we work every day

Índex

Message	5	03 Performance indicators	14	05 Human resources	22
01 Mission and vision of the Internal Audit	8	04 Activities completed in 2022	17	Number of employees	22
02 Main events	11	Internal Audit	17	Professional qualifications	22
		Other activities and projects	19	06 Perspectives for 2023	26

Message



Internal Audit Corporate Director

The speed of change in the current context, the challenges and opportunities arising from technological evolution, the deep energy sector transformation process, as well as the ambitious EDP Group's Strategic Plan, represent a constant challenge for our function.

In this context, the response of the EDP Group's Internal Audit function is based on the fundamental pillars of our "Vision" supported by six fundamental principles: adaptability, technology, connection with the business, adequate resources, focus on the Group and coverage of performance consistent with the Group size.

This vision aims to achieve our mission of helping a large organization like the EDP Group to achieve its objectives, providing an independent vision that allows strengthening governance, risk management and control processes.

We are pleased with the results obtained and motivated and enthusiastic about what we want to achieve.

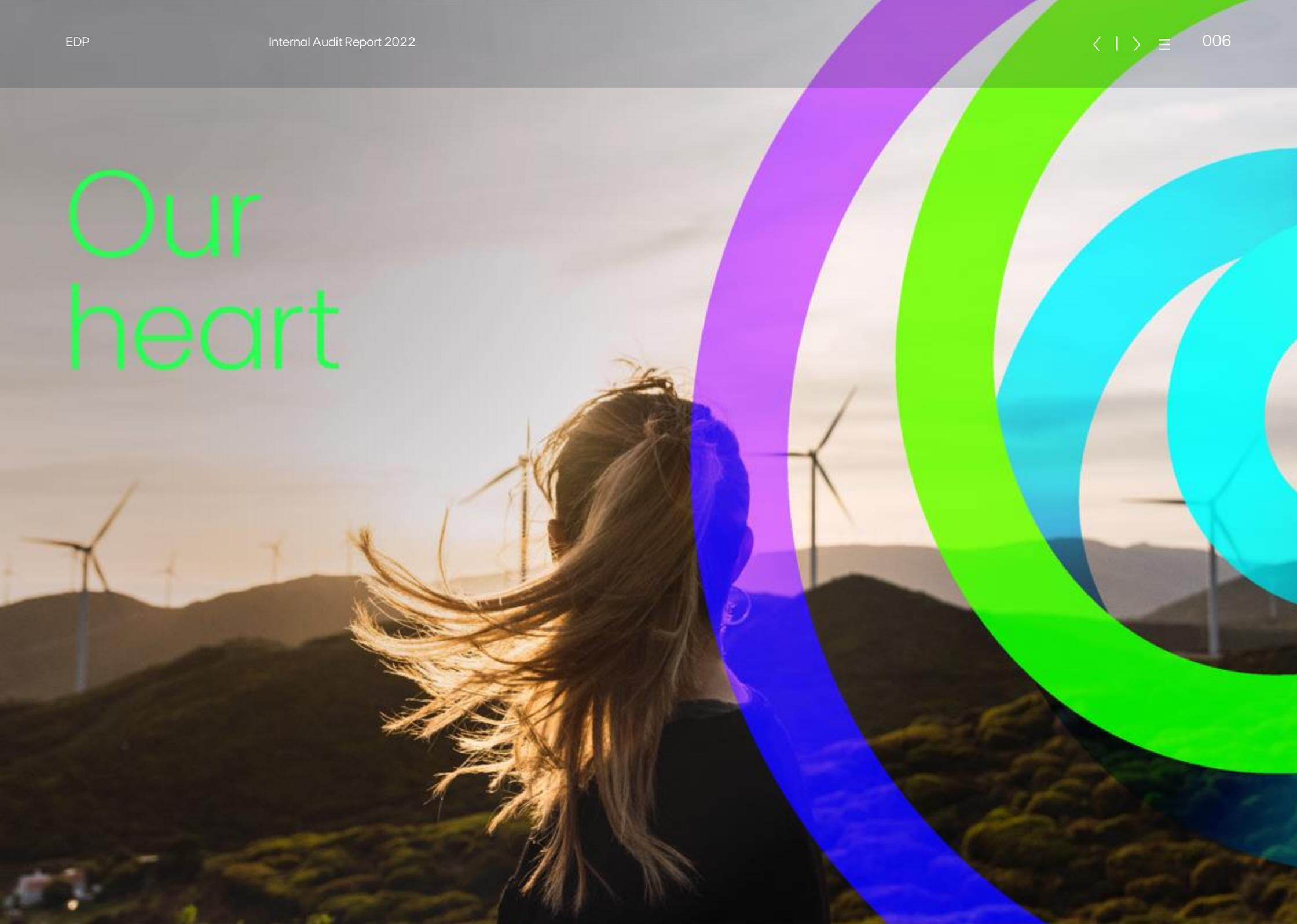
Currently, the internal audit profession relevance is increasing, as our goal to continue to add value and confidence to the organization based on rigor, professionalism, focus, ambition and enthusiasm with those we work with every day.

