



Materiality Process of the EDP Group | 2022

Sustainability Global Unit

February 2023

The materiality process allows topics important for the various stakeholders of the EDP Group to be prioritized, cross-referencing them with their importance for the business

What is the purpose of Materiality?

1. It identifies critical topics⁽¹⁾ and sensitive issues⁽²⁾ for the business

It enables the company's strategic orientation to be optimized and directs internal management more efficiently, specifically through defining plans of action

2. It supports the definition of the Sustainability strategy

It supports the process of revising the sustainability strategy

It supports its internalization in the strategic objectives of the Group's companies

3. It focuses on what is important to report

It guides the drafting of the Sustainability Report

It guides the reporting of non-financial performance

It supports the response to ESG indexes

4. It supports the management of the Group's stakeholders

It determines a ranking of relevant topics by shareholder group



Material Topics affect the company's value creation and, simultaneously, have a positive or negative impact on its shareholders

These are normally associated with the **risks and opportunities of the business**

(1) **Critical topic:** Extremely important topic for society and for the business Topics to consider in the development of internal strategies and internal actions. Highlights areas to be prioritized in the establishment of partnerships

(2) **Sensitive Issue:** Topics whose importance is high for Society, but low for EDP. They require close accompaniment, whether for internalizing in future plans or for external clarification of their importance for the business

The process of analysis of the EDP group's materiality is carried out using a transversal methodology, common to the whole EDP group

Step 1 – Updating the List of Themes

Based on interconnecting sources and the previous year's process

STEP 2 – Prioritization of themes based on their importance to society

Identification of the relevant themes for each group of stakeholders and the impacts on society or the environment

Through the analysis of:

- direct sources (direct consultation)
- indirect sources (public consultation)
- transversal sources (studies and indexes)

Step 4 – Construction of the materiality matrix

Interconnecting the relevance of themes for society and for business

Elaboration of the Corporate matrix

Elaboration of the matrices for each Business Unit and validation by the Board of Directors

Step 3 – Prioritizing themes for their relevance to the business

Identifying topics significant for the business and its financial impact as risks or opportunities⁽¹⁾

Through the analysis of:

- Strategic goals and targets
- Activity plans for strategic areas
- Risk Reports, Taxonomy, and Policies
- Interviews of top management

Step 5 – Analysis of critical themes and sensitive themes

The company analyses the results of the process that it uses for:

- Defining its sustainability strategy
- Critical topics – to direct internal management as efficiently as possible
- Sensitive issues – internal analysis and definition of plans of action

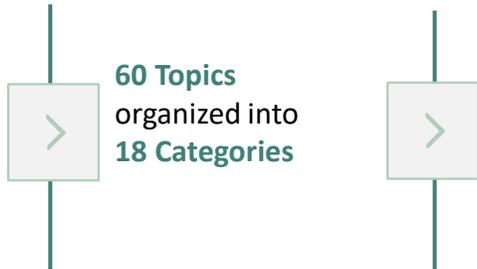
(1) **Risks and opportunities:** See more in Appendix III - Risk Assessment of EDP Group

In 2022 the list of topics was revised and the sources that indicate the importance of topics for the company were improved

**2022
Process**

LIST OF TOPICS

The list of topics for 2022 was updated, taking into account the results and gaps identified in the 2021 process



Economic

1. Corporate Governance
2. Business Ethics and Compliance
3. Economic Business Sustainability
4. Sustainable Finance
5. Digital Transformation and Innovation
6. Supplier Management
7. Crisis Management

SOCIETAL AXIS

The identification of transversal and specific sources for each of the companies, representative of each stakeholder group



Environment

8. Climate Change
9. Promotion of Renewable Energy
10. Decarbonization Solutions
11. Environmental Protection

BUSINESS AXIS

Strengthening:

- The diversification of sources that inform the business aspect (BP; Activity plans for strategic areas; interviews with top management)
- The corporate vision in the EDP Group's matrix



Social

12. Human Rights
13. Communication and Transparency
14. Satisfaction and Customer Service
15. Vulnerable Customers
16. Community Involvement
17. People Management
18. Health and Safety

The process of recovery and consolidation was maintained compared to the previous year

SOCIETAL AXIS | Identification of the topics important for each stakeholder segment

- Internal consultation of transversal sources used for all the business units, when applicable
- Internal consultation by the business units of specific internal and external sources
- Benchmarking of 63 comparable companies



ANALYSIS PROCESS | Recovery and consolidation of the information identified

- Each source consulted gives rise to a list of topics, collected and consolidated by stakeholder segment
- A topic gains importance from the number of times it appears in each source
- The sources are weighted by the BUs based on the criteria of credibility, breadth, and representativeness
- The topics are grouped into categories, as shown in the Glossary, in the appendices

