

ANNUAL REPORT OF THE GENERAL AND SUPERVISORY BOARD 2017

# THE LIVING ENERGY S BOOK by edp

We are energy in the journey we make every day. Energy that changes, reinvents itself and takes different forms.

Energy that lives within us, that is a universal language, that moves us and takes us further.

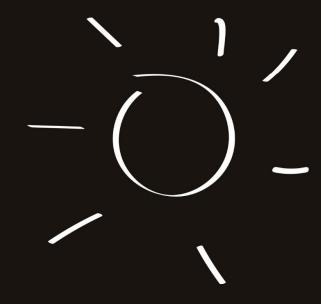
A living energy that brings us closer, that innovates and with which, together with small actions, we create change.

The energy that lives within every one of us is contagious and is everywhere, in a hug, in the lighting of a lamp, in our houses, in the streets or even across them in the sidewalks.

A living energy that together we continue to write in a book that reveals the present and which is also a building block for the future.

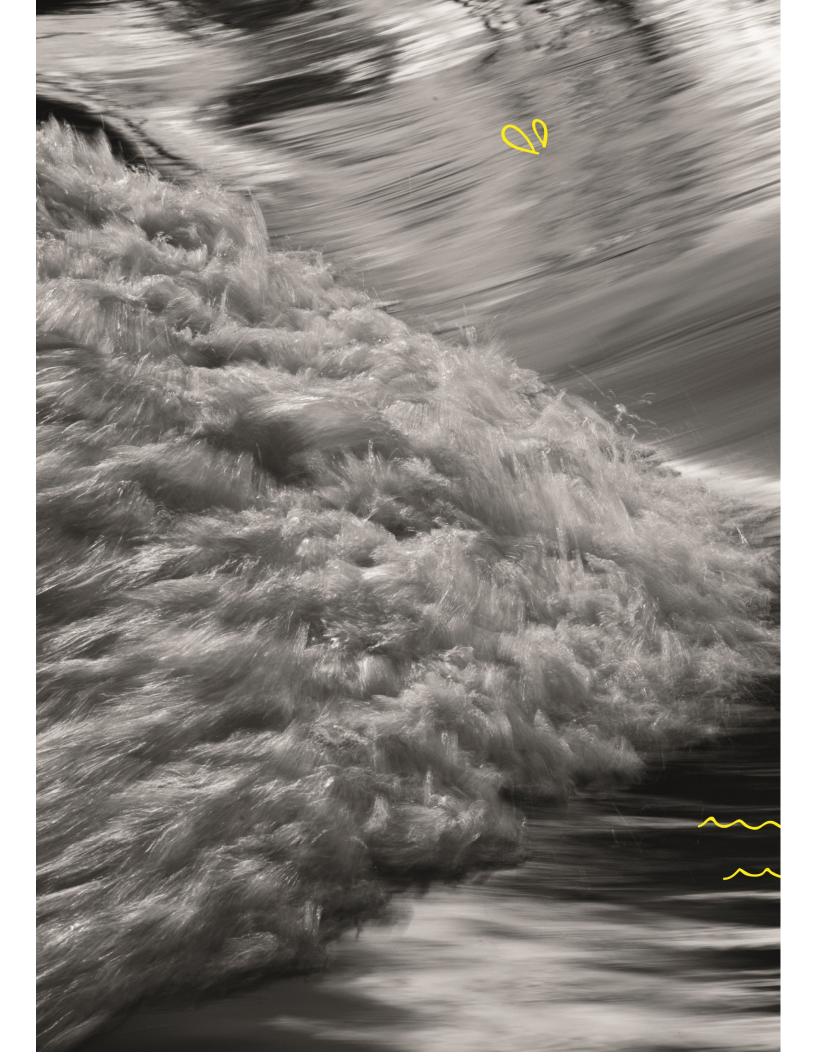
The Living Energy Book.

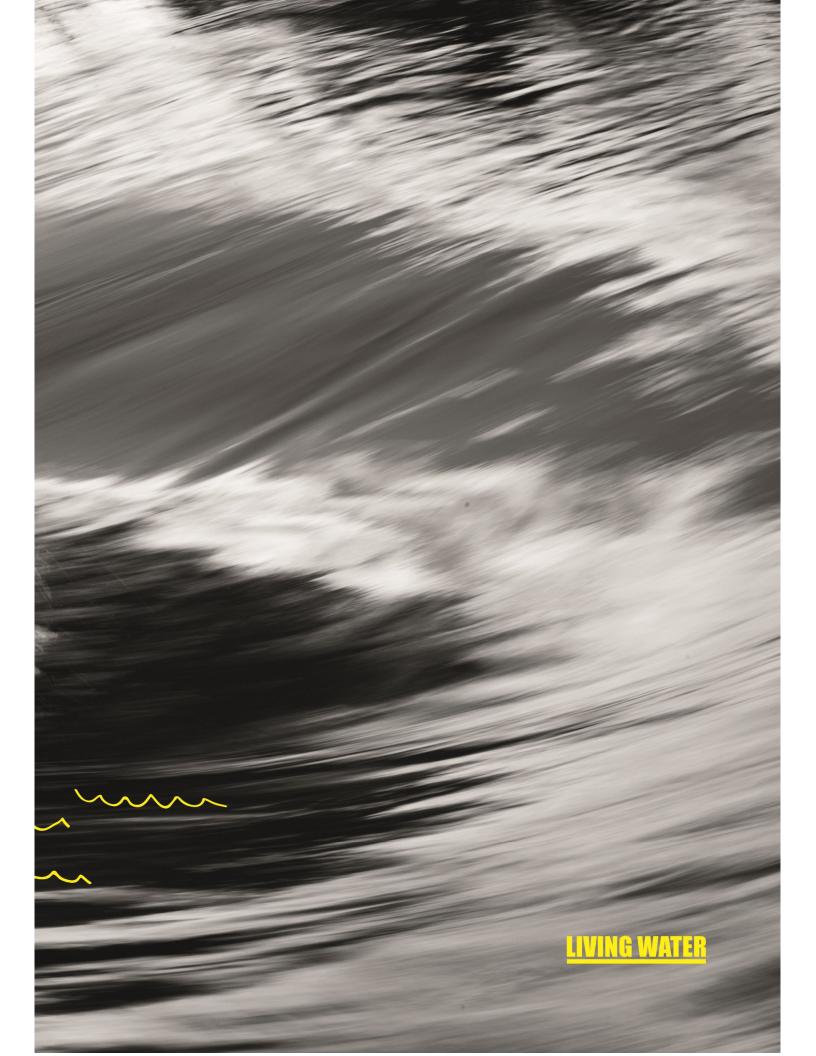
# THE LIVING ENERGY : BOOK by edp



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### 01\_GOVERNANCE MODEL

Information on the structure and practices of the corporate management bodies and the statement of compliance with the recommendations of the Corporate Governance Code currently in effect is included in the EDP 2017 Annual Report and Accounts, in the chapter "Corporate Governance". Thus, this space is dedicated to recording some generic considerations on the governance model existing at EDP, mindful of its relevance in conducting the company's activities.

Corporate governance is increasingly an area of crucial importance to organisations, and the adoption of these best practices is undeniable. And this occurs for exogenous reasons, as well as endogenous ones.

Indeed, adherence to the recommendations contained in the corporate governance codes reflects the demands of the regulators, *stakeholders* and the company in general, which consider that their adoption enables efficient management, according to the principles of social order and the evolution of the times.

Compliance with the recommendations does not end, however, with the demands of outside agents. The companies themselves should be aware of the significance of the practices of *corporate governance*, which are associated with the principles of sustainability and perpetuity and the collective interest, issues that should always guide the activity of any company.

Based on this understanding, we must leave some notes regarding EDP, a company that since a long time ago looks over corporate governance issues and that has, since 2010, a *Corporate Governance Manual*, formalising the best practices implemented, along with that provided in the Corporate Governance Code of the Companies of the Portuguese Securities Market Commission (CMVM).

The specific situation of EDP in the Portuguese context, in which it was one of the few companies that opted for the dual governance model boosted this "opening the path", since the near inexistence, prior to 2006, of a company that had, in its corporate bodies, an Executive Board of Directors and a General and Supervisory Board, led the company to find ways to allow it to fill the gap in previous situations.

These methods translated into the use of various mechanisms. Among these, there is special significance to the relationship established between the Executive Board of Directors and the General and Supervisory Board. Despite the need to adapt to the constant evolution we are witnessing these days, the sustainability, perpetuity and the pursuit of the collective interest has, since its beginning, demonstrated the dichotomy of the administrative body/supervision and counselling body at EDP.

The relationship established between these two bodies allows the provision of a body with executive functions that manages the company and a supervisory and consulting body to permanently monitor the activity of the former. And the results achieved by the company, even under adverse conditions, reflect the harmony of the split of powers in practice and, consequently, the beneficence of the solution in effect.

We believe that the equilibrium inherent in this duality is in the basis of the best practices of corporate governance, allowing the various interests in question to be duly met, considered, calculated with a view to achieving a common objective, the interests of the company, its shareholders and other *stakeholders*.

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### **02\_GENERAL AND SUPERVISORY BOARD**

### 2.1. COMPOSITION

EDP's Articles of Association provides that the General and Supervisory Board shall be composed of a number of Members not less than nine, but always higher than the number of directors and shall be composed of a majority of independent Members. Inherently, the Chairman of the General Shareholders' Meeting is also a Member of the General and Supervisory Board.

On 21 April 2015, the General Meeting elected 21 Members to the General and Supervisory Board for the three-year term 2015-2017.

Regarding 31 December 2016, the following modification occurred:

 resignation of Mr. Mohamed Ali Al Fahim (representing Senfora BV) on 31 October 2017, which was replaced, on this date, by Mr. Mohammed Issa Khalfan Alhuraimel Alshamsi.

Thus, the General and Supervisory Board consists, currently, of the following 21 members, 11 of whom have independent status:

GENERAL A	ND SUPERVISORY BOARD	INDEPENDENT MEMBERS	DATE OF INITIAL ELECTION
Chairman	China Three Gorges Corporation, represented by Eduardo de Almeida Catroga (1)		20-02-2012
Vice-Chairman	Luís Filipe Marques Amado	Independent	21-04-2015
	Banco Comercial Português, S.A., represented by Nuno Manuel da Silva Amado (2)		21-04-2015
	China International Water & Electric Corp., represented by Guojun Lu		20-02-2012
	China Three Gorges (Europe), S.A., represented by Dingming Zhang		20-02-2012
	China Three Gorges (Portugal), Sociedade Unipessoal, Lda., represented by Shengliang Wu		21-04-2015
	China Three Gorges New Energy Co. Ltd., represented by Ya Yang		20-02-2012
	DRAURSA, S.A., represented by Felipe Fernández Fernández		21-04-2015
	Fernando María Masaveu Herrero		20-02-2012
	Senfora BV, represented by Mohammed Issa Khalfan Alhuraimel Alshamsi (3)		21-04-2015
	Sonatrach, represented by Ferhat Ounoughi		12-04-2007
	Alberto Joaquim Milheiro Barbosa	Independent	21-04-2015
	António Manuel de Carvalho Ferreira Vitorino	Independent	21-04-2015
	António Sarmento Gomes Mota	Independent	15-04-2009
	Augusto Carlos Serra Ventura Mateus	Independent	06-05-2013
	Ilídio da Costa Leite de Pinho	Independent	20-02-2012
	João Carvalho das Neves	Independent	21-04-2015
	Jorge Avelino Braga de Macedo	Independent	20-02-2012
	Maria Celeste Ferreira Lopes Cardona	Independent	20-02-2012
	María del Carmen Ana Fernández Rozado	Independent	21-04-2015
	Vasco Joaquim Rocha Vieira	Independent	20-02-2012

<sup>(1)</sup>Prof. Eduardo Catroga was an independent member of the GSB during 2006-2008 and 2009-2011 mandates and independent Chairman of the GSB during 2012-2014 mandate.

In the EDP Annual Report & Accounts for 2017, there is a summary of the curriculum vitae of each member of the General and Supervisory Board, including their professional qualifications and their professional activities in, at least, the last five years.

<sup>(2)</sup> In the 2012–2014 mandate, the position was held by Nuno Manuel da Silva Amado, Chairman of BCP.

<sup>(3)</sup> In the mandates 2009-2011 and 2012-2014, the member of the GSB was the company Senfora S.à.r.l.

In the EDP Annual Report & Accounts for 2017, in accordance with applicable legal and regulatory provisions, information is also provided on the ownership by Members of the General and Supervisory Board of shares and other financial instruments related to EDP.

### 2.1.1 REGIME OF INCOMPATIBILITIES AND INDEPENDENCE

Members of the General and Supervisory Board are subject to an extensive regime of incompatibilities for the performance of their duties, both of a legal nature and a statutory nature. It should also be noted that, given the qualitative requirements of the composition of the body, the General and Supervisory Board must have a majority of Members with independent status.

In order to fulfil its commitment to the adoption of the best corporate governance practices, the General and Supervisory Board has in place a procedure to reinforce the verification of compliance with the requirements for absence of incompatibility and, where applicable, of the independence of members of the General and Supervisory Board, carried out on the basis of Members' statements of liability.

This procedure includes the following:

- Acceptance of membership of the General and Supervisory Board is made by written statment, in which the member also acknowledges:
  - Sufficient knowledge of the legal, regulatory and statutory standards applicable to his and the Company's activity;
  - Unreserved acceptance of the rules laid down in the Internal Rules of Procedure of the General and Supervisory Board;
  - The absence of any situation of legal or statutory incompatibility for the term as a Member of the General and Supervisory Board;
  - Fulfilment of the independence requirements as set out in Article 7(1) of the Internal Rules of Procedure of
    the General and Supervisory Board, in the event of being elected as an independent Member of the General
    and Supervisory Board;
  - The obligation to report to the Chairman of the General and Supervisory Board or, in the latter's case, directly to the General and Supervisory Board, any supervening event likely to create a situation of incompatibility or loss of independence.
- At the beginning of each year, Members of the General and Supervisory Board must, within 30 days, renew their statements concerning the absence of incompatibility and, if necessary, provide evidence of the independence requirements.
- Under the Internal Rules of Procedure of the General and Supervisory Board, any discovery of incompatibility implies the expiry of the mandate, and the Member should take the initiative to resign immediately from it.

Soon after their acceptance of their election, Members of the General and Supervisory Board signed a statement on the absence of incompatibilities and, where applicable, provided evidence of their independence, and this statement was renewed on 31 December 2017.

Accordingly, under the internal procedures defined, the General and Supervisory Board declares that, based on information collected for the purpose, no situation was observed:

- Of incompatibility in relation to its Members;
- Likely to affect the independence of Members who have this status.

Members' statements are available to be consulted on the EDP website (www.edp.com).

### 2.2. FUNCTIONS

In the exercise of its powers, the main mission of the General and Supervisory Board is to ensure, at all times, the monitoring, counselling and supervision of the management of EDP, and the subsidiary companies, cooperating with the Executive Board of Directors and other management and other corporate bodies, pursuant to the Law and the Company's By-Laws, in particular Article 22.