All the employees who constitute the Group's Internal Audit Departments have carried out an excellent job in this area and I would like to dedicate a special acknowledgement to all of them.

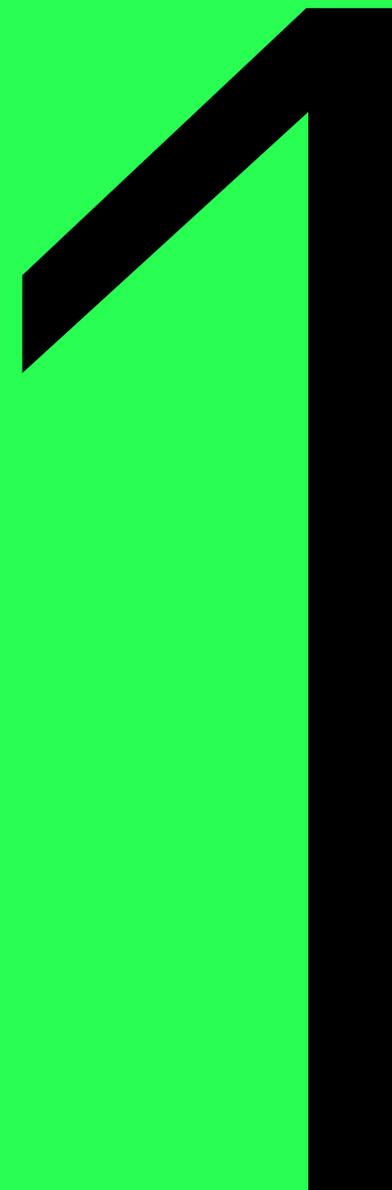
We remain fully focused on maintaining this spirit and confident in the ability of our teams to continue to face new challenges.