BUSINESS AXIS | Identifying topics significant for the business

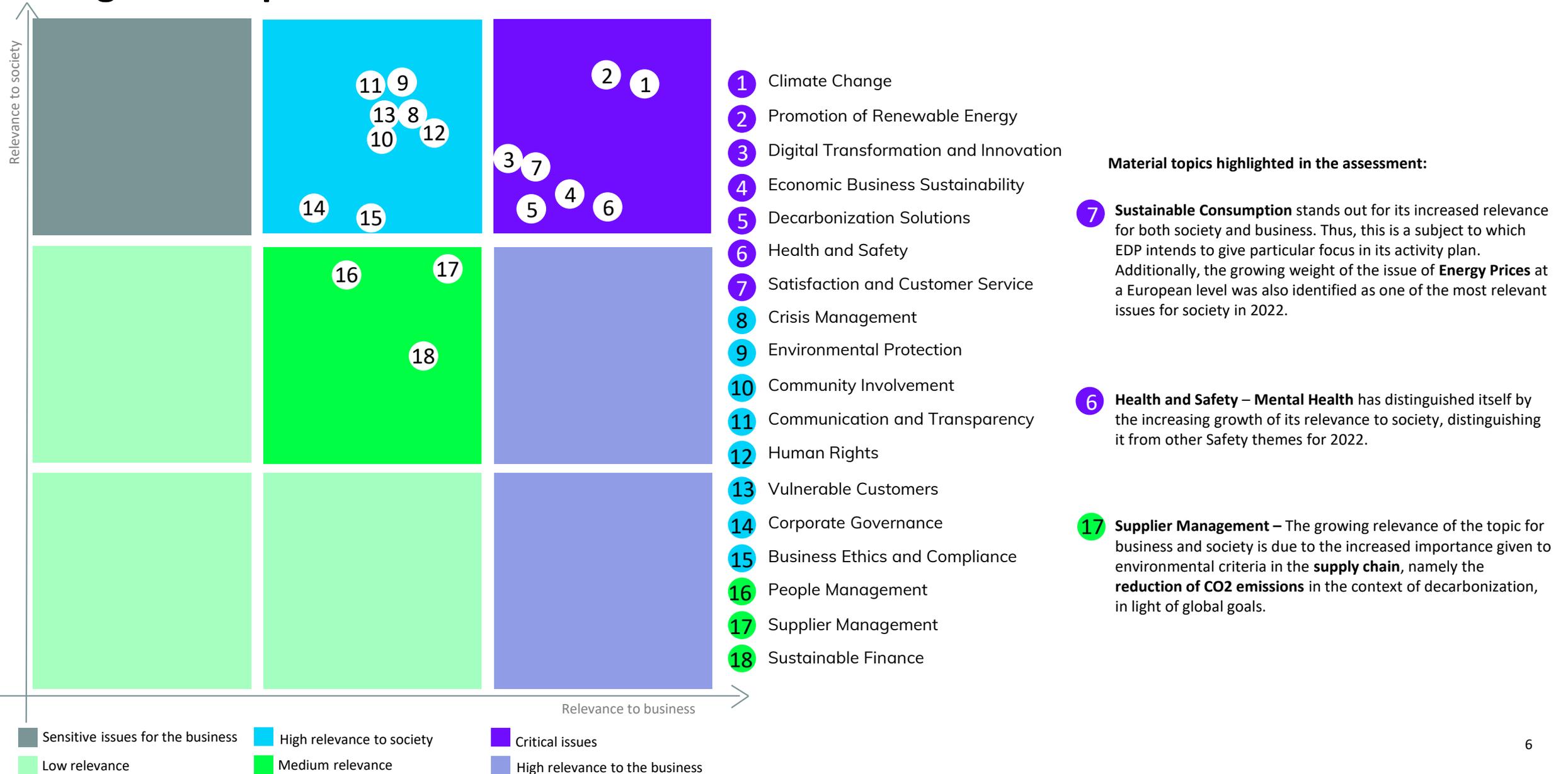
- Consult the business plans to gather the topics significant for their implementation
- Interviews of strategic Departments and Boards of Directors of the Companies to identify the priority fields of action
- Consulting the Corporate Center Support Directions