In the EDP 2017 Annual Report & Accounts, in the chapter of Corporate Governance, there is an exhaustive description of the competencies of the General and Supervisory Board, among which the following were of most relevance:

- The function of supervising the activities of the Executive Board of Directors has to be understood in the broadest sense, with Shareholders requiring that this be performed on a permanent basis pursuant to Article 22(1)(a) of the By-Laws, to ensure that all of EDP's Shareholders and stakeholders are adequately protected.
- The monitoring of management activities is not limited to EDP, but is extended to all subsidiary companies. However, bearing in mind the different dimension of these companies and their large number, the General and Supervisory Board pays particular attention to the following companies:
  - EDP Gestão da Produção de Energia, S.A.
  - EDP Distribuição Energia, S.A.
  - EDP Comercial Comercialização de Energia, S.A.
  - EDP Energias do Brasil, S. A.
  - EDP España
  - EDP Renováveis, S.A.
  - EDP Internacional, S.A.
- All materially relevant operations (strategic plan, business plan, budget, acquisitions and disposals, financing, investments/divestments, establishment or termination of strategic partnerships and transactions of particular strategic significance) are systematically scrutinised by the General and Supervisory Board, namely through the prior opinion procedure.
- Clarifying matters which, due to their nature, may have implications on the image and activity of EDP.

### 2.3. ORGANISATION AND OPERATION

The organisation of the General and Supervisory Board is in accordance with the Law and EDP's By-Laws, and also takes into account recommendations of best governance practices applicable to listed companies, with an emphasis on the Corporate Governance Code.

The General and Supervisory Board works through plenary meetings and through specialised committees, in which the General and Supervisory Board delegates the exercise of certain functions, without prejudice to maintaining responsibility for their performance, under the terms provided in Article 444 of the Commercial Companies Code.

Under the terms of EDP's Articles of Association, there shall be an ordinary Plenary session at least once each quarter. However, that number of meetings has been exceeded due to the specific requirements of the EDP Group's business dynamics. In addition, whenever the nature, importance or urgency of the issues so warrant, the General and Supervisory Board meets in extraordinary sessions.

As part of its legal and statutory powers, it is the responsibility of the Chairman of the General and Supervisory Board to organise and coordinate activities, and to represent that company body, ensuring the proper implementation of its resolutions. Given the broad composition of the General and Supervisory Board, the Chairman of the Board is also the link between the activity of the General and Supervisory Board and the Executive Board of Directors. It is the responsibility of both Chairmen to maintain direct, constant contact, whether formal or informal, to provide mutual

information about the main events related to the current management of the Company and its supervision. This contact has been a reality since the beginning of the functioning of the two boards.

In addition to the plenary meetings of the General and Supervisory Board and its Specialized Committees, and in the light of this permanent contact, the Chairman of the General and Supervisory Board selects issues for clarification with the Chairman of the Executive Board of Directors, subsequently, and whenever appropriate, informing the Members of the General and Supervisory Board.

The By-Laws gives the Chairman of the General and Supervisory Board the right to attend meetings of the Executive Board of Directors, without voting rights. The same right is granted to the Chairman of the Executive Board of Directors, whose presence at meetings of the General and Supervisory Board is provided for in the Articles of Association.

### 2.4. SPECIALIZED COMMITTEES

Given the nature and the functions assigned to it, the General and Supervisory Board has created specialized Committees for dealing with matters of particular importance, which consist exclusively of members of the Board itself.

These Committees are composed of members with appropriate qualifications, experience and availability, and their main mission is to carry out the continuous monitoring of the matters entrusted to them, in order to facilitate the analysis and decision-making processes of the General and Supervisory Board.

In the case of the Financial Matters/Audit Committee and the Remuneration Committee, they were set up in response to legal and statutory requirements. The Corporate Governance and Sustainability Committee and the Strategy and Performance Committee were created at the initiative of the General and Supervisory Board.

The General and Supervisory Board, through its Chairman, permanently monitors the activities of its Committees, which, in turn, must periodically report on their activities to the Board.

The EDP Annual Report & Accounts for 2017, in the chapter of Corporate Governance contains a description of the composition and functions delegated by the General and Supervisory Board to each of its specialized Committees. On EDP website at www.edp.com, detailed information on the Committees and their Internal Rules of Procedure is also provided. To avoid redundancies, only their missions are highlighted.

### 2.4.1 FINANCIAL MATTERS/AUDIT COMMITTEE

### **MISSION**

The Financial Matters/Audit Committee is appointed by the General and Supervisory Board under Article 23(2) of the Articles of Association, and its main mission is to monitor and supervise the following, on a permanent basis:

- Financial matters relating to the Company.
- The internal procedures for auditing and accounting practices followed by the Company and the Internal Financial Reporting Control System (SCIRF) and the compliance function, in coordination with the Internal Audit and Compliance Department.
- Matters relating to the internal financial reporting control system and risk management processes, particularly relating to their fiscal, legal and financial aspects.
- The activity and independence of the Statutory Auditor (SA) of the Company with whom it must maintain a close relationship.

### COMPOSITION

On 22 April 2015, the General and Supervisory Board established the Financial Matters/Audit Committee for the period 2015-2017, which is composed solely of independent members and since that date has had the following composition:

FINANCIAL/	AUDIT COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	António Sarmento Gomes Mota	07-05-2009*
Vice-Chairman	João Carvalho das Neves	22-04-2015
	Alberto Joaquim Milheiro Barbosa	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	María del Carmen Ana Fernández Rozado	22-04-2015

<sup>\*</sup>Appointed Chairman of the Financial Matters/Audit Committee on 22 April 2015.

### 2.4.2 REMUNERATION COMMITTEE

### **MISSION**

The Remuneration Committee is appointed by the General and Supervisory Board in accordance with the provisions of Article 27(1) of the Articles of Association and its main mission is:

- To define the policy and corporate purposes for setting the remuneration of the Chairman and of the Members of the Executive Board of Directors.
- To set the remuneration of the Chairman and the Members of the Executive Board of Directors.
- To monitor and evaluate the performance of the Chairman and of the Members of the Executive Board of Directors in order to determine the variable remuneration.
- To monitor the disclosure of external information on remuneration and remuneration policy for the Executive Board of Directors.

The Remuneration Committee is different from the Remuneration Committee elected by the General Shareholders' Meeting as the latter is responsible for setting the remuneration policy of the other corporate bodies, except for the Executive Board of Directors.

### COMPOSITION

On 22 April 2015, the General and Supervisory Board established the Remuneration Committee for the period 2015-2017, which consists mostly of independents members, and, since that date, is composed as follows:

REMUNERATION	N COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Yang Ya	21-04-2015
	Fernando María Masaveu Herrero	21-04-2015
	Ilídio da Costa Leite de Pinho	22-05-2012
	João Carvalho das Neves	21-04-2015
	Vasco Joaquim Rocha Vieira	21-04-2015

### 2.4.3 CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

### **MISSION**

The Corporate Governance and Sustainability Committee was established by the General and Supervisory Board as a specialized Committee with expertise in matters relating to:

- Corporate governance.
- The sustainability strategy.
- Internal codes of ethics and behaviour.
- The systems for the assessment and resolution of conflicts of interest, particularly with regard to the relations between the Company and Shareholders.
- Monitoring the definition of selection criteria and necessary skills for the internal bodies and structures of the Company and its Subsidiaries, as well as the assessment of their impact on their composition.
- Monitoring the preparation of succession plans.

### COMPOSITION

On 22 April 2015, the General and Supervisory Board established the Corporate Governance and Sustainability Committee for the period 2015-2017, which is composed mostly of independents, and since that date, is composed as follows:

CORPORATE G	OVERNANCE AND SUSTAINABILITY COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Luís Filipe Marques Amado	22-04-2015
	Felipe Fernández Fernández	22-04-2015
	Jorge Avelino Braga de Macedo	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	Shengliang Wu	11-05-2012

### 2.4.4 STRATEGY AND PERFORMANCE COMMITTEE

### **MISSION**

The Strategy and Performance Committee was established at the meeting of the General and Supervisory Board on 18 June 2015, as a specialized Committee with responsibility for matters relating to:

- Short, medium and long term scenarios and strategies.
- Strategic execution, business planning and respective budgets.
- Investments and divestments.
- Debt and financing.
- Strategic alliances.
- Evolution of markets and competitiveness.
- Regulation.
- Analysis of the performance of the Group and the Business Units.
- Benchmarking of the Group's performance with respect to the sector's top companies.
- Evaluation of the competitiveness of the EDP business portfolio.

### COMPOSITION

On 18 June 2015, the General and Supervisory Board established the Strategy and Performance Committee for the period 2015-2017, with the following composition:

STRATEGY A	AND PERFORMANCE COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Eduardo de Almeida Catroga	18-06-2015
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	18-06-2015
	Dingming Zhang	18-06-2015
	Ferhat Ounoughi	18-06-2015
	Fernando María Masaveu Herrero	18-06-2015
	João Carvalho das Neves	18-06-2015
	Jorge Avelino Braga de Macedo	18-06-2015
	Mohamed Ali Ismaeil Ali Al Fahim	18-06-2015
	Nuno Manuel da Silva Amado	18-06-2015
	Shengliang Wu	18-06-2015

Regarding 31 December 2016, the following modifications occurred:

- Mr. Mohamed Ali Al Fahim (representing Senfora BV) resigned and was replaced by Mr. Mohammed Issa Khalfan Alhuraimel Alshamsi.
- Mr. Nuno Manuel da Silva Amado ceased to be a member of this Committee, due to schedule unavailability.

For these reasons, at its meeting held on 2 November 2017, the General and Supervisory Board unanimously resolved to amend the composition of the Strategy and Performance Committee, which thereafter has had the following composition:

STRATEGY /	AND PERFORMANCE COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Eduardo de Almeida Catroga	18-06-2015
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	18-06-2015
	Dingming Zhang	18-06-2015
	Ferhat Ounoughi	18-06-2015
	Fernando María Masaveu Herrero	18-06-2015
	João Carvalho das Neves	18-06-2015
	Jorge Avelino Braga de Macedo	18-06-2015
	Mohammed Al-Huraimel Al-Shamsi	02-11-2017
	Shengliang Wu	18-06-2015

# O3 GENERAL AND SUPERVISORY BOARD ACTIVITY

As part of its legal and statutory powers, the General and Supervisory Board is responsible for the permanent monitoring and supervision of the activity of the management of the Company and Subsidiaries and for providing advice and assistance to the Executive Board of Directors, in particular with regard to the strategy, achievement of goals, EDP's significant activities and decisions, ranging from business and management organization models to aspects of a highly operational nature, including investment and divestment decisions and the corresponding forms of financing, as well as internal and external reporting of results.

In fact, the most visible part of the General and Supervisory Board's work is in its Plenary and specialized Committee meetings. It is, therefore, essential to carefully and judiciously select and prepare the matters to be given special consideration by the General and Supervisory Board and the specialized Committees at these meetings. In this context, this selection of matters and items plays a vital role and requires a common understanding on the implementation of the powers of the General and Supervisory Board, and this, of course, is even more effective and efficient as a result of experience gained.

### 3.1. PERMANENT ACTIVITY

In order to ensure the proper organisation and preparation of the General and Supervisory Board meetings, there is a permanent level of support activity on which they rely, which is also related to the scope of the institutional representation undertaken by the Chairman, who is employed in a full-time capacity and supported by the General and Supervisory Board's Support Office.

In this context, it is particularly important that the Chairman of the General and Supervisory Board exercise his responsibilities which, under the Internal Procedures of this Board, are as follows:

- Representing the General and Supervisory Board and being the spokesman for its decisions with the other governing hodies
- Coordinate the activities of the General and Supervisory Board and the functioning of its Committees, having the right to attend any meeting and to be kept informed of the activities carried out by them.
- Propose to the General and Supervisory Board Plenary the Members, the Chairman and, where appropriate, the Vice-Chairman of each Committee.
- Ensure that members of the General and Supervisory Board promptly receive all the information necessary for the full development of their functions.
- Control the implementation of the General and Supervisory Board budget and manage the material and human resources allocated to this body.
- Convene and chair the meetings of the General and Supervisory Board and ensure the proper execution of its resolutions.

One of the most important functions of the Chairman is the institutional representation of the General and Supervisory Board, in particular through the following actions:

- Monitoring of weekly meetings of the Executive Board of Directors, with a mechanism for making available to the Chairman of the General and Supervisory Board the respective agenda and support folder, as well as the respective minutes.
- Permanent contact between the Chairman of the General and Supervisory Board and the Chairman of the Executive Board of Directors, as well as between the Chairman of the General and Supervisory Board and the other members of the Executive Board of Directors, with several working meetings to coordinate the activity of the two bodies.
- Obtaining and processing information on the management policy, the evolution of the business, materially relevant economic operations by EDP and Subsidiaries.
- Active participation in the most significant events of EDP's institutional life, both internal and external, in particular before Public Authorities and shareholders.

At the internal level of the General and Supervisory Board's own activities, the Chairman shall coordinate the activities carried out, in particular by:

- Attendance at meetings of the Committees of which he is not a member, as well as participation in discussion of matters that will later be decided by the General and Supervisory Board.
- Analysis of information obtained from the Executive Board of Directors and other sources, as well as its dissemination by the members of the General and Supervisory Board.
- Articulation of the procedures for waiving prior opinions, as detailed in section 3.3.

During 2017, the Chairman of the General and Supervisory Board maintained his concern to involve the Members of the Board over which he chairs in its activity, as well as to improve the selection of topics that deserve specific clarification by the Executive Board of Directors. In addition to the information provided in the Committees and meetings of the General and Supervisory Board, the following were of note:

- The General and Supervisory Board Special Reports, internal and/or external structural studies on topics of strategic interest.
- The General and Supervisory Board Newsletters, with relevant current external information.
- The General and Supervisory Board Macroeconomic Overview, with information on the macroeconomic outlook of the countries in which EDP operates.

### 3.2. ACTIVITY OF PLENARY MEETING

Overall, the General and Supervisory Board and its specialized Committees held 40 meetings in 2017, with an average participation of 90% of its Members.

During 2017, the plenary of the General and Supervisory Board held 11 meetings with an average participation of 87% of its members and issued 21 opinions and preliminary opinions. These opinions are supplemented by 11 waivers of prior opinions, as provided in the regulations, according to which the General and Supervisory Board may establish timely mechanisms for issuing or waiving prior opinions in cases of exceptional urgency or when warranted by the nature of the matter.

With regard to the Budget of the General and Supervisory Board for 2017, which was approved on 15 December 2016, information on its implementation is provided in paragraph 3.6.