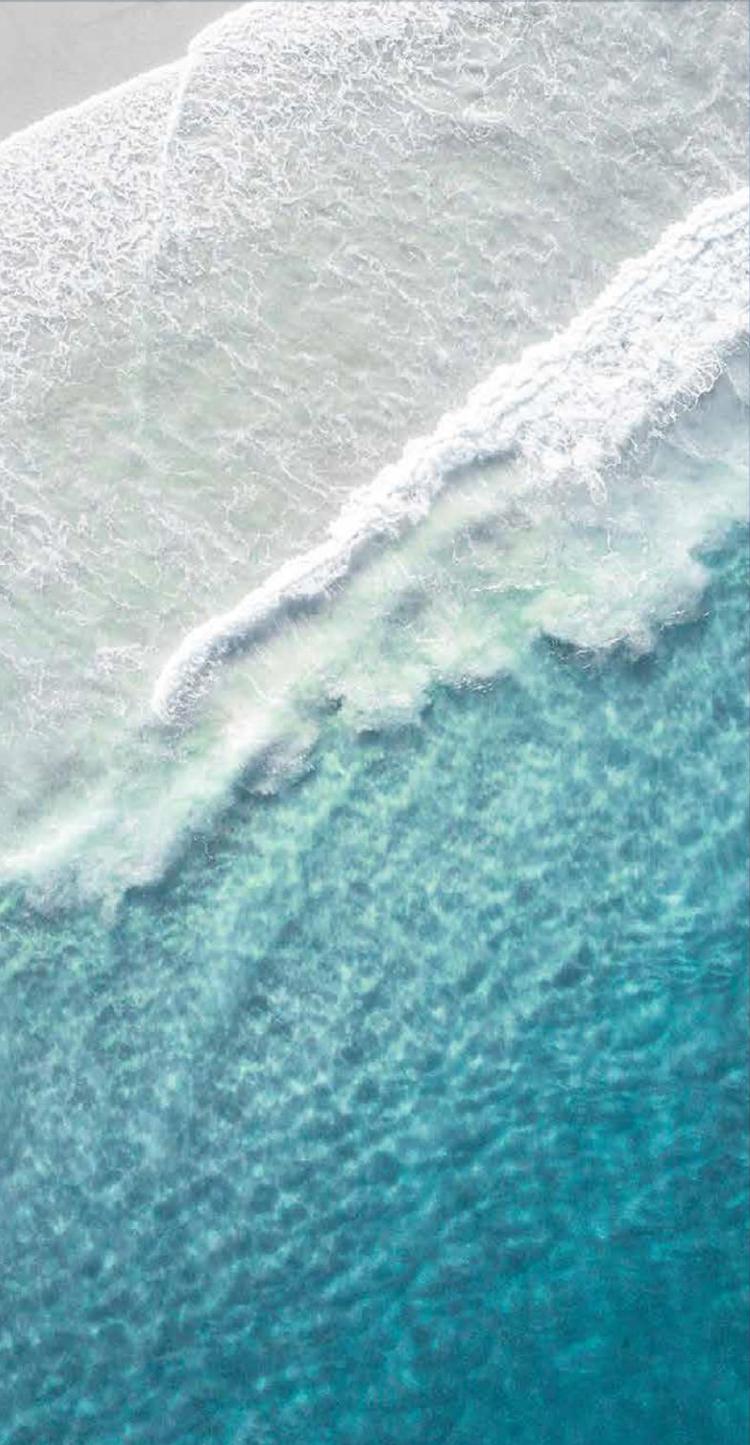
Azucena Viñuela Hernandez

Our heart



Mission and Vision of the Internal Audit





Mission

Internal Audit is an objective and independent activity, of assurance and consulting, designed to add value and improve the operations of EDP Group, assisting the organization to accomplish its objectives, through a systematic and disciplined approach in assessing and improving the effectiveness of risk management, control, and governance processes.

The internal audit function has the mission of increasing and protecting the value of EDP, providing assurance, advisory and insight, covering several fields of action.

Vision

PREPARED

Adequate resources with updated business, technology, audit and control skills.

INFORMED

Aligned with the business, the organization's strategy, trends, risks evolution, and compliance to be able to add value.

TRANSVERSAL

Group focus, vision alignment, methodologies, good practices and knowledge.

Ensuring integral vision and activity coverage at a global level.

WITH THE CAPACITY OF ADAPTATION

Able to quickly adapt to changes in stakeholder needs and with appropriate responses to them.

DELIVERY

With ambitious coverage action, consistent with the size of the Group and its evolution, generating trust and transparency and adding value to the company.

Aligned with the expectations and needs of different stakeholders.

TECHNOLOGICAL

More modern and capable tools to automate processes – effectiveness and efficiency.

Principles



INTEGRITY AND ETHICS

Internal auditors' integrity builds trust and, therefore, provides a basis for relying on their judgment.



CONFIDENTIALITY

Internal auditors respect the value and ownership of the information they receive and do not disclose information without proper authorization, unless legally or professionally required to do so.



OBJECTIVITY

Internal auditors demonstrate the highest degree of professional objectivity when collecting, evaluating and communicate information about the activity or process under review. Internal auditors make a balanced assessment of all relevant circumstances, and their judgments are not influenced by private interests and the opinions of others.



COMPETENCE

Internal auditors apply the necessary knowledge, techniques and experience in the performance of internal audit services.

Our energy



Main events



Main events

Jan

- Approval of the 2022 Group's Internal Audit Activities Plan by the Financial Matters Committee/Audit Committee (CMF/CAUD) and presentation of the Group's 2021 activities closure.
- EDP Group CMF/CAUD meeting.
- Development and start of implementation of the IA digitization plan.
- Beginning and implementation of the dashboard design to monitor the Group's DAI activity.
- Entry into productive of the purchasing and treasury continuous audits.

Feb

- Approval of the 2022 Group's Internal Audit Activities Plan by the Executive Administration Board (CAE) and presentation of the Group's 2021 activities closure.
- Monitoring meeting of the 2021-2023 DAI Strategic Plan.
- Beginning of the development of an action protocol in cases of new investments in companies or entry into new geographies.
- Definition of the skills identification and development model.

Sep

- Realization of the 1st transversal Focus Group session.
- Definition of the indicator model of the degree of control maturity.
- Implementation of the new dashboard for follow-ups of the IT Audit action plans at EDP Brazil.

Jul

- EDP Group CMF/CAUD meeting.
- Monitoring meeting of the 2021-2023 DAI Strategic Plan.
- Beginning of the new management of Information Systems audit at EDP Brazil.

May

- Monitoring meeting of the 2021-2023 DAI Strategic Plan.
- Volunteering action "*Contribuição para os refugiados da Ucrânia*".

Apr

- EDP Group CMF/CAUD meeting.