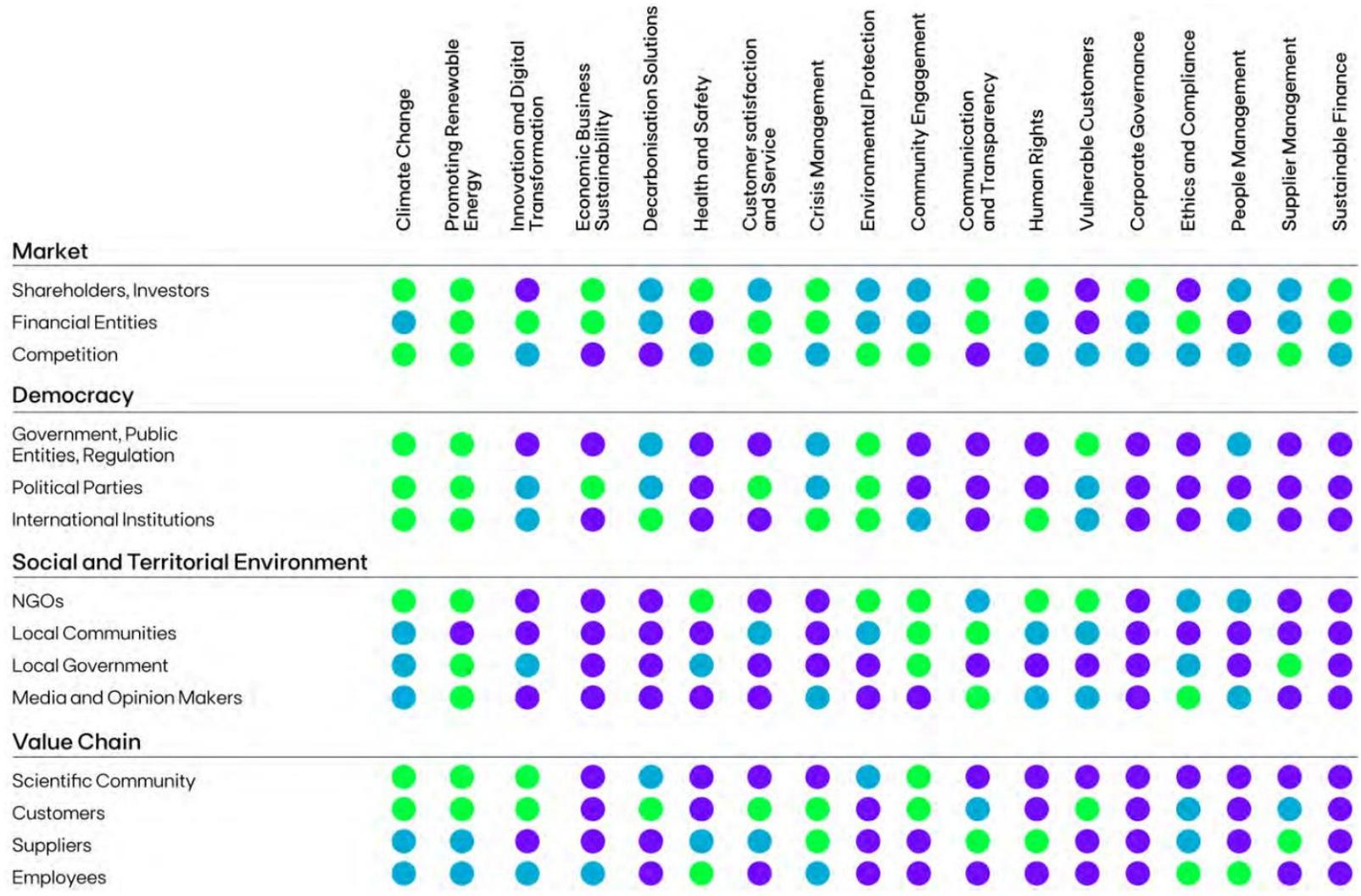
ANALYSIS PROCESS | Recovery and consolidation of the information identified

- In each consultation the significance of the topics obtained by the societal aspect process is analysed
- A topic gains importance for the business according to the number of times it appears in each business objective/priority field of action
- The resulting importance for the business is validated/rectified by the Boards of Directors of the Group's Companies
- The resulting consolidated matrix is validated/rectified by the Executive Board of Directors

The Corporate Materiality Matrix presented in the 2022 Annual Integrated Report



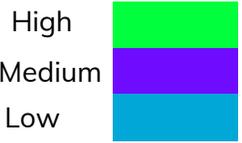
One of the materiality analysis results is the identification of the priority given by each of the company's stakeholders to sustainability issues



MAIN TOPICS

1. Climate Change
Mitigation
2. Decarbonisation Solutions
Energy efficiency
3. Environmental protection
Biodiversity protection
4. Crisis Management
Infectious diseases (Covid-19)