	2017	2016	VARIATION
Plenary meetings planned (no.)	8	8	-
Plenary meetings held (no.)	11	9	22%
Attendance of Members in Plenary meetings (%)	87	81	6рр
Committee meetings planned (no.)	29	28	4%
Committee meetings held (no.)	29	27	7%
Member attendance of Committee meetings (%)	91	91	-
Attendance of the EBD Chairman at plenary meetings (%)	100	100	-
Opinions and prior opinions (no.)	21	25	-16%
Waivers of prior opinion (no.)	11	11	-
Training initiatives/workshops (no.)	1	2	-50%

### Chart of meetings and attendance in 2017:

NAME	09-Feb	02-Mar	27-Mar	20-Apr	03-May	05-Jun	27-Jul	28-Sep	23-0ct	02-Nov	14-Dec	%
	P	P	P	P	Р	Р	P	P	P	Р	P	100
Eduardo Almeida Catroga - Chairman	P P	P P	P P	P P	P P	P P	•	P P	P P	P	P P	100
Luís Filipe Marques Amado - Vice-Chairman							P					
Alberto Joaquim Milheiro Barbosa	P	P	P	P	P	P	P	P	P	P	P	100
António Manuel de Carvalho Ferreira Vitorino	P -	P	R	P	P	P	P -	A	P	P	Р -	82
António Sarmento Gomes Mota	P	P	R	R	P	P	P	P	P	P	Р -	82
Augusto Carlos Serra Ventura Mateus	Р	Р	Р	Р	Р	Р	Р	Α	Р	Р	Р	91
Dingming Zhang	Α	Р	R	R	Р	Р	R	R	Р	R	Р	45
Felipe Fernández Fernández	Р	Р	Р	R	Р	Р	Р	Р	Р	Р	Р	91
Ferhat Ounoughi	Р	P	R	Α	Α	Α	P	Α	Р	Α	Р	45
Fernando María Masaveu Herrero	Р	Р	Р	Р	Р	R	P	P	P	P	R	82
Guojun Lu	Α	R	Р	R	Р	Р	R	Р	Р	R	R	45
Ilídio da Costa Leite de Pinho	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
João Carvalho das Neves	Р	P	Р	Р	Р	Р	Р	Α	Р	P	Р	91
Jorge Avelino Braga de Macedo	Р	P	R	Р	Р	Р	Р	Р	P	P	Р	91
Maria Celeste Ferreira Lopes Cardona	Р	P	Р	Р	R	Р	Р	Р	Р	P	Р	91
María del Carmen Ana Fernandez Rozado	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
Mohamed Ali Ismaeli Ali Al Fahim	Р	Р	Р	Р	Р	Р	Р	Р	Р	-	-	100
Mohammed Al-Huraimel Al-Shamsi	-	-	-	-	-	-	-	-	-	Р	Р	100
Nuno Manuel da Silva Amado	Р	Р	Р	Р	Р	Р	Р	Α	Р	Р	Р	91
Shengliang Wu	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
Vasco Joaquim Rocha Vieira	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
Ya Yang	R	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	91

P = Present; A = Absent; R = Represented Total from 2017 meetings: 11 Average participation: 87%

Planning the activity of the General and Supervisory Board takes on special importance, and it is essential to carefully and judiciously select and prepare the matters to be given special consideration by the body. As in previous years, the work of the General and Supervisory Board and of its specialized Committees was organised and structuredand priorities and goals were set to be achieved in the context of that activity, the following being pointed out:

- Improvement of the General and Supervisory Board's recurrent operational activity, namely with respect to issuing
  opinions and prior opinions.
- Improvement in monitoring Subsidiaries, of EDP's competitive position and development of strategic partnerships.
- Consolidation of the supervision and monitoring of the EDP Group's activities, structured from a preliminary selection according to the relative importance of the topics identified in terms of the sustainable development of EDP.
- Improvement in the efficacy and efficiency of the General and Supervisory Board own activity.

The exercise of these duties requires that the General and Supervisory Board, directly or through its Chairman, its specialized Committees and the Support Office, have the means for monitoring the operation of the business structures and the key activities of the EDP Group, and have a reasonable up-to-date overall knowledge of the Group's reality and of the markets and sectors in which it operates.

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The outcome of direct or indirect action is expressed in the adoption of certain documents, the issuing of opinions and prior opinions or the formulation of recommendations, resolved in meetings on the basis of documents prepared specifically for this purpose.

In the following paragraphs, a summary is presented of the activities defined for the General and Supervisory Board and its specialized Committees, grouped according to their nature:

- Recurring: geared to the fulfilment of responsibilities of a deliberative nature, for example those related to the issue of opinions and prior opinions, and a non-deliberative nature such as the monitoring of specific areas of regulation, corporate governance or the performance of the Group's companies.
- Non-recurring: mainly aimed at deepening the General and Supervisory Board Members' knowledge of EDP Group's situation, the industry and the markets in which it operates.

The General and Supervisory Board has sought in its annual reports to describe in general the activity carried out, as well as emphasize some topics that deserve special attention in the financial year under analysis.

In 2017, recurrent activities of a deliberative nature include, in particular, those relating to:

- EDP 2016 Annual Report & Accounts
- 2017 EDP Interim Financial information
- Preparation of the 2017 General Shareholders' Meeting
- EDP's Budget for 2018
- Sale to CTG of 49% of the share capital of EDP R PT Pargues Eólicos, S.A.
- Selection process for the Statutory Auditor Three-year period 2018-2020
- Internal bodies of Fundação EDP
- Sale of EDP Gás
- Sale of Naturgas
- Buy-Back of EDP Renováveis
- Participation of EDP Energias do Brasil in Transmission Auction
- EDP Renováveis participation in the Offshore UK auction
- Eurobond Issue and Bond Repurchases (notes)
- Securitisation of receivables related to the Tariff Deficit
- Investments in wind and solar farms
- Selection Policy for members of the General and Supervisory Board and the Executive Board of Directors

Paragraph 3.3. of this report describes in an individual way, the opinions and prior opinions issued by the General and Supervisory Board during 2017 exercise.

Recurrent activities of a non-deliberative nature include, in particular, those relating to the monitoring of:

- · Activity of the subsidiary Companies
- Process of Renewal of SLV Concession in Portugal
- Development of the "Solar" strategy of EDP Renováveis
- Development of Group's investment projects
- Development of strategic partnerships
- Implementation of the EDP 2017 Budget
- Evolution of the regulatory topics in countries in which the Group operates
- European energy policy.

Non-recurrent activities include, in particular, the following initiatives promoted by the General and Supervisory Board, whose main aim was to deepen the General and Supervisory Board Members' knowledge of the EDP Group and the sector in which it operates:

- European Commission Winter Package "Clean Energy for All Europeans"
- Holding a workshop on "Main Enterprise Risk Management trends"
- Development of the digital transformation process.

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During 2017, the General and Supervisory Board met in 11 plenary sessions, to discuss, on average, 6 topics per meeting, the most important of which were the following:

No	DATE	LOCATIO N	MAIN TOPICS
1	9 Feb	Lisbon	Sale to CTG of 49% of the share capital of EDPR PT - Parques Eólicos, S.A. Selection process for the Statutory Auditor - Three-year period 2018-2020 Renewal of the SLV concessions in Portugal - Situation report European Commission Winter Package - "Clean Energy for all Europeans" Muxía investment project - Waiver of prior opinion Participation in BCP - Status report GSB and Specialist Committees meeting calendar for 2017 - Adjustment
2	2 Mar	Lisbon	2016 Annual Report & Accounts for the EDP Group Internal bodies of the EDP Foundation Opinion on evaluation of the EBD 2016 Opinion on evaluation of the GSB 2016 GSC Annual Report 2016 Development of EDP's digital transformation process - EDP Digital
3	27 Mar	Lisbon	Discovery Project Vintage project
4	20 Apr	Lisbon	Participation of EDP Energias do Brasil in a Transmission Auction Main Enterprise Risk Management trends Solar strategy – Status report Pine Gate Renewables Solar Portfolio I investment project – Waiver of prior opinion Bright Stalk investment project - Waiver of prior opinion Assignment of SRP 2015 and SRP 2017 extra cost deficit - waiver of prior opinion Discovery Project – Status report Discovery Project: Contracting of credit facility (Stand-by Credit Facility) - Waiver of prior opinion Vintage project - Update
5	3 May	Lisbon	1Q2017 Interim Report of the EDP Group  MORL – EDP Renováveis participation in the Offshore UK auction  Acquisition of the Hog Creek wind power project  Investment projects - Status report
6	5 Jun	Lisbon	Termination process of Contracts for the Acquisition of Energy and transition to Costs of Maintaining Contractual Balance (CMEC)
7	27 Jul	Lisbon	Interim Report the EDP Group 1st half of 2017  Meadow Lake VI 200 MW - Investment in wind farm  Selection Policy for members of the General and Supervisory Board and the Executive Board of Directors  Discovery Project and Vintage Project - Status report  Project Labrador: Acquisition of minority stake in CELESC - Waiver of prior opinion  USD Bond Issue - Waiver of prior opinion  Sale of the interest held by EDP in REN - Waiver of prior opinion  Signing of Memorandum of Understanding between EDP and CTG under the strategic partnership established between the parties - Waiver of prior opinion  Regulatory agenda
8	28 Sep	Lisbon	Status Report on pending issues in the Portuguese regulatory system
9	23 Oct	Beijing	Proposal of the Regulator "Tariffs and Prices for Electric Energy and Other Services in 2018"  Implications of the draft State Budget for 2018 and other regulatory and fiscal developments in Portugal Strategic Partnerships - Status report Developments in European energy policy
10	2 Nov	Lisbon	9M2017 Interim Report EDP Renováveis: asset rotation policy Project Moran PRE 2017 Securitisation (Round V) Eurobond Issue Extension of the term and review of conditions of the Revolving Credit Facility - Waiver of prior opinion Investment projects - Status report Change in the composition of the Strategy and Performance Committee Capital Group Letter EDP Budget 2018 Solar and wind auction - EDP Renováveis Basil

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No	DATE	LOCATIO N	MAIN TOPICS
11	14 Dec	Lisbon	Distribution and Transmission Projects in Brazil Reply to the letter from Capital Group
			GSB and Specialist Committees business plan for 2018 Purchase of EDP bonds - Waiver of prior opinion

### 3.3. ISSUANCE OF OPINIONS AND PRIOR OPINIONS

According to the provisions of Article 22(1)(b) of the EDP's By-Laws, it is the responsibility of the General and Supervisory Board to issue an opinion on the Annual Report & Accounts. Therefore, following preliminary meetings leading to the preliminary assessment of the accounts for the year 2016 and the accounts for the first quarter, second half and first nine months of 2017, in collaboration with the Audit Committee/Financial Matters Committee, the Corporate Governance and Sustainability Committee, the Strategy and Performance Committee, the Executive Board of Directors, the Officers of the relevant Corporate Centres and the External Auditor, the General and Supervisory Board issued a favourable opinion on the accounts for the EDP Group.

At the same time, it is important to highlight Article 17(2) of the EDP's Articles of Association, that defines a number of matters subject to the prior opinin of the General and Supervisory Board, which has the power to set the parameters for measuring the economic or strategic value of the operations that must be submitted for its opinion.

Matters subject to the prior opinion of the General and Supervisory Board are as follows:

- The adoption of the Company's Strategic Plan.
- The performance by the Company or subsidiary Companies of the following:
  - Acquisitions and disposals of assets, rights or shareholdings of significant economic value;
  - Contracting financing operations of significant value;
  - Opening or closing of establishments or important parts of establishments and major activity expansion or downsizing;
  - · Other business or operations of significant economic or strategic value;
  - Establishment or termination of strategic partnerships or other forms of lasting cooperation;
  - · Splitting, merging or transformation projects;
  - Amendments to the Articles of Association, including any change of headquarters or capital increase, when they are the initiative of the Executive Board of Directors.

On 18 June 2015, the General and Supervisory Board approved a set of rules for the issuing and waiver of prior opinions. These rules seek to ensure the effective exercise of the statutory powers of the General and Supervisory Board and the Executive Board of Directors, in order to promote the pursuit of the interests of the Company. In general terms, the mechanism created by the General and Supervisory Board has the following characteristics:

- Any legal operations and transactions carried out within the activities undertaken that comply with a set of
  predefined criteria, particularly in terms of their material relevance, are subject to the prior opinion of the General
  and Supervisory Board.
- In cases of exceptional urgency or where the nature of the matter so warrants it, upon written justified request addressed to the General and Supervisory Board, the Executive Board of Directors may request a waiver of prior opinion from the General and Supervisory Board, a request that will be decided by the Chairman of the General and Supervisory Board, after prior consultation with at least two Members of the General and Supervisory Board (generally with the status of independents).
- Definition of the specific reporting requirements for the implementation of operations for which prior opinion is waived.

Note that the General and Supervisory Board intervened in 32 operations, covering the issuing of an opinion, the issuing of a prior opinion at a meeting and the waiver of prior opinion.

### 3.3.1 OPINIONS AND PRELIMINARY OPINIONS IN MEETINGS

During the 2017 financial year, the General and Supervisory Board was requested to give opinions and prior opinions 21 times, and all requests were given a favourable opinion:

### **ISSUANCE OF OPINIONS AND PRELIMINARY OPINIONS**

DATE	SUBJECT
09 Feb	Sale to CTG of 49% of the share capital of EDPR PT - Parques Eólicos, S.A.
02-Mar	2016 EDP Annual Report & Accounts (issuance of opinion)
27-Mar	Disinvestment in Naturgas
27-Mar	Buy-Back of EDP Renováveis
27-Mar	Sale of EDP Gás
20-Apr	Participation of EDP Energias do Brasil in a Transmission Auction
03-May	EDP Group Interim Financial Reporting 1Q2017 (issuance of opinion)
03-May	EDP Renováveis participation in the Offshore UK auction with the MORL project
03-May	Acquisition by EDP Renováveis of the Hog Creek wind farm project
27-Jul	EDP Group Interim Financial Reporting 1st half of 2017 (issuance of opinion)
27-Jul	Investment in the Meadow Lake VI project
27-Jul	Acquisition by EDP Energias do Brasil of a stake in the share capital of CELESC
02-Nov	EDP Group Interim Financial Reporting 9M2017 (issuance of opinion)
02-Nov	EDP Renováveis: principles inherent to changing the strategy of asset rotation
02-Nov	Investment in the Moran Project
02-Nov	Securitisation of receivables to Tagus
02-Nov	Eurobond Issue
14-Dec	EDP Group budget for 2018
14-Dec	Participation by EDP Renováveis in the A-4 and A-6 auctions in Brazil
14-Dec	Participation of EDP Energias do Brasil in Transmission Auction
14-Dec	Signing a purchase and sale agreement between EDP Energias do Brasil and Angra

Information regarding the transactions identified above which, under the current legal framework, should be disclosed to the market, is available at EDP's website (www.edp.com) and at CMVM's website (www.cmvm.pt).

### **VALUATION OF OPERATIONS\***

Maximum value (M Euros)	2 590
Average value (M Euros)	722

<sup>\*</sup>Only includes quantifiable operations

### 3.3.2 WAIVER OF PRIOR OPINION

In 2017, the waiver of prior opinion mechanism was used by the Executive Board of Directors in 11 cases, and the requests for a waiver of prior opinion, after checking the procedures involved, were granted:

### **PRELIMINARY OPINION WAIVER**

DATE	SUBJECT
06-Jan	Muxía investment project
21-Mar	Assignment of SRP 2015 and SRP 2017 extra cost deficit
23-Mar	Bright Stalk Investment Project
31-Mar	Pine Gate Renewables Solar Portfolio I investment project
12-Apr	Discovery Project: Contracting of credit facility (Stand-by Credit Facility)
12 June	Labrador Project: Acquisition of minority stake in CELESC
12 June	Issuance of USD Bond
23 June	Sale of the share held by EDP in REN
06-Jul	Signing of Memorandum of Understanding between EDP and CTG under the strategic partnership established between the parties
18 Oct	Extension of the term and review of conditions of the Revolving Credit Facility
28-Nov	Acquisition of EDP Bonds

Information regarding the transactions identified above which, under the current legal framework, should be disclosed to the market, is available at EDP's website (www.edp.com) and at CMVM' website (www.cmvm.pt).

### **VALUATION OF OPERATIONS\***

Maximum value (M Euros)	3 300
Average value (M Euros)	738

<sup>\*</sup>Only includes quantifiable operations

### 3.4 CONFLICTS OF INTEREST

There are several different aspects related to the issue of conflicts of interests in terms of corporate governance practices, which are treated separately in the following sub-items:

### 3.4.1 Conflicts of interests related to transactions between related parties.

In accordance with Article 22 (1)(i) of EDP's By-Laws, the General and Supervisory Board is responsible for "monitoring and assessing issues related to the evaluation and resolution of conflicts of interests, including those concerning the Company's relations with its Shareholders and for issuing opinions on such matters". Responsibility for this task was delegated in the Corporate Governance and Sustainability Committee.