Oct

- Establishment of the Internal Audit function on the new EDP Renewables platform at APAC.
- Meeting of the Group's Audit Committees.

Nov

- Elaboration of proposals for the audit plan in Portugal, in EDP Spain, in EDP Renewables and in EDP Brazil for the year 2023.
- Monitoring meeting of the 2021-2023 DAI Strategic Plan.
- Participation on the Internal Audit days ("*Jornadas*"), given by the Spain Institute of Internal Auditors.

Dec

- Approval of the Internal Audit Activity Plans of EDP Renewables and EDP Brazil by the respective Audit Commission/Committee.
- EDP Group CMF/CAUD meeting.
- Internal Audit self-assessment and evaluation of the audit work done by CMF/CAUD.
- Definition of the unified process map model and IA work prioritization methodology.
- Implementation of information/reporting mechanisms on fraud or incidents arising from internal control weaknesses.
- Volunteering action "*Sacolinhas de Natal*" in EDP Brazil.

Our drive



Performance indicators



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 below. 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



Human resources



Quality and effectiveness



Our global vision



Activities completed in 2022

Internal Audit	17
Other activities and projects	19



Activities completed in 2022

Internal Audit

Overcoming the COVID 19 pandemic phase during 2022 made it possible to progressively recover normality in a new reality of work distribution between face-to-face and remote work, facilitating the team's team's ability to meet, share and communicate. These are key points in the development of an activities plan such as the 2022 Plan, which is demanding and challenging in its objectives and in its operationalization and execution.

The implementation of this Plan made it possible to focus on the evaluation of the internal control systems implemented in the companies, areas and key processes in achieving the Group's objectives due to its strategic nature and/or their recurrent contribution.

These assessments, carried out based on a consolidated methodology that aims to identify opportunities that offer added value from a perspective of controlled risk and continuous improvement, helped to reinforce the Group's fundamentals and rigor in its pursuit of operational excellence as a first-tier player in the energy sector, as well as fulfilling its commitments in the environmental, social and corporate governance areas.

In this way, the effectiveness and efficiency of operations, the reliability of operational and financial information, the safeguarding and security of the Group's assets, as well as compliance with internal and external regulations, continued to be the major topics that guided the internal audit activities, namely:

- the involvement of internal audit in the verification of processes, policies and procedures that aim to maximize the Group's commitment to the best practices in matters of governance with impact on the different stakeholders
- the continuation of audits in crucial areas in contingent or disruptive scenarios such as cybersecurity, the management mechanisms focused to guarantee the business continuity or the planned measures to manage relevant risks which may impact the Group in financial matters, energy management or supply chain
- the execution of audits in mature activities, but critical from an internal control point of view, since they are core operational processes such as those related to the management of the commercial cycle, the connection to the networks or the processes associated with procurement in the Group

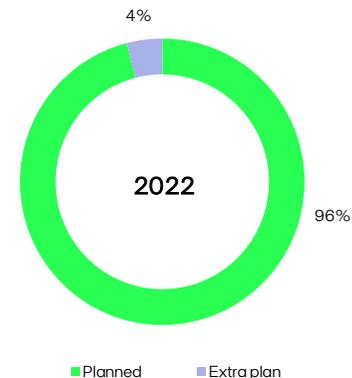
- the consolidation of the internal audit activity in the organization of the EDP Group's Networks in Spain, with the communication, contrast and reporting of results to the management team and the Audit & Risk Committee of that group as the cornerstone of these activities
- the maintenance and progressive growth of the portfolio of continuous audit indicators in essential matters from internal control point of view.

On the other hand, 2022 was a key year in the continued operationalization of the 2021-2023 DAI Strategic Plan, with a transversal and integral vision of the Internal Audit activity in the Group, involving the Internal Audit departments of the different geographies, and composed through a wide range of initiatives around 5 axes – governance model, informed audit and alignment with the business, organization and human resources, technology and methodology and quality.

Audits, consulting and other projects

The Internal Audit Plan for 2022 which included 143 audit works and 24 consulting and other projects underwent some modifications. Thus, 7 works were included which were not initially planned. As of December 31, 2022, 160 audits have been concluded or were in the conclusion phase, and the achievement percentage of the objectives set for the year was 102%.