Relevance level



APPENDICES

01

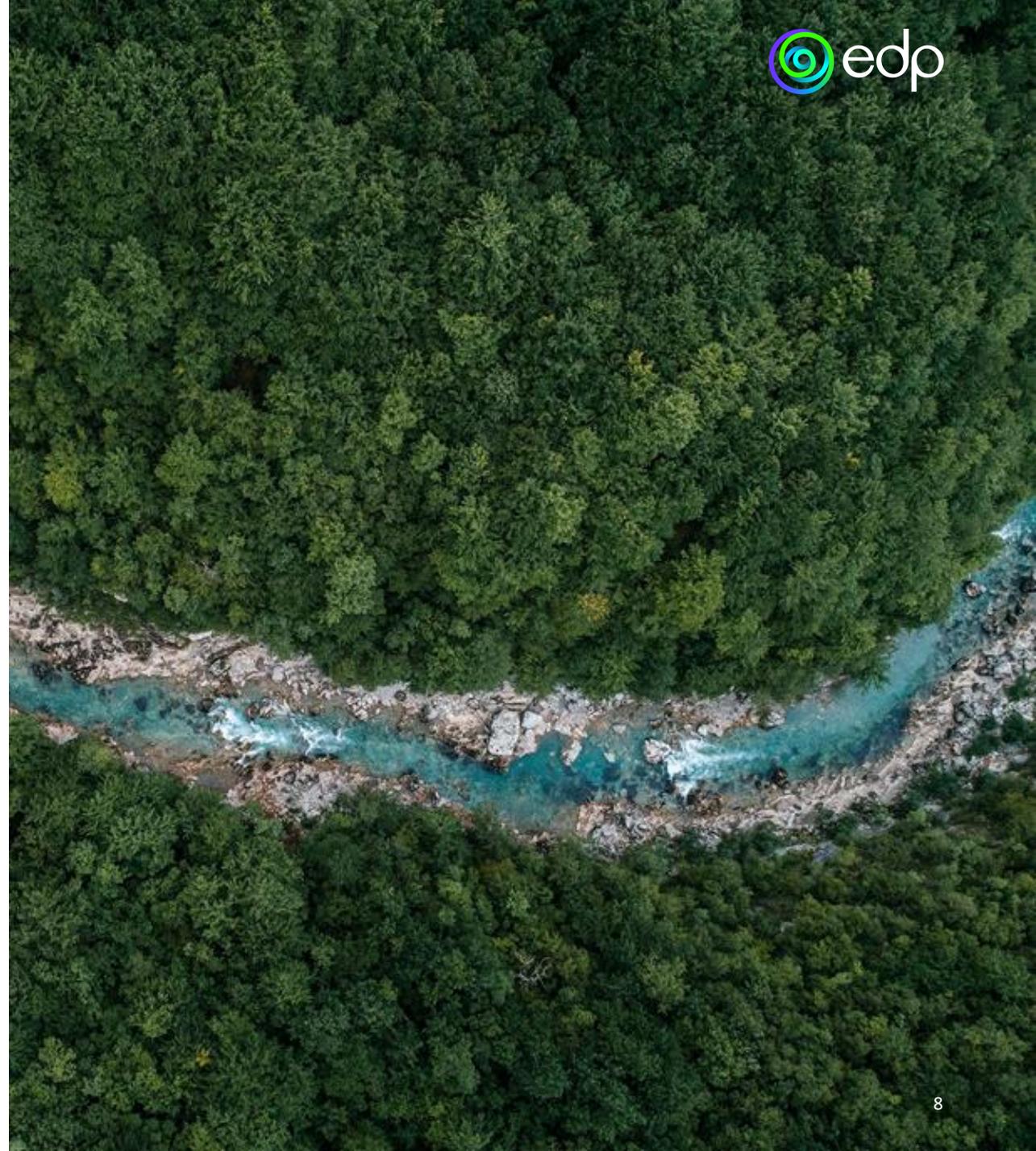
LIST OF TOPIC

02

SOURCES CONSULTED

03

RISK ASSESSMENT OF EDP GROUP



01

List of Topics

Glossary of material topics



Material Themes 2022			
Themes 2022	Category	Pillar	Description
Structure and operation of corporate governance	Corporate Governance	Economic	Refers to the set of rules and principles governing the design/structure, integration and operation of the company's governing bodies. Based on the pillars of independence and separation of skills and the diversity of the company's corporate governance.
Evaluation and payments	Corporate Governance	Economic	Meaning the set of rules and principles used in defining the fixed and variable pay of the Corporate Bodies, specifically alignment with their performance in the medium/long term. They also include issues related to the ratio between the CEO's compensation and the average of the company's other employees.
Efficient and confidential complaint management	Ethics and Compliance	Economic	Effective mechanisms to report unethical or illegal behaviors for the different groups of stakeholders. Existence of a code of ethics/conduct.
Risk of Corruption/Bribery/Fraud/Money laundering	Ethics and Compliance	Economic	- Measures established to avoid and minimize risks associated with illegal conduct (corruption, conflict of interests, fraud, money laundering, embezzlement, concealment and obstruction of justice, influence peddling) of employees and/or company representatives.
Promotion and training of an ethical culture within the organization	Ethics and Compliance	Economic	Measures to raise awareness and communicate business ethics, both internally and together with service providers.
Responsible political involvement	Ethics and Compliance	Economic	Not using undue influence with parties and public policies, avoiding behaviors such as manipulation, intimidation and coercion, which may negatively influence the public political process.
Fair competition practices	Ethics and Compliance	Economic	Encouraging innovation and efficiency through fair and generalized competitive practices, allowing for a reduction in the costs of products and services. Ensure that all organizations have equal opportunities by encouraging the development of new or improved products or processes that, in the long run, can improve economic growth and living standards. Respect for the rules of healthy competition in the context of product/service promotion, based on factors such as price, quality and service.
Information Privacy	Ethics and Compliance	Economic	Safeguarding customer privacy rights by limiting the type of information collected and the ways in which such information is obtained, used and maintained securely and meeting the necessary requirements of confidentiality and information protection.
Respect and promotion of human rights	Human Rights	Social	Mechanisms that ensure there is no distinction, exclusion or preference, which restricts equal treatment or opportunities. Processes that make it possible to identify and prevent real or potential impacts on human rights, resulting from EDP's activities, throughout its value chain. Includes: (1) the existence of a human rights policy and its integration throughout the organization; means of evaluation; means of tracking performance and actions to address the negative impact of company decisions and activities.
Creation of long-term value	Economic Business Sustainability	Economic	Creation of value for its shareholders and for society, from a long-term perspective. Assessment of the direct return on investment generated and return distributed. Includes issues such as long-term growth, direct and indirect impacts, and shared value.