On July 29, 2010, the General and Supervisory Board approved the first version of the "Regulations on conflicts of interests", which was revised during 2015, and a new version was approved on October 29, 2015 (Regulation) available on the EDP's website (www.edp.com). In summary and in terms of reporting requirements, provided for in the aforementioned Regulation, the following applies:

- The Executive Board shall inform the Corporate Governance and Sustainability Committee as to any operations with potential conflicts of interests, within 20 days subsequent to the end of each quarter.
- Within the same period, the Executive Board of Directors must identify those Shareholders holding the minimum qualified investment of 2% in EDP or in its controlled companies, calculated in accordance with Article 20 of the Securities Code, which during the period under review:
  - Are EDP's creditors of at least 5% of its liabilities.
  - Are customers representing at least 1% of total turnover or who have produced income of at least 5 million
  - Are suppliers representing at least 1% of the total value of external supplies and services or from whom services worth at least 5 million Euros were acquired.
- The Executive Board of Directors shall provide information on contracts and trade relations established between EDP and its subsidiaries.

The Regulation establishes the parameters for the requirement and procedure of the prior opinion related to conflicts of interests (not to be confused with the procedure for the prior favourable opinion of the General and Supervisory Board detailed in paragraph 3.3).

Under the rules applicable to EDP regarding significant transactions between related parties, the General and Supervisory Board examined the 17 cases of transactions undertaken with Shareholders with qualifying holdings in EDP, submitted to it by the Executive Board of Directors during 2017, under Section 5.1 of the Regulation and concluded that, during that year, there was no evidence of:

- Transactions between related parties that have materially affected the financial position of EDP or its performance.
- Transactions between EDP and its related parties that need to be reported in the management report, given their materiality or because they were not performed under normal market conditions.

 Potential conflicts of interests underlying the transactions identified by the Executive Board having been resolved in a manner contrary to the interests of the Company.

### 3.4.2 PREVENTION OF CONFLICTS OF INTERESTS IN THE MEETINGS OF THE GENERAL AND SUPERVISORY BOARD

Due to its nature and composition, the General and Supervisory Board has resolved and prevented possible and potential conflicts of interests that could be identified from its activities, particularly when asked to rule on matters that involve EDP Shareholders as counterparties, with representatives of this body.

In all situations where potential conflicts of interests were identified, the Members involved took the initiative to refer the situation and abstained from participating in the discussions and the voting.

For legal transactions or situations between related parties that are likely to cause a conflict of interest between those involved that will have an impact on the interests of EDP, the Executive Board of Directors has to request the prior opinion of the General and Supervisory Board or its waiver, and also has to provide the following information:

- A brief description of the operations and obligations assumed by the parties.
- a description of the procedures adopted for selecting the counterparty, particularly if the operation was based on a tender/consultation or limited tendering procedure.
- In the case of a limited tendering procedure, the reasons for such decision and the measures adopted to mitigate any risks from potential conflicts of interests.
- In the case of a tender/consultation, reference to the type of contact established with potential stakeholders and identify such.
- In the event competitive offers existed, information on the terms of the different proposals and the reason for the choice made.
- Identification of the parameters to measure the operation performed under "normal market conditions for similar transactions".
- Measures taken to prevent or resolve potential conflicts of interests.
- Evidence, if applicable, of the multiannual nature of the operation, in which case the starting date of the selected tender/contract should be reported together with the date on which the supplies and/or services provided shall be provided or carried out.

With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, these should be subject to a prior opinion from the General and Supervisory Board:

- If the Corporate Governance and Sustainability Committee can meet before the General and Supervisory Board meeting, an opinion from this Committee should be requested, which should be presented to the General and Supervisory Board for decision making purposes.
- If it is not possible for the Corporate Governance and Sustainability Committee to meet, the assessment of potential conflicts of interest must be made directly by the General and Supervisory Board.

With respect to legal business or cases that exist between related parties that are likely to give rise to a conflict of interests between those involved, which could impact the interests of EDP, which are subject to a request for waiver of prior opinion from the General and Supervisory Board, at least, three Members of the Corporate Governance and Sustainability Committee should be consulted, and the majority have to be independent.

When considering the request of the Executive Board of Directors, in the event of a request for waiver of prior opinion, the Corporate Governance and Sustainability Committee, the General and Supervisory Board or the Chairman of this

Board, may recommend to the Executive Board of Directors that appropriate measures must be taken to address the potential conflict of interest.

### 3.4.3. SIGNIFICANT TRADE RELATIONSHIPS BETWEEN THE HOLDERS OF QUALIFYING HOLDINGS AND THE COMPANY

Whilst undertaking its activities, irrespective of relevance, EDP enters into business transactions and operations under normal market conditions for similar transactions with various entities, particularly with financial institutions, which include shareholders with qualifying holdings in EDP and related companies.

Thus, with reference to the year 2017, the following operations between the EDP Group and entities with qualifying holdings in EDP's share capital must be pointed out:

- As part of the strategic partnership between EDP and CTG in December 2011, it was concluded the sale, by EDP
  Renováveis, of 49% of the share capital and shareholder loans related to a wind energy portfolio of 422 MW located
  in Portugal, to ACE Portugal Sàrl, which is 100% owned by ACE Investment Fund II LP, entity participated of China
  Three Gorges Hong Kong Ltd ("CTG HK"), a fully-owned subsidiary of CTG, for a final consideration of €248 million.
- BCP bank provided EDP Group with financial intermediary services, having integrated, notably, the syndicate of banks which acted as Joint Bookrunners for the issue of bonds, in January 2017. Also in 2017, BCP was one of the twenty-two banks that participated on the € 3 300 million revolving credit facility. Likewise, in 2017, it was sold to BCP, through an assignment without recourse transaction, a part of the extra-cost deficit of Special Regime Production 2017, in the amount of, approximately, € 100 million.
- Sonatrach provided natural gas to EDP Group under long-term supply contracts, and the amount of, approximately,
   € 145.5 million was paid.
- EDP Group provided electricity and gas services to Cementos Tutela Veguín and other companies incorporated in the Masaveu Group in the approximate amount of € 22,5 million (Cementos Tutela Veguín is a subsidiary of Corporación Masaveu which, in turn, holds 55.9% of Oppidum Capital, SL. Oppidum Capital holds a 7.19% stake in EDP).
- EDP Group provided electricity and gas services to Liberbank and related companies amounting to approximately € 5.9 million (Liberbank holds 44.1% of Oppidum Capital, SL. Oppidum Capital holds a 7.19% stake in EDP).

### 3.5. ACTIVITY OF SPECIALIZED COMMITTEES

### 3.5.1 FINANCIAL MATTERS/AUDIT COMMITTEE

No	DATE	LOCATIO N	MAIN TOPICS
1	19 Jan	Lisbon	IAD Activities Report for 2016; Self-Evaluation Report 2016; Business Plan for 2017 EBD/MCD - Scorecard for EDP Group in November 2016
2	02 Feb	Lisbon	SA - Report of conclusions on the impairment tests of the assets of the EDP: financial year 2016 EBD/DCCF - Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA FMC - Reports of Self-evaluation, Activities and Communication of Irregularities regarding 2016; Proposal for selecting the SA for the EDP Group for 2018/2020
3	23 Feb	Lisbon	SA - Report of conclusions on the financial statements and the evaluation of the Financial Reporting Internal Control System (FRICS) of EDP and EDP Finance BV, for 2016 AUDIT COMMITTEES OF EDP ENERGIAS DO BRASIL and EDP RENOVÁVEIS - Opinion on the respective annual reports for 2016 EBD/DCCF - Financial reporting of the EDP Group and EDP Finance BV: financial year 2016; Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA EBD/MCD - Results, Financial Statements and Scorecard for the EDP Group, for financial year 2016 EBD/SGAJ - Report of "Pending Litigations" and Other Contingencies in the EDP Group: financial year 2016
4	02 Mar	Lisbon	SA - Statutory Audit and Opinion on the on the Annual Report of EDP and EDP Finance BV: financial year 2016; Independent Evaluation Reports of the FRICS and Sustainability Information: financial year 2016 FMC - Opinions on the Annual Report of EDP and EDP Finance BV and on the evaluation of the FRICS and the risk management system - financial year 2016; Opinion on the activity and independence of the SAC, in financial year 2016
			SA - Work plan for Auditing and Statutory Audit of Accounts for the financial year 2017; Proposed fees for 2017

No	DATE	LOCATIO N	MAIN TOPICS
5	06 Apr	Lisbon	EBD/CA EDP Soluções Comerciais – Customer debt of EDP Portugal, EDP Espanha and EDP Brasil EBD/DCCF - Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA
6	27 Apr	Lisbon	SA - Report on the conclusions of the interim financial statements of the EDP Group and EDP Finance BV: 1st quarter of 2017 AUDIT COMMITTEES OF EDP ENERGIAS DO BRASIL and EDP RENOVÁVEIS Opinion on the interim financial information of the companies: 1st quarter of 2017 EBD/DCCF - Interim financial reporting of the EDP Group and EDP Finance BV: 1st quarter of 2017; Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA
7	03 May	Lisbon	EBD/MCD – Results, Financial statements and Scorecard for the EDP Group, for the 1st quarter of 2017 SA - Limited Review Report on the Interim Financial Information of the EDP Group: 1st quarter of 2017 FMC - Opinion on the Interim Financial Information of the EDP Group: 1st quarter of 2017
8	08 Jun	Lisbon	IAD - Activities Report for the period: Monitoring of the Audit Plan for 2017 and the issued recommendations EBD/FND - EDP Group Financial Policy and status report on the Pension Fund EBD/DCCF - Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA
9	24 Jul	Lisbon	SA - Report on the conclusions of the interim financial statements of the EDP Group and EDP Finance BV: 1st half of 2017  AUDIT COMMITTEES OF EDP ENERGIAS DO BRASIL and EDP RENOVÁVEIS Opinion on the interim financial information of the companies: 1st half of 2017  EBD/DCCF - Interim financial reporting of the EDP Group and EDP Finance BV: 1st half of 2017; Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA EBD/SGAJ - Report of "Pending Litigations" and Other Contingencies in the EDP Group-1st half of 2017 EBD/MCD - Results, Financial statements and Scorecard for the EDP Group, for the 1st half of 2017 FMC- Activity Report and Irregularity Communication for the 1st half of 2017
10	27 Jul	Lisbon	SA - Limited Review Report on the Interim Financial Information of the EDP Group: 1st half of 2017  FMC - Opinion on the Interim Financial Information of the EDP Group: 1st half of 2017
11	11 and 12 Sept	Lisbon	6th MEETING OF THE EDP GROUP AUDIT COMMITTEES – EDP FMC; CAUD EDP Renováveis and CAUD EDP Brasil:  Cybersecurity in the energy sector and information security in the EDP Group Risk management within the EDP Group  Impacts of the audit reform on the activity of the auditing committees of the EDP Group Impacts of the new data protection regulation on the EDP Group EBD/DCCF - Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA
12	30 Oct	Lisbon	SA - Report on the conclusions of the interim financial statements of the EDP Group and EDP Finance BV: 3rd quarter of 2017 AUDIT COMMITTEES OF EDP ENERGIAS DO BRASIL and EDP RENOVÁVEIS Opinion on the interim financial information of the companies: 3rd quarter of 2017 EBD/DCCF - Interim financial reporting of the EDP Group and EDP Finance BV: 3rd quarter of 2017; Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA EBD/DCG - Results, Financial statements and Scorecard of the EDP Group, for the 3rd quarter of 2017
13	02 Nov	Lisbon	SA - Limited Review Report on the Interim Financial Information of the EDP Group: 3rd quarter of 2017  FMC - Opinion on the Interim Financial Information of the EDP Group: 3rd quarter of 2017
14	13 Dec	Lisbon	IAD - Activities Report for the period: Monitoring of the Audit Plan for 2017 and the issued recommendations; Proposed activity plan for 2018 EBD/RMD - Activity Report for the period and articulation with other areas of EDP in mapping, control, management and risk mitigation; Activity plan for 2018 EBD/DCCF - Requests for approval of auditing and non-auditing services to be provided by the EDP Group's SA FMC - 2018 Committee Activities Plan

### 3.5.2 REMUNERATION COMMITTEE

No	DATE	LOCATIO N	MAIN TOPICS
1	2 Mar	Lisbon	Annual statement on the EBD Member Remuneration Policy Activity Report 2016
2	20 Apr	Lisbon	Variable annual and multi-annual remuneration of EBD Members for 2016

### 3.5.3 CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

No	DATE	LOCATION	MAIN TOPICS
1	1 Mar	Lisbon	GCSC's 2016 Activity Report Conflict of interests and related parties: Assessment of 4Q2016 information EDP 2016 Corporate Governance Manual Ethics and Conduct: Consideration of the opinions issued by the Ethics Committee in 4Q2016

No	DATE	LOCATION	MAIN TOPICS
			DJSI Performance of EDP 2016 - Corporate Governance
2	2 May	Lisbon	Conflict of interests and related parties: Assessment of 1Q2017 information Annual Report of the Ethics Ombudsman 2016 Annual Report of the Customer Ombudsman 2016
3	22 May	Lisbon	Selection Policy for members of the General and Supervisory Board and the Executive Board of Directors
4	26 Jul	Lisbon	Conflict of interests and related parties: Assessment of 2Q2017 information Ethics and Conduct: Consideration of the opinions issued by the Ethics Committee in 2Q2017 1st half of 2017 CGSC's Activity Report
5	31 Oct	Lisbon	Conflict of interests and related parties: Assessment of 3Q2017 information Ethics and Conduct:  - Consideration of the opinions issued by the Ethics Committee in 3Q2016  - Composition of the Ethics Committee- alteration  - Regulations of EDP Code of Ethics - Revision Succession plans: Top Management Succession Sustainability;  - Analysis of results of the Dow Jones Sustainability Index
6	13 Dec	Lisbon	GCSC - 2018 Activity Plan Ethics Consideration of the opinions issued by the Ethics Committee Sustainability; Strategic agenda on Sustainability and Monitoring the contribution of EDP to the UN Sustainable Development objectives

### 3.5.4 STRATEGY AND PERFORMANCE COMMITTEE

No	DATE	LOCATION	MAIN TOPICS
1	8 Feb	Lisbon	Strategic Plan 2016-2020 – Marketing activities in the EDP Group (Portugal, Spain, Brazil)
1	о гер	LISDON	Strategic Plan 2016-2020 – EDP Valor
			Performance of EDP Group's main Business Units in 2016
2	1 Mar	Lisbon	Profitability by geography and unit of EDP Group's Business units (2012-2016)
			Performance of EDP share price in 2016
3	19 Apr	Lisbon	Strategic Plan 2016-2020 – Electricity Distribution Networks in the EDP Group (Portugal, Spain and Brazil)
3	15 Api		Strategic Plan 2016-2020 – EDP Produção
4	2 Mav	Lisbon	Performance of EDP Group's main Business Units in 1Q2017
	Z May		Relative competitiveness of EDP Group (2012-2016)
			Performance of EDP Group's main Business Units in 1st half 2017
5	26 Jul	Lisbon	Assessment of EDP – consensus of analysts
			Performance of EDP Group share price in 2017
6	31 Oct	Oct Lisbon	Performance of EDP Group's main Business Units in 9M2017
0	J1 OCC		Performance of EDP Group share price in 2017
7	7 Dec	Lisbon	EDP Budget for 2018 – preliminary version

### **3.6. BUDGET OF THE GENERAL AND SUPERVISORY BOARD**

The budget of the General and Supervisory Board for 2017 was approved at the meeting held on 15 December 2016. The budgeted expenses were  $\in$  3,573 thousand, of which 78% were related to the remuneration of the members of the GSB and employees of the General and Supervisory Board Support Office.