Audit works by type (%)

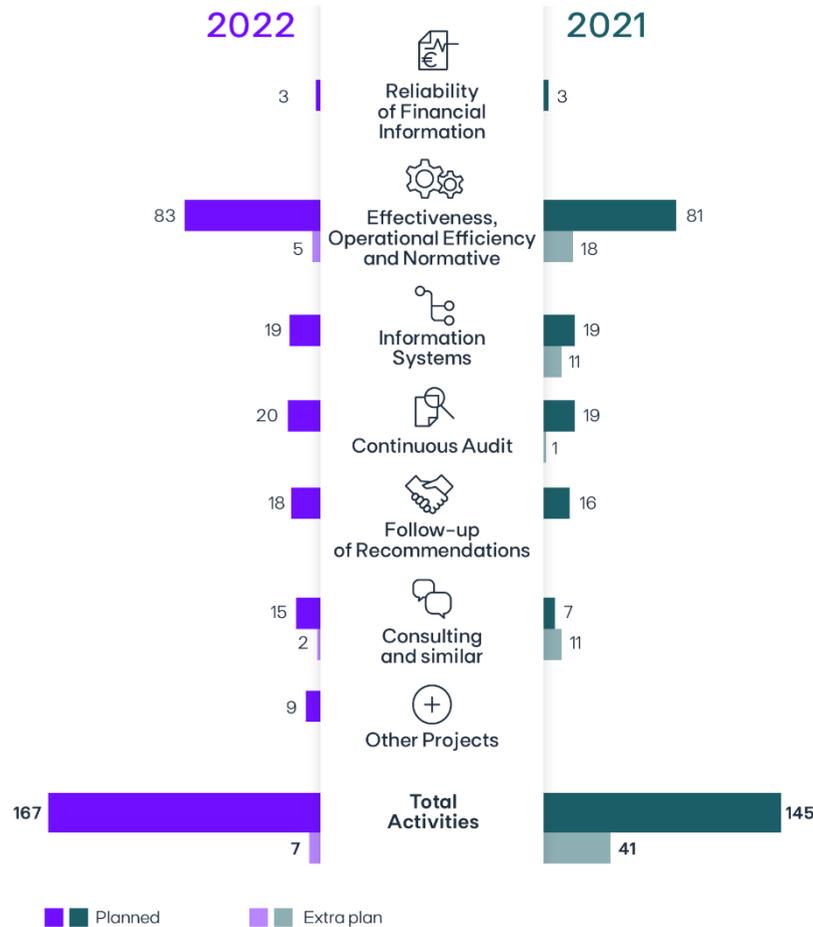


The fulfilment of the plan encompassed 36 Entities/Business Areas audited in the different geographies where EDP Group is present and were executed a set of important works aligned with the Group's Strategic Plan for 2021-2025.

Areas covered by Internal Audit works

Internal Audit is fully integrated into the Group's global strategy, and it is aligned with the three strategic pillars of the current business plan.

Below are the main areas covered by the IA works distributed by the respective strategic pillars.



Accelerated and sustainable growth	Future-proof organization	ESG excellence and attractive returns
<ul style="list-style-type: none"> Third party management Core processes Investments Asset rotation New business lines New geographies Joint ventures Business continuity 	<ul style="list-style-type: none"> Innovation Digitalization Data governance IT and OT security IT processes Human resources 	<ul style="list-style-type: none"> Compliance Regulations observance Environmental management ESG strategic plan Social investment Health and security Governance Risk management

Internal quality indicators

According to what's defined in the Internal Audit Manual of 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 4.6 (on a scale from 1 to 5) within the Group.

Recommendations

The 160-audit works concluded during 2022 resulted in the emission of 886 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.