Glossary of material topics



Material Themes 2022			
Themes 2022	Category	Pillar	Description
Solvency and financial management	Economic Business Sustainability	Economic	References to the financial situation of a company and to its capacity to fulfill long- and short-term financial obligations. This includes aspects related to solvency and financial liquidity, as well as debt management.
Evaluation of the company in terms of its ESG performance	Socially Responsible Investment	Economic	Differentiation by sustainability performance through measurement approaches based, for example, on sustainability indexes (e.g. DJSI; Sustainalytics; Vigeo; Ethics; CPD; etc.). This may also include other external assessment instruments (e.g. reports, interviews, etc.)
Sustainable financing	Socially Responsible Investment	Economic	Investments incorporating non-financial issues with the objective of generating financial and sustainable value, such as green investment, impact investing, ethical funds, green bonds / green loans.
Communication and Transparency	Communication and Transparency	Social	External pressure to communicate more and better (and more transparently) the company's performance in the various areas of sustainability. Openness to society, with greater willingness to share information with all the company's stakeholders.
Fiscal Transparency	Communication and Transparency	Social	Broader clarification of the regulatory risks of subsidies obtained by the company and the rates to which the business is subject and/or exempt. Importance of the impact of regulatory changes on the company's financial/operating performance.
Agreements for cooperation, financing and dissemination of research	Digital Transformation and Innovation	Economic	Measures to foster research through project co-operation and financing agreements, contributing to the development of knowledge, skills and technology (e.g. smart metering, electric mobility, improvements in generation efficiency, demand management research and improvements in accumulation energy, research and innovation in products, collective agreements, university chairs, etc.).
Development of innovative technologies	Digital Transformation and Innovation	Economic	Measures to encourage research into innovative technologies, namely intelligent networks; production of energy from renewable sources, such as off-shore wind, photovoltaic and wind power in decentralized production.
Digital transformation	Digital Transformation and Innovation	Economic	Integration of digital technology in all areas of the company, resulting in changes both in the way it operates and in creating value for customers. This also includes a cultural change and process change, capable of managing digital challenges and opportunities.
Digital Inclusion	Digital Transformation and Innovation	Economic	Promotion by the company of its stakeholders' ability to access, understand and use the channels of digital communication and technologies, namely (employees, customers, suppliers, etc.). Including issues such as digital literacy and global coverage of digitalization.
Electric mobility	Decarbonization Solutions	Economic	Ability to respond to society's needs to move freely, access, communicate, transact, and establish relationships, without sacrificing other human or ecological values now and in the future. Electrification of transports, including the availability and evolution of the various technologies for electrical mobility and also the charging network and products and services available.

Glossary of material topics



Material Themes 2022			
Themes 2022	Category	Pillar	Description
Energy efficiency	Decarbonization Solutions	Economic	Measures to improve the company's energy efficiency, namely the reduction of the energy needs of buildings, transport, production processes, equipment, etc. Development of energy efficiency initiatives among company stakeholders, namely replacement of equipment or education/awareness actions.
Distributed/Self-consumption generation	Decarbonization Solutions	Economic	Initiatives that promote distributed or decentralized generation, such as the use of small energy sources near the end consumer, which can be connected to any low voltage grid point.
Selection and relationship with suppliers	Supplier Management	Economic	Ensure that the price, the technical proposal and commercial conditions are not the only factors in the selection of suppliers. The suppliers' sustainability practices should be valued in comparing product and service offers (occupational accidents, environmental management, ethics, and social responsibility). Existence of supporting measures for suppliers with respect to procurement practices and compliance with contractual conditions in order to ensure a stable relationship. Payment policy, relationship stability, co-operation, reliability, and competitive ethics define the relationship with suppliers. Health and safety/wellness measures necessary to minimize risks that may affect suppliers or subcontractors in the course of their work.
CO2 in the supply chain	Supplier Management	Economic	Promoting the reduction of CO ₂ eq emissions in the supply chain Supplier training and involvement initiatives, admission criteria based on carbon footprint, supplier commitment to reduction targets, selection of products and services based on their footprint
Quality of technical service	Satisfaction and Customer Service	Economic	Measures to maintain a reliable and good-quality electricity supply according to indicators such as ICEIT (Installed Capacity Equivalent Interruption Time).
Satisfaction and Customer Service	Satisfaction and Customer Service	Social	Improved satisfaction by providing exceptional service and care. Clear and easily understandable communication in customer contracts; providing clear information on prices, characteristics, terms, conditions, costs, duration of the contract, and cancellation periods. Communication of energy bills. Engagement with customers and collection of feedback.
Complaint and claim management	Satisfaction and Customer Service	Social	Mechanisms and channels that allow adequate transmission and management of complaints by customers.
Energy prices	Satisfaction and Customer Service	Social	Perception of fair price, clarification of price breakdown (greater transparency).
New energy services	Satisfaction and Customer Service	Social	Providing new energy services that can meet the needs/expectations of customers.
Safety of products and services	Satisfaction and Customer Service	Social	References to the health and safety risks related to the use of products and/or services. Including issues such as customer health and the safe use of products.