In terms of implementation, the overall cost of the General and Supervisory Board, including remunerations, amounted to  $\in$  3,486 thousand, a variation of approximately  $\in$  88 thousand less (-2%) than budgeted.

### <u>04 ACTIVITY AND PERFORMANCE ASSESSMENT OF</u> THE GENERAL AND SUPERVISORY BOARD

EDP voluntarily instituted a formal and objective process for assessment of its own activity. This pertains to a distinctive process adopted by the General and Supervisory Board that is aligned with the evaluation of the *Dow Jones Sustainability Index*.

This self-assessment process, provided for in article 17 (2) of the Internal Procedures of the General and Supervisory Board, is based on the results of a questionnaire that seeks to assess the personal viewpoint of each member of the General and Supervisory Board, concerning the Board itself, namely at the level of:

- · Composition and Organisation.
- · Performance in relation to activity
- · Relationship with the specialized Committees
- Relationship with EDP corporate bodies
- Overall assessment
- Individual Self-evaluation.

The purpose of the questionnaire was to find an objective opinion for subsequent consideration by the General and Supervisory Board, while also taking into account a self-assessment report to be issued in the future.

To note that all this assessment process (content, questionnaire format and conclusions of the same) was analysed and certified by an external consultant (Mercer).

In early 2018, Members of the General and Supervisory Board were invited to complete the self-assessment questionnaire.

Based on the responses to the above-mentioned questionnaire, at a meeting held on 1 March 2018, the General Supervisory Board collectively evaluated all aspects that were submitted, concluding that, as a general assessment of performance in 2017, every aspects submitted for evaluation were proper.

Without prejudice to the already carried out assessment, the activity of the General and Supervisory Board is supported by continuous improvement of respective performance in terms of distinct functions, in addition to its relationship with other EDP corporate entities in defending Shareholder interests.

The General and Supervisory Board has made the following observations to date:

- No obstacles were identified that could materially limit or influence the exercise of its powers or the power of its Committees;
- The Executive Board of Directors has provided the financial and other resources deemed necessary for the General and Supervisory Board carry out its activity, and has adopted the measures necessary to ensure independent and autonomous advice from the General and Supervisory Board.
- The Executive Board of Directors has provided all information necessary for the General and Supervisory Board and its Committees to perform their tasks either through periodic reporting at its own initiative or by request from the General and Supervisory Board.

## DECLARATION EVALUATION PROCESS OF THE GSB AND SPECIALIST EDP COMMITTEES

On the basis of corporate governance best practices, and from a perspective of continuous improvement in relation to the voluntary internal evaluation process of EDP in respect towards the General and Supervisory Board (GSB) and the various Specialist Committees, Mercer thus decided to review the current evaluation process.

At the beginning of 2018, each member of the GSB / EDP Committee was invited to fill out an assessment questionnaire, which also included a built-in self-assessment component, for the purposes of evaluating their personal perception as to GSB / Committee performance. The questionnaire encompasses a diverse set of analysis dimensions (as shown in the table below), listed on a quantitative scale - 1 (needs improvement), 2 (adequate) and 3 (good).

Details of the analysed dimensions in each questionnaire

QUESTIONNAIRE	ANALYSIS DIMENSIONS		
GSB self-assessment	<ol> <li>Composition and Organisation.</li> <li>Performance in relation to activity</li> <li>Relationship with the Specialist Committees</li> <li>Relationship with other EDP corporate bodies</li> <li>Overall Evaluation.</li> <li>Individual Self-evaluation.</li> </ol>		
REMC self-assessment	1 Composition Organisation and Operation		
SPC self-assessment	<ol> <li>Composition, Organisation and Operation</li> <li>Performance in relation to activity</li> </ol>		
CGSC self-assessment	<ul><li>3. Overall Evaluation.</li><li>4. Individual Self-evaluation.</li></ul>		
FMC self-assessment			

REMC: Remuneration Committee / SPC: Strategy and Performance Committee /

CGSC: Corporate Governance and Sustainability Committee / FMC: Financial Matters Committee.

After analysis of the results of the questionnaire, specifically the assessment of the GSB and each one of the Specialist Committees, each of the analysed sub-dimensions received an average score of between 2 (adequate) and 3 (good).

Please note that the average score of the GSB assessment for the aforementioned analysis dimensions 1 to 4, was registered at 2.6. More specifically, the average score for the REMC in dimensions 1 and 2, was 2.9, with the SPC receiving 2.6, the CGSC receiving 2.9, and the FMC achieving an average score of 2.6.

Mercer believes that the GSB and Specialist Committee assessment processes, including their respective questionnaires, as detailed in this document and utilised by EDP, constitute good business practices in addition to being based on the principles of good corporate governance.

1 March 2018

Mercer (Portugal) Lda represented by:

Diogo Alarcão CEO of Mercer Portugal.

# **05 CHALLENGES OF THE GENERAL AND SUPERVISORY BOARD FOR 2018**

2018 is the first year of a new General Supervisory Board mandate, the fifth mandate since EDP adopted the duali model.

As part of this new mandate, one of the challenges of the General and Supervisory Board will be to continue improving and perfecting its activities, in addition to maintaining and widening active cooperation with the Executive Board of Directors, who will also perform a new mandate in the defence of the legitimate interests of EDP and its Shareholders.

There is an increasing and growing perception at national and international level in terms of the importance and criticality of supervisory roles. This is not necessarily for the best of reasons, but never before have these roles been so prominent, and never have there been so many legal and regulatory requirements.

The requirements imposed on supervisory bodies have added what can largely be called "Challenges for the future" (i.e. technological challenges, business model reinvention challenges, portfolio management challenges, efficiency challenges, innovation challenges, sustainability challenges), in a very challenging international, economic, political and regulatory context.

These factors make it increasingly necessary to acknowledge changes that are taking place, and to anticipate trends and events and act with agility, and also understand the utmost importance of EDP maintaining its philosophy of excellence in defining and implementing its business strategy.

As part of its ongoing actions, in 2018, the General and Supervisory Board shall continue to focus its activity for the purposes of creating the appropriate conditions for the coordinated development with the Executive Board of Directors of a Business Plan, revision of the existing one, and the correspondent achievement of the Group's key strategic priorities and ensure that they are regularly aligned with the expectations of all Shareholders.

In this context, and due to their special relevance, please observe the following topics that will deserve the special attention of the Board in 2018:

- Strategic and business plan for the next years, a necessary revision considering alterations occurred in the sector, in the market and in geographies whereby the Group operates.
- Strategic Partnership with China Three Gorges, development of the second partnership cycle.
- Large investment, particularly in renewable energy (hydro-power; onshore and offshore wind-power; solar-power) and in electricity networks, with focus on the transportation lines investment in Brazil.
- Development strategy in the supply of energy and energy services.
- Information technologies as a fundamental aspect in the support and transformation of business processes.

Faced with the challenges ahead, the General and Supervisory Board expresses its total confidence in the capabilities of its Shareholders in continuing to provide all EDP corporate entities, and in particular, the members of this Board, with their indispensable support and collaboration for absolute success in exercising their legal and statutory powers.

### **06 ACKNOWLEDGEMENTS**

The General and Supervisory Board wishes to thank:

Shareholders, for the trust they have placed in this body and for the ongoing support that they have provided for its functioning.

The Chairman and other members of the Executive Board of Directors, for the results achieved and for their participation in meetings of the General and Supervisory Board and of its specialized Committees.

The other Members of governing bodies of EDP and EDP Group companies.

Employees of the General and Supervisory Board Support Office for the support provided to the activity of this Board and its specialized Committees.

The General Secretariat and Legal Office of EDP for the support provided for the adequate functioning of the General and Supervisory Board.

All employees of EDP Group for the way they have contributed to the results achieved.

Special thanks to Mr. Mohamed Ali Al Fahim (representative of Senfora BV), who ceased its functions at the General and Supervisory Board on 31 October 2017, for his efforts, dedication and contributions to the activities and performance of the Board and the Strategy and Performance Committee.

# THE LIVING ENERGY 5 BOOK by edp

# THE LIVING ENERGY : BOOK by edp



### <u>ANNEXES</u>

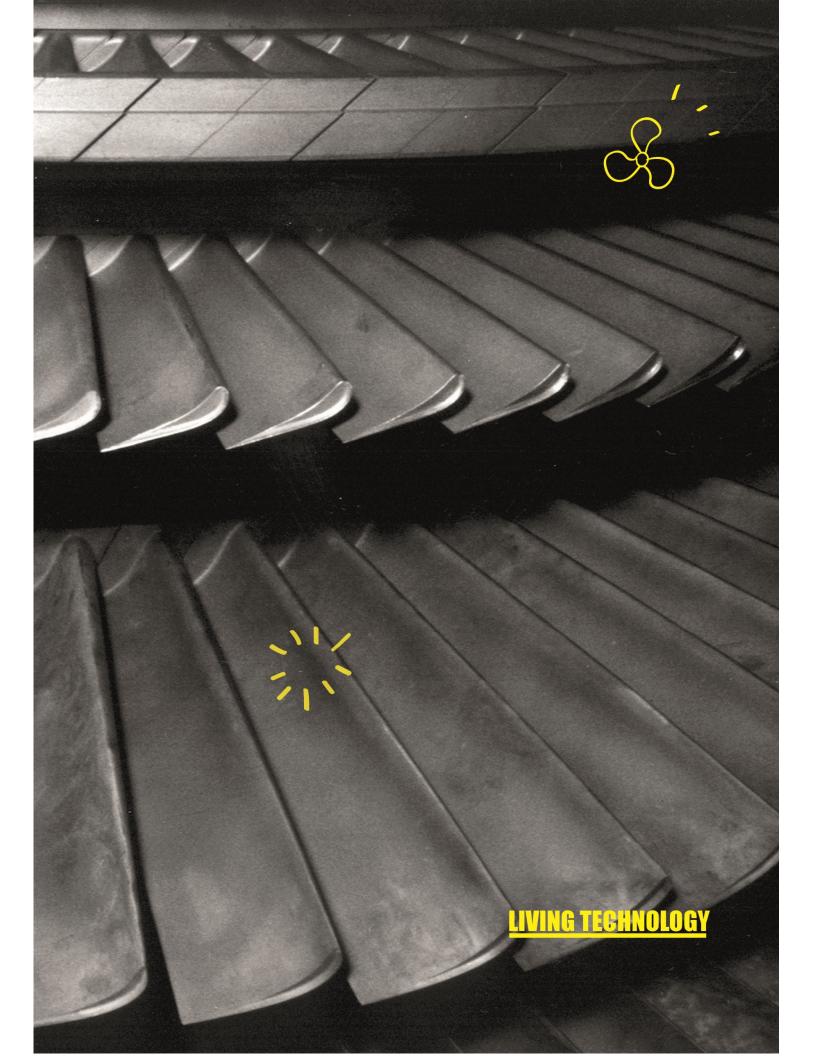
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# THE LIVING ENERGY 5 BOOK by edp

## O1 OPINION OF THE GENERAL AND SUPERVISORY BOARD ON EDP MANAGEMENT REPORT AND ANNUAL ACCOUNTS

### 1. Taking into consideration:

- The legal and regulatory requirements applicable to the preparation appraisal and publication of EDP's Account and Annual Report, in particular those from the Companies Code, the Securities Code and the CMVM regulations;
- The activity developed by the GSB and its specialized Committees during 2017 as recorded in the Annual Report;
- c) The documentation presented for the assessment of EDP's Accounts and Annual Report 2017, provided by the EBD, the Statutory Auditor and the FMC namely:
  - The detailed presentation made by the EBD on EDP's Account and Annual Report 2017, highlighting the main financial indicators, which are reproduced below:

(EUR million)

Indicators	EDP SA	EDP Group
Gross profit	153	5 3 9 1
EBITDA	-61	3 990
EBIT	-86	2318
Net profit <sup>1</sup>	765	1113
Net assets	24 145	42 075
Total equity <sup>1</sup>	7 445	9 5 4 6
Total liabilities	16 700	28 595
Net debt	5 252	13 902

<sup>1 -</sup> Attributable to the shareholders of EDP

- ii. The Legal Certification Accounts and the Audit Report that concludes, based on work performed, that:
  - The consolidated and the individual financial statements present fairly, in all material aspects, the financial position of EDP, as of the 31<sup>st</sup> of December 2017 and its financial performance and cash flows, regarding the year ended on that date, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.
  - The management report was prepared in accordance with the applicable legal and regulatory requirements in force, the information of the same is consistent with the audited financial statements and, considering the knowledge and appreciation of the Group, no material inaccuracies were identified.
  - The corporate governance report includes the elements demanded under article 245—A
    of the Portuguese Securities Code (CVM), and it were not identified material inaccuracies
    on the information disclosed in it, complying with the contents of paragraph c), d), f), h),
    i) and m) of the said article.
- iii. KPMG Independent Report on the Evaluation of the Financial Information Report Control System of EDP Group that concluded that the Group maintained, in all relevant aspects, a system of internal control over the financial report appropriate and efficient with reference to 31<sup>st</sup> December 2017, in accordance with the criteria set out by the rule framework of internal control issued by Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013) regarding the business processes and global controls and by Control Objectives for Information and Related Technologies (COBIT) referent to general control of information technologies.
- iv. The FMC's opinion on the Accounts that allows for the conclusion:

- That FMC appreciates favorably the Management Report and the individual and consolidated IFRS accounts of Group EDP for the exercise ending in 31 December 2017,
- That the design and functioning of Financial Information Report Control System is satisfactory and the operation of the Risk Management Systems minimizes business risks.
- 2. The GSB has decided unanimously:
- a) To express its agreement in relation to the EDP's Accounts and Annual Report 2017.
- b) To declare, under terms of article 245, no. 1, section c) of the Securities Code, that to its best knowledge the information referred to 2017 and foreseen in article 245, no.1 section a) of the Securities Code (annual report and accounts, legal certification of the accounts and all other financial documents) was prepared in conformity with applicable accounting rules, giving a true and appropriate image of assets and liabilities, financial situation and financial results of EDP and of companies in control or group relationship with EDP, and that the 2017 annual report presents fairly the business evolution, the position and the performance of EDP and of companies in control or group relationship with EDP, and describes the main risks and uncertainties faced.
- To confirm that the report on EDP corporate governance includes the elements required by article 245
   A of the Securities Code of the Securities and CMVM Regulation No. 4/2013.
- d) To declare that given the information provided by the EBD in the course of 2017 there were no:
  - Transactions between related parties that have affected significantly EDP's financial situation or performance.
  - Transactions between EDP and related parties that must be communicated in the management report, due to its material relevance or because they were concluded outside normal market conditions.
  - Evidence that all the potential conflicts of interest derived from operations identified by the EBD, have been resolved in ways contrary to the company's interests.
- e) To express its agreement to the Audit Committee opinion on the Statutory Auditor performance and independence, according to which the Audit Committee has assessed positively the work done by KPMG, considering that it has carried out its professional duties with quality, competence, accuracy, impartiality and with a degree of reasonable independence.
- f) To recommend to the EDP Annual Shareholders' General Meeting the approval of the 2017 individual and consolidated Accounts and Annual report, as well as the Executive Board of Directors' proposal for results allocation.

Eduardo de Almeida Catroga Chairman of the General Supervisory Board

Lisbon, March 1 2018

# O2 STATEMENT OF THE GENERAL AND SUPERVISORY BOARD ON EDP MANAGEMENT REPORT AND ANNUAL ACCOUNTS



Conselho Geral e de Supervisão

### STATEMENT

Pursuant article 245° n.º 1, paragraph c) of Securities Code (CVM), to the best knowledge of each of the signatories, as Members of the General and Supervisory Board of EDP – Energias de Portugal, S.A. (EDP), the information referred in article 245° of CVM (annual management report, annual accounts, legal certification of the accounts and remaining account documents), regarding 2017 exercise, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of EDP and subsidiaries included in the consolidation perimeter, and that the 2017 annual management report faithfully states the trend of the business, the performance and position of EDP and subsidiaries included in the consolidation perimeter, and contains a description of the principal risks and uncertainties faced.