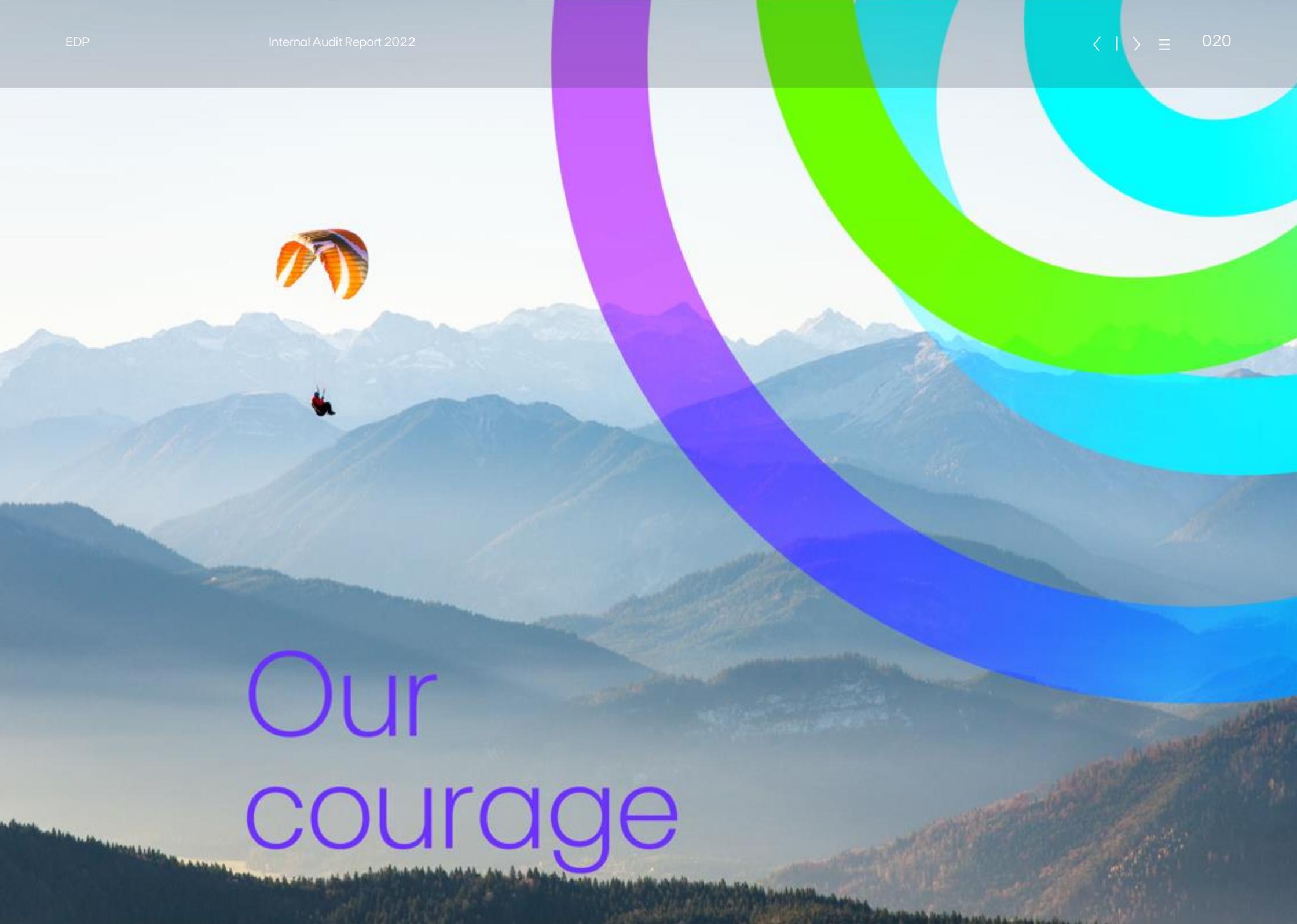
Type of the recommendations issued in 2022

TYOPOLOGY	EMITTED IN 2022	%	EMITTED IN 2021	%
Operational effectiveness and efficiency	549	62%	568	59%
Safety and security	153	17%	185	19%
Compliance with internal policies and standards	93	10%	147	15%
Compliance with legislation and legal norms	81	9%	48	5%
Reliability and integrity of fiscal information	7	1%	9	1%
Application	2	0%	1	0%
Integrity	1	0%	4	0%
Infrastructures	0	0%	5	1%
Service	0	0%	3	0%
Total	886		970	