Glossary of material topics



Material Themes 2022			
Themes 2022	Category	Pillar	Description
Sustainable consumption	Satisfaction and Customer Service	Social	Customers choose products that use fewer natural resources in their production, that guarantee decent employment conditions for those who produce them, and that will be easily reused or recycled. This means buying what is really necessary, extending the working life of products as much as possible. Examples are products and services that make it possible to reduce CO2 emissions (green tariff; electric mobility), or reduce consumption of raw materials (as-a-service).
Energy poverty	Vulnerable Customers	Social	Mechanisms/measures that allow exceptional treatment in the case of vulnerable customers, meaning, families unable to bear the energy costs that allow them an appropriate level of comfort, in particular, to properly heat their homes or to meet other energy services at an acceptable cost.
CC Mitigation	Climate change	Environmental	Initiatives to mitigate Climate Change, namely the definition of a strategy and actions implemented by the company for the development of renewable energies considering indicators such as MW of projected clean energy or tons of CO2 avoided by the use of renewable energies.
CC Adaptation	Climate change	Environmental	Capacity to prevent, respond to and repair damage resulting from the effects of Climate Change, while taking advantage of the opportunities that may arise from it and responding to mostly local and specific physical risks. Create cities that are resilient to climate change. Mitigation of the impacts of climate change. Include extreme weather events in the definition.
Critical infrastructure	Crisis Management	Economic	Ensure that the essential assets and services provided maintain their functioning in a crisis situation. Ensure that there are plans and an emergency response and conditions to implement them.
Information security	Crisis Management	Economic	Ensure a set of measures necessary to guarantee the confidentiality, integrity and availability of information, both for the company and for its customers. Ensure an adequate response in emergency situations, such as cyberattacks.
Infectious Diseases	Crisis Management	Economic	Rapid and massive spread of infectious diseases. Bacteria, viruses, parasites or fungi that cause the uncontrolled spread of infectious diseases that lead to widespread fatalities and economic disruption, such as the COVID-19 pandemic.
Critical supplies	Crisis Management	Economic	Ensure vital supplies for the maintenance of operations, and the provision of energy service / supply to customers. Resilience in the supply chain, ensuring business continuity.
Promotion of Renewable Energy	Promotion of Renewable Energy	Environmental	Strategy and mechanisms to minimize the company's contribution to climate change, such as risk assessment, energy efficiency measures, avoided emissions, carbon footprint, CO2 capture and storage projects, etc.
Circular economy	Environmental Management	Environmental	Promotion of a transition to a resource- and material-efficient economy, taking into account a complete life-cycle analysis of the products and services associated with their value chain. Consumption of natural resources at a rate equal to or less than their natural replacement rate. Including issues related to material management, meaning, reducing, re-using and recycling materials and resources in operations, activities and products.
Water management	Environmental Management	Environmental	Identification and evaluation of the dependencies and impact of the business on the availability and quality of water resources. The existence of actions to avoid or mitigate these dependencies and impacts, and the definition of objectives and goals that ensure the continuous monitoring of the company's performance. This management encompasses, among others, risks associated with the location of assets in water stress zones, competing uses, regulatory alterations and water management in the supply chain.