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## O3 OPINION OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE ON EDP MANAGEMENT REPORT AND ANNUAL ACCOUNTS

- Under the terms of the legal and statutory requirements, specifically as set in the Articles of Association and internal
  terms of reference, the Audit Committee ("AUDC" or "Committee") presents this Report and Opinion based on its
  understanding of the activity and business performance and its conclusions following the analysis of the information and
  supporting documentation received from the Executive Board of Directors (EBD) and the heads of corporate departments,
  the Audit Committees (AUDC) of the subsidiaries and the Statutory Auditor / External Auditor ("ROC"; "SROC" or "KPMG")
  of EDP Group, with reference to the year ended as at 31 December 2017.
- 2. In the 2017 financial year, the Audit Committee met, regularly and periodically, with the Executive Board of Directors and the Heads of the corporate departments of EDP, to monitor and supervise the financial matters relating to the Company, the internal audit procedures, accounting practices, internal control system over financial reporting and the compliance function and the matters relating to the internal financial reporting control system and risk management process, namely with:
- The Executive Board of Directors, to supervise the interim and annual financial information (the financial statements, the scorecard and the results of the period), the management report and other information considered to be of interest for the Committee:
- ii. The corporate Heads of the Consolidation and Financial Reporting Department, to supervise the fulfilment of the principles and accounting policies and the integrity of the process of preparation and disclosure of the financial and other information considered to be relevant, including unusual or significant value transactions and the subsequent events;
- iii. The corporate heads of the Internal Audit and Compliance Department, to monitor the execution of the 2017 activities plan, which it approved, and to assess the results of the audit, internal control and compliance work, as well as the effectiveness of the issued and implemented recommendations;
- iv. The corporate heads of the Risk Management Department, to supervise the governance model and the risk policy of the company, as well as the effectiveness of the internal risk management systems, to anticipate and minimize the risks inherent in the activity developed and adjust the support systems;
- v. The corporate heads of the Legal Department, to supervise the most relevant conclusions about the "litigation" process, focused in the main litigations and other contingencies and the review of the provisions, taking into account the risk assessment carried out in accordance with IAS 37:
- vi. The corporate heads of the Management Control, Financial Services and Information Systems Departments, to analyze, the relevant management and business information; the financial management policy and the evolution of the Pension Fund; and the main subjects related to the integrated operation and the mechanisms of control and security of the information systems.
- Also with reference to the 2017 financial year, the Audit Committee held meetings with the subsidiaries Audit Committee's Chairmen, to monitor and discuss the main issues and any significant matters which may affect EDP Group's Condensed Financial Statements, and received from:
- The Audit Committee of EDP Renováveis (EDPR) the activities report and the supporting information and documentation to the issue of a favorable opinion on the individual and consolidated financial statements, interim and for the year, and the Management Report of EDPR;
- ii. The Audit Committee of EDP Energias do Brasil (EDPB) the report with the supporting information and documentation to the issue of a favorable opinion on the accounts of the Executive Board of Directors and of the interim and annual financial statements of the company and its subsidiaries.
- During the financial year 2017, the Audit Committee has met, regularly and periodically, with the Statutory Auditor
  of EDP, to monitor and discuss the main issues of the audit work, in particular:

- The conclusions of the audit work carried out on the interim and annual financial statements of the main companies included in the consolidation perimeter of EDP Group;
- ii. The conclusions of the impairment tests on the goodwill, concession rights and other material fixed assets recorded in the consolidation accounts of EDP Group:
- The conclusions of the most relevant audit matters, included in the Additional Audit Report and the Statutory Auditors' Report and Auditors' Report of EDP Group;
- iv. The conclusions of the assessment of the Internal Control System over Financial Reporting (SCIRF) of EDP Group, based on the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013), in relation with global business and control procedures and with the Control Objectives for Information and Related Technologies (COBIT), in relation to the general information technologies controls.

Considering the performance of the work carried out, the ROC/SROC issued an unqualified opinion, with reference to the period ended as at 31 December 2017: (i) The Statutory Auditors' Report and Auditors' Report on the Audit of the EDP's Individual and Consolidated Financial Statements, including the opinions on the Management Report, the Corporate Governance Report, the non-financial information defined in the article 66-8 of the Portuguese Companies' Code and the Additional matters provided in the article 10 of Regulation (EU) nr. 537/2014; and (ii) The Independent Assessment Report on the Internal Control System over Financial Reporting (SCIRF) of EDP Group.

- 5. Based on Audit Committee's oversight of the main aspects of the activity and business performance, the analysis and discussion of the information and documentation provided by the Executive Board of Directors and the Heads of Corporate Departments, the EDP Subsidiaries' Audit Committees and by the Statutory Auditor, it is the Audit Committee's understanding that it has received all necessary explanations to the questions raised and in relation to EDP Group's Management Report, for the year ended as at 31 December 2017.
- 6. Considering the mentioned above and not being aware of any material events, which may affect the accuracy of the financial information prepared and made available by the company or the appraisal of the quality of the work performed by EDP's Statutory Auditor or its independence, on the year ended as at 31 December 2017, the Audit Committee:
- Issues a favorable opinion on the Annual Report and the results of operations on that date, by virtue of its understanding that they are in accordance with the applicable accounting principles and the legal and statutory provisions in force;
- Assesses positively the operation of the Internal Control System over Financial Reporting (SCIRF), whose continuous improvement has contributed to reinforce the robustness of the control environment of the company;
- iii. Considers satisfactory the integrated performance of the internal risk management systems, which is aligned with the governance model, policies and procedures defined by EDP, which has contributed to ensure the monitoring and mitigation of risks.

Lisbon, 1 March 2018.

	The Audit Committee	
(António Gomes Mota - Chairman)		(Jošo Carvalho das Neves - Vice Chairman)
(Alberto Hilheiro Barbosa)	(Harte Celeste Cardona)	(Harla del Carmen Fernandez Rozado)

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# O4 STATEMENT OF THE GENERAL AND SUPERVISORY BOARD ON THE ASSESSMENT AND PERFORMANCE OF THE EXECUTIVE BOARD OF DIRECTORS

In the exercise of its powers and without prejudice to the principle of institutional cooperation that guides relationships with the Executive Board of Directors in the uncompromising pursuit of EDP interests, the General and Supervisory Board implemented a principle of the most exacting standards and full responsibility, which has special significance in terms of evaluating the activity and performance of the Executive Board of Directors.

EDP has voluntarily established a formal and objective process for assessing the activity of the Executive Board of Directors. This pertains to a distinctive process adopted by the General and Supervisory Board, that contributes directly to the evaluation of the Dow Jones Sustainability Index, while recognising the ongoing efforts to achieve excellence in terms of the corporate governance practices that the General and Supervisory Board has sought to develop.

To note that all this assessment process (content, questionnaire format and the conclusions of the same) was analysed and certified by an external consultant (Mercer).

In early 2018, the Members of the General and Supervisory Board were invited to complete an assessment questionnaire, which was divided into the following areas:

- Composition and Organisation
- Executive Board of Directors performance in its activity
- · Relationship of the Executive Board of Directors with the General and Supervisory Board
- Relationship of the Executive Board of Directors with other counterparties
- Executive Board of Directors Overall Assessment

The questionnaire's purpose was to establish an objective support for reflection by the General and Supervisory Board, accounting for the assessment opinion on the Executive Board of Directors that the first must issue and submit to a vote by EDP Shareholders.

Based upon responses to the questionnaire, the General and Supervisory Board reflected as a whole upon such data and extracted the corresponding conclusions. Thus, according to the respective rules, approved in line with the best practices in corporate governance, the General and Supervisory Board intends to register the following conclusions related to the assessment process corresponding to the Executive Board of Directors activity and performance in 2017:

- 1. The General and Supervisory Board considered all of the aspects evaluated to be satisfactory in terms of:
  - Organization and competences of the Executive Board of Directors
  - Compliance with the provisions defined by the General and Supervisory Board in matters of issuing and waiving prior opinions and handling conflicts of interest
- 2. As a global evaluation of the activity carried out by the Executive Board of Directors in 2017, the General and Supervisory Board considered as proper the performance of the former, with particular emphasis on the following areas of action:

- Strategy
- Investments/divestments
- Financial management
- Risk management
- Preparation of financial information
- Preparation of control management information
- Sustainability and environment
- Conflicts of interest

Without prejudice to the completed evaluation, the activity of the Executive Board of Directors shall be underlined by the continuous improvement of the respective performance in terms of its own functions, relationships with other corporate bodies of EDP and defense of Shareholders' interests.

### DECLARATION

### ASSESSMENT PROCESS OF THE EDP EXECUTIVE BOARD OF DIRECTORS

On the basis of corporate governance best practices, and from a perspective of continuous improvement in relation to the voluntary internal evaluation process of EDP in respect towards the Executive Board of Directors (EBD), undertaken by the General Supervisory Board (GSB), Mercer has thus decided to review the current evaluation process.

At the beginning of 2018, each member of the EDP General Supervisory Board was invited to fill out an assessment questionnaire for the purposes of evaluating their personal view of the performance of the Executive Board of Directors. The questionnaire encompasses a diverse set of analysis dimensions (as shown in the table below), listed on a quantitative scale - 1 (needs improvement), 2 (adequate) and 3 (good).

Details of the analysed dimensions in each questionnaire

QUESTIONNAIRE	ANALYSIS DIMENSIONS
Assessment of the EBD	<ol> <li>Composition and Organisation.</li> <li>Performance in relation to activity</li> <li>Relationship with the GSB</li> <li>Relationship with other stakeholders</li> <li>Overall Evaluation.</li> </ol>

After analysis of the results of the EBD assessment questionnaire, each of the analysed sub-dimensions received an average score of between 2 (adequate) and 3 (good). Please note that the average score of the EBD assessment for the aforementioned analysis dimensions 1 to 5, was registered at 2.7.

Mercer believes that the GSB assessment processes of the EBD and the respective questionnaire, as detailed in this document and utilised by EDP, constitute good business practices in addition to being based on the principles of good corporate governance.

1 March 2018

Mercer (Portugal) Lda represented by:

Diogo Alarcão CEO of Mercer Portugal.

### O5 ANNUAL REPORT OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

### **5.1. INTRODUCTION**

Under the powers delegated by the General and Supervisory Board (GSB), the mission of the Financial Matters Committee/Audit Committee ("FMC" or "Committee") is to permanently monitor and supervise:

- a. Financial matters relating to the Company.
- b. The internal procedures for auditing and accounting practices, as implemented by the Company and the Internal Financial Reporting Control System (SCIRF), including the compliance function, in coordination with the Internal Audit and Compliance Department.
- Matters relating to the internal financial reporting control system and risk management processes, particularly relating to their fiscal, legal and financial aspects.
- d. The activity and independence of the Statutory Auditor (SA) of the Company with whom it must maintain a close relationship.

The FMC also must support other GSB Committees in the financial quantification of regulatory, strategic and marketing risks analysed by these Committees.

The activity to be pursued by the Committee within the realm of its duties also applies to subsidiary/Group Companies and relevant information from other companies held directly or directly by the Company or subsidiary/Group Companies.

### 5.2. COMPOSITION

This Committee was created on 13 July 2006 and it is composed, by resolution of the General and Supervisory Board dated 22 April 2015, by following Members, all of whom have independent status:

FINANCIAL N	MATTERS COMITTE/AUDIT COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	António Sarmento Gomes Mota	07-05-2009*
Vice-Chairman	João Carvalho das Neves	22-04-2015
	Alberto Joaquim Milheiro Barbosa	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	María del Carmen Ana Fernández Rozado	22-04-2015

<sup>\*</sup>Appointed Chairman of the Financial Matters /Audit Committee on 22 April 2015

The skills, mission and attributions of this Committee are set forth in its Internal Regulation (available at <a href="https://www.edp.com">www.edp.com</a>), which was approved by the GSB on 18 June 2015.

### **5.3. COMMITTEE MEETINGS**

The Financial Matters Committee met on a formal basis a total of fourteen times in 2017, on the dates indicated below:

Description	19- Jan	02- Feb	23- Feb	02- Mar	06- Apr	27- Apr	03- May	08- Jun	24- Jul	27- Jul	11/12- Sep	30- Oct	02- Nov	13- Dec	%
António Sarmento Gomes Mota (Chairman)	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
João Carvalho das Neves (Vice-Chairman)	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
Alberto Joaquim Milheiro Barbosa	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
Maria Celeste Ferreira Lopes Cardona	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
Maria del Carmen Fernandez Rozado	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	Р	100
P=Present; A=Absent; R=Represented															
Total from 2017 meetings:	14														
Average participation:	100%														

Apart from these fourteen ordinary meetings, the Members of the Committee met frequently in 2017 for informal work meetings, and exchanged information on the matters of greatest importance, or those that required the most urgent resolution related to FMC activities.

### **5.4. ACTIVITIES PERFORMED BY THE COMMITTEE**

With respect to matters subject to monitoring and supervision and given the fulfilment of the defined statutory and regulatory rights and duties, the FMC:

- Participated in EDP Executive Board of Directors (EBD) meetings, during which preliminary accounts for 2016 quarters 1 and 3 and semester 1 of 2017, were presented and discussed;
- As deemed necessary and timely, invited EDP directors and other officers with duties and responsibilities related
  to issues for which the FMC deemed it necessary to consult with a higher level of seniority, to participate in the
  Committee meetings;
- Several meetings were also attended by managers from the Internal Audit and Compliance Department (IACD), Risk Management Department (RMD), Finances Department (FND) and the Management Control Department (MCD), and by Statutory Auditors (SA), all from the EDP Group.

The meetings addressed the themes set out in the FMC's 2017 Activities Plan and had the main objective of obtaining information and analysing the most relevant issues for the EDP Group, with particular focus on the following items:

- Supervision of financial and business information Evaluation and discussion of financial reporting (accounting
  policies and criteria adopted; individual and condensed financial statements, changes to the consolidation
  perimeter; unusual transactions or transactions of significant values; subsequent events), Scorecard, Financial
  Management Policy, the Pension Fund position and other matters of relevance to the FMC;
- Monitoring of the activity of the Internal Audit and Compliance Department (IACD) Approval of the proposed 2017 Activities Plan (EDP Portugal, EDP Espanha, EDP Renováveis and EDP Brasil); supervision of execution of the Annual Auditing Plan and monitoring of audit reports issued, as well as the implementation status of auditing recommendations and improvement actions from the FRICS (Financial Reporting Internal Control System), in regard to the close of fiscal year 2016 and the first ten months of 2017.