Other activities and projects

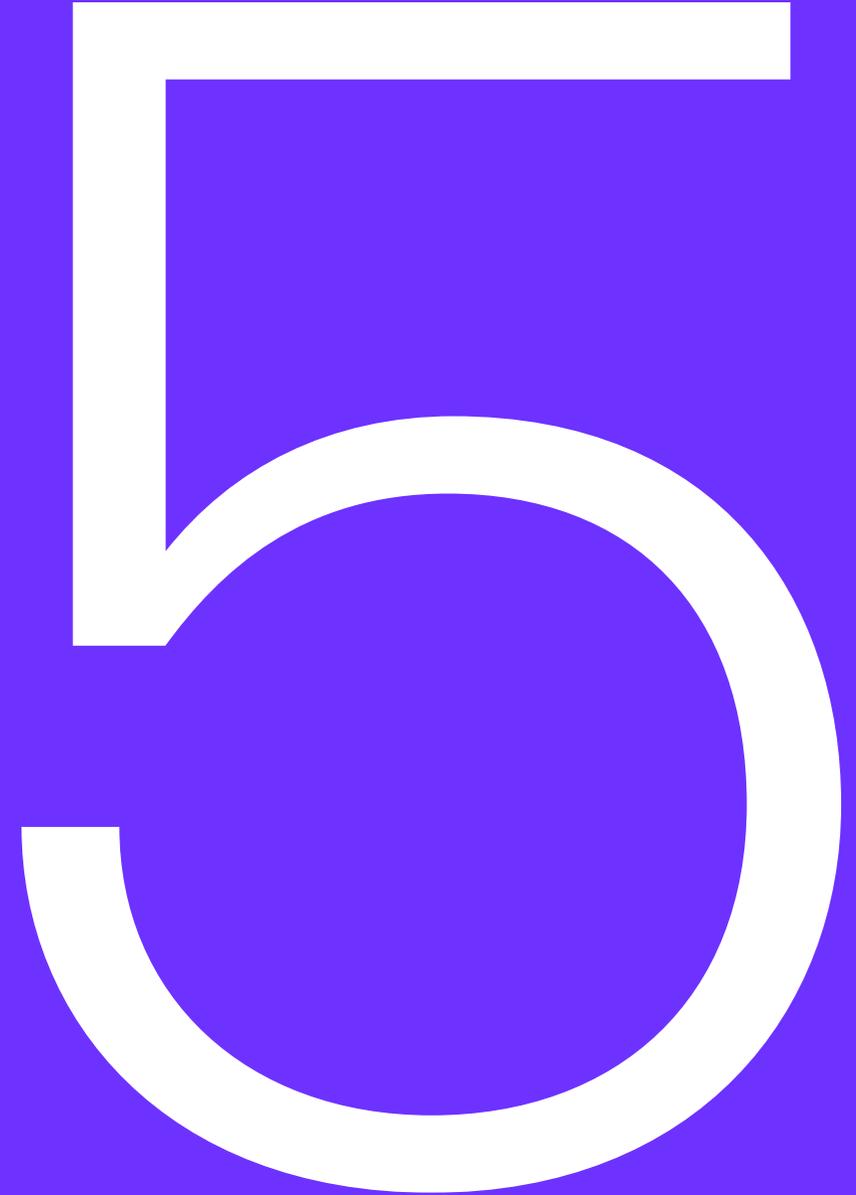
In 2022, other projects and activities were developed, including:

- the evolution of continuous audit processes in matters such as access management, critical security events and credit and debit transfer indicators and development of continuous audit processes in the purchasing and treasury area
- the monitoring and advice on matters of internal control in the project of implementation of a management tool for investment projects under development by EDP Production
- the operationalization of a unique methodology in the Group for prioritizing auditable processes at the operational level, as well as the execution of relevant steps for the identification and mapping of second-line activities and for the future development of a rating model for internal control of the different activities, areas and companies of the Group
- the beginning of advising on the operationalization project of the Group new delegation of competences in the purchase of goods and services scope
- the ACL implementation, as a tool to support audit work
- the search for an application to replace the DAI application for Management of Audits and Recommendations (GAR)
- Onboarding DAI – model of integration of new incorporations in the Department that allows helping new employees to adapt to the new workplace and development of tasks inherent to the function, as well as the organizational culture and knowledge of new colleagues
- the development of a model of auditors skills and competences according to the role they play
- the consolidation of the IA work model at OW and coordination with Engie's Internal Audit
- the reflection on the teams structure and working model
- the alignment of the working model with the financial auditors
- the monitoring and execution of activities within the scope of the 7 keys project.



Our courage

Human resources



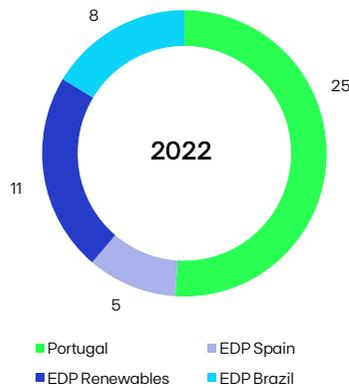
Number of employees	22
Professional qualifications	22

Human resources

Number of employees

In 2022, the Internal Audit Department had a total of 49 employees, a 9% increase in relation to 2021, with an average age of 39 years. The employee distribution across the Group's geographies is represented in the chart below:

Number of employees per geography



Throughout the year of 2022, 7 new employees were recruited, and 6 employees departed, whose distribution by geography and by recruitment sources/destinations is illustrated on the right.

Additionally, during 2022, 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

+7

Portugal	+2
EDP Renewables	+3
EDP Brazil	+2

Sources of recruitment

External recruitment	7
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Employee departures

-6

Portugal	-2
EDP Renewables	-2
EDP Brazil	-2

Departure destination

Internal mobility	2
Group exits	4

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 2022 was 1,401 hours versus 1,5745 hours in 2021. The average number of training hours per employee was 30 hours in 2022 and 34 hours in 2021.