Glossary of material topics



Material Themes 2022			
Themes 2022	Category	Pillar	Description
Protection of biodiversity	Environmental Management	Environmental	Act in a way that protects the environment and restores natural habitats and the various services and functions that the ecosystems provide (such as food and water, thermal regulation, soil formation and recreational opportunities). The main aspects include the valuing and protection of biodiversity; valuing, protecting and restoring ecosystem services; sustainable use of natural resources and environmentally appropriate rural and urban development.
Prevention of pollution	Environmental Management	Environmental	Actions to prevent pollution, such as, atmospheric emissions (CO ₂ , SO _x , NO _x , etc.); water management and waste management. Including emissions of any substances and/or materials used in operations and/or present in products that represent a substantial or potential threat to public health or the environment.
Community development	Community Engagement	Social	Development of voluntary initiatives with the community that respond to its needs from a shared-value perspective. Including corporate volunteer activities, as well as other measures related to culture, education and awareness, donations, investments in the community, and commercial initiatives such as sponsorships, support to universities or other institutions.
Impact Management in local communities	Community Engagement	Social	Acting responsibly in the compensation of business externalities, impacts generated in society and the environment. Including measures that aim to manage the relationship and rights of the communities, as well as the potential impact on them due to the company's activity. Valuing the involvement of the community, and responding to their needs, favoring partnerships with local organizations and stakeholders. Support to local economic and social development.
Respect for indigenous communities	Community Engagement	Social	Respect and inclusion of the rights of indigenous communities in the construction of new projects, particularly when these involve the displacement of these communities or have an impact on their territory. Involvement of the indigenous communities impacted by the projects, in decision-making and the definition of measures developed by the company.
Fair Energy Transition	Community Engagement	Social	Transition to a fair, low-carbon, sustainable energy system (from electricity generated from coal to renewable energy sources), which ensures that fairness is considered, particularly for communities and workers, benefiting from a wider-scale critical reflection and systematic analysis of the dimensions and wider implications of the interconnections between global energy transition and justice in the context of the approaches towards low-carbon development.
Access to energy	Community Engagement	Social	Mechanisms to ensure access to energy for all customers, regardless of where they live. Promote network expansion to guarantee access to energy, but also provide good quality service conditions without discrimination.
Attracting and retaining talent	People Management	Social	Ability to attract new and retain current employees with skills valuable to the organization. Recognition of employee competencies and practices by meritocracy and remunerative justice. Including appropriate remuneration and recognition, and management of human capital.
Training and development	People Management	Social	Employee training to acquire new skills, widening people's choices and expanding their capabilities. For example, training sessions, career advancement programs, scholarships, and mentoring programs, among others.
Employees satisfaction	People Management	Social	Mechanisms to guarantee high levels of satisfaction by employees, as well as the efficient management of their claims.

Glossary of material topics



Material Themes 2022			
Themes 2022	Category	Pillar	Description
Measures for social conciliation and protection	People Management	Social	Initiatives that promote reconciliation of work with family life, such as teleworking, timetable flexibility, additional measures for paternity/maternity leave, workplace flexibility, continuous workdays, mobility and transportation solutions for employees, among others.
Rewards and benefits	People Management	Social	Initiatives to attribute compensation and benefits to employees, including financial and/or non-financial compensation, such as remuneration policies and programs, pension plans, and health care, among others.
Employment rights	People Management	Social	Management of the relationship between employee and employer and the legal rights that regulate this relationship. Examples are: the existence of and relationship with unions, collective work agreements, working conditions, workplace practices, freedom of association and trade union negotiations, among others.
Stability in employment	People Management	Social	Stability in employment and measures to minimize the negative impact of potential relocations or restructuring. Including reorganizations, turnover and outsourcing. Unemployment and impacts of the pandemic crisis.
Diversity/Equal Opportunities	People Management	Social	Existence of mechanisms to ensure equality and non-discrimination in conditions and opportunities, without distinguishing between gender, age, minority groups or other indicators of diversity.
Occupational illnesses and diseases	Health and Safety	Social	Promote the implementation of measures to eliminate or minimize the occurrence of occupational incidents and illnesses with employees, service providers and third parties, which may be affected by the normal undertaking of EDP's activities. This includes environmental aspects (air quality, noise, lighting, ergonomic aspects) and facility security (fire protection, emergency response plans).
Promotion of occupational health	Health and Safety	Social	Prevention of medical aspects associated with work, including health surveillance and promotion of healthy living conditions for workers (nutrition and smoking cessation programs, cardiovascular screening, vaccination programs).
Physical safety in the facilities	Health and Safety	Social	Concern about security aspects of the public and the communities surrounding the company premises. Associated with concerns with local communities, in particular, emergency response concerns related to all aspects.
Mental health at work	Health and Safety	Social	Ensuring a healthy professional environment promoting the well-being of employees, ensuring a set of intervention guides for the construction of a healthier and more satisfactory working environment.