The FMC also assessed the activity and performance of the Internal Audit and Compliance Department in calendar year 2016;

Monitoring of Risk Management activity - Evaluation of work related to the mapping, control and management
of risks and the methodology of relationship between the Corporate Risk Management Department with the
corporate risk areas and the main subsidiary Companies;

- Monitoring of the "Litigation" Process Supervision of information and documentation on ongoing litigation, for financial year 2017 and litigations and other relevant contingencies closed in the previous two financial years;
- Monitoring of the activity of the EDP Group Information Systems Department (ISD) Evaluation of activities
  performed in relation to the governance model for Information and Communication Technologies (ICT), ICT
  policies and standards and information control and security mechanisms Cybersecurity and technological
  risks;
- Monitoring of customer debt in Portugal, Spain and Brazil Assessment of current and past due debt; debt
  with payment agreement; doubtful debts (debts in pre-litigation, litigation and others); irrecoverable claims
  (including prescribed debts); main debt indicators and actions taken and ongoing for the recovery of past due
  debts;
- Relationship with Audit Committees of subsidiaries Monitoring of Activity, Agendas, Minutes of Meetings and Reports / Opinions issued by the Audit Committees of EDP Renováveis and EDP Brasil, concerning the accounts for the financial year ended 31 December 2016 and Financial Statements for quarters 1 and 3 and semester 1 of 2017;

Pursuing this objective, on 11 and 12 September 2017, in Lisbon, Portugal, the FMC conducted the sixth Meeting of the Audit Committees of the EDP Group, which was also attended by various external entities (EY, PwC and ICIJA), in addition to being attended by internal personnel of the EDP Group (EDP Renováveis, EDP Brasil, IACD, RMD and ISD), who submitted the following topics of major relevance to the Committee related to the development of their activities: cyber-security in the energy sector, and in EDP; the impact of the new data protection regulation, and the importance of risk management throughout the EDP Group.

This meeting once again afforded an important exchange of information, experiences and knowledge, in addition to improving coordination and communication mechanisms between the Audit Committees of all EDP subsidiaries;

• Monitoring of the contractual relationship and activity of the Statutory Auditor (SA) - Evaluation of the Report containing conclusions and further opinion and details of the Accounts Internal Control System (FRICS) of EDP and EDP Finance BV, for the financial year ending 31 December 2016; Evaluation and approval of the proposed procurement of Services for Legal Auditing of Accounts, and other auditing services (quarterly account reviews, FRICS and sustainability), for the 2017 financial year; Evaluation of the methodology and approach to the external auditing process of the EDP Group for the 2017 financial year; Evaluation and approval of the Requests for Other Auditing Services and Additional Services by the Statutory Auditor/External Auditor in 2017; Evaluation of the Reports of conclusions and Opinions on the EDP Interim Financial Report for the first and third quarters, and the first semester, of 2017.

Within a context of the provision of separate audit services by the Statutory Auditor, on 4 May 2016 the Committee requested interpretative clarification from the Securities Exchange Commission (CMVM) in relation to the new auditing arrangements, specifically focused on the qualification of the audit and non-audit services, including the role of the supervisory entities in the approval of such services, with the CMVM response arriving on 19 April 2017, and requiring the full attention of the FMC.

 Monitoring of Irregularities Reporting in Portugal – Analysis of twenty-six complaints and/or notices received from third-party entities, and the respective conclusions reported by EDP internal officers, of which each and every complaint was resolved in 2017.

Under the Regulation of Procedures to be Adopted Concerning the Reporting of Irregularities, approved by the GSB on 3 March 2016, at the proposal of the FMC, the Committee issued an independent report on this matter, with conclusions from investigations by the company and evaluation of results achieved, for 2017.

Appointment for the selection of the Statutory Auditor (SA), for the three-year period 2018: 2020 - conclusion of the selection process of the relevant entities who could provide the EDP Group with services for (i) Statutory Auditing of Accounts / Auditing of Accounts; (ii) Assessment of the Financial Reporting Internal Control System (FRICS) and; (iii) Evaluation of Sustainability Information, under the terms approved by the General and Supervisory Board on 3 November 2016.

After analysis of the results of the proposals assessment process, and taking into consideration the position of the Audit Committee of EDP Renováveis; the FMC, at its meeting on 2 February 2017, unanimously approved to propose to the GSB that indications should be given to the EBD for the contracting of PwC, to provide auditing services after the fourth quarter of 2017, until the selection of the official Statutory Auditor at the Annual General Assembly set to take place in April 2018.

As part of its activities, the FMC has always strived to deepen knowledge of the mechanisms and procedures applied to prevent or detect the occurrence of situations that may affect the EDP Group's capacity for action in (i) Producing, analysing and disseminating relevant information that adequately and faithfully represents the economic and financial situation of the EDP Group; (ii) Minimising the risks of intentional or unintentional errors in financial reporting and the misappropriation or misuse of the company's own resources.

The conclusions drawn from these activities and tasks enabled the FMC to support the issuance of additional opinions concerning the Report and Accounts of EDP and EDP Finance BV, related to the 2016 financial year, in addition to the EDP interim reports for quarters 1 and 3, and the first semester of 2017.

It should also be noted that at the end of 2017, the FMC approved the 2018 Activities Plan - a working tool that contains the main activities to be carried out by this Committee during each month of this calendar year. This document not only contributes to greater future effectiveness and efficiency of the Committee, but also aligns its actions with the prevailing and internationally accepted best practices for corporate governance.

### 5.5. PROCESS FOR EVALUATION OF THE PERFORMANCE AND INDEPENDENCE OF THE EDP GROUP STATUTORY AUDITOR

The FMC paid special attention to the nature and scope of the services provided by the company that conducts the Statutory Audit of Accounts and the provision of Other Auditing and Non-Auditing Services (KPMG) for the EDP Group, in order to assess compliance with the principles and best practices governing the activity of audit firms and their representatives in relation to EDP, in addition to an objective assessment of their independence.

The analysis of the information collected and addressed by the FMC in this regard did not identify any conflicts of interest or situations that objectively affect the independence of the SA in the provision of professional services to the EDP Group in 2017.

Additionally, the annual assessment of the official/unofficial Statutory Auditor is subject to the issuance of an autonomous report concerning the auditor's activities, performance and independence.

### **5.6. ASSESSMENT OF ACTIVITY PERFORMED BY THE COMMITTEE AND ITS MEMBERS**

The FMC once again performed the self-assessment procedure based on two essential objectives: (i) to provide each member of the FMC and the entire Committee with an opportunity to reflect on their respective performances, particularly in respect to how the Committee has addressed the topics that currently comprise its Annual Activities Plan, including the functions it is responsible for performing based on law and company By-Laws, the internal rules of the FMC and other applicable regulatory instruments of the EDP, and governing matters that the FMC should take into consideration and; (ii) enable the Committee to adopt, as applicable, appropriate measures to improve its procedures and courses of action, for the purposes of making it more efficient in the future.

Though the FMC intends to continue improving its activities, considering its knowledge of the practices followed by other comparable national and international companies, the Committee firmly believes that it has been guided by high levels of standards aligned with recommended best practices that address the matters within its field of action.

As such, the FMC considers its overall activity to be positive and remains committed to orienting its activities to the principles of rigour, transparency and independence in the service of stakeholders and creation of value for the company.

### 5.7. DIFFICULTIES ENCOUNTERED BY THE FMC IN THE PERFORMANCE OF ITS ACTIVITIES

Although the functions performed by the FMC are demanding - both in terms of the technical and general knowledge of the matters addressed and in the knowledge of the most relevant aspects of the business that are performed within EDP's corporate perimeter, in the context of the availability that the operation of the Committee requires of its members - the Committee is pleased to note that it has not been confronted with situations which create additional difficulties, calling into question the requirements on which its action must be based - freedom of analysis, research and investigation and freedom to discuss and inquire, at all levels, on subjects that it deems worthy of its full attention.

Likewise, no circumstances restricted the independence or freedom of action of the Committee's Members.

### **5.8. ACKNOWLEDGEMENTS**

In concluding this activities report, the FMC expresses its satisfaction with respect to the manner in which work has been carried out in 2017, and wishes to thank the GSB and EBD for their ongoing commitment to this Committee, plus the officers of the EDP Group with which the Committee has worked throughout this period, and to the Audit Committees of the subsidiaries with which fruitful institutional relationships have been forged, plus the Statutory Auditor and the External Auditor of EDP for their ongoing commitment and hard work, and, finally, to the members of the GSB Support Office, for the professional manner in which they have contributed to the functioning and performance of this Committee.

### O6 REPORT AND OPINION OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE ON INDEPENDENCE ASSESSMENT OF THE STATUTORY AUDITOR OF EDP GROUP

In financial year 2017, the Audit Committee ("AUDC" or "Committee") has paid particular attention to the nature and scope of the statutory audit services and other audit and non-audit services provided by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A. ("ROC"; "SROC" or "KPMG") to EDP Group ("EDP"), in order to assess its activity, performance and independence, in compliance with the legal, regulatory and contractual provisions in force and of the principles and best practices that governed the actions of KPMG and its representatives with EDP.

The process of assessing the Statutory Auditor /External Auditor of EDP Group by the Committee, with reference to the year ended as at 31 December 2017, was based on the following:

- i. The assessment of the provided services and the relationship of the ROC/SROC with the AUDC:
- The analysis of the execution of contracts for provider the statutory audit services and other audit and non-audit services between EDP and KPMG;
- The analysis of the replies of the Committee members to the internal Questionnaire on the assessment of ROC/SROC activity, performance and independence;
- iv. The analysis of the information received from KPMG, within the scope of the communication requirements established in the Legal Regime of Audit Supervision and of the requirements of the AUDC Internal Rules, namely: (a) Governance structure; (b) Internal quality control system; (c) Declaration on independence practices which also confirms the completion of an internal review of the compliance of such practices; (d) Mechanisms used to assess whether any service provided to EDP is a threat to their independence; (e) Description of services provided and amount of the remuneration received; (f) Annual revenues from audit and non-audit services provided and (g) Indication of whether some potentially conflicting services with independence are provided, in the framework of the execution of the service provision contract of 2017.

The results of the analysis of the documentation and information previously mentioned to do not indicate the existence of conflicts of interest or situations that affect KPMG's independence, in providing professional services to the EDP Group, with reference to the 2017 financial year. In the assessment process of the independence of the ROC/SROC, it should be noted that:

- a) The total fees billed, in the different geographies, by KPMG (7.398 thousand euros) to the EDP Group represents less than 0,5% of KPMG's aggregate turnover in Portugal, Spain, Brazil and the United States of America, with reference to the previous financial year (the amount for the financial year 2017 were not yet available). Of that amount, the statutory audit services, including the guarantee and reliability services of the Statutory Auditor's responsibility (6.062 thousand euros) were about 82%.
- b) The fees billed by KPMG Portugal (3.350 thousand euros) to EDP SA and its subsidiaries in Portugal represent approximately 3% of KPMG Portugal's turnover, with reference to the previous financial year (the amount for the 2017 financial year were not yet available). Of that amount, the value of non-audit services (979 thousand euros) is divided as follows:
  - (i) Non-audit services required by law (112 thousand euros); and
  - (ii) Non-audit services, not required by law (867 thousand euros), representing approximately 65% of the average of the fees for the statutory audit services in the last three financial years.
- c) The ROC/SROC confirmed, in writing, the independence of the auditors under the terms and in accordance with the independence rules of the Order of Chartered Accountants, the Securities Market Commission and the KPMG network itself, including those defined by the 8th European Commission Directive, transposed into Portuguese law by Decree-Law nº. 224/2008, of 20 November, as well as the independence rules defined by KPMG, through the application of the International Auditing Standards issued by the International Federation of Accountants.

Based on the conclusions drawn from the ROC assessment process and a broad exchange of views among the Audit Committee members, it noted with satisfaction, that there have been improvements in the ROC's relationship with the AUDC, responding to a dynamic increasingly intervention of the Committee in this area, resulting in an improvement in the mechanisms and information tools and a more efficient way of acting.

Furthermore, the interaction that AUDC developed with the ROC, throughout the 2017 financial year, whether in meetings or by correspondence and the provision of the most varied contributions and clarifications, allowed the collection of information on its action, availability and attitude. Therefore, the Committee is of the opinion that the Statutory Auditor / External Auditor of EDP has carried out its functions with quality, competence, rigor, exemption and with an acceptable degree of independence.

Lisbon, 1 March 2018.

	The Audit Committee					
(Antifrio Gomes Mota - Chairman)		(João Carvalho das Neves - Vice Chairman)				
(Alberto Milheiro Barbosa)	(Marta Celeste Cardona)	(Maria del Carmen Fernandez Rozado)				

# O7 ANNUAL REPORT OF THE FINANCIAL MATTERS COMMITTEE / AUDIT COMMITTEE ON REPORTING OF IRREGULARITIES

### 7.1. INTRODUCTION

In compliance with the provisions of the Regulation on Procedures to be Adopted Concerning the Reporting of Irregularities, the Financial Matters Committee / EDP Audit Committee ("FMC" or "Committee") has prepared its report and hereby submits its contents based on the outcomes of the irregularities reported by third-parties, to the members of the Committee, in 2017.

### 7.2. IRREGULARITIES REPORTS RECEIVED AND HANDLED BY THE COMMITTEE IN RELATION TO FINANCIAL MATTERS / AUDIT COMMITTEE

During the period in question, twenty-six reports of irregularities were received and handled by the FMC.

All of the received reports refer to twenty-five complaints about consumption fraud and/or irregularities in electricity metering facilities and equipment, in addition to a complaint from the owner of an installation for the non-contracted consumption of electricity, with the estimate of the amount electricity used being decided upon by EDP and then communicated to the owner, for subsequent payment. In respect towards the latter incident, the Committee within the scope of its powers, now considers this matter to be closed. Therefore, and taking into account the need to monitor the settlement process on the part of the customer in relation to the request for compensation on the part of EDP, this process was submitted to the Customer Ombudsman.

The FMC therefore made the request for specific EDP departments to monitor or inspect the facilities referred to in the reports, followed by the issuance of a report containing the ensuing results of actions triggered, once completed.

It should also be noted that the two complaints that remained pending at the end of the previous year, related to complaints based on irregularities in electricity metering facilities and equipment, were closed in the first half of 2017.

### 7.3. CONCLUSIONS

At the end of 2017, the twenty-six cases received about irregularities were completely resolved by the FMC, based on analytical conclusions drawn up from responses from EDP senior members of staff.

### **08 ANNUAL REPORT OF THE REMUNERATION COMMITTEE**

### 8.1. INTRODUCTION

The Remuneration Committee is appointed by the General and Supervisory Board in accordance with the provisions of Article 27(1) of the Articles of Association and its main mission is:

- To define the policy and corporate objectives for setting the remuneration of the Chairman and the Members of the Executive Board of Directors.
- To set the remuneration of the Chairman and of the Members of the Executive Board of Directors.
- To monitor and evaluate the performance of the Chairman and of the Members of the Executive Board of Directors in order to determine the variable remuneration.
- To monitor the disclosure of external information on remuneration and remuneration policy for the Executive Board of Directors.

The Remuneration Committee is different from the Remuneration Committee elected at the General Shareholders' Meeting, once the latter is responsible for establishing the remuneration policies of all corporate entities, with the exception of the Executive Board of Directors.

### 8.2. COMPOSITION

On 22 April 2015, the General and Supervisory Board established the Remuneration Committee for the 2015-2017 period, being comprised of a majority of independent members which, since the aforementioned date, has had the following composition:

REMUNERATIO	N COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Yang Ya	21-04-2015
	Fernando María Masaveu Herrero	21-04-2015
	Ilídio da Costa Leite de Pinho	22-05-2012
	João Carvalho das Neves	21-04-2015
	Vasco Joaquim Rocha Vieira	21-04-2015

The attributions of the Remuneration Committee, in addition to its corporate mission and responsibilities, are fully defined in the Internal Procedures (available at www.edp.com) for the aforementioned Committee, with the content of such having been approved on 18 June 2015.

### 8.3 MEETINGS

Chart of meetings and attendance in 2017:

Name	02/Mar	20/Apr	%
Yang Ya - Chairman	Р	Р	100%
Fernando María Masaveu Herrero	P	P	100%
Ilídio da Costa Leite de Pinho	P	Р	100%
João Carvalho das Neves	P	P	100%
Vasco Joaquim Rocha Vieira	Р	Р	100%

P = Present; A = Absent; R = Represented

Total from 2017 meetings: 2 Average participation: 100%

### 8.4 ACTIVITY PERFORMED BY THE COMMITTEE

In 2017, the Remuneration Committee held two ordinary meetings with an average participation of 100% of its Members.