Training summary table 2022

TRAINING FIELD	TRAINING AREA	TOTAL	%
Behavioural		170	12%
	Leadership	98	
	Interpersonal relationships and communication	46	
	Emotional intelligence	26	
Management	Finance	17	1%
Organizational		293	21%
	Institutional	171	
	Human resources	76	
	Ethics	32	
	Welcoming sessions	14	
Technical		921	66%
	Energy	146	
	Information systems	139	
	KNIME software	118	
	IPAI/IIA	115	
	Compliance	80	
	EFR	56	
	Cybersecurity	53	
	ACL software	51	
	Internal audit and risk management	45	
	Project management	39	
	Others	34	
	Innovation	28	
	Languages	17	
Total		1.401	

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

Professional qualifications summary table 2022

QUALIFICATION	EMPLOYEES
MBA	Concluded: 7 employees In training: 1 employee
Master or Post-Graduation	20 employees (mainly in Management and Finance)
CIA certificate	Concluded: 5 employees Close to conclusion: 1 employee
Additional certificates	CISA: 3 employees "EFR" model: 4 employees ISO 27001 Lead auditor: 2 employees ISO 20000: 1 employee COSO: 2 employees ROC: 2 employees ITIL Foundations: 4 employees Certified accountant: 2 employees CISM: 1 employee CFE: 1 employee Executive Program of Big Data & Business Analytics: 1 employee

CISA: Certified Information Systems Auditor | ROC: Chartered Accountant | EFR: Family responsible company certification | CISM: Certified Information Security Manager | CFE: Certified Fraud Examiner

Our action



Perspectives for 2023



Perspectives for 2023

DAI's Activity Plan for 2023 incorporates, as usual, the main perceived priorities considering the Group's strategic objectives as well as the main risks that may impact on their fulfilment, aiming in this way to contribute to the reinforcement of the means and controls which contribute to its development, also providing the management line with valuable information in decision-making.

Complementarily, the Plan collects the main concerns and challenges perceived at an international level in terms of internal audit, originated by the current context and trends, as well as by the emerging risks that affect organizations and that come to join other pre-existing ones.

The execution of this Plan, in a context of management continuity and progressive reinforcement of the Group's activity by business platforms, must be managed in an optimized way in terms of managing the teams and taking advantage of the individual skills of the people within the teams. In this sense, the full consolidation of integrated management from an Iberian perspective of the internal auditors teams in Portugal and EDP Spain, as well as the growing importance of the audits carried out with a transversal impact on the Group, and also the audits carried out in coordination by the different internal audit teams of the Group are relevant examples of implemented measures and practices that have contributed to reinforce a coherent and consistent vision of the internal control evaluation function in the Group.

More specifically, regarding the matters covered by the Plan of Activities planned for 2023, we can highlight, mainly:

- the planned conclusion of audit works directly linked to the achievement of the Group's strategic objectives, such as those associated with the operationalization of recruitment objectives, the international activity growth in the commercial field or the controlled management of the main risks of financial nature
- carrying out new audit works focused on assessing the business continuity mechanisms of companies not yet covered by previous diagnoses, as well as on analysing the crisis management mechanisms developed by the different business units

- the execution of audits with an impact on decision-making processes in terms of investment/divestment, as well as the fulfilment of commitments assumed with third parties in transactions carried out in this context
- carrying out audits focused on the existing governance and internal control model in terms of managing the main risks associated with energy management
- the extension to other business units of the Group of initiatives already addressed in previous years, such as the Data Governance diagnoses
- carrying out audits focused on topics fully associated with the Group's ESG commitments, as well as carrying out internal audit activities linked to the activity carried out by the Group's second lines of defence
- the continuity and conclusion of the 2021-2023 DAI Strategic Plan implementation, with a view to continuous improvement.

Additionally, the Audit Plan for the information systems area also includes the initiative to monitor the reorganization of the EDP Group's systems area, with a special focus on cybersecurity and the different business platforms organization in line with the Group's strategic plan. In this context and included in the DAI 2021-2023 Strategic Plan, there is an initiative to review the IT methodology.

The information systems audit plan has a special focus on recurring IT and OT audits of contracts with PSE's from a cybersecurity perspective, as well as a reassessment of the Group's cybersecurity and the new contract for the provision of infrastructure services.

Continued expansion of the scope of access management continuous audits started in 2022 with the inclusion of new applications and integration of the 7keys project.

Briefly, 2023 will be a year in which DAI intends to continue to contribute in the best possible way to fulfilling the commitments, always demanding, assumed by the Group with its stakeholders.