02

Sources Consulted

Types of sources consulted in 2022



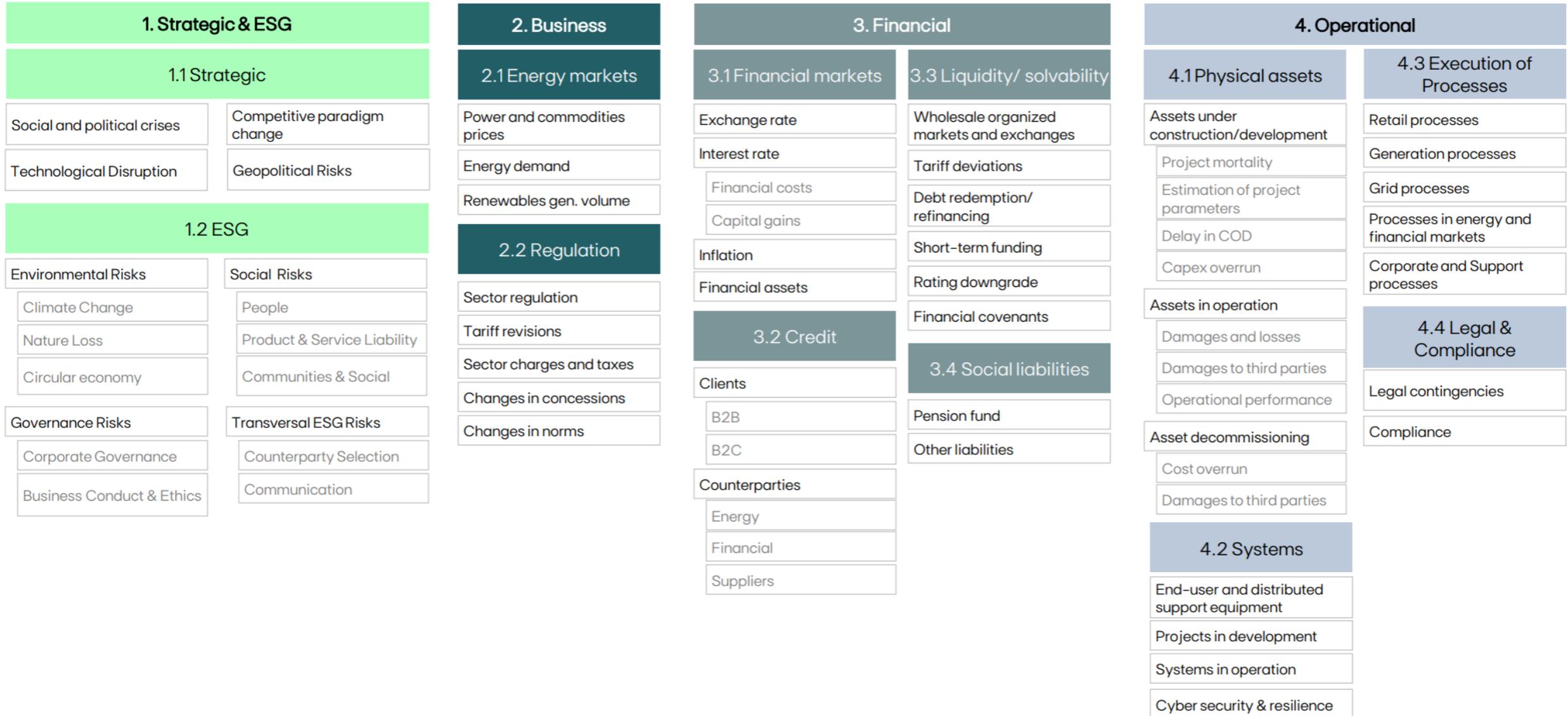
		MARKET			DEMOCRACY			SOCIAL & TERRITORIAL ENVIRONMENT				VALUE CHAIN			
		Shareholders, Investors	Financial Entities	Competition	Public Authorities and Regulation	Parliament and Political Parties	Instituições Internacionais	NGOs	Local Communities	Local Authorities	Media and Opinion Makers	Scientific Community	Customers and Representatives	Suppliers	Employees and Trade Union Representation
Direct Sources	Meetings	X			X	X	X	X	X	X	X	X	X	X	
	Surveys								X	X			X	X	
	Interviews	X				X		X	X	X	X	X	X	X	
	Foruns	X	X	X	X	X	X	X	X	X	X	X	X		
	Complaints/Claims							X	X	X			X	X	
Indirect Sources	ESG Performance Questionnaires	X													
	Public Information from Associations and Peers			X					X	X			X	X	
	Information and Reports from Trade Unions													X	
	National and International Strategies and Regulation		X		X	X	X	X			X				
	Sanctions				X				X	X			X		
	Structured Projects and Programmes							X	X	X					
	Public Studies and Reports		X				X	X							
	News and Opinion Makers							X			X				
Political Programmes					X										

03

Risk Assessment of EDP Group

Identify risks and opportunities ESG – EDP’s corporate risk taxonomy

An important step for crossing materiality matters with ESG risks



An example of application of the ESG risk process – the Climate Risk Assessment



The image features a central logo consisting of the lowercase letters 'edp' in a white, sans-serif font. This logo is set within a dark blue circular background. Surrounding this central circle are three overlapping, semi-transparent rings of different colors: a bright cyan ring, a vibrant green ring, and a purple ring. The rings overlap in a way that creates a sense of depth and movement, with the purple ring being the outermost and the cyan ring being the innermost. The overall composition is centered and balanced against a dark, almost black background.

edp