The main item at the first meeting, held on 2 March 2017, was the "Annual declaration concerning the EBD Member Remuneration Policy". During this meeting, Members re-analysed the remuneration policy of the Members of the Executive Board of Directors; the analysis was based on the conclusions of the study carried out by the external consultant in 2015 on the relative position of the remuneration policy of EDP's Executive Board of Directors, through comparison with practices currently used on the market, especially those of PSI20 and Euro Stoxx Utility 600 Companies.

Consequently, the Remuneration Committee decided to submit the to the General Shareholders' Meeting the Annual Declaration on the Remuneration Policy of the Members of the Executive Board of Directors.

At the second meeting, held on 20 April 2017, the Committee determined, based on the remuneration policy approved by Shareholders at the General Shareholders' Meeting, the variable annual remuneration relative to the financial year 2016, and the multi-year remuneration of the Members of the Executive Board of Directors correspondent to that same financial year. In spite of being calculated annually, multi-year remuneration will only become effective if, at the end of the mandate, at least 90% of fixed strategic goals have been achieved. For this item of the meeting, the Remuneration Committee invited the Chairman of the Executive Board of Directors, Mr. António Mexia, to share his opinion on the assessment of the other Members of the Executive Board of Directors. Mr. António Mexia provided also the necessary clarifications.

For the purposes of carrying out its activities, the Committee made use of the Support Office of the General and Supervisory Board for multiple requirements, as deemed necessary.

### 8.5 SELF-ASSESSMENT OF ACTIVITY PERFORMED

Within the scope of its regulatory powers, the Remuneration Committee must annually conduct a self-assessment of its activity.

Accordingly, based upon the methodology implemented to assess the activity of the General and Supervisory Board and other specialized Committees of this Board, the Members of the Remuneration Committee were invited in January 2018 to complete a questionnaire on their assessment of the activity performed by the Committee in 2017, which was divided into the following areas:

- Composition, organisation and functioning
- Performance of the REMC across all of its activities

### THE LIVING ENERGY BOOK

- Global Assessment of the REMC
- Individual Self-evaluation

Based on response to the self-assessment questionnaire in the meeting conducted on 1 March 2018, Committee Members reflected on the results thereof and concluded that the Committee performed its functions properly on an overall basis.

### **09 ANNUAL REPORT OF THE CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE**

### 9.1. INTRODUCTION

The Corporate Governance and Sustainability Committee was established by the General and Supervisory Board as a specialized Committee with expertise in matters relating to:

- Corporate governance
- The sustainability strategy
- · Internal codes of ethics and behaviour
- The systems for the assessment and resolution of conflicts of interest, particularly with regard to transactions between the Company and its stakeholders
- Monitoring the definition of selection criteria and necessary skills for the internal bodies and structures of the Company and its Subsidiaries, as well as the assessment of their impact on their composition
- Monitoring the preparation of succession plans

### 9.2. COMPOSITION

On 22 April 2015, the General and Supervisory Board established the Corporate Governance and Sustainability Committee for the 2015-2017 mandate, this being comprised of a majority of independent Members, in the following terms:

CORPORATE G	OVERNANCE AND SUSTAINABILITY COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Luís Filipe Marques Amado	22-04-2015
	Felipe Fernández Fernández	22-04-2015
	Jorge Avelino Braga de Macedo	22-04-2015
	Maria Celeste Ferreira Lopes Cardona	18-04-2012
	Shengliang Wu	11-05-2012

### 9.3 MEETINGS

Chart of meetings and attendance in 2017:

NAME	01/Mar	02/May	22/May	26/Jul	31/Oct	13/Dec	%
Luís Filipe Marques Amado - Chairman	Р	Р	Р	P	Р	Р	100%
Felipe Fernández Fernández	P	P	P	R	Α	Р	67%
Jorge Avelino Braga de Macedo	P	P	P	P	P	Р	100%
Maria Celeste Ferreira Lopes Cardona	R	P	P	P	P	Р	83%
Shengliang Wu	Р	P	P	P	P	P	100%

P = Present; A = Absent; R = Represented

Total from 2017 meetings: 6 Average participation: 90%

### 9.4 ACTIVITY PERFORMED BY THE COMMITTEE

In 2017, the Corporate Governance and Sustainability Committee held a total of six ordinary meetings, with Member participation averaging 90%. These meetings addressed many issues, among which the following were of most relevance:

No	DATE	LOCATION	MAIN TOPICS
1	1 Mar.	Lisbon	GCSC's 2016 Activity Report Conflict of interests and related parties: Assessment of 4Q2016 information EDP 2016 Corporate Governance Manual Ethics and Conduct: Consideration of the opinions issued by the Ethics Committee in 4Q2016 DJSI Performance of EDP 2016 - Corporate Governance
2	2 May	Lisbon	Conflict of interests and related parties: Assessment of 1Q2017 information Annual Report of the Ethics Ombudsman 2016 Annual Report of the Customer Ombudsman 2016
3	22 May	Lisbon	Selection Policy for members of the General and Supervisory Board and the Executive Board of Directors
4	26 Jul.	Lisbon	Conflict of interests and related parties: Assessment of 2Q2017 information  Ethics and Conduct: Consideration of the opinions issued by the Ethics Committee in 2Q2017  1st half of 2017 CGSC's Activity Report
5	31 Oct.	Lisbon	Conflict of interests and related parties: Assessment of 3Q2017 information Ethics and Conduct:  - Analysis of the opinions issued by the Ethics Committee in the 3Q2017  - Composition of the Ethics Committee- alteration  - Regulations of EDP Code of Ethics - Revision Succession plans: Top Management Succession Sustainability;  - Analysis of results of the Dow Jones Sustainability Index
6	13 Dec	Lisbon	GCSC - 2018 Activity Plan Ethics Consideration of the opinions issued by the Ethics Committee Sustainability; Strategic agenda on Sustainability and Monitoring the contribution of EDP to the UN Sustainable Development objectives

### 9.5 SELF-ASSESSMENT OF ACTIVITY PERFORMED

As part of its regulatory powers, the Corporate Governance and Sustainability Committee must conduct an annual self-assessment of its own activities.

Accordingly, based upon the methodology implemented to assess the activity of the General and Supervisory Board, plus other specialized Committees of the Supervisory Board, in January 2018 the Members of the Corporate Governance and Sustainability Committee were invited to complete a questionnaire to assess the activities carried out by the Committee in 2017, which was divided into the following areas:

- Composition, organisation and functioning
- Performance of the CGSC across all of its activities
- Global Assessment of the CGSC
- Individual Self-evaluation

Based on responses to the self-assessment questionnaire at the meeting conducted on 28 February 2018, Committee Members reflected on the results thereof and concluded that the Committee performed its functions properly on an overall basis.

### 10. ANNUAL REPORT OF THE STRATEGY AND PERFORMANCE COMMITTEE

### **10.1. INTRODUCTION**

Pursuant to item no. 1 of article 23 of the EDP Articles of Association, the General and Supervisory Board (GSB) may create specialized or monitoring Committees beyond those provided for in law, for the purposes of executing certain functions, and having created the Performance and Competitive Analysis Committee and the Strategy Committee as part of the mandate relative to the previous three-year period (2012-2014).

Given the compatibility between matters concerning the Strategy Committee and the Performance and Competitive Analysis Committee, effective from 22 April 2015, these Committees began to meet jointly, and the General and Supervisory Board resolved, in its 18 June 2015 meeting, to merge these Committees, resulting in the creation of the Strategy and Performance Committee.

The Strategy and Performance Committee was created as a specialized Committee to directly deal with matters relating to:

- Short, medium and long term scenarios and strategies
- Strategic execution, business planning and respective budgets
- Investments and divestments
- Debt and financing
- Strategic alliances
- · Evolution of markets and competitiveness
- Regulation
- Analysis of the performance of the Group and the Business Units
- · Benchmarking of the Group's performance in comparison to leading companies in the same business sector
- Evaluation of the competitiveness of the EDP business portfolio

The skills, mission and competencies of this Committee are set forth in its Internal Regulation (available at <a href="https://www.edp.com">www.edp.com</a>), which was approved by the GSB on 18 June 2015.

### **10.2. COMPOSITION**

On 18 June 2015, the General and Supervisory Board established the Strategy and Performance Committee for the period 2015-2017, which has the following composition:

STRATEGY /	AND PERFORMANCE COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Eduardo de Almeida Catroga	18-06-2015
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	18-06-2015
	Dingming Zhang	18-06-2015
	Ferhat Ounoughi	18-06-2015
	Fernando María Masaveu Herrero	18-06-2015
	João Carvalho das Neves	18-06-2015
	Jorge Avelino Braga de Macedo	18-06-2015
	Mohamed Ali Ismaeil Ali Al Fahim	18-06-2015
	Nuno Manuel da Silva Amado	18-06-2015
	Shengliang Wu	18-06-2015

Changes were made in 2017 to the structure of the Committee, which took the following factors into consideration:

- Mr. Mohamed Ali Al Fahim (representing Senfora BV) resigned and was replaced by Mr. Mohammed Issa Khalfan Alhuraimel Alshamsi.
- Mr. Nuno Manuel da Silva Amado ceased to be a member of this Committee, due to schedule unavailability.

Thus, due to the aforementioned, at its meeting held on 2 November 2017, the General and Supervisory Board unanimously resolved to amend the composition of the Strategy and Performance Committee, which now is the following :

STRATEGY A	AND PERFORMANCE COMMITTEE	DATE OF INITIAL APPOINTMENT
Chairman	Eduardo de Almeida Catroga	18-06-2015
	Alberto Joaquim Milheiro Barbosa	18-06-2015
	Augusto Carlos Serra Ventura Mateus	18-06-2015
	Dingming Zhang	18-06-2015
	Ferhat Ounoughi	18-06-2015
	Fernando María Masaveu Herrero	18-06-2015
	João Carvalho das Neves	18-06-2015
	Jorge Avelino Braga de Macedo	18-06-2015
	Mohammed Al-Huraimel Al-Shamsi	02-11-2017
	Shengliang Wu	18-06-2015

### **10.3. COMMITTEE MEETINGS**

List of Strategy and Performance Committee meetings and attendances, including their composition until 2 November 2017:

Name	08/Feb	01/Mar	19/Apr	02/May	26/Jul	31/Oct	%
Eduardo de Almeida Catroga	Р	Р	P	Р	P	Р	100
Alberto Joaquim Milheiro Barbosa	Р	P	P	P	P	P	100
Augusto Carlos Serra Ventura Mateus	P	P	P	P	P	P	100
Dingming Zhang	R	P	R	R	R	R	17

Ferhat Ounoughi	P	P	Α	Α	P	Α	50
Fernando Maria Masaveu Herrero	Α	P	P	Α	Α	P	50
João Carvalho das Neves	P	P	P	P	P	P	100
Jorge Avelino Braga de Macedo	P	P	P	P	P	P	100
Mohamed Ali Ismaeil Ali Al Fahim	P	P	P	P	P		100
Nuno Manuel da Silva Amado	P	Α	Α	Α	Α	Α	17
Shengliang Wu	P	P	P	P	P	P	100

P = Present; A = Absent; R = Represented

Total meetings: 6

Average participation: 76%

List of Strategy and Performance Committee meetings and attendances, including their composition after 2 November 2017:

NAME	07-DEC	%
Eduardo de Almeida Catroga	Р	100
Alberto Joaquim Milheiro Barbosa	Р	100
Augusto Carlos Serra Ventura Mateus	P	100
Dingming Zhang	Α	0
Ferhat Ounoughi	P	100
Fernando Maria Masaveu Herrero	R	0
João Carvalho das Neves	P	100
Jorge Avelino Braga de Macedo	P	100
Mohammed Al-Huraimel Al-Shamsi	Α	0
Shengliang Wu	Α	0

P = Present; A = Absent; R = Represented

Total meetings: 1 Average participation: 60%

### **10.4. ACTIVITIES PERFORMED BY THE COMMITTEE**

During 2017, the Strategy and Performance Committee held a total of seven meetings, with involvement of external staff as deemed relevant, including members of the administrative entities and executive staff of EDP and its subsidiary companies.

In these meetings, the following topics were broached:

- Strategic Plan 2016-2020 Business activities in the EDP Group (Portugal, Spain, Brazil);
- Strategic Plan 2016-2020 Electricity distribution networks in the EDP Group (Portugal, Spain, Brazil);
- Strategic Plan 2016-2020 EDP Produção;
- Strategic Plan 2016-2020 EDP Valor;
- Relative competitiveness of the EDP Group (2012-2016);
- Profitability by geography and unit of EDP Group's Business units (2012-2016)
- Performance of the EDP Group's principal business units in 2016, and in the first three quarters of 2017;
- Performance of EDP, EDP Renováveis and EDP Energias do Brasil;
- Assessment of EDP consensus of the analysts;
- EDP's Budget for 2018;

In order to further develop its activities, the Strategy and Performance Committee made use of the Support Office of the General and Supervisory Board for requirements deemed necessary .

### 10.5. SELF-ASSESSMENT OF PERFORMED ACTIVITY

As part of its regulatory powers, the Strategy and Performance Committee must conduct an annual self-assessment of its own activities.

In this respect, using the methodology designed to assess the activity of the General and Supervisory Board and other specialized Committees of the Board, Members of the Strategy and Performance Committee were invited to complete a questionnaire to assess the activities carried out by the Committee in 2017, which took place in three main areas:

- · Composition, organisation and functioning
- Performance of the SPC across all of its activities
- Global Assessment of the SPC
- Individual Self-evaluation

Based on response to the self-assessment questionnaire at the meeting conducted on 28 February 2018, members of the Strategy and Performance Committee reflected on the results thereof and concluded that the Committee performed its functions properly on an overall basis.

### **LIST OF ABBREVIATIONS**

For ease of explanation and without prejudice to the timely use of the designations and expressions that they are intended to replace, throughout this report, the following acronyms and abbreviations are used:

**GSM** - General Shareholders Meeting

EA - External Auditor

EBD - Executive Board of Directors

**GSB** - General and Supervisory Board

**CGSC** - Corporate Governance and Sustainability Committee

**SPC** - Strategy and Performance Committee

FMC - Financial Matters Committee /Audit Committee

CTG - China Three Gorges

**REMC** - Remuneration Committee (from GSB)

CVM - Securities Code

**CMVM** – Portuguese Securities Market Commission

CSC - Portuguese Commercial Companies' Code

**EDP** (or **Company**) - EDP - Energias de Portugal, S.A.

EDP Brasil - EDP Energias do Brasil, S.A.

EDP R - EDP Renováveis, S.A.

EDP SU - EDP Serviço Universal, S.A.

 $\textbf{GSBSO} - \mathsf{GSB} \ \mathsf{Support} \ \mathsf{Office}$ 

Naturgas - Naturgas Energía, S.A.

NGO - Non-Governmental Organizations

**CEBD** - Chairman of the Executive Board of Directors

CGSB - Chairman of the General and Supervisory Board

R&C - 2017 Annual Report & Accounts

IR - Internal Regulation

### SA - Statutory Auditor

**Subsidiaries** – Companies controlled by EDP, under the terms of Article 21 of the Securities Code.

**Sonatrach** - Société Nationale pour la Recherche, la Production, le Transport, La Transformation et la Commercialisation des Hydrocarbures

NOTE: The identification of corporate bodies, without any other mention, should be interpreted as referring to EDP's corporate bodies.

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